

An Economic Partnership in the Making: The India-Canada Story

A FICCI Working Paper

FICCI

June 2011

Canada at a glance



Land area

9,093,507 sq km (7% farmland; 46% forest)

Population

34m (2010)

Main metropolitan areas

Population in '000, July 2007

Toronto: 5,510; Ottawa (capital): 1,169

Montreal: 3,696; Vancouver: 2,286;

Winnipeg: 713; Quebec: 729

Climate

Continental; snow cover in winter (very cold in the north); warm summer

Weather in Ottawa (altitude 103 metres)

Hottest month, July, 15-26°C; coldest month, January, -16°C to -6°C

Languages (2006 census)

English only (67.6% of the population), French only (13.3%), English and French (17.4%), other languages (1.7%)



Foreward

The Canada story has not been told very often in India. Although Canada is home to one of the most vibrant Indian diasporas, we have only recently recognised the immense business possibilities that Canada holds. Canada's recovery from the economic crisis has been the strongest among the G7 countries. Its robust domestic demand, recovering exports, strong financial and banking institutions and a synergistic business environment makes Canada an extremely attractive business destination for Indian companies looking to go global.

With the gravitational power of the U.S. economy in its backyard, Canada's economic fortunes have long been linked to that of its neighbour. The share of U.S. in Canada's trade basket is over 65%. Nearly 30% of the U.S. - Canada trade is intra-firm trade, meaning inputs and outputs cross the border multiple times during the production process, almost all around the Great Lakes region. But in the aftermath of the crisis, Canadian companies are looking beyond the US for new markets. As the Governor, Bank of Canada recently remarked, "It's less about reducing our dependency on the United States than increasing our exposure, our dependency, our access to other markets". India becomes a natural partner in this process.

Both the countries are currently negotiating a Comprehensive Economic Partnership Agreement (CEPA), expected to boost two-way trade and investments. At present, India - Canada trade has grossly underperformed given the size of both the economies - it's about a quarter of India's trade with Australia. But as companies and traders become aware of the opportunities on both sides and barriers to trade fall, this could change dramatically. Indian Greenfield and M&A investments into Canada have already outstripped Canadian investments into India. Canada, and in particular the Ontario region, not only provides a gateway to the American market, but in presets excellent investment opportunities in a host of sectors that Indian companies should explore.

Many major Indian companies that have forayed into Canada are headquartered in the Province of Ontario. Toronto, the economic capital of Ontario and Canada, is home to more than twelve Indian multinational companies from sectors including information technology, pharmaceuticals, banking to manufacturing and mining. Ontario offers Indian businesses an enviable business-ecosystem with the industrial region of US in close proximity. FICCI is committed to boost India - Ontario and in turn India - Canada ties by bringing businesses closer and forging a deeper understanding of the prevailing business environments.

The purpose of this report is to review the current bilateral engagement between India and Canada and the expectations for deep integrations in the coming years. With the start of the CEPA negotiations the report also reviews the potential sectors, both in goods and services that India stands to gain from the trade agreement. But most importantly, our report tries to tell the Canadian story from an Indian perspective.

Dr. Rajiv Kumar
Secretary General
Federation of Indian Chambers of Commerce & Industry


$621,000
$1,267,000
NA
NA



Table of Contents

Foreword

An Overview of the post-Crisis Canadian Economy 01

Major Economic Indicators of Canada *02*

India – Canada Trade in Goods **05**

Export Composition and Trade Indicators *06*

India – Canada Trade in Services **08**

Canada's Services Trade Partners *08*

India – Canada Investments **10**

India – Canada CEPA: India's "Wish list" **12**

Trade in Goods: Offensive Interests *12*

Trade in Services: Offensive Interests *12*

Select Sectors: Performance and Opportunities **14**

Education *14*

Tourism *16*

Media and Entertainment *18*

Clean Technology *20*

Ontario: "One Land, Many Opportunities" **23**

Q&A with Peter Sutherland, India Expert and Vice-Chairman, CIBC **25**



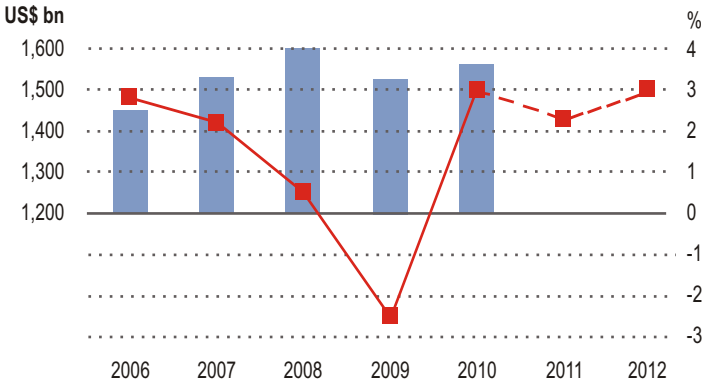


An Overview of the post-Crisis Canadian Economy

Canada's inherent domestic strengths and timely policy actions ensured limited economic and financial damage from the global recession that shook the world in the latter half of 2008 and continues to plague much of the developed world. The recession in Canada was mainly externally driven, particularly as a result of heavy exposure to the US housing and auto sectors and to commodity prices, which declined sharply during the global downturn.

Figure 1 below, shows that while GDP growth plummeted to -2.5% in 2009, it has bounced back to 3% in 2010 and is forecasted by OECD's Economic Outlook, to remain between 2.3% and 3% in 2011 and 2012. Canada had the shallowest recession of all the G7 economies, with the smallest decline in activity in 2009 and fastest growth in 2010.

Figure1: Canada's GDP and growth Forecast: 2005-12



Source: World Bank; OECD

Canada in a Nutshell

Political structure: Canada is formally a constitutional monarchy, with the governor-general (always of Canadian nationality and appointed in Ottawa) acting as the representative of the British crown. In practice, the Canadian House of Commons is sovereign. Canada is a federation of ten provinces, each with substantial powers, and three territories. At the federal level are the Commons, the main seat of legislative power, and the non-elected Senate, which plays only a marginal role. The Conservative Party has headed a minority government since winning the general election in October 2008.

Economy: The Canadian economy is the tenth-largest in the world (in 2009 measured in US dollars at market exchange rates).It is highly integrated with the US economy, which absorbed 73.3% of its goods exports and was the source of 63.2% of its imported goods in 2009. Most Canadians live in a narrow strip (160 km wide) north of the US border. The US exerts a powerful economic and cultural influence on Canada. 58% of Canadians say English is their mother tongue, about 22% say French, and 18% spoke another language before learning English or French. The majority of French speakers live in Quebec, Canada's second most populous province. This makes Canada a potentially fragile country, although support for sovereignty is currently soft in Quebec.

Taxation: The federal corporate income tax rate is 18%. Provincial governments charge corporate tax at rates between 5% and 16%. Ontario and British Colombia harmonised their provincial sales taxes with the federal value-added tax in July 2010, leaving only three small provinces with provincial sales taxes.

Source: The Economist Intelligence Unit

Within the OECD economies, Canada is touted to have managed the recession much better than the rest largely due to deft policies and a strong regulatory framework. The main reason for the country's economic resilience is that neither its financial system nor its housing market magnified the recession. The banks remained in profit. House prices held up fairly well and are now rising. Despite this, relatively slow productivity growth is a feature of the economy, possibly as a result of a lack of capital deepening during the 1990s.

Major Economic Indicators of Canada

Canada's robust performance in recent years reveals the economy's remarkable flexibility, as growth has taken place against the backdrop of significant shocks, including soaring energy prices, expanding oil and gas production, and exchange rate appreciation.

Table 1: Key Economic Indicators

Indicators	Unit	2005	2006	2007	2008	2009	2010
Production and Income							
Gross Domestic Product (GDP)	US$ billion (PPP)	1132	1202	1268	1300	1297	1335
GDP per capita	US$ (PPP)	35033	36821	38448	38975	38700	39600
Exports of Goods	US$ billion	360.6	388.2	420.2	455.7	323.3	406.8
Exports of Services	US$ billion	55.8	60.5	64.8	66.0	59.1	67.9
Import of Goods	US$ billion	314.4	350.0	380.4	408.3	327.3	406.4
Import of Services	US$ billion	65.7	72.8	82.5	87.1	78.7	90.6
Total Trade Balance	US$ billion	45.7	38.2	39.9	47.4	-23.6	-22.3
Current Account Balance	US$ billion	21.5	17.9	14.5	7.6	-36.2	-48.5
Inflow of FDI	US$ billion	25.7	25.7	32.6	39.3	35.5	26.5
Outflow of FDI	US$ billion	27.5	27.5	32.4	40.0	39.0	27.1
Growth Indicators							
Real GDP growth	y-o-y (in %)	3.0	2.9	2.5	0.4	-2.5	3
Trade in Goods and Services	as % of GDP	70.3	72.5	74.8	78.2	60.8	72.8
Gross fixed capital formation	as % of GDP	21.3	22.4	22.6	22.8	21.5	22.1
Inflation Rate	y-o-y (in %)	2.2	2.0	2.1	2.4	0.3	1.6

Source: OECD; CIA World Factbook

The Canadian economy has expanded steadily since 2001 (see Table 1). Annual GDP growth averaged 2.6% during the period 2001-07, underpinned by strong domestic demand. In particular, investments (Gross fixed capital formation) has remained robust throughout the last decade, reaching 22.8% of GDP in 2008. This is a clear gain from the investment rates of 17-18% in the 1990s. Gross exports also expanded, but the contribution to GDP of net exports was negative due to the faster increase in imports for the first time in 2009. High import growth of both goods and services has gone hand-in-hand with strong consumption. Domestic demand growth was underpinned by gains in real personal disposable income between 2004 and 2008, which grew by as much as 5.7% in 2006 but declined in 2009.

Economic growth in Canada was accompanied by stable inflation that averaged 2.1% between 1999 and 2010. For many decades, Canada has maintained a current account surplus with the rest of the world. Due to weaker commodity prices and the recession in the United States, however, Canada's current account balance went into a deficit of US$ 36.2 billion in 2009 and experienced further deficit of US$ 48.5 billion in 2010. This was the first current account deficit recorded since 1999. The current account balance is expected to improve as global demand and commodity prices recover.

Long-term Forecast for Canada

The Canadian economy will expand by an average of 2.5% per year in real terms in 2011-30, somewhat slower than the 2.9% annual average growth achieved in the 1980s and 1990s. The strong historical performance was in part a result of Canada's close ties with a buoyant US economy. As the US now faces a period of slower growth, Canada's links with its large neighbour will be less of a catalyst. Instead, Canada's large resource endowment, which gives it exposure to China and other emerging markets, will play a bigger role in driving growth.

Source: The Economist Intelligence Unit

Sectoral Composition of the Canadian Economy

Services represent the largest sector of the Canadian economy, accounting for over 72% of Canada's GDP in 2010 and employing over 80% of the country's population. Over the last decade, the share of services in Canada's GDP increased steadily as Canada has become a more services-oriented economy, and also due to the resilience of services industry in the face of the global downturn. In particular, the manufacturing share of the GDP declined to 12.9% in 2010 from 18.5% in 2000. The agricultural sector has maintained its relative position in the overall economy, accounting for about 2.2% of GDP.

Table 2: The Sector Composition of the Canadian Economy

Sector	2005	2006	2007	2008	2009	2010
Value Added (% of GDP)						
Agriculture	2.5	2.3	2.2	2.2	2.2	2.2
Construction	5.8	5.9	6	6.1	5.8	6.0
Manufacturing	16.3	15.6	15	13.9	12.7	12.9
Services	67.9	68.8	69.4	70.7	72.5	72.1
Others	7.5	7.4	7.4	7.1	6.8	6.8

Source: Statistics Canada

The country's services segment includes retail, communication, real estate, financial services, health and education, entertainment, technology and tourism. A large portion of the country's natural resources, including oil, gold, nickel and uranium and agricultural products like wheat and other grains are exported, mainly to the US, Europe and East Asia.

Oil Reserves in Canada

As the second largest country in the world, Canada also has the advantage of unexplored oil reserves in its northern territories and the existence of unconventional oil such as oil sands and oil shale[1]. In terms of proven oil reserves (including oil sand reserves), it is second only to Saudi Arabia. Experts have held that if unconventional sources of oil, such as oil sands and oil shale, could be transformed into crude it has the potential to generate oil for more than three centuries. Presently, Canada exports more oil and oil products to the US than it consumes itself. With high demand for energy in emerging countries like India, an energy partnership between India and Canada could prove critical in the decades to come.

Global Trade and Economic Integration of Canada

Canada resembles the US in its market oriented economic system, pattern of production and affluent living standards. The impressive growth of Canada's manufacturing, mining and service segments since World War II have transformed the North American nation from an agrarian economy to one with a highly industrial and urban economic structure. Low labour costs and a comprehensive healthcare and social security system have attracted automobile majors from the US and Japan to set up manufacturing facilities in Canada.

Canada's trade and economic integration with the US has witnessed a dramatic increase, following the signing of the 1989 US-Canada Free Trade Agreement (FTA) and the 1994 North American Free Trade Agreement (NAFTA). The US is Canada's largest trading partner, besides being its largest foreign investor through investments in mining, smelting, petroleum, chemical and machinery segments. This has linked the Canadian economic policy even more to the United States. Even a minor change in the US interest rates has repercussions in Canada.

[1] *Oil sands, contain crude bitumen in natural sands that can be transformed to crude. Oil sands represent over 47% of total Canadian petroleum production.*
Oil shale, are rocks contains significant amounts of kerogen from which liquid hydrocarbons called shale oil can be produced. However, extracting shale oil is both financially unviable and environmentally harmful.

Table 3: Canada's Trade Profile

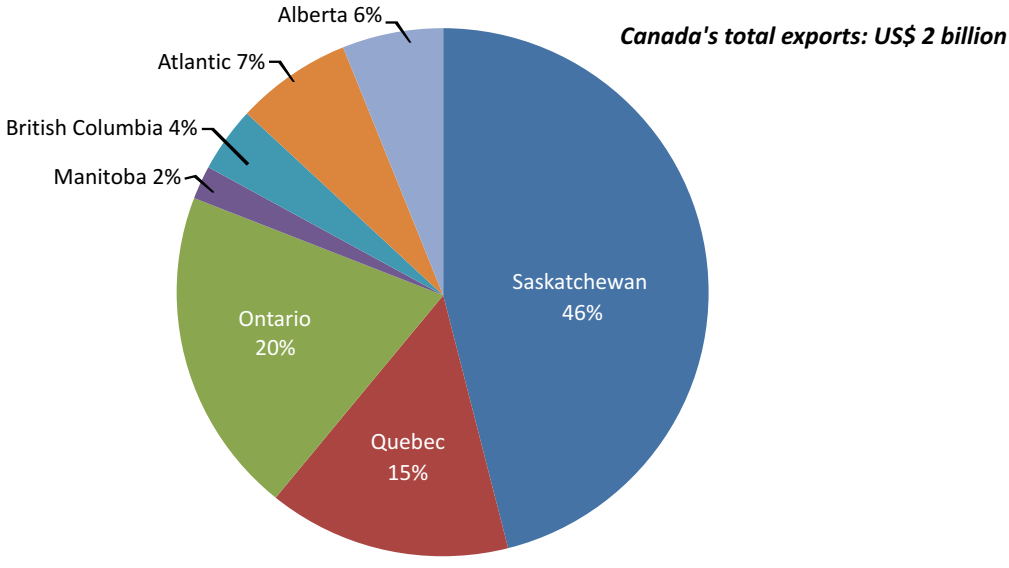
Breakdown in Canada's total exports		Breakdown in Canada's total imports	
By main commodity group		By main commodity group	
Agricultural products	13.8	Agricultural products	8.9
Fuels and mining products	29.4	Fuels and mining products	11.9
Manufactures	49.6	Manufactures	75.5
By main destination		By main origin	
1. United States	75.0	1. United States	51.2
2. European Union (27)	8.3	2. European Union (27)	12.4
3. China	3.1	3. China	10.9
4. Japan	2.3	4. Mexico	4.5
5. Mexico	1.3	5. Japan	3.3
7. India	0.6	15. India	0.5
Share in world total exports	2.5	**Share in world total imports**	2.6

Source: WTO

One important distinction between the economic structures of Canada and the US is that the former is a net exporter of commodities while the latter is a net importer. Canada's banking segment is also quite conservative in comparison to the United States, which has helped Canada withstand the financial crisis as experienced by the US.

Although India ranks as one of Canada's leading export destinations, it is not a major trading partner for Canada considering the population size and rapid rate of India's economic growth. India was Canada's seventh largest export destination in 2010 and the fourth largest in Asia. It was also Canada's seventh largest source of imports from Asia and the 15th largest worldwide.

Figure 2: Exports from Canada to India, by Province



Source: Parliamentary Information and Research Service, Parliament of Canada

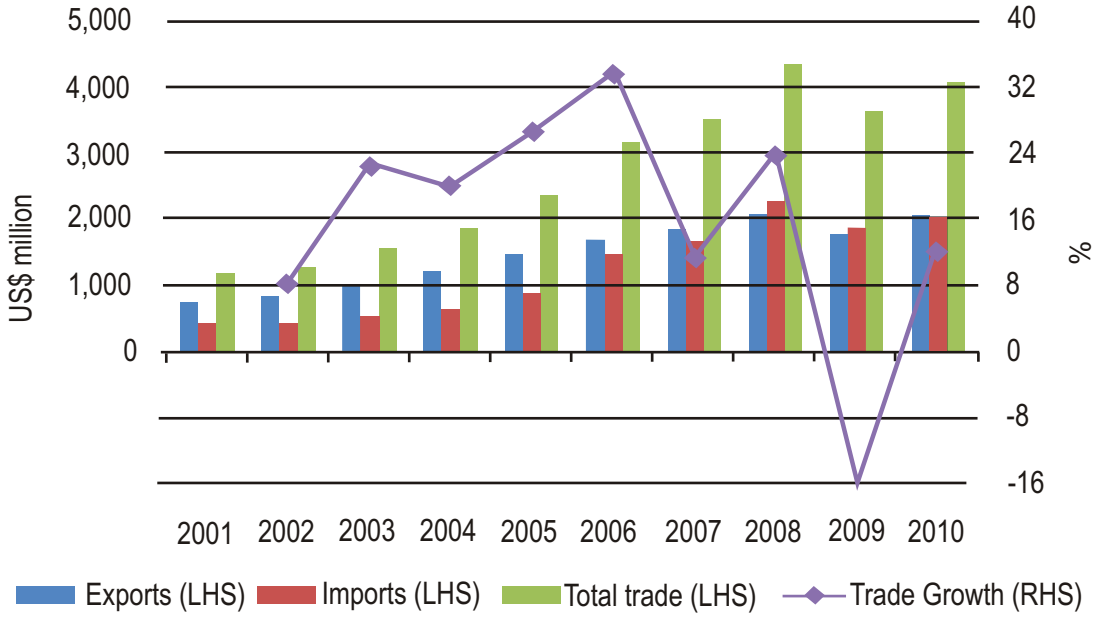
Due to the vastness of Canada and the federal structure of the economy, provinces are like mid-sized countries. In terms of trade with India, Saskatchewan is by far Canada's largest provincial exporter. Total exports from that province were valued at US$ 976 million. The next-largest provincial exporter, Ontario, sold US$ 423 million in goods to India while importing US$ 1240 million.



India – Canada Trade in Goods

India and Canada are not the most aggressive trade partners and neither have a huge stake in each other's value chains. However, over the past few years there has been an emerging trade pattern focused on agro-based products and raw materials including basic chemicals and fertilizer products. Bilateral merchandise trade between India and Canada has increased substantially in the past decade before declining by 16% in 2009 (see, figure). If we consider the period prior to economic crisis, Canadian merchandise exports to India increased at an annual compound rate of 24% since 2001, while exports from India grew by 13%. However, India's rate of exports growth to Canada has been lower than India's overall exports growth of over 22% annually during the period between 2001 and 2008.

Figure 3: Trend in India - Canada Merchandise Trade, 2001-2010



Source: Trademap, ITC

If we consider the total trade of Canada at over US$ 810 billion in 2010, Canada's total trade with India at a little over US$ 4 billion appears significantly under-traded. For example, total trade between India and Canada is four times smaller than the size of trade between India and Australia, even though the Canadian economy is about 25% larger than that of Australia. However, Canada has an extremely high export market concentration with its FTA partners, who account for over 81% of its exports, and 63% of its imports (US alone accounts for 75% of Canada's exports and 51% of its imports). The country's trade profile with the US (the four major commodity groups of fuel, vehicles & auto parts, industrial and electrical machinery account for over 50% of total trade) is very different from that with India. The table 4 highlights the major commodity groups traded.

India's share in Canada's imports of apparels, chemicals and fish products is substantially above the total share in Canada's imports. India is not a large exporter of high-technology products that require greater value addition (see, table 4). For example, goods exports of electrical and electronics (US$ 106 million, 0.3%), industrial machinery (US$ 100 million, 0.2%) and pharmaceuticals (US$ 42 million, 0.4%) are both low in value and share.

Export Composition and Trade Indicators

Table 4: Major export commodities between India and Canada: Growth and Share Indicators

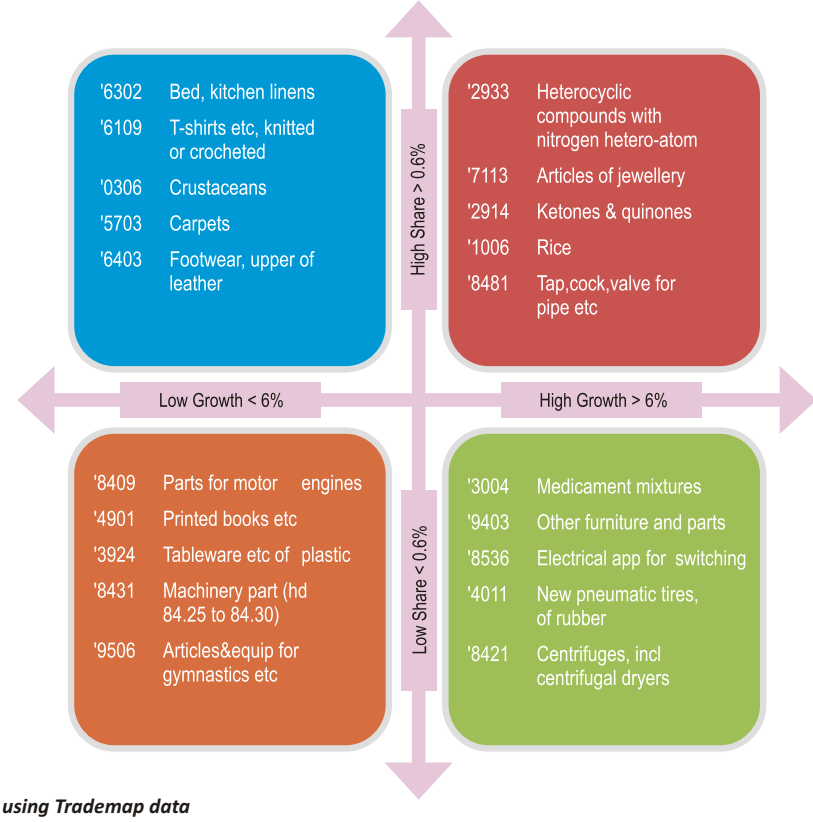
	Exports from India to Canada				Exports from Canada to India			
S. No	Commodity	Value (US$ mn)	Growth in % (2005-09)	Share in Canada's imports (%)	Commodity	Value (US$ mn)	Growth in % (2005-09)	Share in Canada's exports (%)
-	All products	1761	6	0.5	All products	1887	21	0.6
1	Organic chemicals	276	24	5	Vegetables etc	471	43	15.6
2	Apparel, knit or crochet	157	-2	4.6	Fertilizers	388	53	9.2
3	Apparel, not knit or crochet	144	-3	4.2	Industrial Machinery	154	24	0.6
4	Gems and Jewellery	143	6	1.7	Wood products	122	14	2.6
5	Electrical, electronic equipment	106	26	0.3	Electrical, electronic equipment	103	11	0.7
6	Industrial Machinery	100	3	0.2	Gems and Jewellery	87	45	0.8
7	Iron or steel products	73	7	1	Iron and steel	85	17	1.9
8	Other made textiles	71	2	6.9	Aircraft, parts thereof	75	27	0.8
9	Pharmaceutical products	42	31	0.4	Paper products	56	-17	0.6
10	Fish and crustaceans etc	42	1	2.9	Precision instruments	51	11	1.1

Source: Trademap, ITC

The export commodity matrix below shows that India's traditional exports like textiles, apparels and footwear, although enjoys a higher share in Canada's import basket, have stagnated during the period 2005-09.

There is a growth bias for higher value added items such as chemicals, gems and jewellery, pharmaceutical products and industrial machinery, which is a good sign for Indian exports.

Table 5: Export Commodity Matrix (at HS-4 digit level)



Source: FICCI calculations using Trademap data

Where, India's exports in the product is greater than US$ 1 million
Where, Canada's imports in the product is greater than US$ 5 million
High share: > 0.5% of total Canada's imports in the category
High growth: > 6% exports growth during the period 2005-09

India's exports to Canada should reflect the change that has been happening in India's overall export profile. The share of medium-to-high technology exports of India has increased from 30% in 2001 to over 42% in 2009. The largest gains were in the exports of pharmaceuticals, motor vehicles, iron and steel products and industrial machinery (see, table below).

This, however, has not been reflected in India's exports to Canada, which are still predominantly low-technology based exports like food products, textiles and leather products. However, if the compound annual growth figures are any indication, then this scenario will soon see a change.

Table 6: Classification of India's Total Exports based on Technology: 2001 and 2009

Commodity Groups	Exports in 2001 (US$ m)	Share in Total Exports (2001)	Exports in 2009 (US$ m)	Share in Total Exports (2009)	CAGR
All commodities	44560.3	100.0	183091.3	100.0	19.3
Low Technology industries					
Wood, pulp, paper, paper products, printing & publishing	32.9	0.1	174.2	0.1	23.1
Food products, beverages & tobacco	1047.6	2.4	5246.5	2.9	22.3
Textiles, textile products	11574.1	26.0	21483.5	11.7	8.0
leather, footwear & headgear etc	1705.6	3.8	3327.1	1.8	8.7
Sub-total	14360.2	32.2	30231.3	16.5	9.8
Medium-low Technology Industries					
Coke, refined petroleum products and nuclear fuel	23.9	0.1	7009.7	3.8	103.5
Rubber and plastic products	1064.0	2.4	4037.9	2.2	18.1
Other non-metallic mineral products	906.0	2.0	6659.4	3.6	28.3
Building and repairing of ships and boats	52.3	0.1	3662.5	2.0	70.1
Basic Metals	1718.0	3.9	12135.5	6.6	27.7
Fabricated Metal products, except machinery & equipment	1308.0	2.9	5279.3	2.9	19.1
Sub-total	5072.1	11.4	38784.3	21.2	29.0
Medium-high Technology Industries					
Electrical Machinery and apparatus, n.e.c	1095.0	2.5	4660.8	2.5	19.8
Motor vehicles, trailers and semi-trailers	932.8	2.1	5988.1	3.3	26.2
Chemicals excluding pharmaceuticals	3294.5	7.4	13212.8	7.2	19.0
Railroad equipment	10.5	0.0	47.0	0.0	20.6
Machinery and equipment	1428.2	3.2	7947.9	4.3	23.9
Sub-total	6761.0	15.2	31856.6	17.4	21.4
High-technology Industries					
Aircraft and Spacecraft	61.1	0.1	1458.5	0.8	48.7
Pharmaceuticals	945.1	2.1	5091.3	2.8	23.4
Radio, television and communications equipment	197.4	0.4	1385.8	0.8	27.6
Medical, precision and optical equipments	191.0	0.4	781.4	0.4	19.3
Sub-total	1394.6	3.1	8717.0	4.8	25.7

Source: Trademap, ITC and FICCI Staff Calculation

India has gained global competitiveness in a number of high-value sectors in the past two decades. For instance, the growth in the pharmaceutical sector has in turn boosted exports of generics as well, earning the epithet “pharmacy of the developing world”. The global market for pharmaceutical products have increased from US$ 620 billion in 2005 to over US$ 825 billion in 2010, growing at a rate of 6% compounded annually, while India's exports in pharmaceuticals has outpaced global demand by growing at a compounded rate of 27.2% annually during the same period.



India – Canada Trade in Services

Both the Canadian and Indian economies have seen a gradual structural shift towards the services sector with services comprising a growing share of GDP and employment. Services represent an essential component of competitive, knowledge-based economies, accounting for 72% of Canada's GDP in 2009 and 57% of the Indian GDP in 2009-10[2].

The services sector is Canada's largest and fastest growing economic component. In India, the services sector is largely responsible for the economic growth it has experienced over the last decade and a half. The combined strengths of Canada's and India's respective services sectors largely complement one-another instead of any threat to domestic industries with opportunities existing for further trade and investment in financial services, education, transportation services, telecommunications, energy, environmental and water services, computer and related services, and courier services.

Examples of these economic complementarities can be seen through Canadian strengths in engineering services, energy services, environmental services, and telecommunications that can be used to develop the infrastructure within India. Canadian knowledge-based information technology firms can collaborate with those in India in order to harness each other's strengths in developing innovative products and services. Indian R&D intensive companies can take advantage of Canada's favourable R&D concessions. Canadian food processing firms can provide storage facilities for the large Indian agriculture market. Canadian companies seeking to enhance their own competitiveness can become integrated in the global supply chain by taking advantage of India's low-cost skilled labour.[3]

Canada is the 18th largest exporter of services and the 12th largest services market in the world. In 2010, Canada's commercial services exports were US$ 66 billion (growing from US$ 57 billion in 2009) and imports were US$ 89 billion (falling from US$ 78 billion in 2009). Like merchandise trade, Canada's major trade partner in services is the US. Its market penetration in the Canadian services sector is over 55% while it imports over 52% of Canadian services.

India's Services Trade at-a-glance

India's services sector has matured considerably during the last few years and has been globally recognized for its high growth and development. This sector has been growing at an annual growth rate of about 28% during the last 5 years. Services exports amounted to a meager US$ 8.9 billion in 1997 but over the years services exports have grown substantially. There has been rapid growth in the services exports from the year 2002. The exports have grown up from US$ 19.1 billion to US$ 73 billion in 2006 to US$ 96 billion in 2009 .

Presently services sector account for more than 55% of India's GDP, making it the most formidable component of the country's economy. An extrapolation of Reserve Bank data by India Brand Equity Foundation in fact shows that service exports could topple merchandise exports in the medium term. The Government of India is taking utmost care to uplift this potential sector which contributes heavily in India's foreign exchange and current account balance.

Table: India's Trade in Commercial Services: 2004-10 (US$ billion)

Year	Exports	Imports
2004	39	38
2005	68	67
2006	73	70
2007	86	81
2008	106	91
2009	96	74
2010	110	117

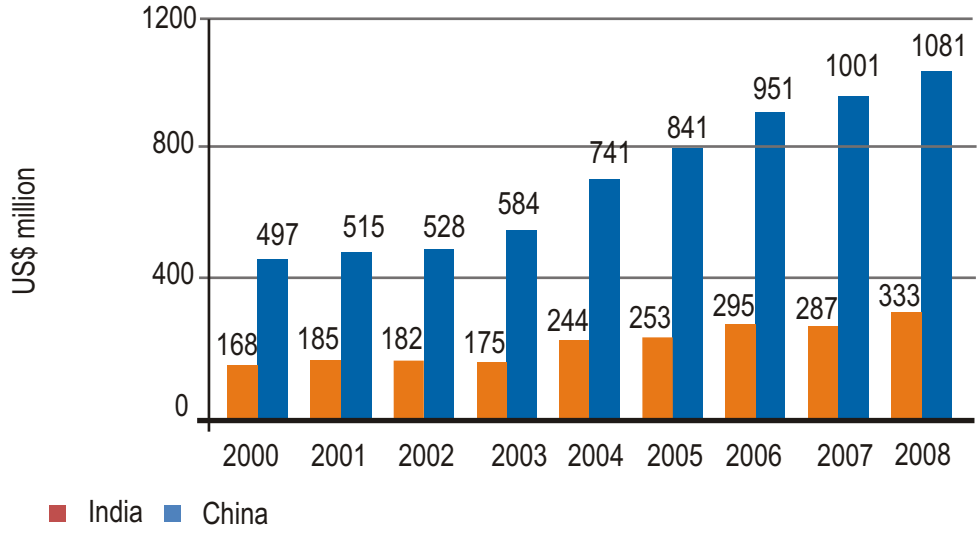
Source: WTO

Canada's Services Trade Partners

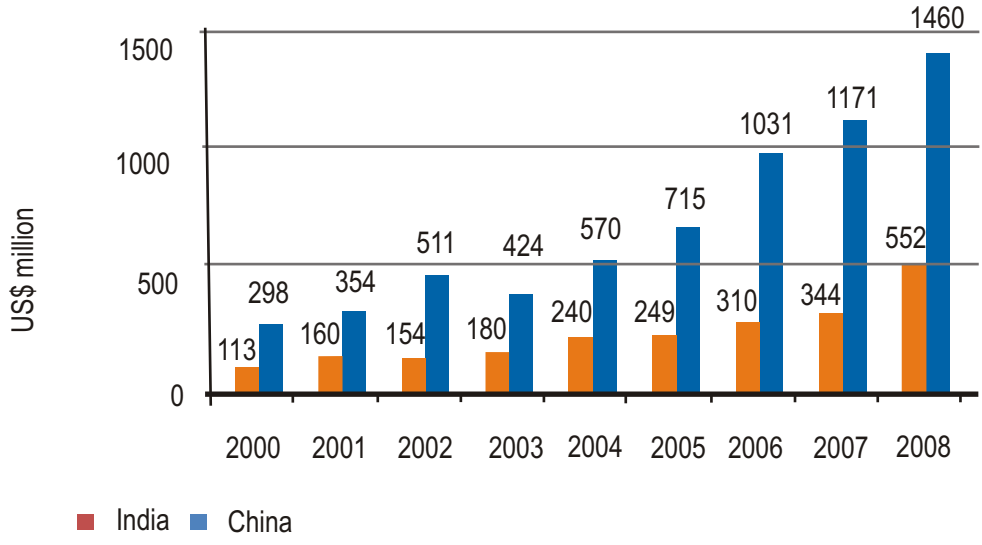
Canada's services integration with the non-developed world is relatively limited. Over 80% of its services trade is with the developed countries (or the OECD economies). However, the share has reduced from over 86% at the start of the decade. Canada's engagement with the two major emerging economies – India and China, is illustrated in the figure below.

[2] *WTO and Economic Survey of India, 2010-11*
[3] *Canadian Services Coalition, "Canada and India: Trade and Investment Opportunities in the Services Sector", 2007*

Figure 4: Canada's exports of services to India and China



Canada's Import of Services from China and India



Source: OECD

Travel services represented the largest proportion of Canada's exports to India, accounting for over a third of total services exports. Transportation, followed by commercial services (including, computer and information services) are the other major exports to India. India's major exports include computer related and information services, followed by miscellaneous services to business, management services and architectural, engineering and other technical services.

Canadian imports of IT services from India have been increasing since the beginning of the last decade. Indian IT companies with substantial operations in Canada include Tata Consultancy Services, Satyam, Wipro and Infosys. Canadian service suppliers also have a strong presence in India, particularly in consulting services, financial services and energy services (oil and gas). Key Canadian companies that are active in the Indian market include Howe India, Sun Life, Scotiabank, Bombardier and SNC Lavalin. These investments of services-oriented companies have also boosted bilateral services trade considerably.



India – Canada Investments

Indian Investments Abroad

India Inc's activities in the arena of mergers and acquisitions (M&A) have intensified in the past few years. Outward investment to the tune of US$ 80 billion has been made over the past decade (2000-2010), with the most favoured destinations being the UK and US.

Indian companies actually have helped save thousands of jobs in the US through acquisitions of local firms in the US during the past five years.

Investments by domestic companies in overseas joint ventures (JVs) and wholly-owned subsidiaries stood at US$ 10.3 billion during 2009-10, according to data from the Reserve Bank. In terms of destinations, Singapore, Mauritius, the Netherlands, the US and the British Virgin Islands accounted for 67 per cent of total outward foreign direct investment (FDI). Singapore and Mauritius remains top destinations with more than 48 per cent share of the investments during 2009-10.

Indian companies, which are well experienced in dealing with overseas M&A markets, are now back on the acquisition trail, with 40 per cent of those planning an acquisition in the next three years expecting their deals to be in foreign countries.

Overseas Investment Policy

Indian overseas investment policies have been progressively liberalised and simplified to meet the changing needs of a growing economy. The policy, which evolved as one of the strategies for export promotion and for strengthening economic linkages with other countries, has expanded significantly in scope and size, especially after the introduction of Foreign Exchange Management Act (FEMA) in June 2000, and subsequent revisions of the cap on investments abroad.

Source: IBEF

Until recently, Canada and India were not major mutual sources of FDI. However, the 2007 purchase of Algoma Steel by Essar Global made India an important investment presence in Canada. Combined with other Indian acquisitions since that time, the total stock of Indian FDI in Canada reached US$ 2.8 billion in 2009, making India the 13th largest source of FDI in Canada.

Canadian investment in India is also growing, but is well below the level of Indian FDI in Canada. Canadian investment in India was valued at US$ 574 million in 2009. Since 2008, Canada has been a net importer of FDI with India.

Table 7: India – Canada Bilateral Investment Stocks (in US$ million)

	India's Stock of FDI in Canada	Canada's Stock of FDI in India
2001	18	91
2002	20	141
2003	46	157
2004	77	178
2005	147	274
2006	181	581
2007	2031	512
2008	2178	641
2009	2840	574

Source: Statistics Canada

Canada remains one of the world's most dynamic economies and a destination of choice for foreign investment. The Economist Intelligence Unit ranked Canada as the best place for doing business among G7 countries over the next five years (2010-2014), and the World Bank has ranked Canada as the G7 country with the most streamlined business set-up processes. Furthermore, Canada's stable and well-capitalised financial system, which was ranked by the World Economic Forum as the soundest in the world, is supported by one of the world's most effective national regulatory frameworks.

Table 8: India's Outbound M&A in North America

Outbound	2007		2008		2009		2010	
	$ Mn	Deals	$ Mn	Deals	$ Mn	Deals	$ Mn	Deals
Canada	1754	11	278	4	-	2	470	7
USA	10573	84	2687	71	440	22	1785	55

Source: Deal Tracker, Grant Thornton

Major Indian Acquisitions in Canada:

- *Essar Global acquired Algoma Steel in 2007 for US$ 1.7 billion*
- *Videsh Sanchar Nigam Ltd. purchased Teleglobe in 2007*
- *Hindalco Limited, acquired aluminium producer Novelis Inc. for US$3.24 billion in 2007*
- *Jubilant Organosys, purchased Montreal-based Draxis Health for US$239 million in 2008*
- *JSW Energy Ltd. acquired CIC Energy Corp for US$ 415 million in 2010*

Indian companies have increased their presence in Canada, albeit in a much lesser degree than in the US (Table 8). While Mergers and Acquisitions (M&A) dropped in 2009, it picked up again in 2010 when seven deals were struck including the high profile acquisition of CIC Energy Corp (Mining) by the Indian company JSW Energy Ltd for US$ 415 million. Recently, Indian companies have invested heavily in the resources of Canada. Some of the major Indian companies that have started substantial operations in Canada, include Tata Group, Mahindra Satyam Computer Services, Wipro, Infosys and Aditya Birla Group. Furthermore, Tata Steel Global Mineral Holdings, the subsidiary of Tata Steel Ltd, has entered a joint venture (JV) with Canada's New Millennium Capital (NML) and LabMag for developing a direct shipment ore (DSO) project in Canada in 2009.





India – Canada CEPA: India's "Wish list"

Canada presents a host of opportunities not only as a developed country with a high domestic market for goods and services, but also as a gateway to the larger North American market. It is noteworthy that Canada is currently the only country in the whole of Americas with whom a broad-based Comprehensive Economic Partnership Agreement (CEPA) is being negotiated by India.

Trade in Goods: Offensive Interests

Canada is one of the most open and liberalized market economies in the world. While the World Trade Organization (WTO) calculated that Canada's average applied tariff was 4.7%, if we consider the tariff preferences such as the Generalized Preferential Tariff (GPT, of which India is a beneficiary) and various FTAs, the trade-weighted average applied tariff for Canada's global imports was only 1.0%. It is clear that India stands to gain precious little from any agreement on goods trade, unless the negotiations take a sector by sector approach.

Although under the GPT, India gets tariff concessions on most products, sectors like dairy, poultry, eggs, refined sugar and most textiles, apparel and footwear are kept out of the purview of the GPT. To get any kind of preferential market access compared to competing countries like China, Vietnam, Bangladesh and some South American countries, India will need to negotiate for tariff elimination in most of these sectors keeping in mind India's traditional export competitiveness. Any market access barriers on India's rising export sectors such as chemicals, auto-components, industrial machinery and electrical equipments will need to be identified for negotiations.

Along with the CEPA, Indian exporters need to have a market entry strategy for Canada. To expand sales in Canada, it is essential to establish a presence in the country either by setting up an office or by appointing an agent or distributor. Although internet and telecommunications can provide can provide easy access to the Canadian market, site visits, participation in local trade events and symposiums and one on one meetings to perform the necessary due diligence, screen potential agents and distributors, and establish a solid business relationship are other essentials for market entry into Canada.

Non-tariff Barriers (NTBs) in Canada:

While tariff rates are less of a market access barrier for Indian goods in Canada, NTBs and the great distance between the two countries are the major bottlenecks for Indian goods. NTBs such as import restrictions, stiff environmental and safety standards on paper product, food products needs to be addressed through the CEPA.

Trade in Services: Offensive Interests

The best opportunities for Indian companies in the Canadian market are clustered around the services sector. With over 72% and growing share in the national GDP, the CEPA offers immense scope for Indian companies looking to penetrate the Canadian services market.

Energy/natural resources sector: Major projects in this area offer rich opportunities for Indian energy and renewable energy firms, construction/engineering firms, as well as companies active in environmental services, remediation and financial/management services.

IT/IT Enabled Services (ITES) Sector: The growth in the Indian IT/ITES sector has been nothing less than a revolution in India. India is the number one outsourcing destination in the world with almost a 50% share in the global off-shoring business. India now aims to be a global ICT research and development hub. India has continued to be ranked first in the export of computer and information services in the international economy since 2005. While the US (60%) and the United Kingdom (22%) remained India's largest markets for IT-BPO exports, it is hoped that a Canada – India CEPA would provide a boost to the growing exports of IT/ITES services to Canada.

Entertainment Sector: Another fast growing service sector in India is the entertainment and audiovisual sector. India is the largest film producing countries in the world, producing on an average 800 features film

and 900 short films annually in 52 different languages. Given the huge Indian diaspora in Canada, export prospects of Indian films and television soaps, news and sports channels to Canada is very high.

Professional Services: India's exports of professional services over the last decade have grown significantly. According to India's balance of payment data, export of other business services (including, inter alia, accounting and auditing services, business management and consulting services, legal services, architectural, engineering and other technical services and advertising) have increased from just US$ 0.5 billion in 2001-02 to around US$ 17 billion in 2007-08, a compound annual growth rate of almost 80%. A possible Canada-India CEPA holds potential for increased trade with Canada in these services.

Wish list for India's Services Exports

- *Liberalization of trade in services with substantial sectoral coverage, measured in terms of numbers of sectors, volume of trade and modes of supply; including sectors and modes with trade potential and complementarities*
- *Disciplines in domestic regulation that would be a useful complement to market access and non-discrimination and would play a positive role in facilitating trade in services*
- *Recognising the mutual interest in facilitating the legitimate temporary movement of natural persons for enhancing bilateral trade and investment*





Select Sectors: Performance and Opportunities

This section analyses a few select sectors with growth potential between India and Canada.

Education

Education is a promising area for India Canada future relations. India's higher education system is the largest in terms of number of institutions and third largest in terms of enrolment. Market for higher education in India is projected to grow almost three times in the next 10 years to US$ 115 billion. It is an attractive market for the higher education sector as over 50% of the population falls in the age group of 15-64 years, with a median age between 20-30 years. With notably young population, India has been sending more students to Canada as part of the educational cooperation between two countries.

Expenditure on higher education in India is projected to go up from Rs. 46,200 crore to Rs. 150,000 crore in the next 10 years. The private sector contributes 92 per cent of the higher education spending, whereas public expenditure on education in India is significantly lower than that of many developed or developing countries. With rising disposable income levels of individuals, parents are now able to spend money on academic quality, employability-linked education as well as foreign education. Inability of education infrastructure to meet growing demand for higher education makes India the second largest source of international students (largest being China). Therefore, international competition to get India's attention is intense and demand for globalisation of education is real and urgent. US is the most popular destination for Indian students followed by Australia and UK.

There is also an explicit recognition of the need for foreign entrants in this sector in India as evident in the education bill before the Indian parliament. A large number of foreign universities are entering the sector via collaborations in addition to announcing plans to open campuses in India. According to FICCI-E&Y Report 2010, around 161 foreign educational providers are engaged in about 230 academic collaborations with 143 Indian institutes.

Spending on higher education in Canada is under increasing pressure primarily due to tighter national budgets which have squeezed sector funding, weak market conditions that have diminished endowment value, and economic hardship which has resulted in lower enrolment levels. Moreover, to stay competitive, they have to invest in new infrastructure and enhanced faculty recruitment programs, install technology upgrades and design a better administrative system. Therefore, the higher education institutes in Canada are considering to expand geographically by establishing low-cost campuses and development programs in fast-growing economies and India can benefit from this globalisation.

Modes of Education Services

As per the WTO norms, there are four modes of international trade in education.

Mode I- Delivery of Education Services via internet

Mode II- Student Exchange Programmes

Such programs bring in diversity, nurture exchange of knowledge and help in developing global workforce

Mode III- Campus Development, Twinning arrangements, Research & Development Collaborations

Campus development can be undertaken either by foreign institutions themselves or through collaborative arrangements. Such arrangements/collaborations promote innovation and excellence in host as well as own country and offer cost effective R&D Opportunities.

Mode IV- Faculty Exchange Programmes.

These include recruitment of international students, validation of graduate & post graduate degrees & awards and Executive Development Programmes.

Sector challenges

- Simplifying regulation - Unlike in Canada, higher education system in India is highly fragmented, complex and diverse. India has a federal system of government whereby both the centre and the state governments play major roles in higher education and have the main say in administrative and operational matters leading to considerable complexity in oversight and regulation.
- Re-inventing higher education curricula to meet emerging challenges.
- Attracting large scale private sector investment without commercialization.
- Achieving global standards of excellence in teaching and research.

Way forward

Following are the specific areas of partnership that can benefit both sides and enhance the institutions' international profile:

→ Point Award of Degrees and Twinning Programmes
→ Faculty training and exchange
→ Semester Abroad programmes and Industry internship
→ Exchange of research scholars and joint research projects
→ Research and development collaborations

Although benefits of internationalisation of education are considerable, risks do exist in form of commodification of educational programs, slipping education standards and inappropriate alliances. Therefore, before going global, the institutions must clearly lay down the motives for expansion, articulate the benefits, identify appropriate partners and determine their cultural fit so that they can continue to contribute to quality work force and growth of economy.

Tourism

Tourism industry has emerged as a major player in the new economic order. It is a key driver for socio-economic progress as it contributes to job creation and economic regeneration. Substantial growth and deepening diversification of tourism makes it one of the fastest growing economic sectors in the world. Tourism and travel represents some 5% of GDP of G20 countries and 27% of their services exports. Travelers spent over one trillion dollars on tourism globally in 2009. According to United Nations World Tourism Organization (UNWTO) survey, China and India are among the fastest growing outbound destinations with growth around 10 % per year. The UNWTO also predicts that India will account for 50 million outbound tourists by 2020; while the 'Kuoni Travel Report India 2007' predicts that total outbound spending will cross the US$ 28 billion mark in 2020. Tourism in India is the largest service industry, with a contribution of 6.23 % to the national GDP and 8.78 % of the total employment in India.

India records more than 5 million annual foreign tourist arrivals and 562 million domestic tourism visits. The tourism industry in India is expected to generate about US$275.5 billion by 2018 at 9.4 per cent annual growth rate. In the WTO rankings, India was ranked 41st in the list of top 50 tourist destinations after attracting 5.6 million foreign tourists. But in terms of tourist expenditure, it rose to 16th position, earning US$14.2 billion, a little less than Canada. The numbers reveal that the cost of tourism in India is very high.

India and Canada, two Common Wealth Member States, who are also members of the WTO, share the belief that tourism can make a significant contribution to address economic, climate and poverty imperatives. Since 1995, tourism from India to Canada has grown about 6.9 % per year. The Canada Tourism Commission (CTC), Canada's representative to the WTO, operates in 11 countries across the world with an exception of India and Brazil. It is therefore seeking to expand investment into a high-growth emerging market like India which has rapidly growing middle-class and significant outward-bound potential. CTC believes that expansion of Canada's tourism brand into high-growth markets has potential for greater return on investment.

Medical Tourism: the next big window of opportunity

Government and private sector studies in India estimate that medical tourism to India is growing by 30 per cent a year and that it could bring between US$1 billion and US$2 billion into the country by 2012. India is considered the leading country in medical tourism and can draw medical tourists from across the globe. Countries like Canada that operate public health-care systems are often so taxed that it can take considerable time to get non-urgent medical care. An estimated 782,936 Canadians spent time on medical waiting lists in 2005, waiting an average of 9.4 weeks. Hence, a large draw to medical travel is convenience and speed that India can offer.

Sector Challenges

→ According to Ministry of Tourism, Government of India, Indian carriers have moved 13,028,514 passengers overseas in 2010, representing a growth of 17.1% over 2009. Of these,27,619 Indians visited Canada, representing an increase of 18% over 2009.

→ In terms of Foreign Tourist Arrivals (FTAs) in India, US tops the list of top source countries for FTAs in India while Canada assumes rank 5 constituting 4.3% share in the total FTAs in India during 2009.

→ Indian travelers injected US$68.1 million into the Canadian economy from January to June in 2010, up 12.3% ver same period in 2009.

→ The top two reasons Indians visit Canada are to see friends and relatives (53%), and for pleasure purposes (24%). Ontario is the most popular destination for travellers (66%) in 2008, followed by British Columbia (17%).

→ Air capacity for one-stop flights between India and Canada has increased 17.5% in 2008 and 35% in

2009 over previous years. The visa application process to Canada, once viewed as a major obstacle to travel to Canada by the Indian travel trade, has improved significantly with the opening of visa application centres in nine new cities in India.

→ Until 2005, business travel accounted for one quarter of travel from India to Canada. This experienced a steady decline and by 2008, business trips constituted only 17% of all trips from India to Canada.

→ The vast majority of bookings for outbound travel (up to 95%) are made through traditional travel agents or tour operators who have a great influence on where and how consumers travel. This makes it necessary to promote Canada among the Indian travel trade

Way forward

International tourism plays an ambivalent role in contributing to cultural exchange and sustainable development and countries can make use of market related instruments and incentives to promote sustainable tourism products. India and Canada can embark upon a market entry plan that includes country specific advertising strategy, media interactions, joint promotions, and outreach to local travel trade and thereby create awareness for their respective tourism brands.

Media and Entertainment

Media and Entertainment (M&E) industry captures a wide variety of companies, products and services, each of which provides a different form of entertainment to consumers around the world. The industry witnessed exponential growth over last few years thanks to digital revolution and increased consumer confidence. Media & Entertainment Industry in India is one of the fastest growing industries which stood at US$ 12.91 billion in 2009, up 1.4 percent over the previous year. According to the FICCI-KPMG Indian Media and Entertainment Industry Report 2011, the M&E industry is expected to grow at compound annual growth rate (CAGR) of around 13 per cent in the next five years and will cross 1 trillion rupee mark by 2014.

Although television and print dominate the Indian M&E industry, sectors such as gaming, digital advertising and animation VFX show tremendous potential for growth in the coming years. The FICCI-KPMG report projects that, by 2015, the size of gaming, digital advertising and animation VFX industry will be more than double of what it was in 2010. Gaming and animation sector would also benefit from the introduction of 3G services which could help content owners scale up operations and attract investments.

Canada's media and entertainment industry enjoys consistent growth rate along with rapid expansion of internet, filmed entertainment, video game and theme park segments. With digitalisation, the M&E industry in Canada is undergoing change and is under constant pressure to embrace new technology, develop new distribution models, comply with new regulations and satisfy the demanding new consumer-turned-competitor. Ontario is a big hub of media & entertainment industry in the North America. It is recognized for its excellence in fields such as domestic television production, kids programming, animation, console video games and cross-platform programming.

Key drivers for entertainment industry in India

- *Advancement in technology*
- *Liberalized foreign investment regime*
- *Rising disposable income levels of the Indian middle class*
- *Favorable demographic composition (70% below 35 years)*
- *Greater interface with international companies*

According to a recent study, over a period of five years, consumer time spent using mobile devices for entertainment, news and personal use has increased 200% globally, while video game use is up 47% whereas the time spent on traditional media, including TV and radio, is declining. By 2012, the average price per unit of home video and music content will have decreased by nearly 50% from 2006 levels. Evolving business dynamics for digital content offer opportunities for global digital content producing countries to come together and work as global partners.

Sector challenges

→ M&E industry in India is spearheaded byargest film industry in the world which caters to a very different pattern of content development and film making. So, the task is to determine the most suitable content congenial for both Indian and Canadian markets vis-a-vis the global market.

→ Indian entertainment market is heterogeneous in nature. For example, specific appetite of rural population, women and children is under-estimated and their financial value is under-recognised. So, market players that enter Indian entertainment market can bnefit only if they differentially cater to different segments of Indian population.

→ Although the foreign investment regime for M&E industry in India has been liberalised ut inconsistencies exist in the form of different caps in foreign investment in different segments of the industry and there is need for a uniform foreign investment policy. The Government of India is working towards bringing uniformity in foreign investment policy across different verticals of this industry.

→ There are issues pertaining to tax treatment of foreign companies in broadcasting sector whereby a number of such companies are involved in double-taxation dispute cases in India. Such a policy issue has an adverse impact on foreign investment in the county.

→ Convergence with International Financial Reporting Standards (IFRS) is expected to have an impact on M&E industry. However, adopting this change will result in better comparability of financial performance leading to higher cross-border capital flows and a greater level of assurance to investors. The change will also enable media companies to raise capital from overseas capital markets in a more seamless manner (FICCI-KPMG report).

Way forward

It is important for any country to create an environment that encourages strategic investors in making investments in the sector. Before entering any digital content collaboration, digital content community on both sides need to define the expectations in terms of contribution to the co-production process for digital content creation and also determine how this co-production module can help in evolving new modules of distribution for digital content.

The M&E industry has to invest in digital growth in the face of digital revolution, declining advertising and consumer spending and growing consumer expectations for free online content. Hence, countries face the challenge of keeping pace with the digital imperative while managing traditional costs. There is a lot to share and a strategic hand holding will go a long way in exploring evolving markets of digital content resulting in substantial growth in monetization possibilities for both countries.

Clean Technology

India

India will soon be among the top five nations in the G-20 in terms of clean energy investments worldwide and is likely to attract US$169 billion in wind, solar, biomass, energy from waste, small hydro, geothermal and marine energy projects in the next decade. There is enough opportunity to innovate and create profitable businesses in the clean tech sector in India.

India encourages the development of renewable sources with incentives offered at the federal and state levels. Indian government has created the world's first Ministry of Renewable Energy to concentrate investment in the Clean Tech areas that show promise. According to “Global clean power: a US$2.3 trillion opportunity” report brought out by the U.S.-based Pew Charitable Trusts, the annual clean energy investment in India is forecast to grow phenomenally over the next 10 years. The country has beneficial accounting procedures and tax incentives for all renewables and is becoming a growing force in the clean technology sector across the globe. The report predicts that under the present policy scenario, US$18 billion will be invested in renewable assets in India by 2020.

Key Investment Incentives

India

- *Wind, Solar: Feed-in Tariffs*
- *Small-Hydro, Biomass: Accelerated depreciation of 80% in year one*
- *Renewable Energy Projects: Preferential tax rate of 15% instead of standard 30%*

Canada

- *Wind, Solar, Biomass: Generation-based subsidies/Preferential loans*

Source: PEW report 2010

Canada

Clean-tech sector is a crucial element of Canada's economy. The third report of federal agency Sustainable Development Technology Canada (SDTC) proclaims that clean-tech industry grew at a compound annual growth rate of 47 per cent annually during recession and is expected to grow 117 per cent between 2010 and 2012. The industry will shift from being primarily a domestic market to being primarily an export market. Sustainable technology represents 7.6 per cent of total investments in Canada and under the current policy scenario; US$5 billion will be invested in renewable assets in Canada by

2020. Wind accounts for two-thirds of the forecast 2020 investments. Canada's federal government is keen on creating clean technology opportunities and as Canada's industrial heartland, Ontario is a strong beneficiary of the federal incentives.

Sector challenges

- → The federal structure of Canada, whereby each province decides its own energy mix, makes it difficult to form a cohesive national market.
- → India's slow legislative place hinders its market growth and complex bureaucracy also inevitably acts as a barrier to efficiency.
- → Implementation procedures for various clean-tech policies and programs in India need improvement.
- → India's relatively developed and subsidized domestic solar energy, wind and hydropower sectors may provide a challenge for foreign firms planning to enter the market and directly compete with local firms.
- → Although most green technologies are customized for local conditions, the varied landscape of India requires a great deal of adaptations even within the same technologies.
- → Transfer of technology has also become a key issue with foreign investors questioning the ability of the Indian intellectual property regime to protect the interests of overseas partners.

Way forward

India' consumption of energy exceeds its own production by 12.7 per cent. Rapid domestic economic and population growth will keep the need for energy growing in the future thereby creating opportunities to take advantage of the growing demand and opening avenue for foreign investment in the sector. On the other hand, Canada' strength as a world class producer of clean technology products and as a leading centre for innovation in clean technology makes it an attractive destination for foreign investment and a gateway to North America. The global market for clean technology products and services is poised for significant growth, therefore, both established energy players and emerging technology providers must look beyond local markets in order to maintain and enhance their leadership positions.





Ontario: "One Land, Many Opportunities"

Why Ontario?[4]

Ontario is home to almost 60% of all foreign-controlled Canadian head offices operating in Canada.

World leading companies in the automotive industry, life sciences, telecommunications and financial services have invested billions to start or expand their operations in Ontario. Examples include Honda, Magna, Sodexo, Alcatel-Lucent, AXA, Bombardier, DuPont, MDS, Sanofi Pasteur, Nortel, IBM, Dell, Manulife, ING and Citibank. They have invested in their Ontario operations because we offer:

- Direct access to the US$ 17+ trillion North American market - plus strong trade partnerships with Europe and Asia
- A multicultural workforce with advanced skills and international business experience
- Competitive business costs
- Streamlined regulations
- A low-risk investment climate

Growth shaped by economic strategy

Just as companies compete for market share, the Ontario government has developed a sophisticated, competitive strategy with policies and programs that help companies innovate and grow.

Canada has a sophisticated, highly advanced financial system that is supported by an internationally respected regulatory and supervisory framework. The banking system is among the soundest in the world. The Global Competitiveness Report cited Canada as the world's soundest banking system and Ontario is the heart of Canada's banking system.

Global Economic Integration

Ontario's business culture is export-oriented and the province's total international trade tops US$ 1 billion per day. Most Ontario products enter the US and Mexico duty-free under the North American Free Trade

Top Ten Reasons to Invest in Ontario

- Business Taxes Slashed: The marginal effective tax rate on new capital investments (provincial and federal combined) has fallen to 18.6% in 2010, from 32.8% in 2009 and will continue to drop reaching 16.2% in 2018
- Competitive Business Costs: Manufacturing costs are lower in Ontario than in the US, top West European countries or Japan
- Smart Skilled Workforce: 63% of Ontario's population has atleast one post-secondary degree or certificate, more than double the average of OECD nations.
- Access to Markets: Total international trade by Ontario companies tops US$ 1 billion per day. Products originating in Ontario have duty-free access to the US$ 17 trillion + NAFTA market, if 62.5% of the content is manufactured in Canada.
- Exceptional R&D Incentives: Ontario's R&D incentives are among the most generous in the world. A C$ 100 R$D expenditure can be reduced to less than C$ 45 - and less than C$ 37 for small businesses
- Support for commercializing discoveries: Ontario offers companies to acquire the rights to intellectual property developed at Ontario's public research centres. Ontario's C$ 250 million Emerging Technologies Fund and C$ 50 million Innovation Demonstration Fund help companies accelerate the commercialization of new products.
- Support for Innovative Industries and Companies: Ontario's support for the use of renewable energy and green power is not only incentivized but also comprehensive
- Efficient Infrastructure for Business: Ontario has five international airports with the largest - Toronto's Pearson International Airport - connecting 105 international destinations. Ontario also has 15 border crossing with the US and a streamlined trans-border transportation system. Ontario's telecom and broadband networks are extensive, sophisticated and reliable.
- Broad, Stable Economic Base: Ontario's industrial base includes advanced manufacturing, ICT, life sciences, financial services as well as agri-food and natural resources. This diversification provides stability to ride out global economic cycles.
- Quality of Life: Ontario offers a unique combination of sophisticated lifestyles, creative opportunities and a comparatively low cost of living - all of which makes it easier to recruit globally mobile talent.

Source: Invest Ontario

[4]*This section is provided by the Ministry of Economic Development and Trade, Office in India, Government of Ontario*

Agreement (NAFTA). Ontario also has well established and growing trade relationship with markets throughout Europe, Asia-Pacific and around the world due to the boost in intra-firm trade.

Ontario-made products and technologies are recognized for their innovation and exceptional quality; whether it's Bombardier subway cars (currently used by the Delhi Metro), DNA Genotek's revolutionary collection kit or Open Text's content management software - all are unique.

Companies that come to Ontario are assured of both market access and quality. Toyota, for example, manufactures its luxury Lexus RX 350 in Ontario - the only place outside Japan with a Lexus mandate.

Strengthening international relationships

Ontario has opened marketing centres in New York, Los Angeles, Tokyo, Shanghai, New Delhi, Munich, London, Paris, Mexico City and Beijing. The centres are a contact point for exporters, importers and investors with business interests in Ontario.

Ontario's strengths in R&D and Infrastructure

Ontario accounted for almost half of Canada's GDP expenditures on R&D at C$ 13.6 billion. Ontario's R&D tax incentive program, when combined with federal R&D programs, is one of the most generous in the world. The after-tax cost of C$ 100 in R&D can be reduced to less than C$ 37.

Ontario is accelerating innovation by providing more than C$ 110 million in additional tax relief and C$ 715 million in investments to support key industry partnerships. To encourage business to develop new products and services, Ontario is providing C$ 300 million in capital funds over six years for research infrastructure; C$ 250 million over five years for a new Emerging Technologies Fund that will focus on clean technologies, health, life sciences and ICT (including digital media).

Information

For more information, please visit:
www.investontario.com

India Office:

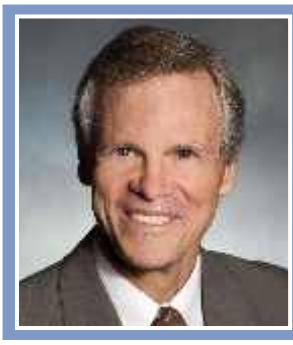
Aaron Rosland
Counsellor (Commercial-Ontario)
High Commission of Canada
7/8 Shantipath, Chanakyapuri
New Delhi 110 021
India
Tel: (011 91 11) 4178-2630
Fax: (011 91 11) 4178-2041
Email: Aaron.rosland@international.gc.ca





Q&A with Peter Sutherland, India Expert and Vice-Chairman, CIBC

Mr. Sutherland's distinguished diplomatic career included service as Canada's Ambassador to Saudi Arabia, the Philippines, High Commissioner to India and as Director General, International Business Operations in the Department of Foreign Affairs and International Trade.. Mr. Sutherland is currently the Vice-Chairman of the Canada-India Business Council.



- **On the transformation of Indian economy.**

PS. Perceptions have changed dramatically over the past decade as the Indian economy has surged ahead. Its emergence from the global recession relatively unscathed caught peoples' attention as has the expanding footprint of Indian multinationals such as Tata, Essar, Birla, Reliance and others.

Before taking on India, Canadian companies must do their homework. The opportunities are enormous, but so are the commitments of time, financial and human resources needed to be successful

- **On Canadian companies entering India.**

PS. The sheer size and complexity of the "Elephant Economy" is daunting to most Canadian companies whose international experience is usually rooted in the United State or Europe. These are markets where the business culture is more familiar, transaction costs lower and the distance shorter. Before taking on India, Canadian companies must do their homework. The opportunities are enormous, but so are the commitments of time, financial and human resources needed to be successful.

- **On the strengths of Indian democracy.**

PS. I believe one of the great strengths of India is its open, boisterous and sometimes frustratingly slow-democracy. Unlike many other countries at similar stages of economic development, India has strong institutional foundations, a free press and a vibrant non-governmental sector. These internal constituencies together with the global standards expected of aspiring international powers will have a positive impact on Indian politics.

Q. On Indian investments in Canada vis-à-vis Canadian investments in India

PS. It is clear that India, like other BRIC countries, is becoming a major international investor. It is also true that Canadian companies have been slow to invest in India in a significant way. This is starting to change as Canadians realize that as the centre of economic gravity shifts eastwards, over dependence on the US economy is hazardous… Increasingly they are attracted to India not only by its huge domestic market, but also as a platform and potential partner for entering third market.

Q. On India and China as investment destinations in the long term.

PS. It is difficult to say whether in the long term India will be a more attractive market than China. Both markets are huge and have their challenges. India's economic spurt started later and some say its best years are ahead. It has both a demographic and democratic advantage. Canadian companies are attracted by India's more open and private sector driven economy. These characteristics and the growing number of Canadian success stories will embolden more Canadian companies to engage with India.

It is difficult to say whether in the long term India will be a more attractive market than China. Both markets are huge and have their challenges. India's economic spurt started later and some say its best years are ahead. It has both a demographic and democratic advantage.

Q. On India - Canada CEPA and benefits for India.

PS. There is more to a free trade agreement than tariff reduction. Besides tariffs (where there are still some issues), India will be interested in the reduction of non tariff barriers such as technical, sanitary and other standards; trade facilitation, which simplifies the movement of goods and services across borders; and especially the movement of people which is important for India's competitive services sector. Beyond the dynamics of the negotiations themselves, the fact they have been launched will draw attention to India and make Canadians more comfortable doing business and investing there..

Q. On the role of FICCI and CIBC

PS. The role of business associations such as FICCI and C-IBC is to assist our members to do business. We do this by working together to demystify markets, identify opportunities, introduce partners, and by intervening with governments to remove obstacles. At the end of the day however, it is our members who make business happen. We are facilitators.



GLENDON
Consulting Group Inc.

Drum up the Trade Beat with Techno....



www.glendonconsulting.com www.glendoncg.com