

**STANDING SENATE  
COMMITTEE ON  
FOREIGN AFFAIRS AND  
INTERNATIONAL TRADE**

***SEIZING OPPORTUNITIES  
FOR CANADIANS:***

***INDIA'S GROWTH  
AND CANADA'S  
FUTURE PROSPERITY***

**December 14, 2010**

Ce rapport est aussi disponible en français.

Des renseignements sur le comité sont donnés sur le site :

[www.senate-senat.ca/foraffetrang.asp](http://www.senate-senat.ca/foraffetrang.asp).

Information regarding the committee can be obtained through its web site:

[www.senate-senat.ca/foraffetrang.asp](http://www.senate-senat.ca/foraffetrang.asp).

***SEIZING OPPORTUNITIES FOR CANADIANS:***

***INDIA'S GROWTH AND  
CANADA'S FUTURE PROSPERITY***



# TABLE OF CONTENTS

ACKNOWLEDGEMENT .....	1
THE COMMITTEE .....	3
ORDER OF REFERENCE .....	5
I. INTRODUCTION .....	15
II. INDIA'S RISE AND THE IMPLICATIONS FOR CANADIAN COMMERCIAL OPPORTUNITIES .....	21
A. THE SITUATION IN INDIA .....	21
1. The Role of the Indian Government .....	<b>Error! Bookmark not defined.</b>
2. India's Demography and Society .....	30
3. India's Democracy .....	34
4. India's Domestic and Regional Security .....	<b>Error! Bookmark not defined.</b>
5. India in Comparison with China and Russia .....	38
B. CANADA-INDIA ENGAGEMENT OPPORTUNITIES .....	41
1. Education .....	45
2. Infrastructure .....	54
3. Energy and Power .....	<b>Error! Bookmark not defined.</b>
4. Mining and Other Extractive Industries .....	59
5. Agriculture .....	60
6. Science Technology, Information and Communications .....	64
7. Financial Institutions .....	68
C. ROLE OF GOVERNMENT IN FACILITATING RESULTS .....	73
1. Allocation of Canadian Government Resources .....	78
D. IMPROVING MUTUAL AWARENESS .....	81
1. Canada Brand .....	82
2. People-to-People Links .....	84
III. CONCLUSIONS .....	91



# ACKNOWLEDGEMENT

This report is the conclusion of three years of hearings in Ottawa and fact-finding missions to Russia, China and India. Beginning in November 2007, the Standing Senate Committee on Foreign Affairs and International Trade undertook a study motivated by an interest in the extent and ways in which Canada could benefit from the impressive and almost unprecedented economic growth of China, India and Russia. Their rise in the new global economy holds significant domestic, bilateral, and global implications for Canada and for its future prosperity.

As the committee heard from many witnesses, Canadian entrepreneurship can flourish if the level of Canadian political engagement takes into account the prominent role that the Russian, Chinese and Indian governments play in their respective commercial activities.

Our study, our reports, as well as the committee's recommendations to the Government of Canada, have contributed to the debate and public policy process. Witnesses repeatedly voiced their concerns about the level of government attention and resources devoted to Canada's commercial relations with the three emerging economies. Three years on, their testimonies and our reports have been heeded, as evident in the numerous initiatives undertaken by the Government of Canada concerning the three countries. Standing out among these initiatives is the launch on November 12, 2010 of negotiations between Canada and India for a Comprehensive Economic Partnership Agreement (CEPA) as announced by the prime ministers of Canada and India.

I would like to express my personal appreciation to the members of the Committee who were available for the many hours of meetings in Ottawa and during our fact-finding missions abroad. I would also highlight the work of my predecessor, Senator Consiglio Di Nino who was Chair at the start of our hearings and who guided a substantial portion of our study. On behalf of the committee, I want to especially thank Deputy Chair Senator Peter A. Stollery for his contribution to this study and indeed for all his efforts in supporting the committee's work. We wish him well in his retirement.

Additionally, I would like to express my appreciation to all the witnesses for having taken the time in their busy schedule to appear before the committee. Their presentation and responses to questions assisted the committee in better understanding the implications for Canada of the rise of China, Russia and India in the new global economy. The quality of the evidence presented, both orally and in written submissions to often complex questions demonstrated their expertise and knowledge of the subject studied.

Mention should be made of the assistance the committee received during its fact-finding mission in India from the High Commission of India and from the staff of the Canadian High Commission in New Delhi, General Consulate in Mumbai and Trade office in Hyderabad. In particular I wish to thank H.E. Mr. Shashishekar M. Gavai, High Commissioner for India to Canada, and Mrs. Narinder Chauhan, Deputy High Commissioner and Mr. Jim Nickel, Canadian Deputy High Commissioner to India and Mr. Marvin Hildebrand, Consul General in Mumbai.

Particular mention should be given to Natalie Mychajlyszyn from the Parliamentary Information and Research Service of the Library of Parliament for her support and professionalism in assisting the committee during this study. I would also like to thank the Clerk of the Committee, Denis Robert, Senate support staff and the team of translators who assisted the Committee in completing this study.

I know I speak on behalf of the Committee in saying that it is our sincere hope that the government will continue to find these recommendations pertinent and timely. It is also our hope that this report will help to improve and strengthen Canada-Russia, China and India relations.

Senator Raynell Andreychuk  
Chair of the Committee

# THE COMMITTEE

The following Senators have participated in the study:

The Honourable Raynell Andreychuk, Chair  
The Honourable Peter A. Stollery, Deputy Chair (until his retirement on  
November 29, 2010)  
The Honourable Percy E. Downe; Deputy Chair (since December 1, 2010)

and

The Honourable Senators:

Consiglio Di Nino;  
Percy Downe;  
Doug Finley;  
Suzanne Fortin-Duplessis;  
Mobina Jaffer;  
Janis G. Johnson;  
Frank Mahovlich;  
Pierre Claude Nolin;  
Hugh Segal;  
David P. Smith, P.C.;  
Pamela Wallin.

**Ex-officio members of the committee:**

The Honourable Senators Marjory LeBreton, P.C. (or Gérald Comeau) and  
James Cowan (or Claudette Tardif)

**Other Senators who have participated from time to time in the study:**

The Honourable Senators Tommy Banks, Eymard Corbin (retired August 2,  
2009), Dennis Dawson, Pierre De Bané, P.C., Linda Frum, Jerahmiel S. Grafstein  
(retired January 2, 2010), Céline Hervieux Payette, P.C., Leo Housakos, Elizabeth  
Hubley, Elizabeth (Beth) Marshall, Michael A. Meighen, Richard Neufeld, Donald  
Neil Plett, Nancy Greene Raine, Michel Rivard, Fernand Robichaud, P.C., Carolyn  
Stewart-Olsen, Terry Stratton, David Tkachuk and Rod A.A. Zimmer.

**Staff of the committee:**

Natalie Mychajlyszyn, Analyst, Parliamentary Information and Research Service, Library of Parliament;  
Sylvie Simard, Administrative Assistant; and  
Mona Ishack, Communications Officer;  
Denis Robert, Clerk of the committee.

**Other Staff who have assisted the committee from time to time in the study:**

Michael Holden, Simon Lapointe, analysts with the Parliamentary Information and Research Service, Library of Parliament and Karen Schwinghamer, Senior Communications Officer.

## ORDER OF REFERENCE

Extract from the *Journals of the Senate*, Tuesday, March 16, 2010:

“The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Wallin:

That the Standing Senate Committee on Foreign Affairs and International Trade be authorized to examine and report on the rise of Russia, India and China in the global economy and the implications for Canadian policy;

That the papers and evidence received and taken and the work accomplished by the committee on this subject during the Second Session of the Thirty-ninth Parliament and during the Second Session of the Fortieth Parliament be referred to the committee; and

That the committee presents its final report no later than June 30, 2010 and retain all powers necessary to publicize its findings until December 31, 2010.

After debate, [...]

The motion was adopted on division.”

ATTEST

Gary W. O’Brien  
*Clerk of the Senate*

Extract from the *Journals of the Senate*, Thursday, June 3, 2010:

“The Honourable Senator Andreychuk moved, seconded by the Honourable Senator Gerstein:

That notwithstanding the Order of the Senate adopted on Tuesday, March 16, 2010, the date for the presentation of the final report by the Standing Senate Committee on Foreign Affairs and International Trade on the rise of Russia, India and China in the global economy and the implications for Canadian policy be extended from June 30, 2010 to December 31, 2010 and that the committee retain all powers necessary to publicize its findings until March 31, 2011.

The question being put on the motion, it was adopted.”

ATTEST

Gary W. O’Brien  
*Clerk of the Senate*



## EXECUTIVE SUMMARY

The Standing Senate Committee on Foreign Affairs and International Trade began its study on the rise of China, India and Russia in the new global economy and the implications for Canadian policy in November 2007. In concluding our study, we believe that any effort to deepen Canadian commercial engagement with China, India and Russia will benefit from focus, persistence and consistency on the part of the Government of Canada. In other words, this goal can be achieved notwithstanding the relative size of the Canadian economy if the government's resources are applied strategically.

We also believe that China, India and Russia need to be treated individually. Each is experiencing the transformation towards higher levels of economic growth from different starting points and in different ways. It follows that their opportunities, challenges and risks will reflect the specific circumstances of each, and policies crafted in response will need to do the same.

Finally, the last three years emphasised how much the world itself is changing as well as the importance of shaping Canadian policy in response in order to better position the country against future opportunities and challenges. In this respect, with three of the five largest economies in the world being Asian, the magnetism and economic weight of the Asia-Pacific region is astonishing. For Canada's part, these developments reinforce the essence of the new global economy and, for the sake of Canadian prosperity, the need for Canadian trade and investment patterns to better reflect these transformations. While the United States is recognised as Canada's primary trade and investment partner, Canadian prosperity can benefit from wider diversification and a deepening of commercial relations with China, India and Russia.

We conclude, therefore, that, for the benefit of Canada's future prosperity and the realisation of mutual advantages, the Government of Canada should strengthen its bilateral trade and investment relations with China, India and Russia and formulate policies that better mitigate the associated challenges and realise potential mutual benefits of these emerging economies.

Our study, our three reports, as well as the over thirty recommendations to the Government of Canada, have contributed to the debate and public policy process concerning the impact on Canada of the rise of China, India and Russia. At the beginning of our study, our witnesses repeatedly voiced their concerns about the level of government attention and resources devoted to Canada's commercial relations with the three emerging economies. Three years on, their testimonies and our reports have been heeded, as evident in the numerous initiatives undertaken by the Government of Canada concerning the three countries. Standing out among these initiatives is the launch on 12 November 2010 of negotiations between Canada and India for a Comprehensive Economic Partnership Agreement (CEPA) as announced by the prime ministers of Canada and India. They also include a greater emphasis on high-level visits and their increased frequency.

Initiatives such as these underline the role that governments play in fostering a climate of political cooperation and facilitating the pursuit of commercial opportunities. Bearing in mind that businesses themselves decide where they want to go, governments attend to the political dimension of economic exchanges, which can be an inevitable component of trade and investment. In preparing its reports that concentrate on action that the Government of Canada can take, it bears noting that the Committee limited its recommendations to areas where it believes government action is warranted and to concerns raised on the part of private business interests. In this regard, it believes that there will be circumstances under which governments are

likely to be more adept at supplying the tools businesses require, particularly if the business atmosphere of a target country is saturated with politics. It is these areas on which the Committee concentrated, such as building political relations to facilitate the achievement of agreements and frameworks that remove impediments, strengthen predictability and improve transparency, these being important elements that encourage commercial patterns and for which private businesses have asked. At the same time, our reports unapologetically drew attention to some of the politically-based challenges facing these emerging economies and which, as we were repeatedly told by businesses, impede the realisation of greater opportunities and mutual benefit, such as corruption and onerous bureaucracies.

As we heard from many witnesses, including from the private sector, Canadian entrepreneurship can flourish if the level of Canadian political engagement takes into account the prominent role that the Russian, Chinese and Indian governments play in their respective commercial activities. Accordingly, we limited the scope of the study and reports to those areas where we felt we might make a significant contribution, although we acknowledge that the study's broader essence contains equally important domestic and international dimensions, as well as political and economic ones.

However, while the Government of Canada has already undertaken many initiatives, we believe that there is much more that can be considered and implemented. In particular, as our report observes, there are many strategic reasons for Canada to focus on India and we offer several recommendations in this respect.

## **RECOMMENDATION 1:**

**The Government of Canada should include the following sectors as priorities in its pursuit of stronger engagement with India and increased trade in goods and services and investment and in the negotiations for a Common Economic Partnership Agreement as appropriate:**

- **education;**
- **infrastructure;**
- **energy and power;**
- **mining and other extractive industries;**
- **agriculture;**
- **science technology, information and communications;**  
**and,**
- **financial services (page 72).**

## **RECOMMENDATION 2:**

**The Government of Canada should conclude negotiations with the Indian government on the Foreign Investment Protection Agreement (FIPA) and the Comprehensive Economic Partnership Agreement (CEPA) in a timely and early manner. It should also continue to pursue additional bilateral agreements across a wide range of sectors that advance trade and investment relations between the two countries. Moreover, these agreements should be completed and implemented in a manner that is consistent with Canadian interests and international principles regarding the liberalisation of trade and investment. (page 77-8)**

### RECOMMENDATION 3:

The Government of Canada should ensure that a system of government resources is in place that supports greater engagement with India in general and the development of commercial relations in particular. These resources include, but are not limited to, trade and visa officers. The supply of these resources should be provided as demand warrants, and should reflect India's designation as a priority country for Canada. (page 79)

### RECOMMENDATION 4:

A Canada-India parliamentary association should be elevated to a recognised status to acknowledge the significance of this bilateral relationship. (page 90)

### RECOMMENDATION 5:

The Government of Canada should develop and promote a "Canada Brand" that raises the profile of Canadian expertise and advances a more accurate image of Canada's commercial innovations in foreign markets generally and in China, India and Russia particularly. (page 94)

### RECOMMENDATION 6:

The Government of Canada should take the necessary steps to support opportunities for, and to realise the full potential of, Canadian commercial expertise in sectors in demand in China, India and Russia, including education, agriculture, mining and other extractive industries, energy, technology, financial services, and infrastructure. (page 94)

#### **RECOMMENDATION 7:**

**The Government of Canada should take the necessary steps that leverage the knowledge and insight available from the relevant business associations and diaspora communities regarding the three emerging economies. It should also establish support mechanisms by which these groups can be used to facilitate information-sharing about commercial opportunities and potential partnerships. (page 94-5)**

#### **RECOMMENDATION 8:**

**The Government of Canada should ensure that the necessary political will exists to negotiate, conclude and implement bilateral frameworks for dialogue as well as trade and investment agreements with China, India and Russia. This includes in particular the recently launched Comprehensive Economic Partnership Agreement between Canada and India. (page 96-7)**





# I. INTRODUCTION

For the benefit of Canada's future prosperity and the realisation of mutual advantages, the Government of Canada should strengthen its bilateral trade and investment relations with China, India and Russia and formulate policies that better mitigate the associated challenges and realise potential mutual benefits of the rise of these emerging economies.

This is the cumulative statement of the Standing Senate Committee on Foreign Affairs and International Trade after its three-year study on the rise of China, India and Russia in the new global economy and the implications for Canadian policy. Building on its two interim reports which were tabled in March and June 2010 and observations gathered from a subsequent fact-finding mission to India, the Committee is issuing this concluding report on its study. In so doing, it reaffirms that the rise of the three emerging economies holds significant domestic, bilateral and global implications for Canadian trade and investment policies.

Ultimately, we believe that our study, our reports, as well as our final affirmation of the initial 23 recommendations have contributed to the debate and public policy process concerning the impact on Canada of the rise of China, India and Russia. We also believe that our work has strengthened the awareness of what is at stake, and, ultimately, enriched the public policy discussion about Canada's trade and investment future in a changing global economy.

At the beginning of our study, our witnesses repeatedly voiced their concerns about the level of government attention and resources devoted to Canada's commercial relations with the three emerging economies. Three years on, their testimonies and

our reports have been heeded, as evident in the numerous initiatives undertaken by the Government of Canada concerning the three countries. Standing out among these initiatives is the launch on 12 November 2010 of negotiations between Canada and India for a Comprehensive Economic Partnership Agreement (CEPA) as announced by the prime ministers of Canada and India. They also include a greater emphasis on high-level visits and their increased frequency.

These initiatives underline the role that governments play in fostering a climate of political cooperation and facilitating the pursuit of commercial opportunities. As we heard from many of our witnesses, including from the private sector, Canadian entrepreneurship can flourish if the level of Canadian political engagement takes into account the prominent role that government and the bureaucracy plays in India's commerce.

Thus, despite the initiatives already undertaken, there is much more that can be considered and implemented by the Government of Canada; hence, this final report and its focus in the conclusion on areas requiring special attention.

The launch of the free trade negotiations between Canada and India followed the Committee's fact-finding mission to India from 5 to 10 September 2010. It had nearly 30 meetings in Delhi, Hyderabad and Mumbai with over 50 interlocutors. They included high-level representatives of the federal and state governments and legislatures, such as the Speaker of the Lower House of India's parliament, the Deputy Speaker of the Assembly of Andhra Pradesh, and the Chief Minister for Maharashtra of which Mumbai is the capital. We also met with the Indian Ministers of Power, Human Resources Development and Higher Education, Commerce and Industry, Road Transport and Highways, the Secretaries for Agriculture and External

Affairs, the Chair of the Parliamentary Committee on Science and Technology, Environment and Forests, as well as with the State Minister for Tourism, Culture and Public Relations for Andhra Pradesh of which Hyderabad is the capital. In the three cities, we also met altogether with over 40 Canadian and Indian businesses and commercial enterprises representing a wide range of sectors, including insurance, finance, infrastructure, education, life sciences, engineering, technology, and agriculture to name a few. In Hyderabad, the Committee visited the L. V. Prasad Eye Institute, a world class eye hospital, research, training and rehabilitation centre. Also in that city, we met with InfoTech, a global engineering services provider, as well as with students and faculty of the India School of Business. The Committee also met with research and advisory institutions associated with India's social and economic development, such as the Centre for Policy Research and a member of the National Advisory Council in Delhi, and with McKinsey and Company in Mumbai. Also in Mumbai, we saw some of the small-scale commercial activities carried out in Dharavi, the second largest slum in Asia, and at Dhobi Ghat, known as the world's largest outdoor laundry. We also had meetings with Canadian officials, particularly trade commissioners, from the High Commission and the Consulates General in the three cities visited.

Over the course of our mission, we observed much that represents both India's economic opportunities and challenges. These include the world-class airports and terminals in Delhi (we arrived at the new terminal constructed in part for the 2010 Commonwealth Games), Hyderabad and Mumbai, the high volume of infrastructure and construction projects in all three cities, and the excitement of non-resident Indian business students coming home to pursue their education and professional training in world class facilities and in a country drawing global attention. They also include transportation challenges and varied quality of roads and sidewalks, the lack outside of

major cities of illuminated road signs and pedestrian lights, water and energy limitations (we experienced a number of blackouts in Delhi), the obvious and extreme gaps between the impoverished and prosperous groups in India's society, and the high level of security at public buildings and hotels. Indeed, these challenges reflect the extent of India's infrastructure needs. Among other possibilities, this creates enormous opportunity for Canadian companies specializing in such sectors as public lighting and safety, road sign and control and monitoring equipment. Above all, we noted tremendous warmth of hospitality and an impressive entrepreneurial spirit.

In addition to gathering first-hand observations about the state of Canada-India commercial relations and to identifying opportunities for future growth and development, a central purpose to our mission was to use the invaluable opportunity and assess the validity of the 23 recommendations made to the Government of Canada in our June 2010 report. As we carried out our objectives, the Committee was enthusiastically received by all of our interlocutors. Indeed, there was a high degree of interest in the presence of a parliamentary committee from Canada and which was reflected in the media coverage our mission received in print and broadcast. That we had occasion to hold several high-level meetings, including with five Ministers, showed a strong interest in the Committee's work and in Canada-India relations more generally. It also showed that an appetite exists for strengthening our commercial relations.

This report begins with a special focus on the Committee's observations related to India and its fact-finding mission before turning to final conclusions about its recommendations. As with our two previous reports, we believe that this concluding report might serve to hasten the realisation of opportunities and potential partnerships, placing Canada's commercial relations with India as well as with China

and Russia on track for continued mutual rewards for the future, and ultimately benefit the Canadian economy. The launch of the CEPA negotiations between Canada and India may be just a signal of achievements yet to come.



## II. INDIA'S RISE AND THE IMPLICATIONS FOR CANADIAN COMMERCIAL OPPORTUNITIES

India today is a vibrant country in the throes of becoming among the most important countries in the global economic system. Indeed, ample evidence of India's economic growth – driven by increasing levels of consumption, an expanding service sector, a leading-edge technology sector, and a youthful labour force, among other factors<sup>1</sup> – was easy to find in the presentations made by various interlocutors during the Committee's fact-finding mission.

### A. THE SITUATION IN INDIA

According to McKinsey and Company, India's US\$1 trillion economy is due significantly to internal imperatives, including growth in services from 37% of the economy in 1980 to 55% in 2009, high private consumption expenditures as a proportion of GDP (54%), and growth in private-sector investment, particularly in the telecommunications, power and roadways sectors that is predicted to be more than three times higher in 2008-2012 than in 2003-2007.<sup>2</sup> According to the State Bank of India, all of this growth has resulted in an average 8.5% GDP over the last five years and nominal GDP that is expected to reach US\$1,317 billion in 2010 and US\$1,529 billion in 2011.<sup>3</sup> As the middle class grows, the percentage of the population below the poverty line is expected to decline from 72% in 2001 to 52% by 2009-2010. Population growth has also slowed; according to ICICI Lombard General

---

<sup>1</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>2</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>3</sup> Meeting, Mumbai, India, 9 September 2010.

Insurance, the growth rate fell from 2.2% in 1950-1980 to 1.5% in 2001-2010.<sup>4</sup> Moreover, according to McKinsey and Company, as a percentage of the overall economy, the contribution made by the agriculture sector has declined from 35% in 1980 to 16% in 2009.<sup>5</sup>

In addition, not only is the savings rate increasing, rising from 26.4% of GDP in 2003 to 34.0% in 2010, but it is also occurring, to a greater extent, through the banking system rather than through gold purchases, for instance, which results in a greater impact on the economy.<sup>6</sup> The importance of the rising savings rate in India was echoed by our interlocutors at the Centre for Policy Research, who emphasised the high savings rate as a basis for economic growth, particularly when compared to that of China.

India's positive economic growth has not yet reached its full potential. According to the the State Bank of India, for instance, India is expected to become a US\$2 trillion economy by 2015 and US\$4 trillion by 2025.<sup>7</sup> It also quoted a McKinsey and Company report which suggests that India will become the fifth-largest consumer market in the world by 2025.

If this rate of economic growth can be sustained, India is on track to become one of the three Asian-based economies found in the top five major economies of the world. Indeed, according to a Goldman Sachs report cited by the State Bank of India, India could even become the third-largest economy worldwide, behind the United States

---

<sup>4</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>5</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>6</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>7</sup> By comparison, Canada's economy has an estimated value of C\$1.3 trillion.

and China.<sup>8</sup> These predictions are not without substance. They reflect strong and continued economic growth, in part resulting from growth in the manufacturing and services sectors, as well as infrastructure development and investment, robust investment rates, sound legal, financial and regulatory institutions, a comparatively favourable investment climate and the emergence of a strong corporate India.<sup>9</sup>

Moreover, household income is expected to grow at a compound annual rate of 5.3% from 2005 to 2025, and rising income levels are expected to remove 291 million people from a life of poverty; by 2025, a middle class of 583 million people, or 41% of the population, is expected, an increase from 5% in 2005.<sup>10</sup> ICICI Lombard General Insurance told us that they expect the middle-income group to comprise more than 50% of the population by 2040.<sup>11</sup> The increased size of the middle class means that India's purchasing power will rise, and consumption could quadruple by 2025, particularly for discretionary items.<sup>12</sup>

By 2030, with urbanisation in India, cities are predicted to house 40% of India's population<sup>13</sup> and to account for 70% of India's GDP. Indeed, by this time, India is expected to have 68 cities with a population exceeding one million people, thirteen cities with more than four million people and six mega cities with populations of ten million or more, at least two of which will be among the five largest cities in the world. According to the State Bank of India, at present, ten of the world's thirty fastest-growing cities are in India.

---

<sup>8</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>9</sup> Meetings, Mumbai, India, 9, 10 September 2010.

<sup>10</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>11</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>12</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>13</sup> Meeting, Mumbai, India, 9 September 2010.

At the same time, according to the State Bank of India and ICICI Lombard General Insurance, because India's future economic growth will be largely based on its expanding domestic consumption, its growth will be shielded from any negative global economic downturns, echoing its experience during the 2008 global slowdown: India's GDP growth rate declined from a high of 9.7% in 2006-2007 to 9.0% in 2007-2008 and to 6.7% in 2008-2009, but the rate is expected to rise to 7.4% in 2009-2010 and to reach 8.8% in the first quarter of 2011.<sup>14</sup>

India's economic dynamism has been manifested in the growth of a variety of sectors, particularly financial and insurance, information technology, life sciences and education, among many others. Indeed, for some of our interlocutors, the information technology sector is the "success story which has put India on the map."<sup>15</sup> The dynamism we observed first-hand has also been evident in India having become the world's fastest-growing mobile phone market, with 18 million users added in June 2010 alone.<sup>16</sup> It is also among six countries in the world to have satellite launch capabilities and is among only three countries worldwide to have built a supercomputer. Moreover, according to the State Bank of India, as one of seven countries in the world to have built a car indigenously, India's auto industry has grown to the point that India is now ranked as the world's seventh-largest producer of cars.

India's dynamism has also been manifested in the growth of small and medium-sized enterprises (SMEs). According to McKinsey and Company, the rate of growth of India's SMEs has increased 13% from 2007 to 2009, compared to 8% for large enterprises for the same period.<sup>17</sup> Indeed, the importance of SMEs to India's

---

<sup>14</sup> Meetings, Mumbai, India, 9, 10 September 2010.

<sup>15</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>16</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>17</sup> Meeting, Mumbai, India, 10 September 2010.

economy is well-recognized, as is evident from the existence of the federal Ministry of Micro, Small and Medium Enterprises. Moreover, in Maharashtra state, there is a newly created portfolio of Secretary for Small and Medium Industries. In addition, support to SMEs is a particular focus of the Maharashtra Development Corporation, which is reserving 30% of commercial land exclusively for SMEs. We were also told that Maharashtra state is developing a SME-specific policy for 2011.<sup>18</sup>

Growth is not confined to a few urban centres or to one region; rather, it is apparent throughout India. South India, for instance, which is considered to be the engine behind India's growth, boasted a GDP of more than US\$170 billion in 2007-2008; it has a high literacy rate, and the proportion of the population living in urban centres, as well as the proportion that is impoverished, are better than India's average.<sup>19</sup> The region also houses three of the six largest cities in India, including Chennai, Bangalore and Hyderabad.

For its part, the economy in western India is valued at more than US\$195 billion, or 24% of India's GDP, and the region has an average annual economic growth rate higher than that of India as a whole. Maharashtra itself leads all other states in terms of inward foreign direct investment. Moreover, the state of Gujarat includes only 5% of India's population but accounts for more than 20% of India's exports and is the destination for close to 15% of total foreign direct investment in India. Gujarat also has a per capita GDP that is almost three times India's average and an annual GDP growth rate that has exceeded 10.2% every year since 2005, a figure that is higher than the 9.4% for India as a whole. Goa's households boast higher disposable incomes

---

<sup>18</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>19</sup> Meeting, Hyderabad, India, 8 September 2010.

than the Indian average, and the city has one of the highest literacy rates in India, at 80%.

The Committee heard from several interlocutors that the positive impact of India's dramatic growth has been as much psychological as it has been economic. In effect, it has created a mood of tremendous optimism among the Indian population. For instance, the astonishing successes in the information technology sector and the instantaneous creation of one million middle-class jobs as a result have conferred on Indians a positive national image. They believe that their country can join the ranks of the "world class," and they have the sense a good and well-paid job based on one's own talents and merits is not impossible.

That being said, India's economic growth and future potential are not without challenges. As the Minister for Human Resource Development and Education told the Committee, India is having to combat "huge challenges" as a result of its economic successes.<sup>20</sup> Indeed, according to the Centre for Policy Research, while the sense of possibility and change among Indians has been astonishing,<sup>21</sup> managing expectations while avoiding complacency and a sense of inevitability will be a particular challenge, especially since nothing about the future is inevitable.

## 1. The Role of the Indian Government

Of interest to the Committee was the observation made by interlocutors at the Centre for Policy Research that India's economic growth rates have been achieved "in spite

---

<sup>20</sup> Meeting, Delhi, India, 7 September 2010.

<sup>21</sup> Meeting, Delhi, India, 6 September 2010.

of government policies.”<sup>22</sup> On the one hand, their observation reflects the dominant role that the state still plays in India’s economy, including through burdensome regulations and onerous bureaucracy, a concern voiced by many of our interlocutors. One referred to India’s business environment as “not easy” and another described the regulatory environment as a “nightmare.” Another interlocutor remarked that the Indian system is not set up to deal effectively with contemporary issues and economic processes, such as requirements for environmental protection.<sup>23</sup>

On the other hand, the observation also reflects the positive impact that the private sector is having by increasingly compensating for the state’s limited ability to contribute to various sectors of the economy, such as infrastructure.<sup>24</sup> Indeed, in addition to the high number of private-public partnerships (PPP) in many initiatives, other evidence of the lessening dominance of the state lies in the number of divestment initiatives included in the February 2010 budget.<sup>25</sup>

#### a. **Structural Reforms**

One way in which the state is playing a positive role is by undertaking numerous reforms in order to streamline and liberalise the economy further as well as to attract the higher levels of investment necessary to sustain the country’s economic growth.<sup>26</sup> Indeed, there were many positive impacts in the 1990s when financial sector reforms related to liberalisation, globalisation and structural change in services opened up various sub-sectors, facilitated greater private-sector participation, and resulted in

---

<sup>22</sup> Meeting, Delhi, India, 6 September 2010.

<sup>23</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>24</sup> Meeting, Delhi, India, 6 September 2010.

<sup>25</sup> Meeting, Delhi, India, 6 September 2010.

<sup>26</sup> Meetings, Mumbai, India, 9, 10 September 2010.

today's resilient and driving industry. Additional reforms in the financial and insurance sector, such as raising the foreign investment limit from 26% to 49% and loosening restrictions on foreign banks that otherwise are able to establish themselves as branches only, are expected to increase business even more.<sup>27</sup> Indeed, according to the State Bank of India, the Reserve Bank of India is examining options for requirements that would allow licensing of foreign private banks; no such license has been issued in ten years.

As McKinsey and Company noted to us, continued structural reforms are necessary in order to maintain a favourable investment climate in India and to achieve the necessary levels of foreign direct investment, ultimately benefitting India's economy and the manufacturing and services sectors in particular. According to them, up to US\$30-40 billion in foreign direct investment is needed over the next several years. Many of the reforms being undertaken in India involve loosening restrictions in respect of foreign direct investment which, according to the State Bank of India, are 26% in the defence and insurance sectors, 51% in the single-brand retail sector. Indeed, cash and carry stores already allow 100% foreign direct investment. Moreover, while most foreign investment is automatically approved, some proposed investments require approval by a foreign protection review board. Of particular note is that, according to McKinsey and Company, approximately 20% of India's inward foreign direct investment is by the global Indian diaspora, suggesting that funds are "coming back."

India's tax system was also raised as an area requiring additional reform. According to the Centre for Policy Research and the State Bank of India, India's direct and indirect

---

<sup>27</sup> Meetings, Mumbai, India, 9, 10 September 2010.

tax systems are being reformed following the February 2010 budget; the changes are expected to improve efficiency and equity as well as to eliminate distortions in the tax structure.<sup>28</sup> Other reforms being examined include rationalising tax benefits, decreasing tax rates and increasing the tax code's transparency.<sup>29</sup> According to McKinsey and Company, improvements to India's tax laws, including making them less stringent and reducing tax rates, has decreased the size of the underground economy.

While the Chief Minister of Maharashtra noted that complexities and structural barriers are present in any business environment, he also noted that greater transparency and predictability are key to lessening the negative impact of complexities and barriers on business transactions. For its part, the state of Maharashtra, for instance, has established a process whereby businesses can take advantage of a digital Single Window Clearance Portal and has also increased the number of relevant business development applications that are available online.

We also heard from our interlocutors that corruption is another challenge in India's business environment, particularly at the intermediate level of government and in construction. That being said, Indians are aware of, and sensitive to, the need to overcome the challenge of corruption. In this respect, according to the Centre for Policy Research, an increasing number of sectors and mid-sized companies, in particular, are functioning more often in a relatively clean business environment.<sup>30</sup> In addition, many companies – both domestic and foreign – are refusing to participate in corrupt practices. Moreover, we heard that corruption is likely to fall and have less

---

<sup>28</sup> Meetings, Delhi, India, 6 September 2010; Mumbai, India, 9 September 2010.

<sup>29</sup> Meeting, Delhi, India, 6 September 2010.

<sup>30</sup> Meeting, Delhi, India, 6 September 2010.

impact once India's economic structure, including its heavy regulatory system and the bureaucracy that encourages corrupt practices, undergoes significant change.

## 2. India's Demography and Society

India's impressive economic growth has not been without its impact on India's large, diverse and democratic society. Indeed, the impact presents both opportunities and challenges for the sustainability of continued economic gain. According to the State Bank of India, India is in a "Golden Period" that is marked by the largest youthful, savings-oriented, least indebted and consuming population in the world.<sup>31</sup>

Our discussions with interlocutors on this topic centred primarily on the sizeable population of Indian youth and how its potential can be effectively harnessed for the benefit of the country's economy. According to our interlocutors, 70% of the Indian population is below 35 years of age. This cohort is also the largest growing youth population outside of Africa.<sup>32</sup>

As a result, India offers a strong potential pool of human resources among its youth population, whose literacy rate is also expected to cross the 80% threshold by the end of 2010.<sup>33</sup> According to the Minister of Human Resource Development and Education and other interlocutors, if properly educated and trained – either through post-secondary or vocational programs – and if employment is made available that matches India's needs, such a pool is highly desirable in order to overcome the country's labour shortage.<sup>34</sup> Indeed, India's economy grew at such a rate that its

---

<sup>31</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>32</sup> Meetings, Mumbai, India, 10 September 2010.

<sup>33</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>34</sup> Meetings, Delhi, India, 7 September 2010; Mumbai, India, 9 September 2010.

labour pool could not keep pace.<sup>35</sup> According to the Centre for Policy Research, the time for action is now while the window is open and before this large cohort grows too old.

The stakes for successfully integrating and gainfully employing India's youth population are indeed high, not only for India's continued economic growth, but also for the sake of political stability. A cautionary note was raised to the Committee about the vulnerabilities of an unemployed, uneducated youth population towards social unrest and even terrorism.<sup>36</sup>

Moreover, as the Centre for Policy Research cautioned, the successful integration of this population should not be considered as inevitable as it relies on appropriate labour and education policies. The Committee heard about India's labour shortage resulting in part from labour policies that are tied to the country's social policies. For example, we heard that a company will limit the number of employees it will hire in part because it is then obligated to keep them for life; as well, India has a guaranteed work program which ultimately removes any motivation on the part of potential labourers from finding employment in centres and sectors where labour is particularly needed.<sup>37</sup>

As India's economy has grown, it has become faced with acute challenges related to distribution issues. In other words, the continued gap between the wealthy and impoverished members of India's society suggests, according to one of our interlocutors, that economic growth itself is not a solution to India's poverty.<sup>38</sup> We

---

<sup>35</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>36</sup> Meetings, Delhi, India, 6 September 2010; Mumbai, India, 10 September 2010.

<sup>37</sup> Meetings, Delhi, India, 6 September 2010; Mumbai, India, 10 September 2010.

<sup>38</sup> Meeting, Delhi, India, 6 September 2010.

saw some of the evidence of this during our visit in Mumbai to Dharavi, the second largest slum in Asia. According to the Minister for Human Resource Development and Education, 500 million Indians earn less than US\$2 a day. The gaps are also evident among regions, with some states worse off than others. One of our interlocutors pointedly noted that India's economic growth and enormous amounts of wealth are juxtaposed against a situation where every second child is malnourished. He also added that, in his opinion, many of India's economic growth policies and reform initiatives are aggravating the situation by destroying the livelihood of large segments of society, especially in agriculture, without appropriate re-training or re-employment programs. In one example of the unequal distribution of the gains from India's economic growth, we were told in particular how the Dhobi Ghat in Mumbai, the world's largest outdoor laundry, is being negatively affected by India's transformation; more specifically, demand for its services are falling, development is pressuring the space it occupies, and, consequently, its workers are facing marginalisation.

According to McKinsey and Company, however, the lower classes are economically more empowered in the new India and have more opportunities for such consumer purchases as televisions and mobile phones. Indeed, they noted that the educated class in general is seeing their household incomes increase as many become two-income families; likewise, their consumption power has also increased.

The challenge, therefore, according to the Minister of Road Transport and Highways, is to harness India's full demographic potential and link it with inclusive growth.<sup>39</sup> We heard how the Indian government is trying to address the shortcomings by way of

---

<sup>39</sup> Meeting, Delhi, India, 7 September 2010.

cash transfer of resources in health programs, food subsidisation programs, and by targeting rural and poor regions with infrastructure development.<sup>40</sup> In Dharavi, we also saw some micro-level entrepreneurial activities in the form of recycling initiatives among others.

The Committee also heard during our exchanges that more women are seeing an improvement in their socio-economic status as a result of improved employment and education opportunities stemming from India's economic growth.<sup>41</sup> We also heard that women are increasingly represented at the CEO and other high level corporate positions. According to McKinsey and Company, while there is some evidence that change has begun for the lower classes as well, such as an increased number of female children completing high school, the economic situation for women is not yet on par with that of men.

In terms of political representation, we heard that reforms are being considered to establish a quota system so that one-third of the seats in the national parliament are to be held by women. The quota system would build on the 10% of parliamentarians in the lower and upper houses who are women, including the Speaker of the Lok Sabha (lower house) with whom we met. Moreover, 36% of the representatives in the State Assembly of Andhra Pradesh are women and the authorities are examining the option of establishing a quota of 50%.

In a general way, the quota system is intended to also strengthen women's representation at the highest levels of government, such as Chief Ministers, and others with whom we had occasion to meet, including the Secretary of State for External

---

<sup>40</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>41</sup> Meeting, Mumbai, India, 10 September 2010.

Affairs and the State Minister for Andhra Pradesh of Tourism, Culture and Public Relations.

According to our interlocutors, there is evidence of real change regarding the position of women in India. Some dismissed the criticisms that such efforts amount to tokenism. Instead, they emphasised that these efforts represent a growing awareness among the various levels of authority about the need to improve the representation of women in key structures of authority as well as women's access to vehicles for socio-economic advancement.<sup>42</sup>

With regard to India's minority groups, on the other hand, we heard that criticisms about efforts to improve representation are valid. Indeed, despite efforts to eradicate India's caste system, we heard that vestiges of it continue to exist. In this respect, we were told that minorities are falling behind in almost every indicator. Moreover, token efforts to improve their representation instead obscure their real deprivations.<sup>43</sup>

Against this background, however, it is noteworthy that the Speaker of the Lok Sabha is not only the first woman, but also the first member of the untouchable caste to hold this position. In this way, she has been known to give voice to many disadvantaged groups in India and in the Commonwealth more generally.

### 3. India's Democracy

India is confronted with the weight of the responsibility of trying to achieve economic growth and integration in the world's largest democracy. The extent of this weight

---

<sup>42</sup> Meeting, Delhi, India, 6 September 2010.

<sup>43</sup> Meeting, Delhi, India, 6 September 2010.

was amplified during the Committee’s visit to the Indian Houses of Parliament and in the accompanying description of the longstanding commitment to and tradition of democracy in such a diverse country.<sup>44</sup> For one of our interlocutors, the vibrancy of Indian democracy deepens the paradox of its economic growth, with the creation of “Two Indias” – one that is prosperous and benefitting from the country’s transformation, the other impoverished and unable to access the emerging opportunities – as evidence of the failure of governance in the country.<sup>45</sup>

Indeed, because of India’s commitment to democracy, many challenges become particularly sensitive. For instance, given the 80% rate of turnout in rural areas during elections and that 60% of the population depends on agricultural sector for employment, any effort to change and liberalise India’s agricultural policies becomes highly political. In addition, India’s high population density means that there is very little waste land in India; as a result, land has also become politically sensitive against the backdrop of such economic growth. As we heard from one of our interlocutors, this has affected in particular land expropriation initiatives which have not always been carried out efficiently and to the satisfaction of those being expropriated due in part to the unavailability of land for substitution, and issues related to limited options for agricultural labour and employment.<sup>46</sup>

India’s federal structure creates another layer of responsibility. Indeed, our interlocutors impressed upon us that often the agendas of the regions and states influence national policy, and not necessarily for the benefit of the country.<sup>47</sup> As well, we heard about the added layer of complexity resulting from regional differences in

---

<sup>44</sup> Meeting, Delhi, India, 6 September 2010.

<sup>45</sup> Meeting, Delhi, India, 6 September 2010.

<sup>46</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>47</sup> Meeting, Mumbai, India, 10 September 2010.

regulations. According to the State Bank of India, for instance, the existence of variations in financial regulations is a problem and its representatives have been attending policy level meetings with the relevant state officials that are working to standardise them. Moreover, the states have control over their resources and power, thereby their allocation for national benefit cannot be mandated by the central government.<sup>48</sup> The result is that some states are at more advanced stages of economic development than others. Correspondingly, levels of investment are also unequal across states.<sup>49</sup>

#### 4. India's Domestic and Regional Security

India's continued economic growth also has implications for its domestic and regional security agenda. These primarily relate to the Naxal anti-government movement that is promoting Maoist principles and using insurgency tactics to advance its ideas from its base in central and north eastern India. According to McKinsey and Company, this movement and its effects may be mitigated through the modernisation of India's security forces, the restoration and strengthening of civil administration in the affected areas, and by focusing on socio-economic development for the relevant populations.<sup>50</sup>

India's relations with its neighbourhood, however, dominated our exchanges on this topic. The Secretary of State for External Affairs affirmed that India's priority is peace and harmony with its neighbours.<sup>51</sup> In this respect, India's relations with Pakistan dominate its concerns. The two countries have had an intense rivalry based

---

<sup>48</sup> Meeting, Delhi, India, 6 September 2010.

<sup>49</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>50</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>51</sup> Meeting, Delhi, India, 6 September 2010.

in part on the violent dispute over control of Kashmir and on competing water claims. This rivalry, according to our interlocutors, has resulted in high levels of distrust and low levels of confidence. That the two countries are also armed with nuclear weapons makes normalisation of their relations all the more critical. We were pleased to hear that initial steps have been taken to resume peace talks between the two countries. Indeed, the Secretary of State for External Affairs expressed her strong belief that India and Pakistan will be able to sort out the Kashmir situation and other points of disagreement.<sup>52</sup>

Issues also arose about India's relationship with China, with whom it also has a border dispute. However, according to our interlocutors, that China in 2008 was India's largest trading partner suggests that many of these issues may already be diminishing in their immediate significance.<sup>53</sup>

Thus, India's economic growth has the potential to be a positive force of change and stability in the region. In one respect, this is already being manifested in its recent development activities in Bangladesh. It has also been evident in its contribution to Afghanistan's post-conflict reconstruction and the strengthening of its institutions. At the same time, its activities in Afghanistan are not altogether altruistic given that part of its motivation is to strengthen Afghanistan's institutions in order to minimise the presence and influence of terrorist insurgents in the country who might target India. Indeed, having already suffered numerous terrorist attacks domestically and abroad (most prominently, Mumbai suffered a series of attacks in October 2008 and the Indian embassy in Kabul was attacked with fatalities in October 2009), India's concerns with terrorism precipitate its efforts to address it at its source in the region

---

<sup>52</sup> Meeting, Delhi, India, 6 September 2010.

<sup>53</sup> Meetings, Delhi, India, 6 September 2010; Mumbai, India, 10 September 2010.

in particular and to cooperate in global anti-terrorist initiatives in general. It follows that this is also the same motivation behind its interest to see an economically strong and stable Pakistan (albeit without the influence of an entrenched military establishment), including its offer of assistance to Pakistan to help the country overcome the devastating floods of 2009, and to make it less vulnerable to terrorist groups.<sup>54</sup>

Ultimately, India's economic growth, while not yet placing it among the larger economies and giving it the global clout that they may have, has justified its interest in a sound and stable global economic system. Moreover, it has also given India a new perspective on the world and its immediate neighbourhood, leading to an assessment of its strategic alliances by which its diplomatic, economic and security interests might be more effectively served.

## **5. India in Comparison with China and Russia**

It was natural throughout our fact-finding mission for our interlocutors to compare India with the two other countries of our study, China and Russia. For the most part, we heard that India is neither China nor Russia. The differences are many and important. With respect to a direct comparison with Russia, India does not have Russia's high volumes of natural resources, particularly in fossil fuels, nor a relatively advanced agricultural industry around which to organise its economic growth.<sup>55</sup>

The comparisons with China were more forthcoming. For instance, India is not yet the US\$4 trillion economy that is China. For its part, China's economic growth has

---

<sup>54</sup> Meetings, Delhi, India, 6 September 2010.

<sup>55</sup> Meetings, Delhi, India, 7 September 2010; Mumbai, India, 9 September 2010.

been achieved by focusing on export-oriented production and its ability to build an infrastructure to facilitate these exports. India, on the other hand, with an infrastructure deficit, has focused on the service sector and information technology as the primary driver of its economic growth, not to mention increasing domestic consumption. In addition, the Chinese government has a better savings record than the Indian government; however, India's personal savings rate is higher than China's.<sup>56</sup>

In comparing India to both China and Russia simultaneously, we heard repeatedly that India's business environment, no matter the complexities and challenges, is much more conducive to commerce. We heard that geopolitics does not figure into decisions about contracts as much as they do in China or Russia, thereby allowing for companies to compete with equal opportunities. Moreover, India's respect for the rule of law and intellectual property rights, the absence of organised crime networks, and better human resource management policies were among many points made by Indian and Canadian businesses operating in India to highlight the country as a better and more promising place to do business.<sup>57</sup>

This last point might relate in part to the full vibrancy of Indian democracy which lends itself to an open media, greater transparency and mechanisms for dispute settlement. Indeed, as evidence of this openness, our interlocutors were refreshingly frank about their views on India's economic growth and its impact on Indian society. In one such example, concerns were raised about India's infrastructure initiatives and its high levels of investment, particularly regarding whether these were being carried

---

<sup>56</sup> Meetings, Delhi, India, 7 September 2010; Mumbai, India, 9 September 2010.

<sup>57</sup> Meetings, Delhi, India, 7 September 2010; Mumbai, India, 9 September 2010.

out in the right way and that the Commonwealth Games would be a test case.<sup>58</sup> Moreover, our programme was also set up in a manner that was different from our experiences in Russia and China, which reflected a more structured and controlled preference for selecting our interlocutors.

---

<sup>58</sup> Meeting, Delhi, India, 6 September 2010.

## B. CANADA-INDIA ENGAGEMENT OPPORTUNITIES

*“We want Canada’s help; we need Canada’s help; we will take Canada’s help!”*

- Minister for Road Transport and Highways, Delhi, India, 7 September 2010

Without doubt, the India that the Committee experienced during the fact-finding mission, and the tangible evidence of its dynamism and future growth, challenge the traditional views and images of the country. According to many of our interlocutors, India’s strong underlying “economic fundamentals” are at the heart of its transformation into an emerging global economy. Moreover, “corporate India” is changing: it has a growing supply of entrepreneurs, and is also opening up and accepting increasing international practices and standards. These are combining to strengthen India’s attractiveness as a place to do business.<sup>59</sup> As the Minister for Human Resource Development and Education noted to the Committee, India’s ambitions include having a reputation for developing goods that are high in quality, and attractively priced, as well as scientific and service solutions.

It follows that a better understanding of the new, dynamic India of today inspires an improved appreciation of the opportunities and potential associated with the country’s future economic growth.<sup>60</sup> Our fact-finding mission reinforced our observations about the many positive, tangible aspects of the new India and the confidence that Canadian entrepreneurs can have in pursuing the myriad of opportunities available in that country. In this respect, we heard that opportunities lie in the challenges India is facing as it tries to maintain its growth. More specifically, as India’s economy grows, so will domestic demand for resources, manufactured goods and services across every possible sector and industry, including education,

---

<sup>59</sup> Meeting, Delhi, India, 7 September 2010.

<sup>60</sup> Meetings, Mumbai, India, 9 September 2010.

agriculture, infrastructure, life sciences, power and energy, housing and real estate development, to name but a few.<sup>61</sup> As the Minister of Commerce and Industry told the Committee, India has become a land of “limitless opportunities.”<sup>62</sup> This sentiment was echoed by the Minister for Road Transport and Highways, who very animatedly explained that, with India’s needs being so many, the opportunities – and, thereby, the challenges – “are not tomorrow, but today.”<sup>63</sup>

Thus, India today presents many opportunities by which trade and investment relations with Canada can increase. Indeed, its reengagement with the global economy has paved the way for improved bilateral cooperation between the two countries.<sup>64</sup> The Minister of Road Transport and Highways invited Canadian businesses to come and “taste the dust” to dispel the abstract, outdated notions of India.<sup>65</sup> Our interlocutors were explicit about their interest in deepening relations with Canada in diverse areas, such as commerce, investment, education, science and technology and about acquiring knowledge of Canadian expertise and products. Not only are the two countries complementary in terms of size, population, geography and resources but, as well, as the Committee heard repeatedly from Indian officials and businesses, India’s needs match Canada’s leadership in many sectors, such as agriculture, forestry, nuclear energy and mining.<sup>66</sup> We were repeatedly told by our interlocutors that the number and scope of opportunities in India are overwhelming, with the State Bank of India suggesting – for example – that a partnership be established based on Canada’s expertise in resource extraction and India’s untapped

---

<sup>61</sup> Meetings, Delhi, India, 7 September 2010; Hyderabad, India, 8 September 2010; Mumbai, India, 9, 10 September 2010.

<sup>62</sup> Meeting, Delhi, India, 7 September 2010.

<sup>63</sup> Meeting, Delhi, India, 7 September 2010.

<sup>64</sup> Meetings, Delhi, India, 7 September 2010.

<sup>65</sup> Meeting, Delhi, India, 7 September 2010.

<sup>66</sup> Meetings, Delhi, India, 6, 7 September 2010.

reserves, and using the financial services of both countries to facilitate and mediate the transfer of resources.<sup>67</sup> Likewise, Canada was identified as an important commercial partner for India, particularly in the North American context, and as being well-placed to serve as the gateway to a larger continent.<sup>68</sup>

It quickly became apparent to the Committee that the target of increasing two-way trade from C\$4.1 billion to C\$15 billion in five years, as agreed by the prime ministers of India and Canada in June 2010, may not be ambitious enough. At numerous roundtable discussions, representatives of many Canadian and Indian businesses emphasised the importance of Canadian companies engaging India with a long-term vision and mindset in order to meet whatever set targets for increased trade. This long-term approach is particularly necessary since India's economy is likely to remain robust for at least the next fifteen to twenty years. Such advice stems in part from India's diversity and complexity which can be better managed with a progressive and consistent presence, as well as frequent and repeat follow-up visits, in order to overcome difficulties that will inevitably arise. It is also due to India's dynamism and the many opportunities that spring up in light of the fast pace of economic change.<sup>69</sup> Canadian businesses were also advised to inform themselves sufficiently about the Indian business and regulatory environment as an initial step, even if it means working with a local partner in order to be aware of all needed information, including in respect of culture. The value of the various business associations in Canada and in India cannot be underestimated as sources of vital commercial information. In this regard, one interlocutor suggested that a Canadian Trade Commissioner be assigned to such associations as one way to meet the needs of Canadian businesses even more

---

<sup>67</sup> Meetings, Mumbai, India, 9 September 2010.

<sup>68</sup> Meeting, Delhi, India, 7 September 2010.

<sup>69</sup> Meetings, Delhi, India, 5, 7 September 2010; Mumbai, India, 9 September 2010.

directly.<sup>70</sup> Moreover, Canadian companies were advised to think strategically about opportunities available across different regions of India; as the Minister of Road Transport and Highways commented, “India is not Delhi.”<sup>71</sup>

The opportunities for Canadian commercial interests build on the Canadian presence already established in many regions of India and in a wide range of sectors. For their part, SNC Lavalin and Bombardier were singled out by some of our interlocutors as particular Canadian success stories. In southern India alone, more than fifty Canadian companies are active and there are more than 70 present in western India. Indeed, our fact-finding mission provided numerous occasions to engage directly and informatively with many Canadian companies active in infrastructure, telecommunications, education, technology, finance, resource extraction, transportation and construction. Other opportunities presented themselves from our observations outside of meetings, such as pre-fabricated houses to help address the housing shortages that were in evidence. This industry must obtain a technical agreement with India for pre-fabricated houses built by Canadian companies. Ideally, such an agreement would qualify companies for the competitive bidding process of major Indian builders and social housing projects.

Despite this presence and Canada’s importance to India, the Committee heard repeatedly that Canada can do more. We were told that Canada is on the right track in terms of strengthening relations with India across a variety of sectors and reinforcing these efforts with agreements and memoranda of understanding, including at the federal and provincial levels. However, the Minister of Commerce and Industry noted that while two-way trade has been increasing, the levels do not reflect the full

---

<sup>70</sup> Meeting, Hyderabad, India, 8 September 2010.

<sup>71</sup> Meeting, Delhi, India, 7 September 2010.

potential that can be achieved for mutual benefit. Indeed, while many other countries and their leading enterprises are also present in India, the market is not saturated and opportunities have not been exhausted.

## 1. Education

India's immense education needs are based in large part on the country's inability, with limited government resources, to provide relevant and quality education in order to prepare a large and growing cohort of primary, secondary and post-secondary students as well as the growing labour force for gainful employment in the new Indian economy.<sup>72</sup> According to the Minister for Human Resource Development and Education, of the 220 million children in primary school, only 14 million continue their education at the post-secondary level. Moreover, India has only 504 universities and 22,000 colleges to educate 14 million students. These figures highlight the limits of India's education infrastructure as well as the high level of competition to secure entry to post-secondary institutions; for instance, less than 1% of applicants to the India Institute of Technology in Mumbai, which is among the top thirty engineering schools in the world, are accepted to study sciences, management and biotechnology. According to the Minister of Human Resource Development and Education, the situation is likely to worsen when, by 2020, the number of students attending post-secondary institutions is expected to increase to 60 million, resulting in the need for 1,000 universities and 35,000 colleges. Even so, by 2020, there is still expected to be a large proportion of those in the 18-25 age group not attending post-secondary education or training. According to others with whom we met, fifty per cent of the Indian population will soon fall within the 18-25 age group, and India does not have

---

<sup>72</sup> Meeting, Delhi, India, 7 September 2010; Meetings Mumbai, India, 9, 10 September 2010.

the capacity to train and educate all of these potential students.<sup>73</sup> This concern is compounded, as the Committee heard, by the poverty, social unrest and even terrorist tendencies that may be associated with a large unskilled and potentially unemployed population.<sup>74</sup>

According to one of our interlocutors, similar to the impact that China's manufacturing sector had on that country's economy and global presence, India's education sector has the potential to have the same impact on that nation's economy and global links. The programs and professions identified as requiring particular attention, in part due to the needs generated by India's economic growth, include medicine and life sciences, teacher education, business management, actuarial sciences, law and engineering. We were also told that technical education has become one of the fastest-growing areas, with enhanced interest in hospitality management, communications, design and media-related programs, and that the need is great in the trades and vocations, such as construction, welding and other technical application fields. Due to regional variations, curricula also need to be standardised at all levels of education.

It follows that the tremendous opportunities available to Canadian institutions to develop high-quality, education-based relations, thereby increasing Canada's relatively poor record of trade in services with India, are equally immense. Indeed, India's economic growth has resulted in a larger number of potential students with the financial ability to participate in higher education abroad or at home. Moreover, many of our interlocutors affirmed that Canadian universities are not only rated among the best in the world, but are also cost-competitive.

---

<sup>73</sup> Meeting, Mumbai, 9 September 2010.

<sup>74</sup> Meeting, Delhi, India, 7 September 2010.

As our interlocutors explained, one area where opportunities exist is in increasing the number of Indian students attending Canadian colleges and universities in order to obtain high-quality training and education at certified institutions.<sup>75</sup> According to figures they gave to us, by 2025, India – together with China – is expected to account for fifty per cent of the demand for international higher education, or approximately 3.6 million students. Despite this large potential pool of international students, currently approximately only 6,000 Indian students are enrolled in Canadian colleges and universities. This compares negatively with the much higher number of Indians studying in Australia and the United Kingdom, and the approximately 100,000 in the United States.<sup>76</sup> The situation has the potential to change in Canada's favour given, as we were told by Indian officials, their interest in increasing the number of students studying in Canada, in part because of problems with the credibility and certification of some institutions attended by Indian students and in some cases the development of negative social dynamics as reportedly occurred in Australia.

The trends in Indian students studying in Canada already appear to be changing in a positive direction. As we were told, the number of temporary study permits already issued in 2010 by the Canadian immigration program exceeded 8,000, compared to approximately 2,500 in 2007. Moreover, already in 2010 there has been a 300% growth, over the 2009 figure, in the number of applications for temporary study permits to attend community colleges, compared to an average annual growth in the range of 50-60%.<sup>77</sup>

---

<sup>75</sup> Meeting, Delhi, India, 7 September 2010; Meetings, Mumbai, India, 9, 10 September 2010.

<sup>76</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>77</sup> Meeting, Delhi, India, 5 September 2010.

Opportunities also exist to develop India's indigenous education sector in order to meet its needs domestically. These include helping India increase the quantity of schools and teachers at the secondary level as well as the quality of instruction, which was noted to be particularly lacking.<sup>78</sup> Indeed, the Indian government has embarked on a plan to expand its education infrastructure to help accommodate the projected increase in student enrolment, including the addition of 373 colleges, 30 federal universities, 8 Indian Institutes of Technology, 7 Indian Institutes of Management and 20 Indian Institutes of Information Technology, to name a few of the plan's targets. In order to help meet the infrastructure needs of India's education system, one of our interlocutors suggested that Canada and India partner to build schools.<sup>79</sup> We also heard about the government initiative to link all of India's 540 universities and 1,000 of the total number of its colleges with broadband in order to address some of the challenges the sector is facing, thereby presenting another opportunity for Canadian expertise.<sup>80</sup>

That India is pursuing other regulatory reforms in the education sector, which are expected to alter significantly the entry, governance and quality assurance aspects of India's education system in order to facilitate the domestic growth of this sector and meet its demands, is encouraging. We heard from our interlocutors about legislation being considered by the Indian parliament that would facilitate the establishment of satellite campuses in India by foreign universities. The Minister of Commerce and Industry, in particular, invited Canadian institutions to establish campuses with programs in science and technology as well as management.<sup>81</sup> Even without such legislation, institutions such as the Schulich School of Business (York University) and

---

<sup>78</sup> Meeting, Delhi, India, 6 September 2010.

<sup>79</sup> Meeting, Delhi, India, 7 September 2010.

<sup>80</sup> Meeting, Delhi, India, 7 September 2010.

<sup>81</sup> Meeting, Delhi, India, 7 September 2010.

the Richard Ivey School of Business (University of Western Ontario) are already present in India's education system, offering executive training through partnerships they have established with various Indian corporations.

Concerns were raised about the potential need to establish high tuition fees, which could prevent attendance by less-affluent members of Indian society who may be well-qualified to attend post-secondary institutions, in order for such endeavours to be economically viable. In response, we were told that a combination of comparatively low tuition fees and the higher number of potential students resulting from India's economic growth will increase access to skilled education and training for a larger number of Indians. In other words, the quantity of students is expected to compensate for the lower fees, and thereby make such endeavours economically viable.<sup>82</sup> Moreover, because Indian institutions, even foreign ones that might be established following the passage of the relevant legislation, face lower input and infrastructure costs means that a lower economic structure based in part on lower tuition fees is possible.

We were also encouraged to learn about the private sector's growing role in India's education sector and the increased number of public-private-partnerships (PPP) being established in order to address some of India's education challenges. However, we were told that private schools are extremely varied in quality and cost, particularly in rural areas and in the less wealthy provinces. For instance, while 20-25% of the schools are private in Uttar Pradesh, in another wealthier province, more than 60% of the schools are private.

---

<sup>82</sup> Meeting, Delhi, India, 7 September 2010.

Our interlocutors suggested many other avenues by which education links between Canada and India, and thereby our bilateral commercial relationship, could be strengthened for our mutual benefit. These include agreements that recognise Indian programs and degrees, such as agreements on the equivalence of degrees, accreditation, and standards. Difficulties faced by those with legal training in India trying to enter the legal profession in Canada were especially noted.<sup>83</sup>

The importance of student and faculty exchanges – long-term or short-term – to strengthen education links between Canada and India and, in the process, to enrich the experiences of Canadians and Indians alike cannot be denied and should be encouraged to continue and grow. At a very enthusiastic and frank roundtable discussion on education that was held in Mumbai, we heard about the positive impact of such exchanges and partnerships established by Canadian institutions, such as Seneca College, George Brown College and the University of Alberta, with institutions in western India. These exchanges, which should be encouraged to continue, have resulted in collaboration on teaching methods, joint degree programs, joint course and curricula development, faculty enrichment, semester exchanges, and research and development. Representatives from the India Institute of Technology, for instance, noted the mutual benefits that have resulted from collaborative research with faculty and students from Carleton University, the University of Waterloo, York University and University of Toronto. The strong partnerships established between the University of Alberta and various Indian post-secondary institutions, such as the India Institute of Technology, the India Institute of Management in Bangalore, the University of Hyderabad, as well as the Public Health Foundation of India and Tata Consultancy Services, are particularly noteworthy.

---

<sup>83</sup> Meetings, Delhi, India, 7 September 2010.

At the same time, our interlocutors at the roundtable discussion emphasised the strong appeal of Canadian institutions and that they have become their priorities as they pursue international linkages. In this respect, they noted in particular how warm and welcoming the delegations from the Canadian institutions have been, the diversity of Canadian university student bodies and faculties, and the degree to which the Canadian institutions have the right mindset and are responsive to Indian needs and interests.<sup>84</sup> They also emphasised that the high quality and strong commitment of Indian students, together with their strong record of program completion, make them appealing as potential students. More specifically, if there are approximately 12 million students in higher education and 10% of these students are outstanding, the result is a potential cohort of 1.2 million individuals with the academic potential to succeed at any institution.<sup>85</sup>

Moreover, academic exchanges are taking place in disciplines that traditionally have not been part of exchanges, such as commerce, science and technology, and engineering, further adding to the ways in which Canada-India relations are moving in a positive and mutually beneficial direction. Indeed, one concern we heard was that many of the programs are limited in their size and geographic scope. We also heard from our interlocutors that regardless of whether these initiatives are carried out in India or in Canada, there is much to be gained from developing globally oriented curricula across a variety of disciplines that offer international perspectives and reflect more accurately a global society and economy. They would also benefit the increased mobility of labour and populations as a key characteristic of the new global economy.

---

<sup>84</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>85</sup> Meeting, Mumbai, India, 9 September 2010.

Our interlocutors made several recommendations to strengthen such exchanges, including identifying private sources of funding for exchanges and, more specifically, removing the mandatory criterion of having an industry partner in order to obtain funding from the India-Canada bilateral program. They also suggested that Canadian universities with specific programs that meet India's needs, such as in agriculture and health care, should be marketed better to increase their visibility and familiarity among the Indian student and faculty populations. Emphasising exchanges and study opportunities in Canada in non-traditional fields, such as business management, agriculture and even international law, may be an important step in branding Canada.

We were pleased to hear in the weeks following our fact-finding mission that the Association of Universities and Colleges of Canada embarked to India with fifteen university presidents in November 2010 on the largest ever Canadian university mission abroad. Accompanied by the Minister of State (Science and Technology), the delegation met with Indian educators, business leaders and government officials, including the Minister of Human Resource Development and Education. We were especially pleased to hear that several of their objectives and achievements mirror our observations about deepening education ties between India and Canada, including raising Canada's profile in the education sector, joint degrees, academic and technical exchanges, and a total of over C\$500,000 in scholarships for Indian students from eight universities. Notably, they include the *Globalink Canada-India Graduate Fellowship Program* which will provide 51 awards valued at more than C\$3.5 million for Indian Masters and PhD students who have interned in Canada under the MITACS *Globalink* summer research program. They also include institutional partnerships in agriculture, such as that involving the University of Saskatchewan and the Guru Angad Dev Veterinary and Animal Sciences University in Ludhiana, Punjab, and the University of

Manitoba, the Indian Institute of Crop Processing Technology, and the Ministry of Food Processing Industries.<sup>86</sup>

The Committee's visit and discussions with faculty and students at the India School of Business (ISB) in Hyderabad cemented for us a sense of India's dramatic and dynamic changes and how these changes provide future generations with a new and enthusiastic perspective on their own future. In this respect, ISB has become a preferred institution for the elite of India's commerce and management students, as well as non-resident Indians and non-Indians in general, who connect their professional future with India's changing fortune. If the ambitions of such students draw them by nature to business schools that offer privileged insight into the "next big thing," then attending business school in India, one of the world's fastest-growing economies, rather than studying abroad gives them that edge. Some students admitted to us that they enrolled in an Indian rather than a foreign business school because India and Asia is "the place to be" in terms of working in global commerce. In their view, graduation from an Indian business school will give them the edge necessary to achieve professional success.

The ISB's facilities, as well as its faculty and student body, are world class, and the institution offers an extremely attractive tuition structure; the annual tuition for the MBA program is, for instance, US\$40,000. In addition, the ISB offers desirable networking opportunities related to its global faculty and well-experienced student body who are expected to already have work experience, partnerships with 32 other business schools in Asia, Europe, Israel, South Africa and North America (including the School of Business at Queen's University), and exchange opportunities. The

---

<sup>86</sup> See Background for Canadian University Announcements, [http://www.aucc.ca/policy/issues/India-Background-for-Canadian-University-Announcements\\_e.html](http://www.aucc.ca/policy/issues/India-Background-for-Canadian-University-Announcements_e.html) (accessed 23 November 2010).

business management interests and professional background of ISB students and faculty, moreover, lay in a wide range of leading-edge sectors, such as resource extraction and corporate finance. Women are also well-represented in the ISB student body.

## 2. Infrastructure

During our fact-finding mission, we heard repeatedly how India's tremendous infrastructure needs are linked to – and drive – the country's economic development and sustainability. They also arise in part from the increased urbanisation that India has been experiencing, with the consequential need to manage and support increased populations and, remarkably, even more cities. The infrastructure requirements also arise from the need to better link the growing urban centres, to manage the 20-30% annual increase in road traffic and to improve the conditions of the roads.<sup>87</sup> According to the Minister of Commerce and Industry, India's infrastructure spending is expected to increase to US\$1.7 trillion over the next ten years. The State Bank of India expects that US\$2.5 trillion will be invested in infrastructure in the next fifteen years. Even these amounts, however, are considered to fall short of what is needed. In a comparison offered by McKinsey and Company, India invests only 3% of its GDP in its infrastructure while China invests 9%.<sup>88</sup>

As we heard, infrastructure connectivity – linking districts and states by roads, airports, railways, etc. – is central to India's economic development.<sup>89</sup> Accordingly, the Committee repeatedly heard about the numerous opportunities available to

---

<sup>87</sup> Meeting, Delhi, India, 6 September 2010.

<sup>88</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>89</sup> Meeting, Mumbai, India, 9 September 2010.

Canadian companies in infrastructure development, primarily in transportation and civil engineering.

At the most basic level, the construction of roads is key to meeting India's infrastructure and connectivity needs. As the Committee heard from the Minister of Road Transport and Highways, while India has the second-largest road network in the world, it has to build 20 kilometres of roads a day in order to meet its target of 24,000 kilometres of road under construction by 2011. In this respect, the opportunities for civil engineering companies are nearly overwhelming, with 12,000 kilometres of road contracts being awarded in 2010-2011 and US\$2-3 billion of the US\$80 billion that needs to be invested, already being received. He also indicated the need for, and the role being played by Canadian companies in the development of, traffic management systems as roads are constructed. We heard from him as well that, as an example of private initiatives in infrastructure investment, SNC Lavalin has established a US\$500 million investment fund.

We heard from other interlocutors that India's railway infrastructure has not been maintained. While there was an initial focus on developing infrastructure for passenger rail, it is only now that infrastructure for freight rail is being addressed. This latter includes the development of high-speed container transportation between Delhi and Mumbai, and between Delhi and Kolkata.<sup>90</sup>

There are also opportunities, we were told, to establish Canada-India partnerships to build and improve the efficiency of India's ports and airports. Developing India's western ports – where five of India's thirteen major ports are located, including Gujarat which has handled the largest amount of cargo of any Indian port in the last

---

<sup>90</sup> Meeting, Delhi, India, 6 September 2010.

two years – would be especially attractive in light of comments by the Minister for Commerce and Industry that routes to seaports in Atlantic Canada are shorter than those in the northeastern United States.<sup>91</sup> We also heard of the increasing importance of private ports in India’s economic development. Moreover, the opportunities for building and developing airports are also evident given the number that needs to be built. Many airports have already been built in Maharashtra state, for example, where there are now 25 airports, and new airports and terminals have also been built in Delhi, Mumbai and Hyderabad.<sup>92</sup>

### 3. Energy and Power

Another area in which India has significant needs in order to sustain its economic growth is energy and power. In short, India’s demand for power exceeds its supply. We heard from McKinsey and Company that India’s power supply is currently meeting 50% of its power demand; indeed, we experienced power outages at several meetings, particularly in Delhi.<sup>93</sup> Shortages are especially identified in manufacturing capacity to supply power equipment, vendors to supply balance of plants, skilled employees, and project management. According to information we were given, India has set a target of adding 60,000 megawatts in the 11<sup>th</sup> Five-Year Plan for 2007-2012, three times the capacity of the 10<sup>th</sup> Five-Year Plan, and 100,000 megawatts in the 12<sup>th</sup> Five-Year Plan for 2012-2017. Its total power generation capacity is projected to reach 800,000 megawatts by 2032.

---

<sup>91</sup> Meeting, Delhi, India, 7 September 2010.

<sup>92</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>93</sup> Meeting, Mumbai, India, 10 September 2010.

In this respect, we were told by the Minister of Power that while India is willing to meet its energy needs from all renewable and non-renewable sources, it is particularly interested in reducing its dependence on coal and fossil fuels and in improving the efficiency of coal-based power generation.<sup>94</sup> Indeed, India is already a world leader in wind power (4<sup>th</sup> largest in the world) and has a large capacity in this area, particularly in Tamil Nadu (with 41% of India's total capacity), Maharashtra (18%), Karnataka (14%), Gujarat (13.5%) and other coastal areas. At the same time, according to information we were given, the installed capacity of about 12 gigawatts (GW) in eight states collectively is only about 25% of the predicted potential of 48 GW. In terms of hydroelectricity, which contributes approximately 24.7% of India's total energy needs, the government has set a target of generating approximately 15,500 megawatts for the 11<sup>th</sup> Five-Year Plan for 2007-2012. India is also looking to develop its solar power capacity to 20,000 megawatts by 2022.<sup>95</sup> In one example of how solar energy can be used, the Government of Andhra Pradesh established a solar photovoltaic (PV) cluster in Hyderabad, "FabCity," thereby creating a semiconductor and solar energy hub to serve a dedicated special economic zone.

According to the Minister of Power, India is also looking to increase the share of nuclear power from 3% to 5.5% by reaching international agreements in respect of the development of its nuclear power industry.<sup>96</sup> Specifically, it is calling for 20,000 megawatts of electricity (MWe) to be generated by nuclear power by 2020, and 63,000 MWe by 2032, creating a market of C\$25-50 billion. According to McKinsey and Company, India intends to have nuclear power as its single largest energy source by 2015.<sup>97</sup>

---

<sup>94</sup> Meeting, Delhi, India, 7 September 2010.

<sup>95</sup> Meeting, Delhi, India, 7 September 2010.

<sup>96</sup> Meeting, Delhi, India, 7 September 2010.

<sup>97</sup> Meeting, Mumbai, India, 10 September 2010.

We were encouraged to hear about India's regulatory reforms in the energy sector, resulting in part in the sector's liberalisation and in the sector being 100% open to foreign investment. At the same time, however, we were told that privatization has been slow, currently amounting to only 13.5% of total installed capacity, and the 12<sup>th</sup> Five-Year Plan for 2012-2017 calls for an increase in private-sector participation to 50%.

One area of reform that was repeatedly drawn to our attention is the pending civil liability nuclear bill.<sup>98</sup> This bill, in effect, would hold operators – not suppliers – responsible for the integrity of nuclear equipment. With the passage of this bill, India would join Canada to become one of the 29 countries to have such legislation and would be in a better position to finalise arrangements with the global nuclear suppliers that are needed in order to ensure that India's nuclear energy goals are met.

These energy needs and targets translate into valuable opportunities for Canadian commercial interests. While the 2009 Memorandum of Understanding on Energy, the establishment of the Canada-India Energy Forum (which was held in May 2010), and the 2010 Nuclear Cooperation Agreement establish a framework for advancing bilateral relations in this area, we heard that it was too soon to assess the impact of these initiatives on the relationship. Even so, we note that Cameco, the Saskatoon-based uranium producer, has already established a presence in Hyderabad. At the same time, we frequently heard of the need for Canadian expertise in this sector in particular, including in the development of smart grids, high wire transmissions and

---

<sup>98</sup> Meetings, Delhi, India, 5, 6, 7 September 2010.

hydroelectric power, as well as the requirement to create incentives for corporations to consider non-coal sources of power.<sup>99</sup>

The relationship and transfer of knowledge and expertise is by no means one way. Indeed, the Committee heard about the opportunities for the Canadian energy industry to learn from India's expertise in wind power.

#### **4. Mining and Other Extractive Industries**

The untapped potential of India's extractive industries also offers important and valuable opportunities for Canadian commercial interests and expertise, leading to a potential intensification of relations in this area in the future. Several ministers, including the Minister for Commerce and Industry and the Minister for Road Transport and Highways, singled out Canada's leadership in mining and other extraction activities, highlighted potential areas for partnerships to explore and extract India's oil and gas reserves, and noted the role that Canada can play in providing machinery and equipment. Major global companies, such as Shell and Petro Gas, are already active in the country, with Calgary-based Husky Energy among the largest Canadian direct investors in the Indian province of Tamil Nadu. The opportunities for Canadian companies in India are reinforced by many incentives. Specifically, India has the world's largest oil refinery in Gujarat, does not restrict exploration or extraction, and automatically approves foreign investments. Nevertheless, legislative reform, that would increase greater access for foreign companies, including Canadian ones, would increase these opportunities further and should be encouraged.

---

<sup>99</sup> Meeting, Delhi, India, 7 September 2010.

India's Essar Group, a multinational conglomerate which owns Algoma Steel in Sault Ste. Marie, Ontario, is an example of the potential of this sector. During our meeting with the company in Mumbai, we learned about its domestic and foreign activities as a fully integrated oil and gas company with a strong presence across the hydrocarbon value chain, from exploration and production to retail.<sup>100</sup> It also operates a 10.5 million tonne refinery in Gujarat, and has a portfolio of offshore and onshore oil and gas blocks in the Mumbai basin and other parts of eastern India. It manages and develops iron ore mines in several provinces in central and western India that supply the company's steel plants. It is also involved in coal extraction, and has the potential to develop large-scale mining operations to secure the needs of its subsidiaries and to sell to other firms. With operations in more than 20 countries across five continents and with revenues of approximately US\$15 billion, it is a company that will figure prominently in India's future.

## 5. Agriculture

India's agriculture sector was also highlighted as an area where greater efficiency and development are needed to sustain the country's economic growth. As we were told by our interlocutors, the agriculture sector in India is not export-oriented; rather, agriculture remains a lifestyle for many Indians and from which many are unable to earn a living. With approximately 60% of the population employed in agriculture, 70% of the population living in rural areas, a high reliance on subsistence farming, and the vulnerability of the sector to such variables as weather patterns, domestic politics, world prices and access to fertilizer, any reforms in this area are especially sensitive.<sup>101</sup> As we heard from the Secretary of State for Agriculture, agriculture is important not

---

<sup>100</sup> Meeting, Mumbai, India, 10 September 2010.

<sup>101</sup> Meeting, Mumbai, India, 10 September 2010.

only as a sector, but also as a vital means for feeding India's 1.3 billion people. India's key crops are wheat and rice, of which 18 million tonnes were produced in the last three years; we were told that, with the right practices and equipment, production could reach 400 million tonnes. The sector's lack of economic viability was soberly conveyed to us through stories about the high levels of farmer suicides in India.

During our meetings with government and legislative officials in Hyderabad, we were given an overview of the state of agriculture in the province of Andhra Pradesh. The information reinforced the significance of the sector to that state's economy and also identified the sector as a viable opportunity for Canadian commercial interests. In particular, 72% of the province's population lives in rural areas, and 65% of the residents are employed in agriculture. The province's key crops are rice, millet and pulses, including lentils, oilseeds, chillies and sugar canes. With average annual crop production of 20 million tonnes, the state government has set a target of 4% growth for the agriculture sector, which it hopes to attain by improving its dry land farming techniques, enhancing access to high-quality equipment and technology, offering extension programs, and increasing access to credit and crop insurance.<sup>102</sup>

The Secretary of State for Agriculture was emphatic that opportunities for Canada's expertise and leadership in agriculture are "unlimited," and have the potential to increase current levels of Canada-India agri-food exports beyond C\$539 million. Despite the size of the agriculture sector, India's domestic production remains inadequate to meet domestic needs, resulting in sizeable agricultural imports. The opportunities identified by the Secretary of State for Agriculture and echoed by the Minister of Commerce and Industry include developing India's untapped potential in

---

<sup>102</sup> Meeting, Hyderabad, India, 8 September 2010.

respect of food grain production, food processing and distribution, post-harvest storage and preservation, distribution, provision of potash, micronutrients and other fertilizers, biopesticides, irrigation technology and expertise, infrastructure development, animal genetics, and machinery and technical equipment.<sup>103</sup> These opportunities would, of course, need to reflect India's specificities. The importance of Canadian expertise in food storage and processing, as well as food distribution, is emphasised whereby 35%-40% of fruits and vegetables spoil and 15%-20% of food grains are destroyed in part because of India's inefficiencies in farmer-to-market links. McCain is a prominent Canadian company already active in the food processing industry in Gujarat. Agricultural education programs and research opportunities, such as partnerships with the University of Saskatchewan and the University of Guelph to develop crop strains suitable for India's requirements and to overcome soil exhaustion challenges, were also mentioned during our meetings. Other opportunities lie in the development of horticulture and animal husbandry, which are still very nascent industries in India. Moreover, partnerships involving the Canadian Food Inspection Agency would strengthen India's capacity in food safety. In another respect, Canada and India might consider exchanging information about inventory, production levels, as well as market instruments such as over-the-counter forward contracts.

The opportunities and potential gains from new and enhanced partnerships are amplified by the changing nature of India's society. More specifically, the growing upper and middle classes are developing food preferences and making health choices that reinforce the development of a more robust and nutritious food industry in India. One Canadian export that would particularly benefit from these lifestyle choices is

---

<sup>103</sup> Meetings, Delhi, India, 7 September 2010.

canola and other oilseeds, which can replace the relatively less healthy palm oil that is prevalent in the Indian diet.

Moreover, as the Chief Minister of Maharashtra told the Committee, given India's dependence on food staples such as lentils and other pulses, Canada's largest agricultural export to India in 2009 at 98.8%, Canada has an important role to play in helping India meet its hunger and food security challenges. More graphically, we were told that the Indian agriculture sector is unable singularly to meet the minimum daily demand of 200 grams of lentils, a shortage which will only become more exasperated as poverty levels decline and which will not be addressed simply by improving India's crop yields, food distribution and processing. In this respect, Canada can not only continue to provide increased amounts of lentils and pulses to a population where 52% lives below the poverty line, but also partner with India to improve its production of these crops as it moves closer to self-sufficiency.<sup>104</sup> At the same time, agricultural development would also help to improve the financial situation of the sizeable portion of the Indian population that is involved in agriculture and find it difficult to make a living from it. Indeed, the promise of India's agricultural sector is an important element of the country's future economic growth and potential force. India's food security would also benefit from regulatory frameworks that guard against the volatility of the sector, particularly regarding prices; opportunities exist in this respect for Canada-India partnerships.

---

<sup>104</sup> Meeting, Mumbai, India, 9 September 2010.

## 6. Science Technology, Information and Communications

While there are many sectors whose growth and potential development tell the story of India's economic dynamism and the possible opportunities that result, the impression that the Committee received from interlocutors is that science and technology is the sector that best showcases the accomplishments of the new India. For us, this spirit was perhaps best manifested at the L.V. Prasad Eye Institute in Hyderabad.<sup>105</sup> Our visit to the Institute was much too brief, but we had very informative exchanges with the Institute's leadership and its directors of research, pathology, immunology and microbiology, among others. The Committee learned about the Institute's areas of excellence and innovation in eye health and research, its network of 73 centres in the states of Andhra Pradesh and Orissa, and the full range of eye care services it offers, including prevention, cure and rehabilitation carried out by its very large award-winning faculty and practitioners. In 2009-2010, the Institute conducted more than 70,000 surgeries and in excess of 650,000 outpatients visits. We also heard that the Institute has trained approximately 12,000 – 13,000 eye care professionals. Moreover, the Institute is financially sound; while it relies on grants for new projects and for purchasing capital equipment, the commercial application of its leading-edge research and innovation, including innovation in laser surgery and contact lenses, results in an income stream.

During our visit through the clean, modern and orderly facility, we saw firsthand the astonishing and relevant work of the Institute and the application of its research. There were waiting rooms full of patients from the city as well as from rural areas, women, children and the elderly receiving treatment for a variety of ocular conditions

---

<sup>105</sup> Meeting, Hyderabad, India, 8 September 2010.

and diseases, patients in post-surgery recovery and rehabilitation, and still others being fitted with US\$2 eyeglasses. The accomplishments of the Institute, its broad accessibility, its cost-effective health management principles, and the application and spin-offs of its research innovation to eye care symbolised for us the best of India's impact on the world. Over the course of the Institute's 23-years existence, 41% of its outpatient care and 53% of its surgeries have been free of cost for the patients.

Moreover, we learned that Canada has played an important role in promoting the Institute's activities and building its capacity. The Calgary-based Operation Eye Sight Universal, which is among the Institute's biggest partners, and the Vancouver-based Canadian Eyesight Global are listed among the Institute's partners, as are approximately eight Canadian universities, including the University of Ottawa, the University of Waterloo and the University of Toronto. These partnerships have been particularly important in establishing eye-care centres in rural areas of the province. In this respect, it was suggested that Canada might consider specifying a region in India to which it could devote a targeted amount of funding; with this financing, the Institute could facilitate improved eye care in India to an even greater extent.<sup>106</sup>

Our time in Hyderabad provided us with case studies of India's commercial dynamism and potential in technology and innovation. We were not disappointed. In addition to the L.V. Prasad Eye Institute, the Committee also visited InfoTech Enterprises, an Indian-based engineering service company offering technological solutions in aerospace, consumer medical, rail transportation, public transportation, telecommunication, utilities and other fields. A company with a pronounced global

---

<sup>106</sup> Meeting, Hyderabad, India, 8 September 2010.

reach, its clients include the Canadian companies Pratt and Whitney Canada and Bombardier.

Its representatives emphasised that the company's human resources, particularly the intellectual capabilities of the employees, were the company's largest and most valued asset. Moreover, employment opportunities are very competitive: only 3% of applicants are offered positions in the firm. Even so, many of those who are hired, even those with extensive university education and knowledge, undergo training in order to build their capacity and technical knowledge that is specific to the company's requirements. In order to expand the pool of trained applicants, InfoTech Enterprises also engages a few universities and colleges in the development of relevant curricula and in the establishment of collaborative initiatives with faculty. Moreover, the company's corporate social responsibility plan includes a focus on primary education, specifically providing such assets as teachers, books and other physical needs.

As with many of the impressions gathered during our fact-finding mission, we were once again struck by the company's focus on India as part of its commercial strategy, not simply because India is its home base, but also because India's economic dynamism has generated tremendous commercial opportunities for them. As we were told, because there is so much room for growth in India, the company is not compelled to pursue initiatives in other emerging economies, such as China. Moreover, India has a greater measure of control over its intellectual property rights challenges, unlike in other economies about which we heard.

In addition to these two enterprises, we also received information about Hyderabad's Genome Valley, India's first biotechnology cluster for promoting research, training,

collaboration and manufacturing activities. Several global and Indian biotechnology companies are located there, and some promising PPP initiatives are taking place. For instance, Genome Valley also includes IKP Knowledge Park, a partnership of ICICI Bank Ltd. and the Government of Andhra Pradesh, which facilitates business-driven research and development. Genome Valley also offers several Special Economic Zones in the biotechnology field.

In these and many other ways, Hyderabad impressed us with its focus on leading-edge science and technology, and with the infrastructure it has put in place to facilitate the commercialisation of its innovation. Indeed, the socio-economic impact of these achievements on the city and its population were astonishing.

Through these visits, the Committee gained first-hand understanding of the impact of India's knowledge-based sectors on its economic growth and the country's future potential. India's edge in science and technology is not limited to Hyderabad or to the sectors already mentioned. As we were told by our interlocutors, the province of Andhra Pradesh is known as the "Cape Canaveral of India," reflecting its leadership in aerospace and defence research; indeed, we heard that a facility to manufacture Sikorsky helicopters is soon opening in the region.<sup>107</sup> Reflecting India's edge in information technology, Bangalore has emerged as its most important centre in this respect, becoming known as the "Silicon Valley" of India.

It was impressed upon us that India is an invaluable science and technology partner, offering a tremendous range and number of opportunities as well as a promising array of commercial applications. Indeed, India's edge in science and technology, including

---

<sup>107</sup> Meeting Hyderabad, India, 8 September 2010.

biotechnology, is reinforced by its offer of ensuring the lowest-priced solutions that are still of high quality, as the Minister for Human Resource Development and Education noted to us.<sup>108</sup> He also emphasised the opportunities available through PPPs – for which there is a tremendous amount of support in India – for Canadian commercial interests. Moreover, such opportunities are not static: as the Minister of Commerce and Industry emphasised, science and technology in general is on the cusp of another revolution, namely geo-technology, and India is committed to strengthening its claim as the hub of knowledge and innovation.<sup>109</sup>

Several of our interlocutors expressed an interest in the application of Canadian technological expertise to the mining, forestry, environmental protection, alternative energy, biotechnology and agriculture sectors. Indeed, these interests were particularly raised by our governmental and legislative interlocutors in Andhra Pradesh, who brought to our attention its State Council of Science and Technology; in part, this council promotes technological innovation and commercial application in agriculture, natural resources and health.<sup>110</sup> These opportunities are in addition to the increased interest in Canadian telecommunications technology, particularly from RIM.

## 7. Financial Institutions

The growth of India's financial sector equals that of the technology sector as symbols of the spirit of the new India. This reality was particularly evident in Mumbai, India's banking and financial centre.<sup>111</sup> According to some of our interlocutors, Mumbai is set to rival Shanghai and possibly even New York as a global banking and financial

---

<sup>108</sup> Meeting, Delhi, India, 7 September 2010.

<sup>109</sup> Meeting, Delhi, India, 7 September 2010.

<sup>110</sup> Meeting, Hyderabad, India, 8 September 2010.

<sup>111</sup> Meeting, Mumbai, India, 9 September 2010.

centre. As the Chief Minister of Maharashtra told the Committee, by virtue of its leading financial position, Mumbai offers national advantages to international companies and foreign trade interests, resulting in many opportunities.<sup>112</sup>

That most of India's financial institutions and regulators are located in Mumbai is an important source of Mumbai's dynamism and energy. They include the Bombay Stock Exchange which, at 125 years old, is the oldest stock exchange in Asia; in 2010, it has an investor base of more than 5,000 shareholders, compared to 1,500 in 2009.<sup>113</sup> Mumbai is also the headquarters of some of India's largest companies, such as the Aditya Birla Group, Tata Group of Companies, and Reliance Industries.

Similar to the situation in Canada, India's banking sector is marked by relative stability. Indeed, due to its regulatory framework, it too was able to withstand the worst of the global financial and economic crisis.

India's banking sector is based on 170 commercial banks, including 26 public-sector, 22 private-sector, and 34 foreign banks.<sup>114</sup> Of these, the State Bank of India is the country's largest commercial bank in terms of assets, deposits, profits, branches and employees, with domestic and foreign branches in 32 countries, including seven branches in Canada. With 25% of India's banking business, it offers a range of financial services, including life insurance, merchant banking, and credit cards, among others.

Our meeting with ICICI Lombard General Insurance – a joint venture between ICICI Bank, India's largest private-sector bank, and Fairfax Financial Holdings of Toronto –

---

<sup>112</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>113</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>114</sup> Meeting, Mumbai, India, 9 September 2010.

was equally informative about the prominent role that India's financial sector plays in the country's economic growth. Indeed, representatives of the company were adamant in noting that India's story is very much its story. For instance, ICICI Lombard General Insurance is the largest private insurance company in India, with a gross premium in 2010 of US\$765 billion, 9.7% of overall market share and 24% of the private-sector share. According to our interlocutors at the company, the financial services sector in India today has countrywide coverage, features a large number of service providers, offers diversified capital deployment, and is subject to a regulatory system that is aligned with international standards.<sup>115</sup> In speaking about the non-life insurance sector in particular, representatives of the company told us that, nearly ten years ago, the sector was characterised by moderate growth and an oligopoly-driven market environment; now, however, this sector – which is valued at US\$7.5 billion, an increase from US\$2.14 billion in 2001 – has grown considerably and features a large number of insurers and service innovation. Moreover, by 2010, the sector is expected to grow to include more than 30 providers and to have a value of about US\$10 billion.

The impact of the expansion of the financial services sector, not to mention its future potential for sustaining India's economic growth trajectory, is felt even at the microfinance level in India's rural development. For instance, we heard about the services and programs being carried out by the National Bank for Agriculture and Rural Development (NABARD), a Mumbai-based bank catering to the financial needs and related policies and planning for the rural sector. In this respect, it facilitates credit flows and refinancing for the promotion and development of agriculture, small-scale industries, cottage and village industries, handicrafts and other rural crafts. It also supports related economic activities in rural areas, promotes integrated and

---

<sup>115</sup> Meeting, Mumbai, India, 10 September 2010.

sustainable rural development, and seeks to secure economic prosperity in India's rural areas. Accordingly, NABARD's target clientele is the 73% of rural households, particularly in western and northwestern India, that do not have access to institutional credit, of which 51% do not have access to any credit.

The achievements of NABARD are astounding, particularly in respect of Indian women living in rural regions. Indeed, our interlocutors from NABARD indicated that women are a primary focus of its microfinancing loans because they are likely to be their family's first-level decision-makers on issues of household choices and security. For instance, women are financed to form small cooperatives or to partner with existing ventures to produce articles that are then sold domestically and/or are exported. FabIndia, a cooperative store which sells clothing, linens, and handicrafts, is one example of such an initiative. At 98%, the record for repayment of these loans is also remarkable. In this way, many rural communities are becoming self-sufficient, women are being empowered and birth rates are dropping. Moreover, the growth and expansion of India's financial sector is serving to promote the goals of rural prosperity and integrated economic growth among the Indian population.

The opportunities for Canadian commercial interests in India's financial sector are clear. As we heard from our interlocutors, Canada's presence – highlighted as not being as strong as it could be – is expected to improve once foreign ownership rules, which were noted to be a point of concern, have been relaxed and other reforms to the sector have taken place.

## **RECOMMENDATION 1:**

**The Government of Canada should include the following sectors as priorities in its pursuit of stronger engagement with India and increased trade in goods and services and investment and in the negotiations for a Common Economic Partnership Agreement as appropriate:**

- **education;**
- **infrastructure;**
- **energy and power;**
- **mining and other extractive industries;**
- **agriculture;**
- **science technology, information and communications;**  
**and,**
- **financial services.**

## C. ROLE OF GOVERNMENT IN FACILITATING RESULTS

In light of the many opportunities available for Canadian businesses in India and the benefit of their achievement for Canadian prosperity, the Committee believes that the Government of Canada has an important role to play to facilitate results. Bearing in mind that businesses themselves decide where they want to go, governments attend to the political dimension of economic exchanges, which can be an inevitable component of trade and investment.

In part, this attention is carried out by way of high-level visits, which help to create a favourable context within which commercial exchanges are undertaken. Our interlocutors, notably the Speaker of the Lok Sabha and the Secretary of State for External Affairs among other Ministers and business representatives, frequently referred to the valuable contribution of the numerous high-level visits between Canada and India to the advancement of the bilateral relationship. The November 2009 and June 2010 reciprocal visits of the two prime ministers were singled out in particular in this regard. We agree with our interlocutors that these visits and the discussions that ensue consolidate and invigorate the relationship, and help to identify new areas of cooperation for mutual benefit – including in the area of trade and investment. According to the Secretary of State for External Affairs, it is important for governments to sit together frequently, set agreements and implement them to make the relationship real and substantive.

Indeed, it was during the June 2010 high-level visit of Prime Minister Manmohan Singh to Canada that the jointly-agreed target of C\$15 billion in two-way trade by 2015 was announced. High-level visits also raise the profile of commercial

opportunities and advance mutual commercial interests. Such was the case with the visit to Canada of the Minister of Road Transport and Highways in spring 2010. For his part, the Minister of Power visited Montreal in October 2010 to attend the World Energy Conference, to inspect key sites of Canadian energy expertise, such as in Quebec City, to gather information about electricity grids and the transmission of power to the United States, and on motivating corporations to use non-coal sources of power.<sup>116</sup> High level visitors also have the opportunity to meet with respective business communities and leaders, which contribute to promoting greater interest in the commercial relationship and improving awareness.

The government's attention to the political dimension of commercial relations is also carried out in numerous ways. These include establishing a framework of agreements – bilateral and multilateral – with the intent of reducing impediments, levelling the playing field, and putting in place mechanisms that promote compliance with international standards. These frameworks also aim to strengthen the transparency, certainty and predictability that facilitate the expansion of trade and investment. Their value and potential impact is further amplified by the strong role played by the Indian government in the country's domestic economy, in promoting its commercial interests internationally, and in the administration thereof. As a result, these agreements establish a foundation on which mutual economic interests can be pursued regardless of the results of India's elections and the changing political fortunes of its governments. Indeed, to reinforce the ambitions of these agreements and to indicate government support for them, high profile agreements that promise significant impact and intensify cooperation are commonly finalised during high-level visits.

---

<sup>116</sup> Meeting, Delhi, India, 7 September 2010.

Such has been the case regarding several agreements reflecting specific sectors that offer particular opportunities for Canadian interests and that have been concluded between Canada and India during recent high-level visits involving the prime ministers as well as cabinet ministers. These include the June 2010:

- Agreement for Cooperation on Peaceful Uses of Nuclear Energy;
- Memorandum of Understanding on Higher Education;
- Memorandum of Understanding on Earth Sciences and Mining; and
- Memorandum of Understanding on Cultural Cooperation.

Other bilateral agreements of note between Canada and India include the 2005 Agreement on Scientific and Technical Cooperation and the 2009 Memorandum of Understanding on Energy Cooperation. The 2009 Memorandum of Understanding on Agriculture notably seeks in part to expand Canadian export of pulse crops. During the Minister of Agriculture's visit to India at the time, the two countries also agreed to establish working groups on the promotion of trade in pulse crops and on veterinary matters. They also discussed opening market access for Canadian pork.

Progress continues on concluding other agreements. For instance, we heard from the Minister of Road Transport and Highways that work is ongoing on a Memorandum of Understanding on Transportation.<sup>117</sup> The finalisation of a Social Security Agreement and Foreign Investment Protection Agreement (FIPA) are also in progress.

It is worth noting that these agreements concluded at the federal level are complemented by the many agreements signed at the provincial level. These include,

---

<sup>117</sup> Meeting, Delhi, India, 7 September 2010.

for instance, agreements on biotechnology and life sciences concluded between the Indian state of Andhra Pradesh and Saskatchewan and Manitoba.<sup>118</sup>

Among the most ambitious commercially significant agreements being pursued between Canada and India is the Comprehensive Economic Partnership Agreement (CEPA). Indeed, according to the Secretary of State for External Affairs, ambitious agreements such as FIPA and CEPA send strong signals about the interest in developing Canada-India relations and the commitment on the part of the two governments to “work out what needs to be worked out” in order that they may be concluded and implemented as soon as possible.

Having just been launched, the negotiations for a CEPA are expected to benefit Canadian commercial activities in such export sectors as forestry and agriculture, as well as energy and financial services, among many others. With the many stakeholders representing Canadian and Indian interests, diligence and encouragement will be required to ensure that ample political will exists at every stage of the negotiations. The road on which the Government of Canada has embarked is correct and the Committee will take an active interest in monitoring the progress in the negotiations to their conclusion.

According to the Minister of Commerce and Industry, these agreements illustrate the government’s role of putting in place mechanisms and regimes that are investor friendly, and allow businesses to develop their own capacity to undertake commercial initiatives.<sup>119</sup> As we also heard from the Chief Minister of Maharashtra, technical and

---

<sup>118</sup> Meeting, Hyderabad, India, 8 September 2010.

<sup>119</sup> Meeting, Delhi, India, 7 September 2010.

other similar agreements establish the ground rules that facilitate commercial interactions.<sup>120</sup>

At the same time, the Committee believes that it is not enough to have agreements in place and not implement them. In this respect, we believe that Parliament can play an important oversight role in ensuring that agreements are coming to fruition. For her part, the Secretary of State for External Affairs indicated that India will do what it can to implement the bilateral agreements in place as well as promote mutual interests and the number of agreements that are expanding.<sup>121</sup>

Likewise, in addition to high-level meetings and setting agreements that advance commercial interests, Canada and India also have established frameworks which promote dialogue on bilateral trade and investment. These include an annual dialogue between Canada's Minister of International Trade and India's Minister of Commerce and Industry, as well as regular meetings of the India-Canada CEO Roundtable which was held most recently in September 2010.

## **RECOMMENDATION 2:**

**The Government of Canada should conclude negotiations with the Indian government on the Foreign Investment Protection Agreement (FIPA) and the Comprehensive Economic Partnership Agreement (CEPA) in a timely and early manner. It should also continue to pursue additional bilateral agreements across a wide range of sectors that advance trade and investment relations between the two countries. Moreover, these agreements should be completed and implemented in a manner that is consistent with**

---

<sup>120</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>121</sup> Meeting, Delhi, India, 6 September 2010.

## **Canadian interests and international principles regarding the liberalisation of trade and investment.**

### **1. Allocation of Canadian Government Resources**

The Committee saw first-hand that Canadian government resources are well-placed and that Canada has a justifiable presence by which to promote Canadian commercial interest across a number of regions of India. In this respect, the Canadian government operates eight trade offices in New Delhi, Kolkata, Chennai, Bangalore, Hyderabad, Mumbai, Chandigarh and Ahmedabad, its largest single-country network out of the United States. Moreover, Export Development Canada has two offices in New Delhi (since 2005) and Mumbai (since 2007). Ten trade-based staff including Canadian-based and locally-engaged in all of southern India are responsible for an economy of over US\$72.2 billion (2007-08). Nine similarly trade-based staff in western India are responsible for four states in western India. Indeed, one of our interlocutors described the trade representation as “lean and mean.”<sup>122</sup> At the same time, it demonstrates the sound understanding that “India is not Delhi” and that Canadian government support of commercial interests will have just as much impact, if not more, in the regions and in second tier cities.

At the same time, the Committee heard from government and parliamentary officials in Hyderabad about their strong desire to have the Canadian trade office in that city upgraded to a consulate in order to facilitate the development of stronger commercial relations in that region. The Committee agrees with the sentiment of this request, i.e. that the Government of Canada ensure that its commercially-based presence is

---

<sup>122</sup> Meeting, Hyderabad, India, 8 September 2010.

sufficiently strong and staffed by the appropriate personnel to carry out its primary function of promoting bilateral trade and investment.

### **RECOMMENDATION 3:**

**The Government of Canada should ensure that a system of government resources is in place that supports greater engagement with India in general and the development of commercial relations in particular. These resources include, but are not limited to, trade and visa officers. The supply of these resources should be provided as demand warrants, and should reflect India's designation as a priority country for Canada.**



## D. SUSTAINING COMMON UNDERSTANDING

As our fact-finding mission progressed and our appreciation of the new India deepened, it became apparent that what we were experiencing did not correspond with the image of India that is typically held by many Canadian businesses, indeed Canadians in general. That media coverage of the October 2010 Commonwealth Games in Delhi focused on the negative rather than the positive did no service to dispelling the popular image of India. Indeed, the contrast with favourable coverage of the 2008 Olympic Games in Beijing was striking. Moreover, Canada itself is not without its shortcomings (urban poverty, for instance). Neither were the 2010 Winter Olympic Games in Vancouver without controversy. In other words, today's India and its dynamism are unknown to many Canadians and Canadian businesses. It became abundantly clear that the new, dynamic India is an image that needs to be better promoted in Canada at the same, if not more intense, levels as the promotion of China.

Indeed, Canada and India have a strong affinity and complementarities beyond English as a common language on which to base our efforts to improve our mutual awareness. According to several interlocutors, the strong bond and relations based on mutual respect between the two countries result in part from the many values and principles in common, such as protection of human rights, the rule of law, and faith in democracy.<sup>123</sup> In addition, our societies are rich with diversity and inclusivity. We are also both federations, understanding the significant role that the provinces and states play in reinforcing national-level relations.<sup>124</sup>

---

<sup>123</sup> Meetings, Delhi, India, 7 September 2010; Mumbai, India, 9 September 2010.

<sup>124</sup> Meeting, Mumbai, India, 9 September 2010.

Moreover, we are both well-known for our tradition of international peacekeeping, and have translated that commitment to cooperation and training initiatives between our armed forces. We also hold similar views on terrorism and value the contributions each is making to common concerns such as in Afghanistan.

Most notably, our membership in the Commonwealth of Nations provides additional opportunities for cooperation and engagement. In this respect, the Commonwealth Business Council should be considered more seriously as an additional vehicle by which to promote our mutual trade and investment interests. At the same time, the dynamism of India today suggests that the structures of the Commonwealth may need to be modernised in order to better reflect today's global realities.

Our mutual understanding is reinforced by similar experiences of our two countries in withstanding the worst of the global economic downturn because of commonalities in banking regulations, for instance.<sup>125</sup> Canada also provided assistance following the 2004 tsunami devastation that affected parts of India and other regions of the Indian Ocean for which our interlocutors expressed their gratitude.

It follows that as our relations expand and new foundations are laid, we should be certain to retain the essence of our relations and our bond.

## 1. **Canada Brand**

As much as the new India needs to be better profiled in Canada, so does India's understanding of Canada need to reflect how we have changed. Indeed, we were told

---

<sup>125</sup> Meeting, Mumbai, India, 9 September 2010.

by many of our interlocutors that Canada was popularly perceived as a country full of snow, cold weather and one which welcomes immigrants.<sup>126</sup> We repeatedly heard that today's Canada, particularly its expertise in commerce and innovation, needs to be better advanced in India in order to improve an awareness of what it offers commercially and in terms of its services, such as world-class education at a reasonably-priced tuition.

While many of our interlocutors flagged the presence of Bombardier and SNC Lavalin as examples of successful Canada-India commercial initiatives, we were particularly struck during some of our exchanges of the lack of awareness regarding landmark Canada-India initiatives. In one instance, during a discussion about India's nuclear energy relations, the exchange was dominated by a discussion involving Russia and the United States: no mention was made of the June 2010 agreement between Canada and India. In another instance, there was a lack of awareness of McCain's activities in the agriculture and food processing sector in Gujarat and of Saskatchewan's rich potash industry. Other interlocutors had to be informed that Sun Life Financial, the fourth largest life insurance company in India with 600 sales offices, over 1,200 employees, an agency sales force of over 167,000 financial advisers in 294 cities, was Canadian.

In other words, a Canada Brand that raises the profile of Canada as a valuable commercial partner needs to be strengthened.

---

<sup>126</sup> Meeting, Delhi, India, 7 September 2010.

## **2. People-to-People Links**

We agree with the many interlocutors who regularly highlighted the importance of Canada and India better familiarising themselves with one other. We believe that the achievement of this objective will be facilitated in part by strengthening the people-to-people links between our two countries. As the Speaker of the Lok Sabha noted, government leaders may enjoy close relations, but it is the people-to-people links that really matter.

### **a. Canadians of Indian Descent**

The approximately one million Canadians of Indian descent are an important foundation on which to encourage people-to-people links. Indeed, several interlocutors emphasised that this community bridges the two countries and reinforces our strong bonds. In particular, many of its members maintain strong and healthy links with India while also integrating into Canadian politics (federally, provincially, and municipally), business, education, science and technology, health sciences and culture, among the many spheres of society in which they participate. In other words, they have demonstrated themselves to be invaluable corporate citizens. At the same time, many of them return to India and become Indian business leaders, some of whom we met throughout our fact-finding mission. As we heard from our government interlocutors, the presence of an Indian community in Canada in part motivates the Indian government's interest in Canadian events. Moreover, as the Minister of Commerce and Industry noted, many Indians – including some of our interlocutors - have relations in Canada or have their own personal experiences resulting from a business or education opportunity.

As a result, the community of Canadians of Indian descent serves as an important base for exchange and for expanding bilateral commercial ties. In this respect, the Speaker of the Lok Sabha emphasised that the Indian community in Canada benefits both the Indian and the Canadian economies. The Chair of the Parliamentary Committee on Science and Technology noted in particular that the participation of the Indian community in the development of Canada's knowledge and innovation is advantageous to promoting mutually beneficial economic links.<sup>127</sup> The Chief Minister of Maharashtra echoed these sentiments, emphasising that members of the Indian diaspora serve as ambassadors and as important natural links between educational institutions, health providers and numerous other sectors and targets of potential investment and commercial growth.<sup>128</sup> During our roundtable at the Bombay Stock Exchange with Indian business leaders, we heard that 80% to 90% of foreign firms travel to India and initiate commercial undertakings there while accompanied by an employee of Indian descent. In this respect, we were told that employees with an Indian heritage offer a natural entry point into the market among other advantages.<sup>129</sup> Moreover, the contribution of Canadians of Indian origin to increasing Canada-India commercial relations will grow as India becomes – as it is expected – Canada's primary source country for immigration.

However, despite the presence of the Indian community in Canada and the strong people-to-people bonds that result, we heard from one of our interlocutors that it is an underexploited and underleveraged resource. In other words, despite the presence of the Indian diaspora and their integration into so many spheres of Canadian life, a real sense of today's new India and of what it can offer commercially for mutual

---

<sup>127</sup> Meeting, Delhi, India, 7 September 2010.

<sup>128</sup> Meeting, Mumbai, India, 9 September 2010.

<sup>129</sup> Meeting, Mumbai, India, 9 September 2010.

benefit is lacking.<sup>130</sup> Instead, the popular yet misperceived image of an undeveloped, populous, inefficient India dominates. Moreover, despite the high levels of mobility between the two countries, the image of a cold, resource-based Canada prevails.

Other interlocutors challenged the potential benefit of diaspora communities with respect to building commercial relations with India, pointing to the US\$3.1 billion of two-trade between Turkey and India. Accordingly, business is business, and companies will aggressively pursue their interests regardless of the presence of diaspora affinities, not necessarily because of such links. At the same time, the diversity of Canadians of Indian descent in their economic, social and political views needs to be taken into account when considering the role that they play in strengthening the bonds between our two countries.

#### **b. Educational and Research Exchanges**

To improve mutual awareness, the people-to-people links between Canada and India can also be strengthened by initiatives in the field of education. As we heard from our interlocutors, these initiatives include increasing the number of university and education exchanges and their participants, as well as creating and taking advantage of alumni networks. Citizenship and Immigration Canada's Student Partners Program, which it launched in partnership with the Association of Community Colleges of Canada, has facilitated the approval of student visa applications to 38 participating member colleges. As an example of its success, Canada's visa offices in India received over 9,000 applications in 2010, three times higher than in 2009.

---

<sup>130</sup> Meeting, Delhi, India, 7 September 2010.

Other initiatives suggested by our interlocutors include an increase in links between research institutions, as exemplified by the relationship between the Ottawa-based International Development and Research Centre (IDRC) and the Centre for Policy Research with whom we met in Delhi.

### **c. Tourism and Cultural Exchanges**

Among others, the State Minister for Tourism, Culture and Public Relations emphasised the role that tourism and culture in general can play in promoting mutual understanding.<sup>131</sup> In particular, she noted that Canadian expertise can assist in the development of India's tourism industry. She also drew our attention to a cultural exchange initiative showcasing modern India in which several Canadian cities are participants. Indeed, our discussions emphasised the role that cultural shows and tourism fairs can play in promoting these sectors.<sup>132</sup> At the same time, tourism development and cultural exchanges are important vehicles for enhancing underlying commercial opportunities.

### **d. Business Exchanges**

Creating more opportunities for building links between the Indian and Canadian business communities was also encouraged by our interlocutors, including the Chief Minister of Maharashtra.<sup>133</sup> In this respect, our discussions touched on initiatives that emphasise information sharing about mutual commercial opportunities. Examples of these initiatives include coordinating commercially-based fact-finding missions to

---

<sup>131</sup> Meetings, Hyderabad, India, 8 September 2010; Mumbai, India, 9 September 2010.

<sup>132</sup> Meeting, Hyderabad, India, 8 September 2010.

<sup>133</sup> Meeting, Mumbai, India, 9 September 2010.

both India and Canada, and having business leaders and key ministers address the respective business communities and related associations. In Canada, these associations include the Indo-Canada Chamber of Commerce, the Canada-India Business Council, as well as the Canadian Chamber of Commerce and the Canadian Council of Chief Executives among others.

Examples of such opportunities that currently exist include the Canada-India CEO Roundtable which met in September 2010 and the visit to Canada in the same month by a 16 member business delegation from Gujarat province. In another example, the Government of Canada, together with Japan, will be a Partner Country to the 2011 Vibrant Gujarat Summit, which has been held biennially since 2003 to facilitate investment alliances and business opportunities in Gujarat, in India and across the world.

In another respect, innovative programs such as Citizenship and Immigration Canada's Business Express Program and the Worker Express Program, were highlighted for their role in facilitating business mobility between Canada and India. The former offers a simplified documentation and processing service to companies registered in the program and which conduct high volumes of travel to Canada. The latter offers a similar expedited service for temporary workers.

Indeed, these programs and related initiatives that facilitate mobility reflect the impact of globalisation on commercial development. McKinsey and Company emphasised that as globalisation intensifies, the circulation of people in various roles, such as students, educators or entrepreneurs will also become more prominent and important. With respect to mobility between Canada and India specifically, we were told that approximately 1000 applications are submitted daily for some form of visa to Canada.

### 3. Parliamentary Relations

Strengthening inter-parliamentary relations is another valuable objective that will contribute to improving mutual understanding and awareness between Canada and India, as was emphasised by our interlocutors including the Speaker of the Lok Sabha. Indeed, given our discussions with representatives of the national parliament and the State Assembly of Andhra Pradesh, it became evident that there are many areas of common interest that can be explored in this way, including agriculture, forestry, energy, conservation, environment, commerce and industry, education, infrastructure, science and technology.<sup>134</sup>

Likewise, our present study and fact-finding mission to India, not to mention the subsequent report, demonstrate the strong interest that exists in Canada in better understanding today's India. Moreover, our meetings in Delhi, Hyderabad and Mumbai are part of an overall effort to bolster engagement with India. In this respect, the role that parliamentary relations play in building and reinforcing diplomatic ties, improving mutual understanding and identifying mutual needs is emphasised.

Parliamentary diplomacy is carried out in ways other than by committee work. Our relations with Indian parliamentarians, for instance, are also carried out through our joint membership in the Commonwealth Parliamentary Association (CPA - two of our interlocutors were already familiar to us by way of our links through the CPA). The Canada-India Parliamentary Friendship Group also offers opportunities for

---

<sup>134</sup> Meetings, Delhi, India, 6, 7 September 2010; Hyderabad, India, 8 September 2010.

parliamentary engagement on matters of mutual interest, but the extent to which relations can be maximised by way of this group are limited. In part this is because it receives no administrative support, unlike the Canada-Germany Interparliamentary Group, nor financial support, unlike the Canada-China Legislative Association. The merit of formalising Canada-India parliamentary relations by way of financial if not administrative support is evident in India's global standing and commitment to democracy.

#### **RECOMMENDATION 4:**

**A Canada-India parliamentary association should be elevated to a recognised status to acknowledge the significance of this bilateral relationship.**

### III. CONCLUSIONS

In November 2007, the Committee embarked on an ambitious task to study and report on the implications for Canada of the rise of China, India and Russia in the new global economy. Three years, 45 hearings with 90 witnesses, three fact-finding missions with over 140 interlocutors, three reports and more than 30 recommendations later, we have fulfilled our ambition. Accordingly, we come to our final, cumulative conclusion of the study: that their rise has significant domestic, bilateral and global implications for Canadian trade and investment policies and that, for the benefit of Canada's future prosperity and the realisation of mutual advantages, the Government of Canada should formulate and implement a set of policies that strengthen bilateral trade and investment relations with the three countries.

This concluding statement and final report on the study builds on our previous reports and recommendations. Indeed, we are all the more confident in their cogency following our fact-finding mission to India during which we had occasion to assess them. Our interlocutors repeatedly reinforced the importance of the study, the mission, and the validity of our recommendations. Likewise, the value of our fact-finding missions for providing insight and input into our study, for contributing to the bilateral relations with the three countries and parliaments, and for strengthening mutual understanding cannot be underestimated.

Our study concludes – as it began – at a time of tremendous global change. The global economy is undergoing a profound transformation, the likes of which have not been witnessed for a very long time. Networks of value chains are springing up regionally and globally, integrating goods, ideas and investment ever more intensely. Commodity markets are being altered as demand for resources and energy security

loom high. Moreover, the value of people-to-people links, the movement of people and cross-cultural business and diaspora communities has been magnified.

In the wake of these changes, new patterns of economic relations are taking shape. At their core lie China, India and Russia. These three countries have benefitted in many ways from the changes to the global economy at the same time that their economic growth is transforming it. As their economies grow, so does their role in influencing broader global dynamics, precipitating the global shifts and emergence of power blocs that we are witnessing today. While the United States is expected to remain dominant, the consequences of China's economic strength for the region and for the world bear noting. For its part, India is on a trajectory propelled by its rapid economic growth to influence developments beyond its immediate region. While Russia's economic growth may not be at the same level as that of China and India, its national interests and international priorities figure prominently in global dynamics.

The three countries each have their own challenges – domestic and regional, political, socio-economic, security. China, for instance, may be far ahead in terms of its infrastructure, but questions are being raised about its ability to maintain the momentum of economic growth rates of the previous decade. India's democracy and knowledge-sector may serve it well regarding the legitimacy and sustainability of its economic transformation, but the level of its infrastructure is still behind that of China's, even as it continues to be developed with incredible ambitions. Russia continues to work to diversify its economy beyond the highly priced commodities of oil and gas. As a result, the extent to which each is able to overcome these challenges will play a large role in determining the sustainability of their economic growth and these global shifts. That they emerged from the global economic downturn relatively

unscathed is an additional case in point. Regardless, the interdependence of the global economy will have deepened.

Our assessment of the rise of China, India and Russia has determined that the particular significance of some of our recommendations and themes merit repetition in this concluding report as they represent areas where work continues to be necessary. In this respect, we reassert that Canada's commercial profile in China, India and Russia needs to be strengthened. As we recommended before, the development of a **“Canada Brand”** that highlights Canada's expertise and innovation across a variety of commercial sectors and in areas where the demand and opportunities in the three countries is particularly acute would make an important contribution to overcoming this low profile. The sectors that would benefit in particular from the promotion of a “Canada Brand” include **education, agriculture, mining and other extractive industries, energy, technology, financial services, and infrastructure**. Moreover, the brand could also highlight Canada's diversity, reliable business practices and values, and its advantage as a gateway to the North American market. The development of a “Canada Brand” would also help to dispel images of the country that discourage potential partners from considering Canada as a source for mutually beneficial undertakings. In other words, as much as Canadians need to know the Russia, China and India of today, it is also incumbent to emphasise Canada's transformation and to showcase the Canada of today.

## RECOMMENDATION 5:

**The Government of Canada should develop and promote a “Canada Brand” that raises the profile of Canadian expertise and advances a more accurate image of Canada’s commercial innovations in foreign markets generally and in China, India and Russia particularly.**

## RECOMMENDATION 6:

**The Government of Canada should take the necessary steps to support opportunities for, and to realise the full potential of, Canadian commercial expertise in sectors in demand in China, India and Russia, including education, agriculture, mining and other extractive industries, energy, technology, financial services, and infrastructure.**

The Committee also reiterates that **business associations and the diaspora** (as appropriate) should be leveraged more effectively as important links between Canada and the three countries in order to deepen our bilateral commercial relations. At the same time, they can also serve as invaluable messengers about the advantages today’s Canada offers. While some of our discussions in India gave us pause regarding the potential of diaspora communities in deepening commercial relations with the three countries, we continue to feel that they can be beneficial if properly leveraged and as we continue to strengthen our commercial presence.

## RECOMMENDATION 7:

**The Government of Canada should take the necessary steps that leverage the knowledge and insight available from the relevant**

**business associations and diaspora communities regarding the three emerging economies. It should also establish support mechanisms by which these groups can be used to facilitate information-sharing about commercial opportunities and potential partnerships.**

Likewise, our study reinforced for us the important role that **parliamentary diplomacy** can play in deepening Canadian engagement with the three countries. Indeed, over the course of our fact-finding missions, we had a minimum of one hour meetings with no fewer than five ministers, five deputy ministers, two secretaries of state, four committee chairs and vice-chairs, five provincial government chairs and vice-chairs, and three speakers and deputy speakers of legislative assemblies. During these meetings, we affirmed Canada's interests in deepening trade and commercial relations with the countries, gathered information from our interlocutors about their commercial priorities and how Canadian companies could make specific contributions.

The work of parliamentary committees is but one way by which parliamentary diplomacy is carried out. Parliamentarians exchange views and discuss priorities to Canada and Canadians with counterparts at inter-parliamentary meetings as well. The contribution that is made by parliamentary delegations to advancing Canadian interests abroad, therefore, cannot be underestimated. As a result, there is value in encouraging the Government of Canada to engage parliamentary delegations more strongly and more frequently for this purpose.

We were pleased to note from our assessment of the validity of our reports and recommendations that much of what was recommended is already being done. This includes in particular our recommendation to place greater emphasis on **high-level visits** and to increase their frequency. In this respect, we encourage that these visits continue at an increased frequency.

Another recommendation that is already being carried out is the pursuit of **bilateral agreements** and related frameworks. While a number have been concluded, others remain under negotiation, or the process for their negotiation process has just begun. The launch of negotiations for a Canada-India Comprehensive Economic Partnership Agreement stands as the most recent and a high profile example of the government carrying out one of our recommendations.

It became apparent during our fact-finding mission, however, that concluding bilateral agreements and establishing frameworks for dialogue are pointless if there is no political will to implement them. In other words, the benefits to Canadian commercial interests could not be realised if the agreements and frameworks are not actually and fully implemented. Moreover, parliamentary oversight can play an important role in monitoring progress of the negotiations and ensuring that they reflect Canadian commercial interests, benefit Canadian prosperity and are consistent with international principles regarding the liberalisation of trade and investment.

## **RECOMMENDATION 8:**

**The Government of Canada should ensure that the necessary political will exists to negotiate, conclude and implement bilateral frameworks for dialogue as well as trade and investment agreements with China, India and Russia. This includes in**

**particular the recently launched Comprehensive Economic Partnership Agreement between Canada and India.**

As our study concludes, a few final thoughts became apparent. First, any effort to deepen Canadian commercial engagement with China, India and Russia will benefit from focus, persistence and consistency on the part of the Government of Canada. In other words, this goal can be achieved notwithstanding the relative size of the Canadian economy if the government's resources are applied strategically.

In preparing its reports that concentrate on action that the Government of Canada can take, it bears noting that the Committee limited its recommendations to areas where it believes government action is warranted and to concerns raised on the part of private business interests. In this regard, it believes that there will be circumstances under which governments are likely to be more adept at supplying the tools businesses require, particularly if the business atmosphere of a target country is saturated with politics. It is these areas on which the Committee concentrated, such as building political relations to facilitate the achievement of agreements and frameworks that remove impediments, strengthen predictability and improve transparency, these being important elements that encourage commercial patterns and for which private businesses have asked. At the same time, our reports unapologetically drew attention to some of the politically-based challenges facing these emerging economies and which, as we were repeatedly told by businesses, impede the realisation of greater opportunities and mutual benefit, such as corruption and onerous bureaucracies. We limited the scope of the study and reports to those areas where we felt we might make a significant contribution, although we acknowledge that the study's broader essence contains equally important domestic and international dimensions, as well as political and economic ones. Indeed, since

our study began three years ago, we are pleased that the body of work on this topic has expanded to reflect these many perspectives and we will continue to follow the topic accordingly.

Second, and to reiterate a point raised in our second report, the three countries of China, India and Russia need to be treated individually. While all are emerging economies, they are each experiencing the transformation from different starting points and in different ways. For instance, while the experiences of Russia and China might be more akin to revolutions, that of India is in accordance with change. It follows that their opportunities, challenges and risks will reflect the specific circumstances of each, and policies crafted in response will need to do the same.

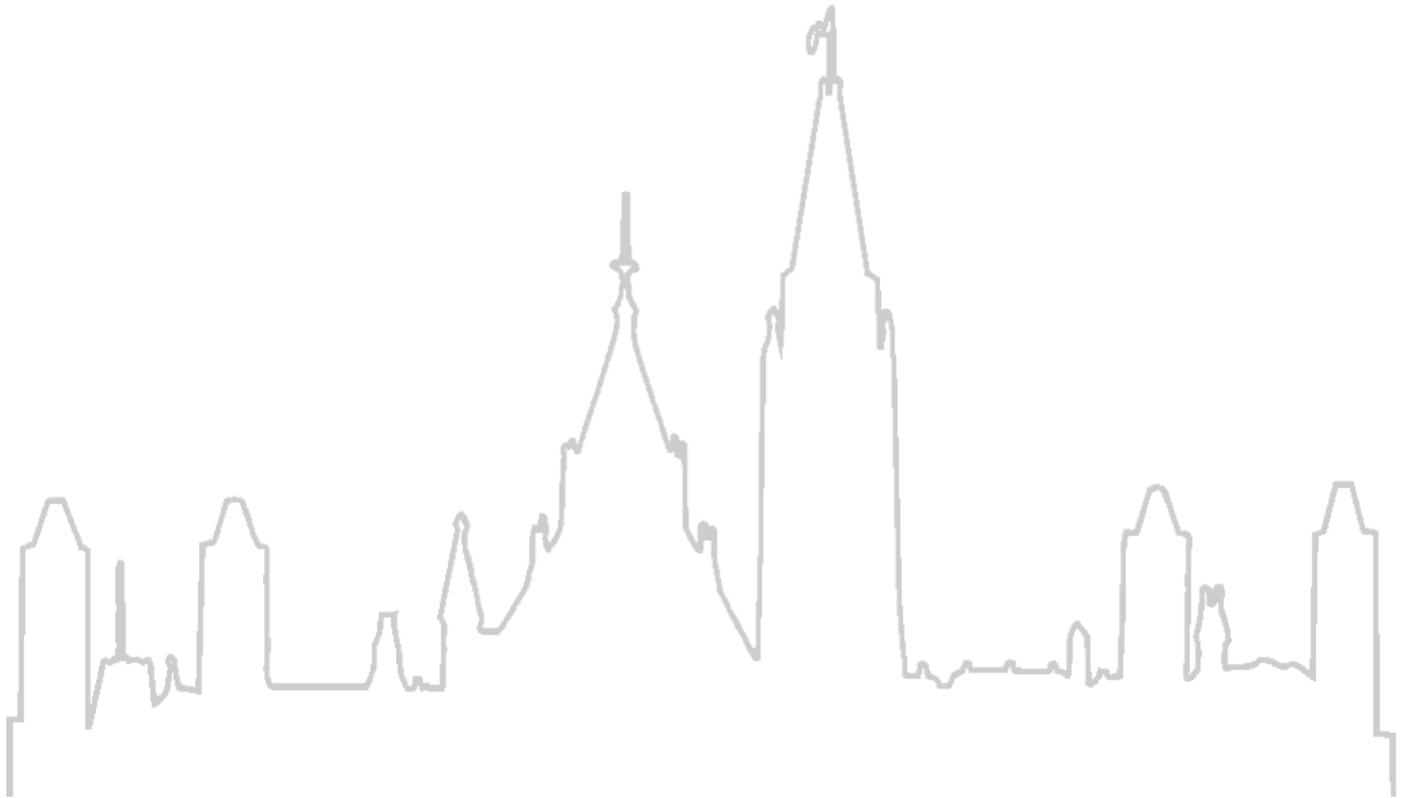
Finally, the last three years emphasised how much the world itself is changing as well as the importance of shaping Canadian policy in response in order to better position the country against future opportunities and challenges. In this respect, with three of the five largest economies in the world being Asian, the magnetism and economic weight of the Asia-Pacific region is astonishing. For Canada's part, these developments reinforce the essence of the new global economy and, for the sake of Canadian prosperity, the need for Canadian trade and investment patterns to better reflect these transformations. While the United States is recognised as Canada's primary trade and investment partner, Canadian prosperity can benefit from wider diversification and a deepening of commercial relations with China, India and Russia.

Moreover, from a strategic point of view, the region's economic potential is also expected to have – if not already evident – significant implications for its political and military influence in the world. Accordingly, it would be beneficial for Canada to build its relations with all three countries, but in particular, in the context of the Asia-

Pacific region, with China and India. In other words, there are advantages and potential strategic opportunities to be gained from deepening engagement with these two countries which have varied interests in the region and have different quality of relations with our primary ally. Indeed, in this respect, it may benefit Canada to work with the United States on issues of common interest and concern regarding India and China in order to maximise our influence. Canada's place in the new global economy and its future prosperity are at stake.







Ce rapport est aussi disponible en français.  
Des renseignements sur le comité sont donnés sur le site :  
[www.senate-senat.ca/foraffetrang.asp](http://www.senate-senat.ca/foraffetrang.asp).

Information regarding the committee can be obtained through its web site:  
[www.senate-senat.ca/foraffetrang.asp](http://www.senate-senat.ca/foraffetrang.asp).