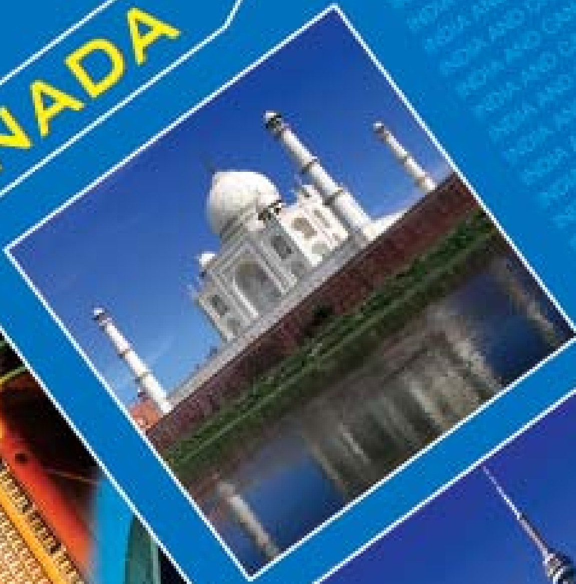
India and Canada



Ready For Takeoff

2005 Edition

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Tembec & Aditya Birla Group

AV Cell

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The Pulp & Fibre Business of the Aditya Birla Group, which is one of the largest global producer of Cellulosic Staple Fibres under the umbrella brand of Birla Cellulose, has joined hands with Tembec Inc., a leading integrated forest product company in Canada to produce its major raw material, the Dissolving Rayon Grade Wood Pulp at AV Cell, Atholville, and the joint venture is moving forward to acquire St Anne Nackawick, now christened AV Nackawick, both in the State of New Brunswick, Canada.

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Contents

Published by

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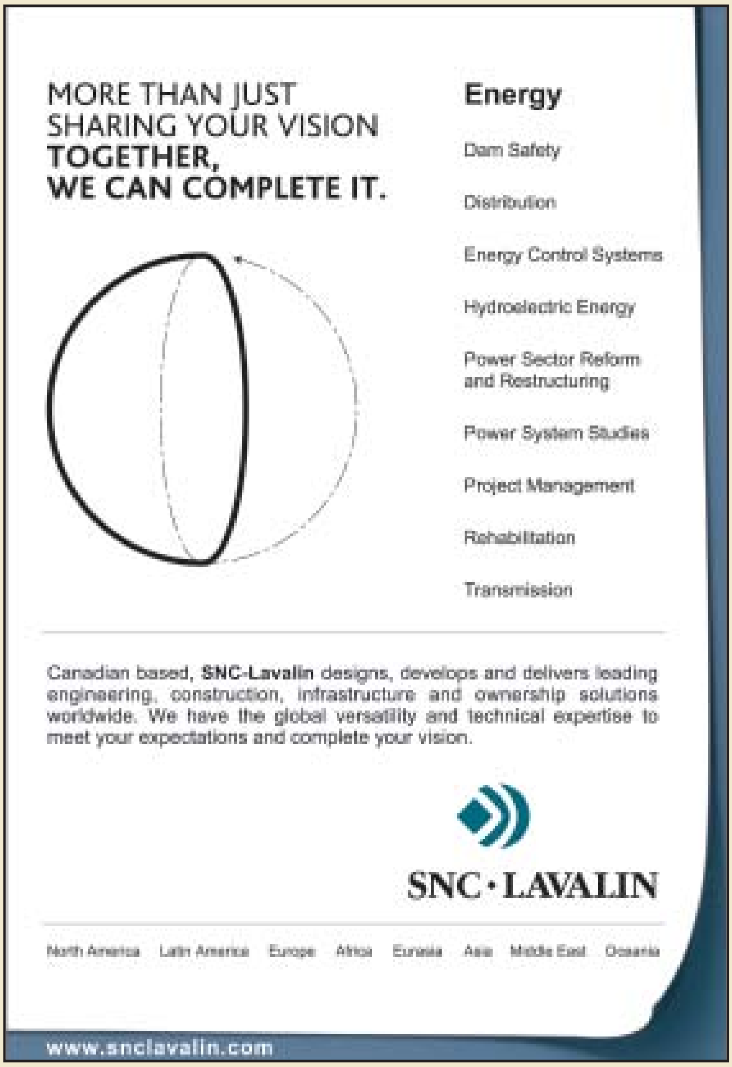

Foreword

HE Mrs Shyamala B Cowsik
High Commissioner for India to Canada

This special souvenir, which is being published on the occasion of the 58th anniversary of the independence of India, comes at an exciting juncture in India-Canada relations, when the prospects for their rapid and sustained expansion – especially in trade & investment, and scientific & technical cooperation – are far brighter than ever before. In fact it would not be an exaggeration to state that the India-Canada relationship is all set for a take-off, ready to zoom to the heights envisaged 2 years ago, when a 'Partnership for the 21st Century' between our two countries was first announced.

This has been made possible by the recent paradigm shift in mutual perceptions, especially in Canadian perceptions of India. That India, the fourth largest economy in the world in PPP terms, is today rated, by every international business pundit and consultancy of note, as one of the most exciting destinations – for hi-tech BPO, for manufacturing, or for trade & investment – is by now old news. What is noteworthy, in the Canadian context, is that of late India has been identified as one of the priority countries with which Canada seeks to build a strong, diversified and mutually beneficial relationship. This new focus on India-Canada relations is these days also reflected in the Canadian media, which regularly carry cover stories and special sections on India, highlighting the remarkable strides made by the country, especially in the hi-tech sectors such as IT, biotech, pharmaceuticals, engineering R&D and of course BPO. All this augurs well for the future of our bilateral relationship.

सत्यमेव जयते

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The successful visit of Prime Minister Paul Martin of Canada to India in January 2005 created the framework for expanding our relations in the priority sectors – trade and investment promotion, and structured cooperation in science and technology, especially environment friendly technologies, with the focus on applications to industry. What has been heartening, in the wake of this visit, has been the sustained and rapid follow-up, with an unprecedented frequency in our bilateral interactions.

Even before the visit of the Canadian Minister of International Trade, HE Jim Peterson, to India in the first week of April, the two Foreign offices had started three rounds of dialogue: on policy planning, on counter terrorism, and the first ever strategic dialogue between the two countries. The visit of Mr. Peterson, heading a relatively small but optimally focused business delegation of 60 plus, not only helped maintain the business-related momentum created by the Prime Minister's visit, but also registered significant progress on the potentially very important S&T cooperation agreement. The delegation's five priority sectors – agribusiness, energy, including oil and gas, financial services, transportation, IT and telecommunications – are also the most promising areas for future India-Canada exchanges, along with environmental technologies and clean development mechanisms, nano-technology and oil and gas exploration and production, all areas in which Canada has world class expertise, and IT, biotech, pharma etc. on the Indian side.

The second round of our Trade Policy Dialogue took place in mid-May, and the Principal Scientific Advisor to the Prime Minister, Dr. R.Chidambaram, visited Canada at the end of May. A successful round of negotiations on civil aviation in early June led to an agreement to increase flights both ways by as much as 500 percent, and Air India restarted a direct service between Toronto and New Delhi from May 15, 2005 – developments which will undoubtedly expand not only people-to-people interactions but also business between the two countries. A high profile visit to Canada by the Chief Minister of the Punjab and a solidly business-oriented visit by the Chief Minister of Chhattisgarh were also noteworthy.

As all this makes clear, the whole India-Canada scene has, of late, changed dramatically for the better. Tremendous opportunities await Canadian entrepreneurs who make the effort to get to know what India has to offer today, and vice versa. India is ready to make the effort to seize these openings, and we are confident that Canada will do the same. The future will then indeed be ours.

Ottawa, August 15, 2005

(Shyamala B. Cowsik)

FACT FILE

Full Name: The Republic of India

Capital: New Delhi

States: 28 States and 7 Union Territories

Major Cities: New Delhi, Mumbai, Kolkata, Chennai, Bangalore, Hyderabad

Independence: 15 August 1947 (from the UK)

Total Area: 3,287,590 sq km

Population: 1,080,264,388 (July 2005 est.)

Languages: Hindi is the national language; 14 other official languages; English is an important language for national, especially commercial communication

Natural Resources: Coal (fourth-largest reserves in the world), iron ore, manganese, mica, bauxite, titanium ore, chromites, natural gas, petroleum, limestone, hydel power, arable land

GDP: $3.319 trillion (2004 est.)*

GDP Growth Rate: 8.2 percent (2003-2004)

Per Capita: $3,100 (2004 est.)*

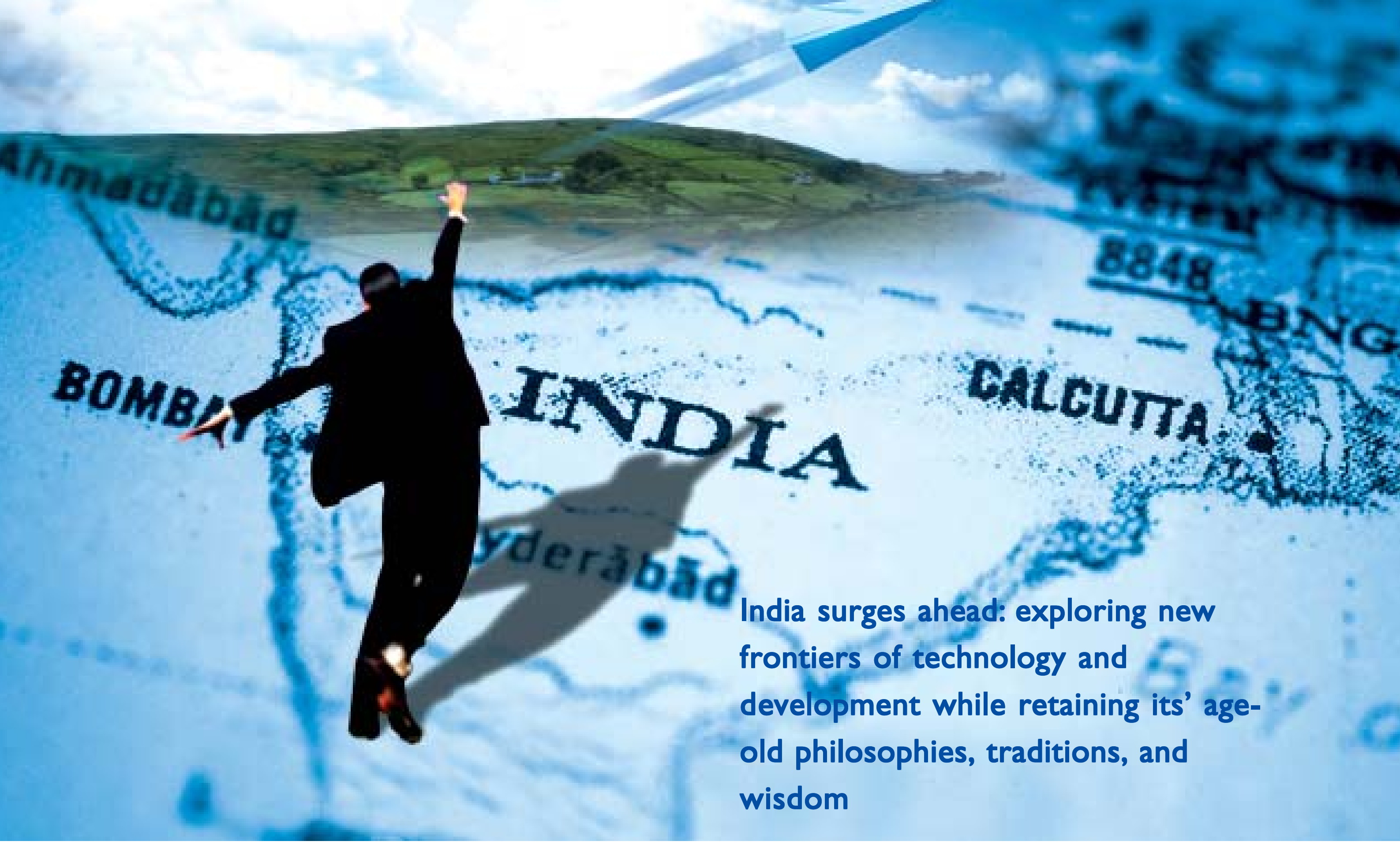
Agro Products: Rice, wheat, oilseed, cotton, jute, tea, sugarcane, potatoes; cattle, water buffalo, sheep, goats, poultry; fish

Main Industries: Textiles, chemicals, oil & natural gas, pharmaceuticals, food processing, steel, telecommunications, mining, transportation equipment, cement, machinery, software, biotechnology

Main Exports: Textiles and garments, gems and jewellery, engineering goods, pharmaceuticals, chemicals, software, leather manufactures, marine products

Main Imports: Crude oil, machinery, gems, fertilizer, chemicals

** Purchasing Power Parity*



India surges ahead: exploring new frontiers of technology and development while retaining its' age-old philosophies, traditions, and wisdom

India: A Nation on the Move

India is a melange of cultures, religions, races and languages, melded over the millennia into a vibrant, secular, pluralistic and progressive society. It nurtures an ancient civilisation within a modern nation. With one of the very few continuous civilisations in the world that goes back nearly 6000 years, India's vision is nonetheless poised for the 21st century: the reason why Indian society straddles the frontiers of yesterday and tomorrow with consummate ease. Thus it is quite natural that here modernisation takes place in sync with tradition, and that the accent is more on evolution than on revolution.

In ancient times, India taught the world the concept of zero, explored the philosophical essence of *Karma,* and tapped the art latent in erotica. Today modernisation and tradition co-exist, making India culturally opulent, complex, and magical, yet truly cosmopolitan. Eclectic mixes - the traditional wisdom of Ayurvedic medicine along with state-of-the-art medical centres, 2000 year old temples alongside modern 'temples of science' such as technology institutes - are common. It is a land that may combine tourism and healthcare, or juxtapose the oldest with the newest, none of this seeming incongruous. It is a land which has evolved out of a billion people's shared dream of growth in togetherness. It is a land where traditional wisdom walks hand-in-hand with the pursuit of excellence.

The India of the 21st century is thus as much about the Khajuraho and Konarak temples, about Ajanta and Ellora, as it is about its IITs (Indian Institutes of Technology) and the AIIMS (All India Institute of Medical Sciences); it is as much about Rig Vedic hymns as about Indipop chartbusters; it is as much about inner introspection as it is about the quest for material prosperity.

Today, India, with its one billion plus inhabitants the second most populous country in the world, is striding towards progress and prosperity, imbued with a positive sense of self-confidence, energy and ambition. With economic development as its focus and goal, India is really on the move…

A Global Economic Giant in the Making

India enjoys an enviably stable political and macro-economic environment, sustained and strengthened by the forward-looking policies of the government and the energy and drive of the private sector. Building on this foundation, the Indian economy, presently the fourth largest in the world (in terms of purchasing power parity), is experiencing a new high. It grew by 8.2 percent during the last fiscal year (2004-05), making India the second fastest growing economy in the world after China, and in one quarter, at 10.5 percent, it even overtook China.

India's increased global competitiveness can be attributed to the continuing, progressive economic reforms, which began in 1991. The reforms opened up the economy dramatically, making it not just more efficient but also more globally competitive. They also helped the educated, skilled Indian workforce engineer a remarkable change in the sectoral composition of the GDP. Services now, account for 56 percent of India's GDP, up from less than 25 percent 2 decades ago. The second generation of economic reforms, with new policy initiatives, is expected to fuel even higher growth.

This assessment is solidly backed by any number of the most eminent market and financial analysts in the world – Goldman Sachs, McKinsey, A.T. Kearney, Forrester, the list goes on. The Goldman Sachs BRIC reports of October 2003 and April 2004, which identified India, along with China, Brazil and Russia, as the economies that would top the global table by 2050, also rated India as the one likely to have the most sustained high growth rate, of over 5 percent, between now and 2050.

The National Intelligence Council of the CIA, in its recent report, *Mapping the Global Future*, states that within the major global economic trend till 2020, of the rise of China and India, India might well have an edge because of its democratic risk mitigation advantage. The CIA report also notes that India is better positioned than most countries to develop, integrate and apply new technologies, which enable it to leapfrog stages of development.

All these analysts, including Goldman Sachs, stress that India is perhaps the only major economy to rise in recent times on the basis of services-led growth, as distinct from manufacturing-led growth, and will thus benefit from the strong growth trends in both the domestic and the global services market. These reports also highlight the importance of the unwavering commitment in India – at the level of the central and State governments, the private sector, and the public – to sustained economic reforms, irrespective of changes in government.

To sum up, as the latest issue of Canadian Business magazine notes in its cover story on India, "Economic gravity is proportional to the main elements of progress: capital, innovation, technology, and people… Now, India – with more than 550 million people under age 25 – is becoming a new center of gravity".

The global analysts that rate India's future prospects so highly also stress that the country has displayed a striking ability to create world class indigenous firms capable of producing and marketing world class products, and not just in IT. We are today witnessing an unprecedented phenomenon: of Indian companies not only going global, but also acquiring companies all over the world, in order to expand their skill sets and round off their portfolios. In the software sector, home-grown IT giants like Infosys, Wipro, Satyam, and TCS, have made their presence felt globally, and are now compete successfully with giants like IBM, EDS and Oracle. Besides the IT majors, Tata Tea, Reliance, Ranbaxy, Hindalco, Sterlite, Sundaram Fasteners, and several others are already well entrenched in world markets, with many more waiting in the wings.

The ongoing expansion and modernisation in the Indian manufacturing sector is fuelling the demand for capital goods and technology. It is evident that to sustain and accelerate high economic growth rates of 7-8 percent per annum, India needs to build, upgrade and modernise its infrastructure urgently. Consequently, apart from augmenting public sector investment in infrastructure, the Government of India has introduced a series of reforms aimed at attracting private sector participation and foreign direct investment in infrastructure, where the projected need is of US$150 billion over the next 10 years.

Global financial analysts invariably place India among the ten most attractive destinations for foreign investment, many in the top four, and often as the second choice after China. The net aggregate FDI inflow into India rose to US$4.5 billion during the last year. It is noteworthy, in this context, that at variance with the standard IMF methods for computing FDI figures, India does not include reinvested savings, overseas commercial borrowings, and subordinated debt. If these three elements were included, this FDI figure would be doubled to US$9 billion. Nor does it include, as is the case with Chinese FDI figures, overseas private remittances from the Indian diaspora, which in the last year, came to as much as US$23 billion.

There are very sound reasons for a foreign investor to choose India. Taking just the consumer goods sector, the rapidly growing Indian middle class now covers 22 percent of the households in the country, up from 7 percent just a decade ago, and numbers over 300 million. This group, having much more disposable income than before, has made India the second largest market in the world and encouraged MNCs to invest in India. The result? All of a sudden Indians are flooded with a bewildering array of international consumer goods. Now they do not need to shop overseas for Calvin Klein apparel or Gucci shoes; they are all available at their doorstep.

India is placed comfortably on the balance of payments front as well. India's foreign exchange reserves crossed US$100 billion for the first time in December 2003, and have been rising steadily thereafter, to over US$140 billion in March 2005. Last year, the overall balance of payments was US$7.2 billion, and the Reserve Bank of India placed the surplus from invisibles, which includes NRI remittances, income from tourism, and earnings from software services, at US$7.4 billion.

The Seeds of Progress

Despite all the developments in India's manufacturing sector, agriculture still remains the backbone of the Indian economy, employing a major portion of its labour force. Since independence, India has strived to attain self-sufficiency in food, and India's agro programmes and policies hold valuable lessons for developing countries with similar aims and aspirations. The success of India's agricultural industry can be attributed to a very strong and extensive foundation in R&D. India's agricultural universities and centres for R&D have made valuable contributions to the Green and White Revolutions, in foodgrains and dairying respectively, which have put India firmly on the path of self sufficiency in food.

Today, India is one of the world's largest food producers, with an annual production of over 600 million tonnes. Agriculture and its allied sectors registered a growth rate of 9.1 percent in 2003-04. The country ranks first in the world in production of milk, tea and sugarcane. It is the second largest producer of fruits, vegetables, rice, wheat, tobacco and groundnuts and is among the top five producers of coffee, spices, cereals and oilseeds. With negotiations on agriculture in the WTO taking a positive turn, Indian agricultural trade is likely to expand in the future.

The allied sector of food processing is one of the top ranking industries in the country. It ranks fifth in size worldwide, employs an estimated 1.6 million workers, accounts for 14 percent of the total industrial output and 18 percent of the GDP. With India poised to achieve a leadership position in meat production and distribution, and a 20 percent annual growth rate in fruit processing, one may look forward to an exponential growth in food processing, packaging, as well as in the allied sectors of storage, transport and distribution.

Marching ahead in Science & Technology

India's science and technology programmes have also made tremendous progress in recent years. India today has over 200 national laboratories, 1350 research and development institutions in the industrial sector, 176 universities, and 11 premier institutions of national and international importance.

Indian universities produce over 230,000 science and technology personnel every year. India has its own indigenously designed and developed satellites, which it also launches, and defence production facilities for items like the light combat aircraft (LCA). India's science and technology programmes are responsible for substantial achievements not just in IT, but also in agro-biotech, lasers and electro-optics, genomics and nanotechnology applications.

Along the information superhighway

The IT industry, and in particular the software industry, is one of the fastest growing sectors of the Indian economy. Over a short period of a decade and a half, it has expanded from just US$10 million for both software and hardware to US$17.2 billion in software exports alone in the last year. India has produced several astonishing success stories, like Infosys, Wipro, Satyam, and TCS, in the field of software technology. Besides that, India's enviable human resource base in software development and applications has attracted many multinational giants such as Microsoft, Oracle, Intel, HP, Sun Microsystems, Dell, Compac – the list is endless – to set up shop here. The impact of the Indian IT industry on the overall global economy and businesses is significant. Today, over 20 percent of the global, cross-country customised software development is done in India. Since Indian businesses themselves use India's IT-enabled service skills for their own business processes, the multiplier effect in domestic productivity, efficiency, and output has been dramatic.

The Indian telecommunications industry has also come of age. Indians today buy 1.8 million cellphones a month. Mobile phone charges inside India are the cheapest in the world, and even international rates are well below North American and European levels. The impact and advantages of this for India's small-business people – and India has literally millions of people who can be classified as small-scale entrepreneurs – who in the past had to endure long waiting periods to get even a landline telephone connection, is tremendous.

Regarding the outsourcing boom and the burgeoning Business Process Outsourcing (BPO) industry, according to a National Association of Software Services Companies (NASSCOM) survey, India already has more than 70 percent of the global call centre market. By 2003 itself, as many as 266 of the Fortune 500 companies were using Indian software; with every passing year, more and more of the Fortune 500 are also outsourcing increasing amounts of their business processes to India. The country has emerged as the ideal ground for BPO in terms of quality, cost, and availability of manpower.

The range of BPO to India today is truly breathtaking; it now extends very far beyond call centres and tech support. As the noted magazine *Canadian Business* stated in a recent cover feature on India, "Scratch the surface, however, and you'll find equities research, legal transcription, online tutoring, digital animation, gaming software, remote medial diagnosis, tax filings, debt collection, medical transcription, IT infrastructure management, prayers, consular services, pre-press and digital publishing services, patent filings, market analytics, PowerPoint presentations, business intelligence, lab analysis, drug testing and clinical trials, HR services, pathology, surgical procedures, life sciences – all outsourced to India".

A number of global corporates are now outsourcing their IT operations to India as the preferred destination for total or partial business solutions. In fact not just foreign IT firms, but global industrial giants in every sector of manufacturing and services, are establishing their R&D laboratories in India and doing cutting edge research on their corporate crown jewels for their global market. Cases in point are GE's Bangalore John F. Welch laboratory, renowned for its material sciences division, and General Motors, which has its only R&D centre outside the US in Bangalore. Then there are Intel, Oracle, Texas Instruments, IBM, EDS, Accenture, Honeywell, Unisys, DuPont for chemicals, pharma firms like Hoffman la Roche, telecom giants such as Bell Labs, Nokia and Motorola, BenQ for consumer electronics, and even Reuters for data gathering and analysis, banks such as Citibank, Bank of America, ABN AMRO, J.P. Morgan for equities research – the list goes on.

Biotechnology: Heralding the next boom after IT

Excellent scientific infrastructure, rich biodiversity, and skilled and low-cost manpower put together make India a force to reckon with in the biotech industry, which is all set to be the next big thing in India after IT. The government's adoption of a product patent regime by the beginning of 2005, in full compliance with the provisions of WTO and TRIPS, has given a further impetus to the growth in this industry. According to industry sources, the biotech sector is likely to grow much faster than the IT sector. If IT has Infosys and WIPRO and the like, then biotech too has the potential to produce many more Biocons —a leading Indian biotechnology company with a current market capitalisation of US$1 billion.

In the agro-biotech segment, India is all set to increase its market value in nutraceuticals. This market currently stands at US$638 million. The genetically engineered seed market was worth US$250 million in 2001. One can also look forward to rapid strides in aquaculture, bio-pesticides, bio-fertilisers, and mushroom production.

Without a reference to the pharmaceutical industry, the discussion about India's potential in biotechnology would be incomplete. Today the country, globally recognised as a producer of low-cost, high-quality bulk drugs and formulations - it ranks fourth in terms of volume and thirteenth in terms of value – has begun making a mark in patented drugs as well, targeting the Western markets. In recent times, Indian pharmaceutical giants such as Cipla, Ranbaxy, Dr. Reddy's Labs, Cadilla, and Dabur India have embarked on a rapid modernisation plan. The Indian government has also set up a corpus fund for R&D as an incentive for further growth in this sector.

A Potential Knowledge Superpower

India is thus poised to emerge as one of the

key 'knowledge economies' of the world in the near future, and in this endeavour, IT and biotechnology are destined to play a crucial role. Like all knowledge economies, India has a good number of top-of-the-line educational institutions that can match the best in the world—IIMs, IITs, XLRI Jamsedhpur, and AIIMS are only some cases in point. India today is well set to move rapidly on the path of progress, fuelled by knowledge.

By any measure, the Indian market presents lucrative and diverse opportunities. While many of the world's traditional markets are saturated, India's infrastructure, transportation, technology, energy, healthcare, and environmental requirements are expected to open up huge opportunities for investment and trade worth billions of dollars. The stage is set to help shape the India of tomorrow, and it is for foreign companies, including Canadian ones, to recognise and profit from this great window of opportunity. It will not stay open for too long, for the rush to India is well and truly on.

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India and Canada
Ready for Takeoff

By Shyamala B. Cowsik
High Commissioner for India to Canada

India and Canada are now once again well set to work together, with a significantly expanded agenda, in the short, medium and long term, as real partners for the new 21st century. It is not as though such a relationship of warmth and mutual support is new to the two countries. In the first decades after India gained its independence in 1947, especially under the leadership of Prime Ministers Jawaharlal Nehru and Lester Pearson, Canada and India were mutually supportive and effective collaborators, in both the bilateral and international contexts. The many commonalities between us– an unshakeable commitment to democracy and the shared values that this implied, the multi-cultural, multi-ethnic and multi-religious nature of our two societies, to name but two – provided a strong foundation for such a relationship. Beginning in the 1950s, Canada became and remained an important development partner for India for many decades.

However, a hiatus of several years in the bilateral relationship developed later, first after India's peaceful nuclear explosion of 1974, and then again after the Indian nuclear tests of May 1998. This is now, happily, in the past, and today India-Canada relations are once again warm, cordial and meaningful, with both countries determined to strengthen them in every possible area in the coming months and years.

This new phase in India-Canada relations began more than three years ago, with Canada's publicly stated decision to "re-engage" India, an initiative that was welcomed by India. The two countries have since embarked on a process of qualitative improvement and quantitative expansion of their bilateral ties. There have been a number of successful high level ministerial and official visits in the political, economic, commercial and cultural fields, as also in the area of science and technology, all of which have helped move the bilateral relationship forward takeoff.

The visit of the Indian External Affairs Minister, Mr Yashwant Sinha, to Ottawa in September 2002, and the return visit of the Canadian Foreign Minister, Mr Bill Graham, to India in October 2003, were significant steps forward in this process. The two Foreign Ministers agreed to make concerted efforts to intensify cooperation in a number of areas in the political, economic and cultural fields, and it was decided to institutionalize meetings at this level on an annual basis

Since then, several high level trade delegations have also been exchanged, including those led by the then Canadian International Trade Minister, Mr Pierre Pettigrew, in April 2002 and by the then Canadian Minister of Natural Resources, Mr Herb Dhaliwal, in November 2002.

Besides these important exchanges, the two countries have also established the necessary framework for expanding their trade and investment ties. India and Canada have a comprehensive treaty for Avoidance of Double Taxation and

Prevention of Fiscal Evasion with respect of taxes on income and capital. A Bilateral Investment Promotion and Protection Agreement is under negotiation between the two countries. The annual bilateral trade between India and Canada has grown significantly over the last decade, from a total of C$788.49 million in 1992 to C$2 billion in 2002. Canadian presence has increased in the Indian banking, insurance and financial services sectors, as also in engineering and consultancy services. Canadian investment in India has targeted telecommunications, environment, energy and mining. However, with the total Canadian Foreign Direct Investment in India having reached just reached C$184 million in 2003, the potential for further Canadian investment in India remains enormous.

On the other hand, Indian investment in Canada has increased steadily in recent years, especially in the information technology and software sectors. Indian companies with substantial operations in Canada include Tata Consultancy Services, BFL Software, Patni Computer Systems, Satyam Computer Services, WIPRO and Infosys Technology. Other areas of significant Indian investment in Canada are pharmaceuticals, metals, petro-chemicals, auto-ancillaries and financial services. Indian Foreign Direct Investment in Canada increased from C$18 million in 1999 to C$62 million in 2003.

In recent years, other areas of cooperation between the two countries have opened up in science and technology, especially in space technology, geo-sciences and geomatics.

Prime Minister Mr. Paul Martin with Prime Minister Dr. Manmohan Singh

The visit of the Canadian Prime Minister, Mr Jean Chretien, to India in October 2003 marked a high point in the new flowering of the bilateral relationship. Prime Ministers Vajpayee and Chretien issued a significant Joint Statement on October 24, 2003 in New Delhi. The statement entitled, "Partners for the 21st Century" committed the respective Governments to an expanded partnership for the foreseeable future. The two leaders agreed that while building on their historic ties, future efforts need to take into account the significant economic, political and social changes underway in both countries. They committed their countries to widening and deepening relations through strengthened links between the two governments, encouragement of greater commercial and economic exchanges, and closer contacts between their civil societies.

The Joint Statement thus set out the future roadmap for India-Canada relations. It clearly indicated that Canada and India had common interests, and laid out a framework to increase trade and investment, address each other's security concerns, and strengthen civil society links. The two leaders reviewed the progress in bilateral relations since re-engagement. As a step meant to strengthen people-to-people contacts, Canada announced the establishment of a Consulate General in Chandigarh, the upgradation of the Canadian Consulate in Mumbai to a Consulate General, and the appointment of a trade representative in Chennai. The two sides also noted the significant investments by Indian companies in Canada in the field of information technology as well as Canadian investment in the Indian information and communications technology and financial services sectors, as also the role of the growing Indo-Canadian community, now estimated to be around one million, which is playing a positive, catalytic force in the bilateral relations

The opening up of the Indian economy to foreign investment, with almost complete convertibility on current account, the emphasis on infrastructure upgrading and development, the extensive financial and monetary reforms, and the dramatic growth of Indian capabilities in cutting edge sectors such as IT, biotech, space technology, electronics, telecommunications and pharmaceuticals, all these have created a climate that has made India extremely attractive to foreign investors, and also a prime location for the outsourcing of financial, technological and manufacturing processes, in short, the BPO capital of the world in many sectors. Besides BPO, the major investment opportunities in India are in oil and gas, hydro and other forms of energy, mining, construction, transportation, telecommunications, environmental technologies, agriculture, biotechnology, pharmaceuticals and information technology.

It is thus not surprising that India is one of the very promising new emerging markets identified by Canada as being of strategic importance. This decision by Canada was a consequence of the wide-ranging and sustained economic reform process initiated by India in July 1991, the end of the Cold War, and the growing realization that Canada should expand its economic presence in markets other than that of the USA. Canadian companies are enjoying increasing success in the Indian market. Contracts have been signed in traditional Canadian areas of expertise such as power, communications

India-Canada Joint Statement: New Delhi, January 18, 2005

The Prime Ministers of India and Canada met today, reviewing bilateral relations and discussing important international and regional issues. They agreed on initiatives that strengthen the India-Canada partnership and contribute to addressing global challenges more effectively.

Prime Minister Martin extended his deepest condolences on behalf of the people of Canada for the tragic loss of life and damage as a result of the tsunami of 26 December 2004. The Prime Ministers briefed each other on their respective efforts in responding to the disaster and contributions to relief efforts in the region. The two Leaders underlined the need for a strong and sustained international response to such adversity and welcomed coordination of relief efforts resulting from their participation in the Core Group. A multilateral initiative for regional warning and natural disaster preparedness was recognised by them as a priority.

Prime Minister Manmohan Singh welcomed Prime Minister Martin's initiative for a meeting of G20 Leaders to discuss issues of global concern, such as terrorism, development and global public health.

They agreed to work towards the recommendations of the High-Level UN Panel on Threats, Challenges and Change and reiterated their commitment towards contributing to a more effective, representative and accountable world body.

Recent developments in their respective regions featured prominently in the talks, notably the transition to democracy in Afghanistan, India's dialogue with Pakistan, the situation in Iraq, developments in South East Asia and the Americas. They agreed that our countries should enhance their dialogues on international, regional and global strategic issues.

and transportation. There are also promising new sales in sectors such as information technology, the environment and agro-processed items. The growth of service sector sales reflects Canadian strength in traditional areas such as consulting and engineering, as well as a growing Canadian presence in fields such as education, software development, and financial services.

On the investment side, the Indian government has modified its regulations to allow overseas investments in areas that are not necessarily the investor's core business. A previous restriction limiting such investment to 50 percent of the net worth of the Indian company, as also the overseas investment ceiling of US$100 million, have now been removed. Canada has benefited from these initiatives, which have led to a rapid increase in FDI in Canada by Indian software manufacturers. Since 2001, Indian flagship IT companies—Tata Consultancy Services, Wipro, Infosys and Satyam—have expanded their operations in Canada, setting up software development centers. Other areas of Indian investment in Canada include pharmaceuticals, metals, petrochemicals, auto ancillaries, and financial services. The State Bank of India has four branches in Canada, and another major Indian bank, ICICI, has recently started operations with two branches in Brampton and Toronto.

India and Canada can also collaborate in third country projects by joining hands for undertaking joint ventures specifically in Africa, the Middle East and South East Asia for mutual benefit. India, with its technological skills and trained manpower, could successfully cooperate with Canada in civil construction, the development of infrastructure, machine tools, power generation and transmission equipment, telecommunication, engineering designs and computer software.

The deepening commercial and economic relationship between India and Canada is not limited to the two governments, but extends to the private sector. There are several agreements between the Canada-India Business Council and the Indo-Canada Chamber of Commerce and major Indian business organizations such as the Confederation of Indian Industry and the Federation of Indian Chambers of Commerce and Industry.

India is also, given its abundance of highly educated human capital especially in the S&T field, a natural partner for Canada for collaboration in Research and Development (R&D). India is home to some of the most prestigious engineering, applied sciences and management schools in the world. The draft of an S&T cooperation arrangement is under negotiation between the two governments.

During the visit of the Canadian Prime Minister, Mr Paul Martin, to India in January 2005, the Prime Ministers of India and Canada reviewed the progress in their bilateral partnership achieved during 2004, and agreed to strengthen the architecture of the Canada-India partnership. The Joint Statement issued during the visit, which is attached (above), provides for the two sides to:

- Direct the designated Canadian and Indian scientific advisers to report on ways of advancing S&T collaboration, to conclude an inter-governmental S&T arrangement, and to encourage strategic collaboration in selected areas of science and industrial technologies. India and Canada agreed to contribute their expertise toward the creation of a tsunami early warning system for the countries of the Indian Ocean, in concert with multilateral efforts.
- Deepen environmental cooperation, including the promotion of environmental friendly technologies.
- Support an India-Canada CEOs Roundtable that would make recommendations for expanding economic ties, to

The Prime Ministers undertook to build upon the substantial progress in the bilateral partnership achieved during the last year and agreed to enhance the architecture of the Canada-India partnership as follows:

Science and Technology (S&T) Initiative: Direct designated scientific advisers on each side to report on advancing S&T collaboration, conclude an inter-governmental S&T arrangement and encourage strategic collaboration in selected areas of science and industrial technologies. India and Canada agreed to contribute expertise toward the creation of a tsunami early warning system for the countries of the Indian Ocean, in concert with multilateral efforts.

Environment: Recognising the importance of environmental management and sustainable development, agreed to deepen environmental cooperation, including the promotion of environmental friendly technologies.

Partnership for Prosperity: Support a CEO Roundtable that would make recommendations for expanding economic ties; conclude an Investment Promotion and Protection Agreement; and take additional steps contributing to greater investment and trade, including trade missions.

People-to-People Links: Recognising our shared community and common history as natural assets, they agreed to enhance people-to-people links through improved visa and consular services; strengthen health research cooperation; and renew our commitment to promote cultural ties in both countries.

To achieve the goals set out in this Statement, the two Prime Ministers committed themselves to sustained political engagement, a structured exchange of visits at the Cabinet level and to promote dialogues between their officials.

Prime Minister Manmohan Singh accepted an invitation extended by Prime Minister Martin to visit Canada.

conclude an Investment Promotion and Protection Agreement; and to take additional steps contributing to greater investment and trade, including trade missions.

- Enhance people to people links through improved visa and consular services; strengthen health research co-operation; and renew our commitment to promote cultural ties in both countries.

More recently, the visit of the Indian Minister for Petroleum and Natural Gas, Mr Mani Shankar Aiyar, to Calgary, the oil and gas capital of Canada, in early February 2005 for a road show offering 20 new oil and gas exploration blocks in India to Canadian petroleum entrepreneurs, demonstrated the new and much higher level of interest among Canadian oil majors in moving to prospect for oil and gas in India. This is undoubtedly due to the striking success of Niko Resources of Alberta, a partner, with Reliance Industries of India, in the largest gas find in the world in 2002, offshore of the Krishna-Godavari basin in south eastern India, as also of another Calgary firm, Canoro, which has struck oil in north-eastern India. Canada and India also hope to establish a mechanism for sustained bilateral technical cooperation in the oil and gas sector over the next several years.

The visit of the Canadian Minister of International Trade, Mr Jim Peterson, to India in the first week of April (2005), heading a relatively small but optimally focused business delegation of 60 plus, has not only helped maintain the business related momentum created by Prime Minister Paul Martin's visit to India, but has also registered significant progress on the potentially very important bilateral S&T Cooperation Agreement. Apart from the delegation's five priority sectors – agribusiness, energy, including oil and gas, transportation, IT and telecommunications, and financial services – S&T cooperation was the sixth. Given Canada's evident world class expertise in several areas of S&T – environmental technologies and clean development mechanisms, quality control mechanisms, nano technology, and oil and gas exploration and extraction – a large number of bilateral cooperation options are opening up which might, over time, become as important as our direct commercial exchanges.

Over the last three months, there has also been an unprecedented frequency in our bilateral interactions, including three rounds of dialogue between the respective Foreign Offices – on Policy Planning, on Counter Terrorism, and the first ever Strategic Dialogue. The second round of the Trade Policy Dialogue took place in mid-May, and during the visit of the Principal Scientific Advisor to the Prime Minister, Dr. R.Chidambaram to Canada at the end of May, substantive progress was made in identifying the priority areas of bilateral S&T cooperation. A successful round of negotiations on Civil Aviation in early June led to an agreement to increase flights both ways by as much as 500 percent, and Air India restarted a direct service between Toronto and New Delhi from May 15, 2005 – both developments which will undoubtedly expand not only people-to-people interactions but also business between the two countries. A high profile visit to Canada by the Chief Minister of the Punjab and a productive, business-oriented visit by the Chief Minister of Chhatisgarh were also noteworthy.

The future thus beckons to both our countries. Enormous opportunities await the Canadian entrepreneur in the Indian marketplace, and of course vice versa. It is for the two sides to make all the necessary efforts to ensure that these opportunities are fully exploited, and not allowed to go to waste. India is ready and willing to make these efforts, and is confident that Canada will do likewise.

June 2005

Bilateral Photo Feature

Canadian Prime Minister
Mr. Paul Martin called on Indian
President Dr. A.P.J. Abdul Kalam
in New Delhi on 18 January 2005

Prime Minister
Mr. Paul Martin
paying homage at the
Samadhi of Mahatma
Gandhi in Delhi on
18 January 2005

Prime Minister Mr. Paul Martin and Prime Minister Dr. Manmohan Singh with Canadian Members of Parliament

Prime Minister Mr. Paul Martin with Prime Minister Dr. Manmohan Singh at a joint press conference in New Delhi on 18 January 2005

Canadian Health Minister Mr. Ujjal Dosanjh calls on Indian Union Minister for Health and Family Welfare Dr. Anbumani Ramadoss in New Delhi on 19 January 2005

Canadian Minister of International Trade Mr. James S. Peterson talking to stakeholders during the Team Canada mission to India in April 2005

Minister Peterson accompanied by Canadian parliamentarians of various parties

Minister Peterson with Indian Union Minister for Commerce and Industry Shri Kamal Nath sharing a jovial moment

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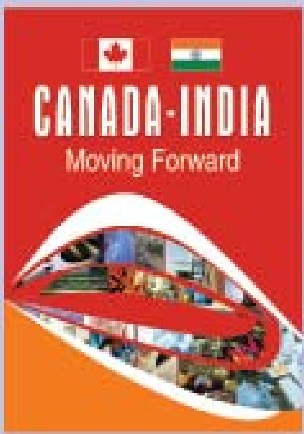

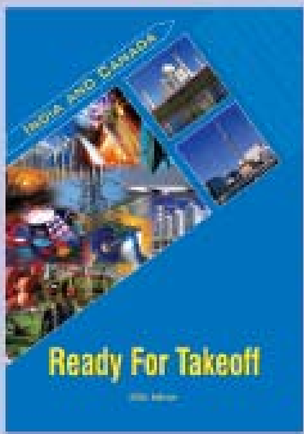

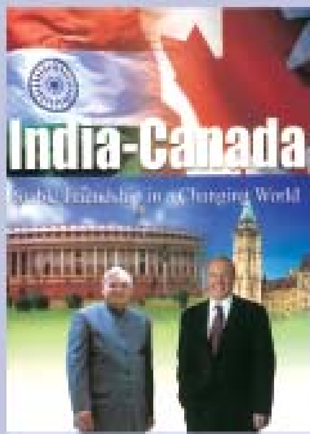

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Reclining Buddha - Ajanta Caves

India, the erstwhile land of Maharajas and Maharanis, is the ultimate confluence of history, folk art, tribal crafts, ancient rituals and traditions along with exotic beaches, palm-fringed backwaters, mist-clad hill stations, lush tropical forests, stark desert landscapes and exotic wildlife that manifest themselves in a dazzling display of colour and harmony. Every aspect of the country is presented on an awesome scale; consistent with the mighty Himalayas soaring majestically over the subcontinent in the north, to the vast blue expanse of the two seas and an oceans that fringe the east, west and south, respectively, of this large peninsular nation. With a civilization that is over 5000 years old, India is culturally diverse, rich in heritage and, more importantly, distinctively

Heritage India

Ancient Treasures

Indian, having continually attracted visitors—be it as invaders, traders, missionaries, or just plain travellers—from whom it has absorbed, adapted, adopted, and assimilated, while always retaining its inherent uniqueness. Most have left behind their imprints that are reflected in each and every aspect of Indian culture—art, architecture, music, dance, drama, language and cuisine.

The many influences are also revealed in the mix of races and religions found in the country. The birthplace of Hinduism, Buddhism, Jainism and Sikhism, India has gracefully embraced Islam, Zoroastrianism, Christianity and Judaism. Furthermore, their direct or indirect influence can be seen and felt in the myriad monuments, sculptures, languages & dialects, art & architecture in the sub-continent—all an inimitable part of the glorious Indian heritage: truly a treasure trove.

With numerous UNESCO designated World Heritage Sites like Hampi, Konarak, or Khajuraho, and some of them extremely fragile, such as the breathtaking Ajanta and Ellora Caves—one of the finest expressions of Indian artistic endeavour ever—there is a newfound awareness among Indians of the need to cherish and preserve what they have inherited'. Indians are also rediscovering the quality and sensibilities of local art forms; and age-old crafts and techniques are being resurrected. Yoga and Ayurveda, ancient holistic sciences, too have gained tremendous international acceptance.

The exquisitely carved giant stone wheel of the chariot. Originally 24, today only 16 survive as a whole.

Sun Temple, Konarak
Modelled on the image of the Sun God coursing through the heaven on his seven horse-drawn chariot, this is undoubtedly the paragon of Oriya art and architecture. Its colossal size and intricate stone artwork executed with finesse, not to mention the diversity of themes expressed, simply takes one's breath away. Little wonder, Nobel Laureate Tagore described it as "poetry in stone."

'The Avalokiteswara Padmapani at Ajanta: This exquisite collection of Buddhist frescoes, over 2000 years old, ranks among one of India's most wonderful artistic treasures. The Ajanta cave paintings, extremely fragile despite continuing efforts to protect and preserve them for future generations, are a must see for any artistically inclined visitor to India'

To enjoy India's rich and diverse culture take a heritage tour

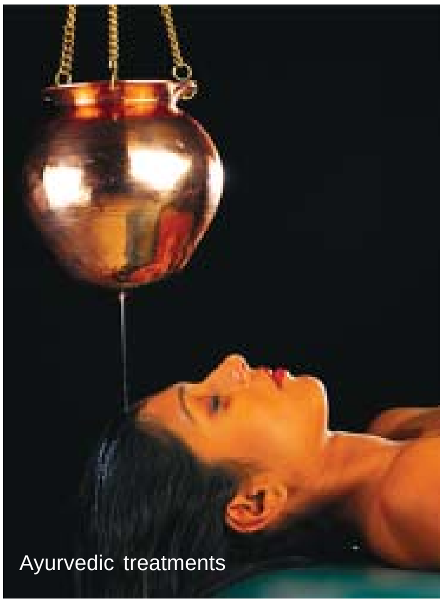
You could visit the temple towns of South India, some deeply fascinating for their dance heritage: the over 2000-year-old dance form Koodiyattom was recently declared a 'masterpiece of the oral and intangible heritage of humanity' by UNESCO; or ruminate over the ramparts of any number of forts and palaces, some in ruins and some that have withstood the test of time and tragedy. Or be stupefied by the splendours of Buddhist architecture in Sanchi, or the Mahabodhi Temple Complex at Bodh Gaya: both designated 'World Heritage Sites' by UNESCO; or be enthralled by the excavated site in Nagarjunakonda—the most extensive remains found anywhere of the international heritage of Buddhism—containing innumerable relics ranging from early Stone Age to the late medieval period. Or you could simply moon over the gracious confluence of Mughal and Indian craftsmanship, or marvel at the magnificent Victoria Terminus in Mumbai—exemplar of the Indo-Saracenic style that flourished during the British Raj—a world heritage site and considered architecturally to be one of the finest stations in the world. For some, experiencing Indian heritage could mean finding peace in the spirituality of the many faiths that abound; celebrating the many festivals and *melas*, including the magnificent

Koodiyattom

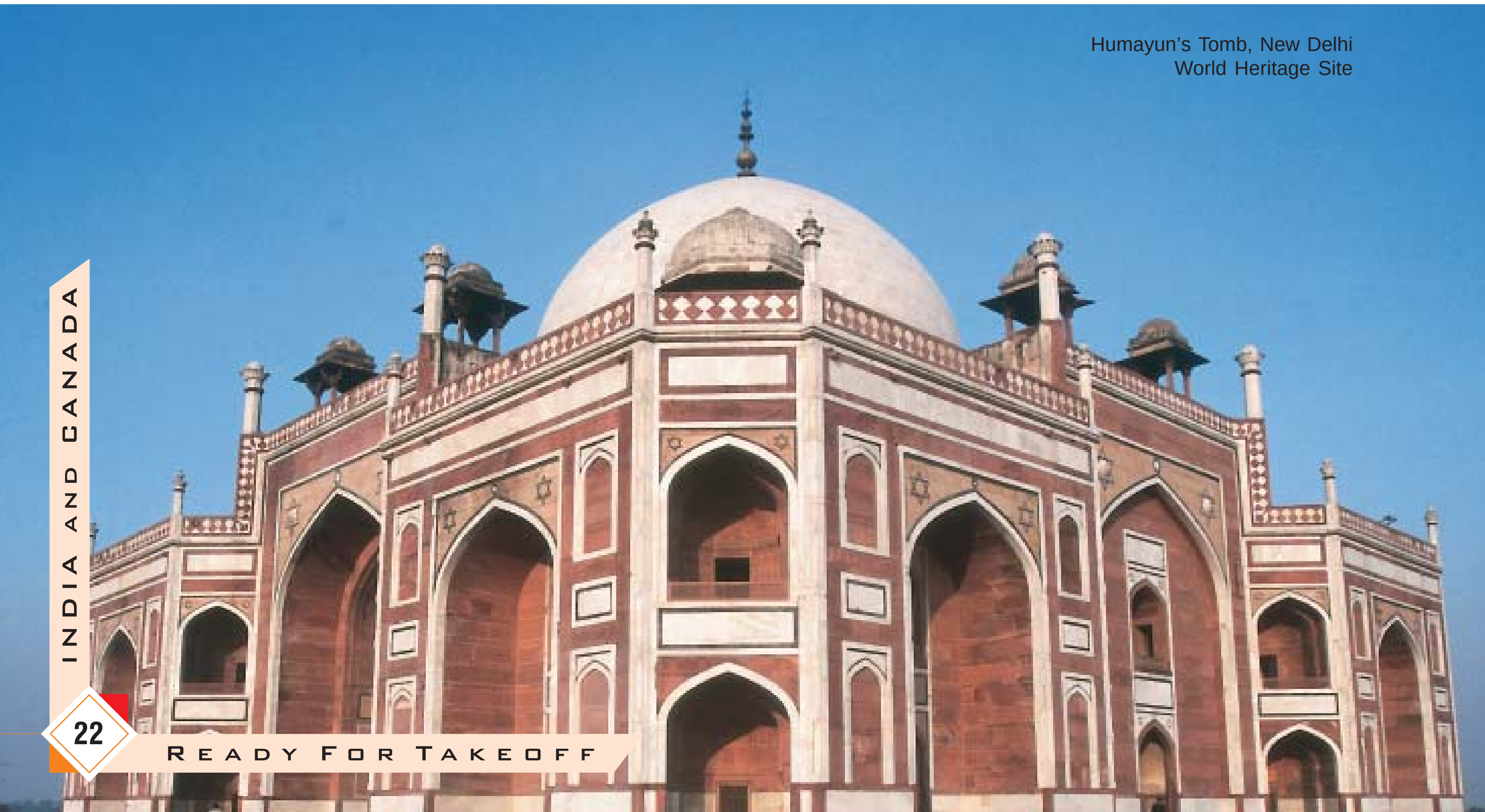
Bodhi Temple
World Heritage Site

Kumbh Mela procession in Hardwar

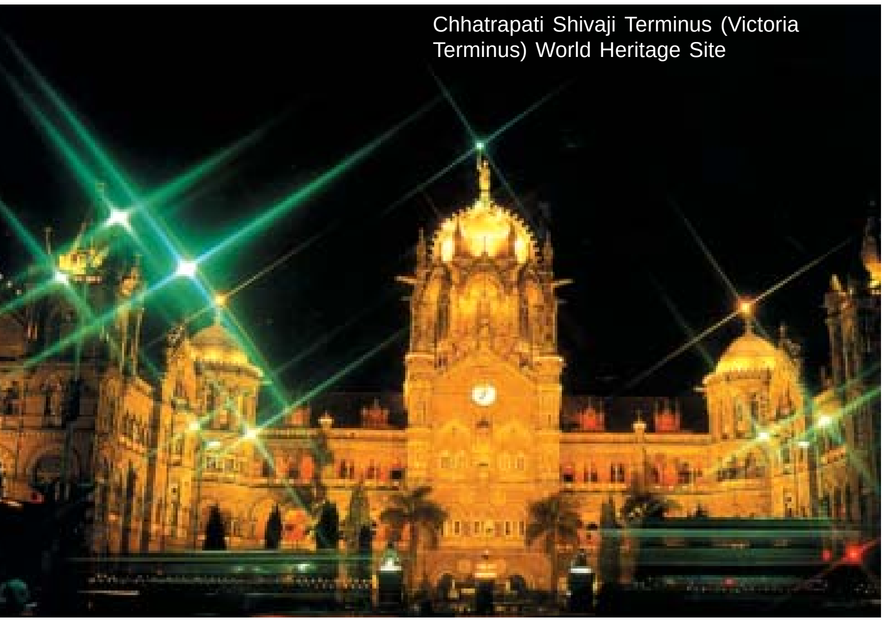
Kumbh Mela; delighting in India's fascinating handloom and textiles heritage; admiring the arts & crafts and tenacity of tribal cultures that have steadfastly hung on to their way of life despite changing trends and modern conveniences; being dazzled by Goa's Churches and Convents, yet another world heritage site, and perhaps sneaking in some time in between to soaking up some sun on one of its idyllic beaches; relaxing in the tranquil backwaters of Kerala—also renowned for its ancient heritage of Ayurvedic treatments and spas— where blue waters cut across verdant paddy fields and tall coconut palms sway in the misty rain making you wonder whether Earth has snatched a fistful of rainbow from the sky; or perhaps enjoying the melodic strains of Indian classical music, which traces its origins to hymns contained in the ancient sacred texts, the Vedas (4000-1000 BC), and evolving with Sage Bharata (c. 200 AD), perhaps the earliest known Indian



Ayurvedic treatments



Humayun's Tomb, New Delhi
World Heritage Site



Chhatrapati Shivaji Terminus (Victoria Terminus) World Heritage Site

Hotels. Relive India, as it were, and see history unfold through the eyes of these rare still-standing witnesses, perhaps, perfect ensamples of the country's cultural heritage and in many ways custodians of its history. In India, forts and palaces of almost every bygone era can be found, be it the Old Stone Age or the more recent colonial one. They always conjure up visions of grandeur sometimes accompanied by a wistful sense of nostalgia, for an era gone by never to return. What if you could relive that period and be spoilt; be pampered, and even if only for a fleeting, transient moment in your history—be royal? These heritage hotels provide you exactly that opportunity—to relive, albeit vicariously, the lives of Royals; to exude their aura and revel in 'regality'. Immerse yourself in luxury and opulence that was once the purview of Royalty: sleep where the King slept; regale yourself with a royal repast on a silver platter; walk the

musicologist, enunciating the navarasas (nine emotions): love, humour, pathos, anger, heroism, terror, disgust, wonder and serenity. For the 'great-outdoors' inclined, there is rugged natural beauty in numerous national parks and sanctuaries, many of which have been declared world heritage sites such as Kaziranga, Manas, or Keoladeo among others.

If the above still does not sate your desire for heritage, there is more: Forts and Palaces of Princely India, some of which are now Heritage

Lake Palace, Udaipur
Described as one of the most romantic hotels in the world - Simply irresistible!

Tigers at Manas National Park

corridors of erstwhile power, stalk the rooms where every wall has a tale to tell; and be allured by the romance, treachery, plot & connivance that is but part and parcel of palace intrigue: Live the heritage, and the phrase 'Live Life King Size' will never ring truer!

So, the bewitching, imperious, charming and hedonistic opulence of the gilded world of the maharaja also awaits you. Come and get acquainted with these splendid edifices: timeless witnesses of Royal India. Another uniqueness is in that some of these palaces still serve as homes to former rulers, elevating them from mere masterpieces of architecture to something more precious—living examples of the past and the present coming together.

As you can see, India is an enchanting destination, which has the magical power to change your life in more ways than you could ever imagine.

Take the Indian journey now, and forever be mesmerized…

Skiing and Hockey in India? You Betcha!

Canada has a rich tradition in alpine skiing. For over 40 years Canadians have thrilled the world with medal winning performances. Skiing is part of the Canadian make-up, heritage and culture. There are 4.5 million skiers in Canada and over 250 ski racing clubs. Over 500 alpine ski events are held at ski resorts across Canada each winter. Skiing is the ultimate family sport in communities across Canada. Not only that; many Canadian skiers migrate to other parts of the world in search of the ultimate ski run. Many for instance migrate to France, Switzerland and Austria each year. For them, we have a message: **NOW HEAR THIS!** India also has skiing, high in the Himalayas.

Canadian skiers seeking the ultimate run have a new option this season – skimming the roof of the world in India's Kashmir. The Himalayan province of Kashmir is hoping to attract adventurous skiers with the opening in April 2005 of the highest gondola ski lift in the northern hemisphere. The 1.5 mile (2.5 km) lift links the stunning Kongdoori Valley with the 14,400 ft summit of Afarwat high in the Himalayas. Afarwat soars above the village of Gulmarg, an hour's drive from Srinagar, the summer capital of Indian Kashmir.

Farooq Ahmed Shah, chief executive of the Gulmarg Development Authority, said that bookings are already being taken for the 2005-06 season. "We've got great hopes that we'll get at least 1,000 foreign skiers next winter. We've already had a tremendous response, because there really is nothing in the world to compete with the quality of Gulmarg's skiing," he said. "Thrill-seeking tourists, in particular skiers and snow-boarders, will be the main beneficiaries," Mr Shah said. "The resort of Gulmarg is adding 500 rooms this year."

The gondola-type lift enables skiers to reach virgin slopes for as little as C$**7**.10 a day. Previously, only the lower part of the mountain was accessible via a cable car. Anyone wishing to ski from higher slopes faced a gruelling three-hour hike or had to hire a helicopter.

When comparing costs between skiing in Europe and skiing in India, one should not only look at the price of getting there, but also at on-site expenses. A 10-day packaged ski adventure in France, for instance, costs Canadians over C$300 per day including the airfare from Toronto, accommodation, ground transportation and lift fees – not to mention the extras like meals and après de ski. The lower on-site costs in India (lift fees, accommodation, meals and ground transportation,) could effectively level the playing field, when considering that it costs more to get there. Check out www.kashmiralpine.com for prices.

And besides; if you arrive through New Delhi, you can always take a side trip to the Taj Mahal. We ask our Canadian friends this: Can Europe match that?!

Oh yes, don't forget your skates!

There are several ice hockey leagues in Himalayan India. This photo was taken in Gulmarg, near the starting point of the ski lift. Hockey is played on outdoor rinks, referred to locally as 'rings.' The season normally begins in early December and carries on to February. Clear skies and low temperatures provide super conditions.

Nature has always been the source of eternal goodness. Even technically advanced countries like USA, UK, Germany, Japan, Russia, France, Italy now appreciate the wonders of natural gifts. They are utilizing natural products like Lac wherever possible, instead of synthetics.

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Medical Tourism in India

The Healing Touch

In early May 2005, a prominent Canadian daily front-paged a story with the catchy heading "Getting a Knee Up". No, it was not about football. It was about a 72 year old gentleman from Vancouver, Mr. Robert Smith, who, having lived on painkillers for years so to be able to walk around, and hobbled, literally and figuratively, by the very long waits for operations in non-life-threatening medical conditions that are a staple of the Canadian health care system, decided that enough was enough. He then had his knee replacement surgery done successfully in India, in April 2005, in a hospital in the southwestern State of Kerala.

Kerala being rated by the National Geographic as one of the world's 50 best tourist spots, the Smiths chose to combine Mr. Smith's treatment with a luxurious, 2 week post-operative holiday. The total cost for Mr. and Mrs. Smith: roughly US$17,500 for a five-week stay in Trivandrum, Kerala, including flights, the surgery, the hospital stay, all meals and accommodation in a five-star hotel overlooking the Indian Ocean. By Western standards, a truly incredible bargain.

The Smiths were among the more than 150,000 foreigners who flew to India last year — mostly from the United States, Europe and the Middle East – to get well. They were drawn by a wining combination - excellent professional medical expertise, high quality medical facilities, minimal waiting periods or none, and all this for a third or less of what similar treatment would cost in their home countries. They came to India for joint replacements, heart bypasses, laser eye surgery and facelifts. They were part of what is nowadays called medical tourism, because many foreign patients choose to relax and recover after surgery or other treatment at posh resorts.

While India's standing as a business process outsourcing destination of choice is today universally acknowledged, medical tourism to India is just beginning. But it is unquestionably a growth sector, given that India today offers world-class healthcare that costs substantially less than that in developed countries, using the same technology, with equally competent specialists, with similar success rates.

The Apollo Group of Chennai, Escorts Hospitals in New Delhi and Jaslok Hospitals in Mumbai, to name but a few of the top rated Indian hospital chains, are established names even abroad. The Apollo group has been a forerunner in medical tourism in India, and today attracts patients the West as well as from

Southeast Asia, Africa, and the Middle East. The group has tied up with hospitals in Mauritius, Tanzania, Bangladesh and Yemen, besides managing hospitals in Sri Lanka and Dubai. Escorts, meanwhile, has doubled its number of overseas patients over the last 4 years. Recently, the Ruby Hospital in Kolkata signed a contract with the British insurance company, BUPA. The management hopes to get British patients from the queue in the National Health Services soon. A list of other Indian corporate hospitals, such as Global Hospitals, CARE and Dr L.V. Prasad Eye Hospitals in Hyderabad, The Hindujas and NM Excellence in Mumbai, also have developed the capabilities to handle a steadily increasing flow of foreign patients.

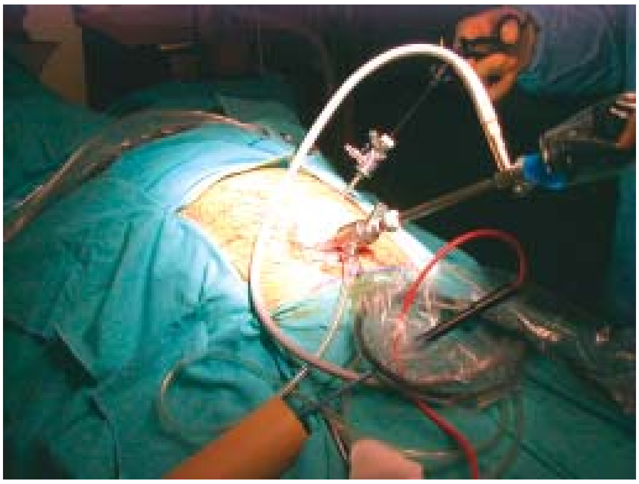
Comprehensive Medical Facilities Available in India

Indian corporate hospitals have the full range of specialties, from the most standard ones to the most complicated; they excel in cardiology and cardiothoracic surgery, joint replacement, orthopedic surgery, gastroenterology, ophthalmology, transplants and urology, to name but a few.

The various medical examinations available range from dental check ups and eye examinations to full body pathology, comprehensive physical and gynecological examinations, and stress & lifestyle management. The array of clinical tests is comprehensive: audiometry, spirometry, pap smear, digital chest X-ray, 12 lead ECG, 2D echo colour doppler, gold standard DXA bone densitometry, body fat analysis, coronary risk markers, cancer risk markers, carotid colour doppler, spiral CT scan and high strength MRI. Each of these tests, carried out by professional MDs, is comprehensive and accurate.

There is also the whole gamut of clinical services ranging from general radiography, and mammography to high end services like Magnetic Resonance Imaging and Digital Subtraction Angiography, along with intervention procedures and Nuclear Imaging. The diagnostic facilities available in India are comprehensive, and include the entire range of laboratory services, including biochemistry, hematology, microbiology, serology, histopathology, transfusion medicine and RIA. All medical investigations are conducted on the latest, technologically advanced diagnostic equipment. Stringent quality assurance exercises ensure reliable and high quality test results.

Finally, there is the cost factor, which is a major, if not the vital one in the choice of a foreign destination for medical treatment.



Here, a comparative analysis brings out the magnitude of what could be called the 'India advantage':

- If a liver transplant costs in the range of C$167,000–C$196,000 (Rs 60-70 lakh) in Europe and double that in the US, Indian hospitals, such as Global in Hyderabad, can do it for around C$42,000– C$56,000 (Rs 15-20 lakh).
- If cardiac surgery in the US costs about C$56,000 (Rs 20 lakh), the Chennai-headquartered Apollo Hospitals Group does it for roughly C$5,600 (Rs 2 lakh).
- If knee replacement surgery in the US costs around C$14-17,000/-, in India, it can be done for just C$6000/-

As for medical or health tourism, it can be broadly defined as the provision of cost effective private medical care in collaboration with the tourism industry for patients needing surgical and other forms of specialized treatment. In India today, this process is being facilitated by a synergic exercise undertaken jointly by the corporate sector involved in medical care and the tourism industry, both private and public.

Medical or health tourism has become a special form of healing-cum-vacationing, and covers a broad spectrum of medical services. It mixes leisure, fun and relaxation with wellness and healthcare. The concept of the "health holiday" is meant to offer individuals an opportunity to get away from their daily routine and to enter different, relaxing, rejuvenating surroundings.

In India, one can, while enjoying a refreshing break on the beach or in the mountains, simultaneously receive an introduction to traditional Indian healing and training practices that will help improve the quality of one's life, but improving one's general health and well being. It is like a tuning up process at all levels – physical, mental and emotional. It has thus long been common for Canadians and other Westerners to visit India for the rejuvenation promised by traditional Indian healing systems such as yoga and ayurvedic massage.

Nowadays, however, but many others, like Mr. Robert Smith of Vancouver, consider India a destination for hip replacement or other types of surgery. Many of these patients do not even care about insurance reimbursement, so eager are they to avoid the very long waiting periods, sometimes up to a year and a half, for surgery in Canada. It's a toss up; do I bear the excruciating pain for another year and a half and then have in done under the Medicare system, or do I pay for the surgery out of my pocket in India and get early pain relief? what India has to offer, in terms of a blend of top-class medical expertise and much lower medical costs, is helping many foreign visitors make up their minds, and a growing number of Indian corporate hospitals are attracting foreign patients, including from developed nations such as Canada.

As more and more patients from Western countries with high medicare costs thus look outside their country's medical systems for quicker and/or more effective options, India has begun to compete in the medical tourism sector with Thailand, Singapore and some other Asian countries, which also have the attractions of good hospitals, a salubrious climate and beautiful tourist spots . Thailand and Singapore, with their by now well recognized advanced medical facilities and built-in medical tourism options, have been drawing several tens of thousands of foreign patients per year, while India was far behind these numbers. Now, however, the rapidly expanding Indian corporate hospital sector, though a late entrant in this sector, is catching up, thanks to the unquestioned expertise of Indian medical professionals, backed by the fast improving equipment and nursing facilities - Indian corporate hospitals are on par, if not better than the best hospitals in Thailand, Singapore - and above all the marked cost-effectiveness of the package. In short, it is same winning combination - top quality and a marked price advantage – that has been the underpinning of India's hi- tech boom.

Another key attraction for foreign patients, especially for those from countries like Canada and some European countries, the UK, etc. where the waiting times for treatment are a major factor, is that in India, the waitlist is minimal or non-existent . In fact, foreign patients can get priority treatment today in Indian hospitals.

Most recently, the Government of India has further facilitated medical tourism to India by introducing, just this June, a special medical visa for all foreign visitors seeking treatment in India. This special visa, that can be for much longer than the normal 6 month, non-renewable tourist visa, will cover the duration of the treatment, with a cushion to accommodate some post-care tourism or convalescence. Since it will eliminate visa renewal hassles, this new initiative will undoubtedly be greatly welcomed by all such medical tourists.

So, there you are! The medical tourism package in India is unbeatable: for the truly healing touch, you just have to go to India!

(As of June 2005, 1 Indian Rupee = 0.028 Canadian Dollar; 1 Canadian Dollar= 35.45 Indian Rupees)*

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The Indian Economy: On a *Steady Sprint*

The Indian economy has been one of the major global success stories of the last decade, during which period it has set an enviable track record of a steady average growth rate of 6-7 percent per annum, which shot up to 8.2 percent in 2003-2004, with a spurt to 10.5 percent in one of the quarters of that year. This sustained growth, which withstood the East Asian and Southeast Asian meltdown of the latter half of the 1990s, the SARS effect, 9/11, and the terrible tsunami of December 26, 2004, has made the Indian economy the fastest growing in the world after China. Credible projections place future growth rates at 7 percent per annum or more, which seem entirely attainable, boosted by a booming services sector, led by BPO, telecom and tourism, which today contributes about 56 percent to India's GDP and enjoys substantial CAGRs.

Of course, another major factor underpinning the confidence in the prospects of the Indian economy is the sustained and broad-based economic reform process, focussed of late on infrastructure upgrading and on ever greater transparency and investor friendliness.

Against this reassuring background, the latest central (federal) budget presented by the Indian Finance Minister on February 28, 2005 had stirred up an unprecedented level of global interest. The budget did not disappoint either the Indian public or Indian industry, and also reassured foreign investors about the continuing stability and attractiveness of India as a destination for both FDI and FII. The various schemes to promote health, education and employment in the rural sector, with an enhanced outlay of $11.8 billion and a higher agricultural credit outlay of $24 billion, can be expected to boost productivity and prosperity, especially by upgrading rural infrastructure in roads, electrification and telecommunications, and thus to expand rural markets.

Corporate tax was cut by 10 percent, and the projected fiscal deficit was set at 4.3 percent of GDP, lower than last year's 4.5 percent. Custom duties on non-agricultural goods have been reduced from 20 percent to 15 percent, bringing them in line with those of the ASEAN countries.

The cap for FDI in domestic private banks was hiked from 49

Indian Budget 2005-2006 Highlights

Aparna Viswanathan, Viswanathan & Co, Advocates*

On February 28, 2005, the Finance Minister of India presented the Budget 2005-06 which contains important changes to the laws relating to customs duties, corporate tax, the taxes applicable to royalties and technical fees payable to foreign technology licensors as well as excise duties, service tax and securities transaction tax. The direct tax provisions in the Bill will apply to the Financial Year ending March 31, 2006 relevant to the assessment year 2006-07. The provisions on indirect taxes will apply with immediate effect under the Provisional Collection of Taxes Act, 1931.

Customs Duties

In order to bring India's customs duty structure in line with her East Asian neighbours, the government has reduced the peak customs duty rates for non-agricultural products from 20 percent to 15 percent.

The customs duties rates for capital goods have been reduced from 15 percent and 20 percent duties to 10 percent in some cases and to five percent in others. For example, customs duties on textile machinery have been reduced to 10 percent so as to enable the textile industry to benefit from the new post-textile quota international trading environment. Similarly, duties on polyester and nylon chips, textile fibres, yarns and intermediates, fabrics and garments have been reduced from 20 percent to 15 percent. Duties on specified machinery used in the leather and footwear industry have also been reduced from 20 to five percent. Pharmaceuticals and biotechnology have been identified as sunrise sectors; accordingly, duties on specified equipment used in this sector have been reduced from 20 percent to five percent.

The electronics and telecom sectors have been given special attention in the budget. On 217 Information Technology Agreement (ITA) bound items, the duty has been reduced to zero. Customs duties on specified capital goods and all inputs required for the manufacture of ITA bound items have also been eliminated. However, a countervailing duty (CVD) of four percent has been imposed on all imports, including the inputs of ITA bound items. Credit for CVD paid will be available against payment of excise duty. IT software will be exempted from payment of CVD.

Corporate Tax

The corporate tax applicable to domestic companies has been reduced from 35 to 30 percent; however, the surcharge will be increased from 2.5 to 10 percent. The tax rate of 40 and 2.5 percent rate of surcharge on foreign companies remain unchanged. The rate of Minimum Alternative Tax (MAT) on book profits will continue unchanged at 7.5 percent.

The rate of depreciation rate on plant and machinery has been reduced from 25 to 15 percent while the initial depreciation rate will be increased from 15 to 20 percent. The requirement of a 10 percent increase in installed capacity to avail of the benefit of initial depreciation has been removed.

In order to promote technology transfer from overseas companies, the withholding tax on fees and royalties paid by Indian companies to overseas licensors/technology transferors percent to 74 percent, and foreign investors in the banking sector were also given more of a level playing field through relaxed SLR and CRR regulations, permission to sell preference shares, and to open 12 new branches a year. The FDI cap for telecom had already been raised to the same extent, from 49 to 74 percent, while that for civil aviation had gone up from 40 to 49 percent and for insurance from 26 to 49 percent. 100 percent FDI through the automatic route is now possible in the apparel sector, that of environmental equipment and technology (which would be of special interest to Canada) and, now, in the construction sector as well.

For foreign institutional investors, the Finance Minister had a special gift. He allowed them to offer equities or bank guarantees as collateral for settlement obligations in the derivatives market, as against only cash as at present, a relaxation that brought them on par with domestic investors. The stock market gave a thumbs up to the budget, with the Bombay Stock Exchange gaining 144 points

Economy on the right track

The above positive conclusions were endorsed and emphasised by all the three major players on the Indian economic scene – the government, the private sector, and major foreign investors – at a recent conference on "India's Financial Markets", jointly organised by the Confederation of Indian Industry (CII) and the Asia Society in New Delhi.

Highlighting the nature and the impact of the recent changes in the Indian economy, and in the financial markets in particular, Dr Rakesh Mohan, Secretary, Department of Economic Affairs, underlined the fact that that the Indian economy was unmistakably on the move and that there was a new confidence in the air. He pointed out that it was the slow but steady pace of the Indian economic reforms over the last 14 years that had helped the Indian financial system withstand major shocks, cope with all risks, promote stability and become globally competitive. "While many Asian economies were seriously debilitated by the East Asian crisis, India remained unaffected, mainly due to its financial stability," he noted.

CII president and CEO of Hero Corporate Services Sunil Kant Munjal emphasised that with the steady relaxation of government controls and the corresponding opening up of the economy, new opportunities for profitable foreign and domestic investment had opened up a number of sectors: infrastructure, water management, eco-friendly technology, tourism and others. "It is time for the foreign companies to take a look at the change and invest in India," he said.

In his introductory remarks, Scott Bayman, President of GE India, also hailed the reforms process in India and spoke about the sustained growth in various sectors, including the telecom sector, and the emergence of new class of consumers with a high propensity to consume. The manufacturing sector in India was world-class, he observed, adding that the financial reforms, banking reforms and the recent open skies agreement with the US provided more than enough opportunities to foreign companies to invest in India.

It is indeed high time for foreign investors as a whole, and Canadian investors in particular, to note this striking consensus about the future prospects of the Indian economy, and move to take advantage of the opportunities well in time.

for technical services has been reduced from 20 to 10 percent. However, service tax will continue to apply to such payments plus a research and development (R&D) cess of five percent adjusted against the service tax payable.

Fringe Benefit Tax

The government has introduced a new controversial fringe benefits tax (FBT) under which employers must pay a 30 percent tax on perquisites which are enjoyed by the bulk of the employees rather than individual employees. Fringe benefits include free or concessional travel tickets, contributions to approved superannuation funds provided by the employer, free or subsidised health club facilities but will exclude free or subsidised transport for journeys to or from the residence of employees to the place of work. Fringe benefits will also include gifts, entertainment expenses, maintenance of guest houses and use of telephones. The new fringe benefits tax will be payable even if the income of the employer is not liable to tax and will not be allowed as a business expense.

Excise Duties

Excise is a tax levied on the manufacture of goods. The government intends to bring as many items as possible in the rate of 16 percent. While poly filament yarn, tyres and air conditioners presently attract excise duty of 24 percent, the rate has now been reduced to 16 percent. In contrast, the excise duty on other products which was earlier less than 16 percent has been increased to the 16 percent slab. For example, while iron and steel, and ships for breaking were earlier subject to 12 percent excise duty, they will now be subjected to 16 percent duty.

Service Tax

Service tax will continue to apply at the rate of 10 percent plus a 0.2 percent education cess. The scope of service tax has been extended to include services provided by a non-resident from outside India to a person resident in India. The service tax net has also been widened by including nine additional services such as transport of goods through a pipeline, site preparation, clearance, excavation and earth moving services, dredging services of rivers, ports, harbours, cleaning services, membership of clubs or associations, packaging services, mailing list compilation, and construction of residential complexes. The scope of the existing 12 services has also been extended. Small service providers whose gross turnover does not exceed Rs 400,000 per annum will be exempted from service tax.

Securities Transaction Tax

The securities transaction tax applicable to trading in listed securities has been marginally increased from 0.015 percent to 0.02 percent much to the discontent of Dalal Street.

In sum, the lowering of the peak rate of customs duties to 15 percent, the reduction of corporate tax from 35 to 30 percent and the new 10 percent rate of tax on royalties and technical fees paid to overseas technology licensors are all favourable to foreign companies doing business with India and will hopefully stimulate inward investment in 2005.

Viswanathan & Co. have offices in New Delhi, Bangalore and London. Aparna Viswanathan may be contacted at: aparna@legaleagleindia.com

Investing in India

A HOT Blue Chip

India is today the fourth largest economy in the world (based on purchasing power parity), and has the second largest GDP among the emerging economies. India also ranks as the 11th largest economy in terms of industrial output, and has the third largest pool of scientific and technical manpower.

Until 1991, the Indian economy, built largely on a socialistic pattern, was characterised by a highly regulated business environment, a pervasive license system, and high tariff barriers. Sweeping reforms introduced from that year, and kept up by successive governments, have radically changed the structure and functioning of the Indian economy, making it dramatically more open, liberal, transparent, and investor-friendly. External trade has been liberalised, tariffs steadily lowered, and import controls progressively reduced, while the few that remain are proposed to be freed within a fixed time frame. Tax rates, both corporate and personal, have been slashed and rationalised, and are at present amongst the lowest in the world.

Most important of all, the continuity of the Indian economic reform process is guaranteed by the strong political consensus supporting it that exists not only at the central (federal) level but also in all the States.

This stability factor apart, there are several excellent reasons for investing in India, as is clear from the vote of confidence given to India both by international organisations and by numerous global financial and investment consultancy firms. The findings of the joint UNCTAD Corporate Location Survey in April 2004, for example, have listed China, India and the United States as the top three investment hot spots for the next four years. A.T. Kearney has, in its FDI Confidence Index-2004, ranked India the third most attractive investment destination in the world.

To list just some of the plus points that make India such favourite destination for foreign investment:

Investment Climate Enhancers

- One of the largest economies in the world; the fourth largest in PPP terms, with a sustained growth rate of 6-7 percent for the last decade;
- A long history of stable parliamentary democracy;
- Strategic location – access to the vast domestic and regional market, including the Gulf and Middle East, as also South-east Asia;
- A large and rapidly growing domestic consumer market, with a growing middle class now numbering 300 million;
- Consistently FDI and FII-friendly policies; automatic approval* of even 100 percent FDI in sixty categories of industries;
- A totally independent and strong judicial system, uniform throughout the country with a single apex jurisdiction, that ensures fair play and security of investment;
- An abundance of skilled manpower and professional managers are available at competitive cost;
- One of the largest manufacturing sectors in the world, spanning almost all areas of manufacturing activities;
- One of the largest pools of scientists, engineers, technicians and managers in the world;

Canadian Minister of International Trade Mr. James S. Peterson meeting with Indian Union Minister for Commerce and Industry Shri Kamal Nath to discuss bilateral relations and economic cooperation in New Delhi on 05 April 2005

- Rich base of mineral and agricultural resources;
- Long history of a market economy infrastructure;
- Sophisticated financial sector;
- Vibrant and well developed capital market;
- Well-developed R&D infrastructure and technical and marketing services;
- Policy environment that provides freedom of entry, investment, location, choice of technology, production, import and export;
- Well-balanced package of fiscal incentives;
- Sophisticated banking, insurance and accounting systems, familiar to Western investors;
- English is widely spoken and understood;
- Rupee is convertible on current account at market-determined rate;
- Free and full repatriation of capital, technical fee, royalty and dividends;
- Foreign brand names can be freely used;
- No income tax on profits derived from export of goods;
- Complete exemption from customs duty on industrial inputs and corporate tax holiday for five years for 100 percent export-oriented units and units in export processing zones; and,
- Corporate tax applicable to the foreign companies of a country with which India has an agreement for avoidance of double taxation, can be the one which is the lowest of the rates prevailing in either of the two countries and the treaty-specified rate

* *FDI under the automatic route does not require approval but only involves intimation to the Reserve Bank of India (RBI) within 30 days of inward remittances and/or issue of shares to non-residents*

Record Spurt in FDI/ FII Inflows

India has received a record Foreign Direct Investment (FDI) inflow of US$4.5 billion over the last financial year (2004-2005). Only the equity component of FDI has been covered in the inflows data; adding the reinvested earnings, overseas commercial borrowings and subordinated debt, as per the standard IMF rules, would double this figure. Foreign institutional investment was much higher, reaching US$9.072 billion during the last year, of which US$2.113 billion came in December 2004 alone. The Mumbai Stock Exchange has risen by 50 percent from 2003, and 17 percent of the Indian equity market is owned by non-Indian investors.

In the specifically Canadian context, the only India-specific Canadian mutual fund, the Toronto-based Excel Funds, has risen by 41 percent over the last year, and by 37 percent on the average over the last three years, a remarkable performance by any standards which, in turn, only reinforces the unquestionable attractiveness of India as an investment destination for foreign capital.

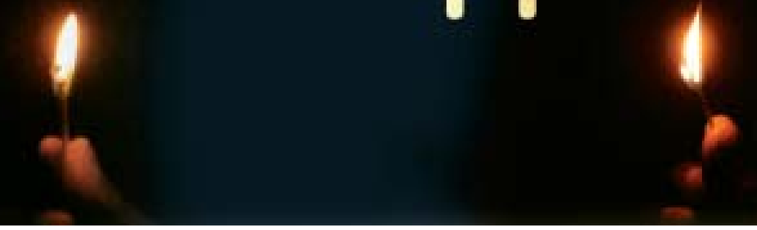
Apart from the numerous advantages listed above, that make India an FDI/FII destination of choice, the Indian government has also undertaken a series of FDI friendly initiatives to promote investments. These include:

- The cap for FDI in domestic private banks has been hiked from 49 percent to 74 percent, and foreign investors in the banking sector were also given more of a level playing field through relaxed SLR and CRR regulations, permission to sell preference shares, and to open 12 new branches a year;
- The FDI cap for telecom had already been raised to the same extent, from 49 to 74 percent.
- For domestic civil aviation, the FDI cap has gone up from 40 to 49 percent, and NRI investment is permitted up to 100 percent with no equity participation by foreign airlines;
- The FDI cap for insurance has gone up from 26 to 49 percent;
- 100 percent FDI through the automatic route is now possible in the apparel sector, in environmental equipment and technology (which would be of special interest to Canada) and, now, in the construction sector as well, for the development of townships, housing, resorts, hospitals, built up infrastructure etc., with substantially reduced minimum sizes for projects in terms of area and number of housing units to be covered;
- Press Note 18, which restricted the foreign partner in a failed joint venture/technology collaboration from re-entering the same field either, individually or in a new joint venture with a new Indian partner, for six years, has now been rescinded, and replaced by the markedly investor friendly Press Note 1 of January 2005; and,
- Procedural simplifications announced for the FDI investments.

Despite all these evident advantages that India has to offer, Canadian investment in India has so far been very modest, of less than Canadian $200 million, and concentrated in the energy, financial services, telecommunications, oil and gas and a few other sectors. There is an urgent need for Canadian firms to reassess their investment priorities, if only to ensure that this opening to India is not wasted for lack of either attention or initiative. There are obvious and very significant opportunities for Canadian investment in *the* environmental sector, covering both environment technology and equipment, where FDI of 100 percent can be made through the automatic route. This is a sector in which Canada has world class expertise, and which has been rated by the American Chamber of Commerce and Industry and the No.2 priority for US firms. Moreover, demand in the fast growing Indian economy for environment management technology and expertise is bound to be almost limitless. Other promising sectors for Canada would be nano-technology, to be combined with the Indian strengths in IT and biotech, oil and gas, where Calgary firms have already made striking gains, and *agro-processing, besides financial services, telecommunications and infrastructure as a whole.*

Canada and India

A good match lights up business opportunities



By Peter Nesbitt
Export Development Canada

"The New India" is an increasingly familiar theme in the business pages of most Canadian newspapers. Spurred on by an extensive program of economic reforms and energized by the entrepreneurial spirit of its business community, India is beginning to show incredible potential in the global marketplace. With trade liberalization initiated by the World Trade Organization taking effect, Canadian and Indian businesses are starting to seek out new partnerships to strengthen their enterprises, grow and succeed internationally.

Simple arithmetic shows that large and small Canadian businesses are increasingly engaged in trade with India. Over the last five years, the number of Canadian companies doing business in India has grown by about 70 percent and the volume of Canadian exports to India grew by 13 percent in 2004. But still, if Canada's current trade record with India were shown on a report card, one would quickly see a lot of room for improvement.

It is precisely for this reason that Export Development Canada (EDC) has ramped up its efforts to make India aware of the extensive Canadian capabilities that can satisfy the demands of its fast-paced modernization. As well, Canadian companies must be informed of the numerous opportunities that lie within their grasp in this very strategic market. It is in direct support of these objectives that I was appointed EDC's first permanent representative to India.

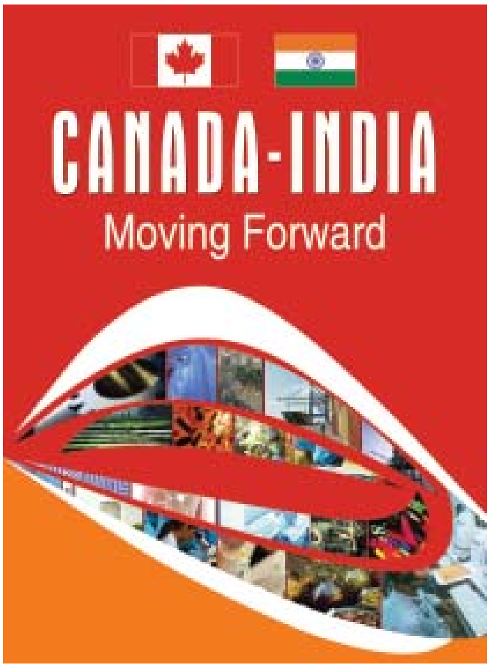
Telecom, energy (power generation, transportation and distribution, oil and gas), and transportation (ports, airports, roads, railways, aerospace) are all priority sectors that are ripe for Canadian involvement. While these sectors are vital to the rapid emergence of the new India, this same infrastructure has helped Canada overcome the disadvantages of its climate and geography. This "home grown" Canadian expertise is now ready to be merged with India's abundance of talent.

Today, Canada and India can jointly innovate to help India further develop its manufacturing base, expand its service sector activities, modernize its agri-food sector, and play a leadership role in the world economic landscape. The challenge remains to create awareness among Canadian and Indian companies, of their mutual strengths and their potential to grow as India's transformation rapidly unfolds.

In 2004, EDC facilitated more than CAD 611 million in Canadian trade and investment to India. EDC is confident that this figure will rise given the scale of opportunity that today's India presents. EDC will use my permanent presence in India to implement a number of strategies to encourage Canadian companies to do more business there, including developing business through matchmaking and devising ways to make EDC financing more accessible to Canadians and Indians alike.

By raising awareness among Indian buyers of the extent and availability of Canadian expertise, Canadian companies are sure to find the "New India" an exciting and rewarding place to do business. I am confident that Indian companies will feel equally rewarded by opening their doors to Canada.

Based in New Delhi, Peter Nesbitt is EDC's permanent representative to the entire Indian market. For more information on the full suite of EDC services available to Canadian exporters and investors and their Indian partners, contact india@edc.ca or visit www.edc.ca/india.



Produced in collaboration with Export Development Canada, the publication can still be viewed on www.diplomatist.com

Information Technology: *IT's* our Calling Card

If there is a single sector that could be seen as the catalyst for the paradigm shift in global perceptions of India as a rising economic star and as a potentially key knowledge economy, anchored in services-led growth, that sector would be that of information technology, or IT.

The IT sector has been, for nearly two decades now, the fastest growing in the Indian economy, and in fact in the whole world. It has enjoyed a CAGR of 57 percent on the average, having come up from a bare US$10 million for both software and hardware production in 1987, to software exports of US$17.2 billion in the last year, over 60 percent of which went to the US market and 25 percent to the European Union. The target for IT exports for 2008, of US$50 billion, seems entirely feasible.

Indian IT majors, several of them billion dollar plus companies like TCS, Infosys, WIPRO or Satyam, and others niche dominators like i-Flex, which makes the top selling banking software package in the world, Flexcube, have become globally recognized and valued names. Twenty percent of the global cross-country customized software development in the world is done in India, and fully three years ago, 266 of the Fortune 500 companies were already using Indian software. Indian firms now provide domestic and global firms with the entire range of IT-related services, from systems engineering and development to software and hardware design and validation.

Indian IT firms regularly top the list of the highest international quality certifications, and two years ago, they already held 46 of the only 69 SEI CMM level five certifications awarded in the whole world. It is thus not surprising that Indian IT majors have already started winning contracts of over US$100 million in competition with global giants like Oracle, EDS and IBM.

ITES: In the related sector of IT enabled services (ITES), India regularly tops the competitiveness rating by lengths. A.T. Kearney's Offshore Competitive Index for 2004 places India at No.1, with a score of 7.3/10, not just on the basis of low costs but also of quality of personnel and products. The overall cost differential in ITES between India and its nearest competitors is 40-60 percent, and over the last four years, US banks have

gained US$8 billion from ITES provided by India, whereas GE alone saves US$350 million per year.

ITES exports from India were of $3.6 billion in 2003 and of over $5.1 billion in 2004.India has the potential of becoming one of the biggest ITES players in this field; the global volume of ITES is likely to go up to US$611.4 billion by the end of this decade, and India is estimated to have the potential to tap 38 percent of the market. The Indian ITES sector is expected to employ around 1.1 million people by 2008. The IT software and services industry currently accounts for between 2 and 3 percent of India's GDP and over 20 percent of India's total exports. It is expected that by 2008, it will account for 7 percent of India's GDP and 35 percent of its total exports.

BPO: The country has also emerged as the ideal ground for Business Process Outsourcing (BPO) in terms of quality, cost, and availability of manpower.

BPO to India is no longer a matter of cheap call centres or tech support. As the noted US magazine Business Week stated in its very widely read, seminal cover story of December 8, 2003, 'The Rise of India', BPO to India, anchored in India's unquestionable and world class IT expertise, has been the foundation for "one of the biggest mind-melds in history", and that "India's brainpower is already reshaping,.. indeed accelerating a sweeping re-engineering of Corporate America".

The Indian IT sector, which has helped replace the concept of 'Made in India' by 'Developed in India', has put India into the heart of every Nokia cellphone chip, and into the cutting edge technology developed for innumerable global industrial majors, ranging from the aero-industry, where Indian IT major Infosys helped with the design of the state of the art Airbus A380, to automotive design for General Motors and compressor design for Tecumseh, or the latest generation Intel 32-bit chip for servers.

Then again, as BusinessWeek pointed out fully 18 months ago, "The hidden hands of skilled Indians are present in the interactive Web sites of companies such as Lehman Brothers and Boeing, in the display ads in your Yellow Pages, and the electronic circuitry powering your Apple Computer iPod. While Wall Street sleeps, Indian analysts digest the latest financial disclosures of U.S. companies and file reports in time for the next trading day. Indian staff troll the private medical and financial records of U.S. consumers to help determine if they are good risks for insurance policies, mortgages, or credit cards from American Express Co. and J.P. Morgan Chase & Co."

More recently, the noted magazine *Canadian Business* was even more expansive in its cover feature on India, "Scratch the surface, however, and you'll find equities research, legal transcription, online tutoring, digital animation, gaming software, remote medial diagnosis, tax filings, debt collection, medical transcription, IT infrastructure management, prayers, consular services, pre-press and digital publishing services, patent filings, market analytics, PowerPoint presentations, business intelligence, lab analysis, drug testing and clinical trials, HR services, pathology, surgical procedures, life sciences – all outsourced to India".

A steadily expanding list of global corporates, and not just IT majors, are now outsourcing their IT operations to India for total or partial business solutions. And global industrial giants in every sector of manufacturing and services are establishing their R&D laboratories in India and doing cutting edge research on their corporate crown jewels for their global market. Cases in point are GE's Bangalore John F. Welch laboratory, renowned for its material sciences division, and General Motors, which has its only R&D centre outside the US in Bangalore. Then there are Intel, Oracle, Texas Instruments, IBM, EDS, Accenture, Honeywell, Unisys, DuPont for chemicals, pharma firms like Hoffman la Roche, telecom giants such as Bell Labs, Nokia and Motorola, BenQ for consumer electronics, and even Reuters for data gathering and analysis, banks such as Citibank, Bank of America, ABN AMRO, J.P. Morgan for equities research – the list goes on.

It is no wonder that the CEO of the Indian IT major Infosys was quoted as saying "Just like China drove down costs in manufacturing and Wal-Mart in retail, India will drive down costs in services." Or that the management guru C.K. Prahalad stated recently "In 5 years, the world will come to benchmark India"

Biotechnology & Bioinformatics –Biotech is, after IT, the new star sector in the Indian economy. It is being increasingly and widely recognized that the 21st century will be the century of IT and life sciences. Several States in India are developing biotech and DNA parks to encourage entrepreneurship and to improve the competitiveness of the biotech industry in India.

Bioinformatics parks have also been set up, with common wet labs for SMEs, along with Genome Data Centres, and super-computing support.

Further, an Indian Computer Emergency Response Team (CERT) has been established to ensure that India's IT assets - strategic, commercial, financial and Government - are provided the necessary protection, and that India's IT infrastructure is appropriately and adequately protected to counter threats to its resources and its stable operation.

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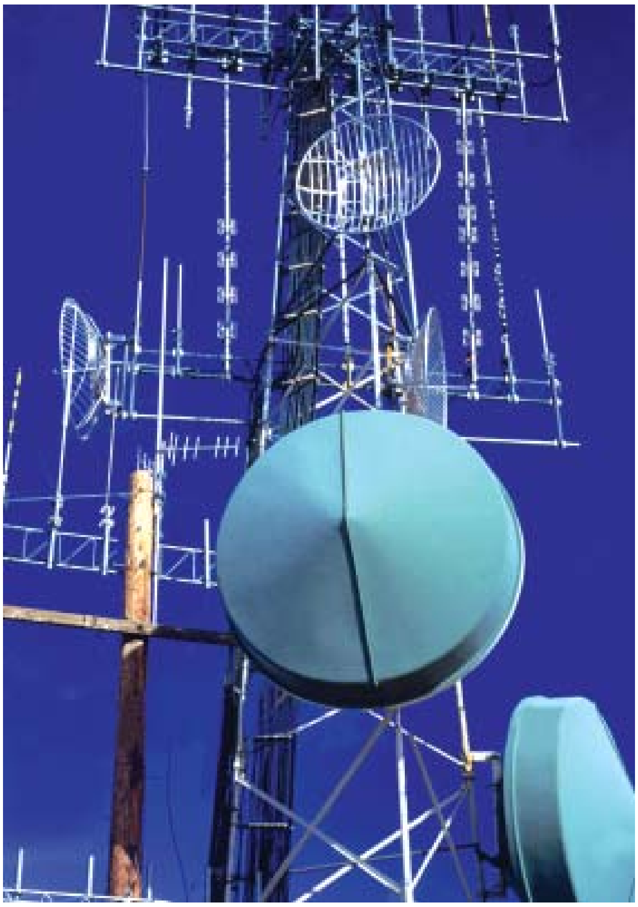
Telecommunications:
The number to call is India

In recent years, it has been universally recognized in India, by the government as well as by the private sector, that the telecommunications sector is critical for the country's sustained economic growth. This is because telecom impinges on a wide range of sectors of the economy, from IT to manufacturing, not to forget the services industry from financial services to industrial design, the success of which depends on access to speedy and reliable telecom facilities. Equally if not more important, especially in the social context of rural development, is the importance of extending telecom to the rural areas, through mobile telephony and now, increasingly, through wireless networks for voice, text and video message. With the Indian economy slated to grow at 7 percent plus per annum, there is thus tremendous potential for investment and growth in the Indian telecommunications sector.



The teledensity in India in April 2005 was 9.15 percent and the target is to achieve 20 percent by 2008. The cellular telephony segment has emerged as the fastest growing segment in the Indian telecom industry, with annual subscriber growth rates approaching 100 percent in recent years. The projections of research analysts like Gartner have consistently been overtaken by actual figures for mobile users – whose number crossed 50 million in early 2005 - while the number of fixed-line subscribers is expected to jump from 35 million at the end of 2002 to 83 million by the end of 2005.

The government has significantly relaxed foreign investment norms in this sector. Foreign equity participation of up to 100 percent is permitted for ISPs and for the manufacturers of telecom equipment, while 74 percent is permitted, since February 2005, in practically the whole range of telecom services.

Free entry and 100 percent FDI in ISPs (Internet Service Providers) has kept Internet access prices low. There is no restriction on the number on Internet companies, and more than 450 such companies have commenced services. Internet telephony has been allowed officially from 1 April 2002. This liberal government policy will give a boost to applications such as Electronic Commerce, Virtual Private Networks, etc.

After some initial hiccups, the telecom regulatory system in India is now working smoothly and effectively. The Telecom Regulatory Authority of India had in fact recently mandated reductions ranging from 37-71 percent in undersea broadband fees because of what was seen as a lack of adequate competition. This would of course substantially benefit both foreign and domestic telecom firms in India which rely largely on undersea cable communications for their business; Bharati Televentures has in fact set up the largest capacity undersea cable in the world between Singapore and India, with a capacity of 8.4 terabits per second.

Airtel Introduces the BlackBerry 7100g in India

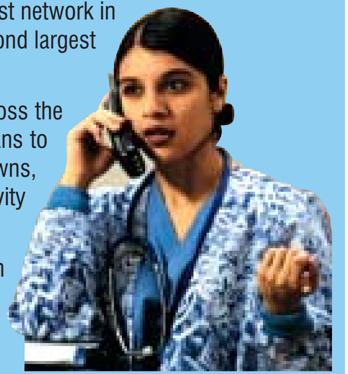
Airtel, a mobile service provider in India and Waterloo-based Research In Motion introduced the BlackBerry 7100g business phone in India. The BlackBerry 7100g from Airtel packs all the benefits of BlackBerry into a traditional 'candy bar' phone design. It combines a fully featured quad-band mobile phone that includes Bluetooth support and speakerphone with push-based wireless email, text messaging, web browser and personal organizer applications - all on a large and bright, high-resolution colour screen. The BlackBerry 7100g has been developed for mobile professionals who want to manage their work wherever they are and also keep in touch with family, friends and the latest news using an all-in-one handset.

Access India

Getting connected has been the new *mantra* of India since the telecom market was opened up a decade ago. From a depressing scenario of a single fixed line serving an entire village in rural India in the past, to 1.8 million cellular users being added per month now, India has indeed come a long way. Today a steadily increasing number of Indian villages have Internet facilities.

The soaring demand for mobile phones is proof of the success of a decade of telecom sector reforms. Competition has lowered the average mobile call costs from 46 US cents per minute to 2 US cents per minute, making cell phones affordable even to low-income consumers. Even international mobile phone charges are now well below North American and European levels.

The total number of phone connections in India has crossed the 100 million mark, making it the fifth largest network in the world. India is slated to reach 100 million mobile users by the end of 2005, making it the world's second largest mobile telecom market after China, and this is expected to rise to 148 million subscribers by 2007.



Indian telecom giants like Reliance and Bharati Televentures are building a fibre-optic cable backbone across the country at breakneck speed; Reliance is putting down 80,000 kms and Bharati 30,000 kms. Reliance plans to provide voice, data and video access to 400,000 out of India's more than 500,000 villages, and to 5700 towns, by the end of 2006, thus covering about 650 million people, with an impact on rural and semi-urban productivity that can be readily imagined.

Already, broadband costs in India are around US$11 per month, comparable to US$14-15 per month in Europe and North America, though admittedly for considerably slower connections. Bharati has plans to provide wireless access to the rural areas by the end of 2005, which will enable Indian fishermen, who now use mobile phones for fixing prices for their catch, to sell their catch from their boat itself.

A few major points regarding the liberalisation of the Indian telecom sector:

The International Long Distance Telephony market in India is worth about US$1.66 billion. The sector was opened in April 2002. The market is projected to be 7.5 billion consumers worth US$2.39 billion by 2010.

Value-added services (VAS), including cellular mobile telephones, radio paging, electronic mail, voice mail/audiotex services, videotex services, data services, video-conference and credit card authorisation services, have been opened for private sector participation since 1992.

National Long Distance Services were opened to unrestricted competition in August 2000. Companies are now providing integrated services.

VSAT (Very Small Aperture Terminal) in India operates on KU-band and a foreign satellite on the KU-band front. India has a total installed base of 6,423 VSATs on the shared hub front. The new revenue sharing policy will help the industry achieve a growth rate of about 30-35 percent.

Building Human Resources: The Indian telecom industry needs highly skilled manpower. The Government of India has thus taken measures to create a large technically trained workforce, and has set up a network of 44 training centres for this purpose. At the apex are the Advanced Level Telecom Training Centre (ALLTC) at Ghaziabad and the Bharat Ratna Bhim Rao Ambedkar Institute of Telecom Training (BRBRAITT) at Jabalpur, followed by 42 Telecom Training Centres at the regional, state and district levels. Trainees from foreign telecom administrations and entities are also admitted to these centres. Keeping in view the training needs of managers of Bharat Sanchar Nigam Limited (BSNL) in the field of management (with special reference to financial management), the National Academy of Telecom Finance and Management has been set up at Hyderabad as a core facility for training needs analysis, design, development and conduct of training course/ seminars/ workshops for all management cadres of BSNL.

Looking Ahead

The telecom services market in the country was worth approximately US$8.68 billion in 2001, and is estimated to go up to US$16.30 billion in 2006, with a compounded annual growth rate (CAGR) of 13.42 percent. The telecom sector would be able to absorb FDI of US$20-25 billion over the next five years.

Recent Government reforms in the telecom sector include:

- FDI cap raised to 74 percent for the following services: cellular, unified access services, national/international long distance service, public mobile radio trunked services, mobile personal communication services, and other value added services.
- 51 percent FDI cap for other Value Added Services, including e-mail, voice mail, on-line information, database retrieval and data processing, enhanced/value added facsimile services.
- The TRAI now permits a single licence covering everything from fixed line services to completely mobile services.

Of specific interest in the Canadian context is the US$500 million contract awarded by BSNL to Nortel for the provision of 7 million cellphones in Central and Eastern India. However, there is obviously much, much more by way of opportunities for Canadian firms in the booming Indian telecom sector.

Tata Consultancy Services of India and Communications Research Centre Sign Memorandum

Communications Research Centre Canada (CRC) of Ottawa, an agency of Industry Canada, has signed a memorandum of cooperation with Tata Consultancy Services Limited (TCS) of Bangalore, India, to collaborate in telecommunications technologies projects. Through this partnership, CRC and TCS will develop wireless broadband access technologies with a special emphasis on applications to enhance rural communications.

Clean Growth:
Environmental Technologies

The very word 'environment' conveys a sense of something all encompassing, omnipresent, something that shapes developments. In modern development and industry parlance, 'environment' is a buzz word, and environmental issues are of paramount importance. And rightly so, for environment management is vital for ensuring that economic progress, and especially the industrial development that is the inevitable concomitant of such progress, does not adversely affect the quality of life and the health of the general public. So, these days, the impact of all development projects on the environment is perhaps one of the first factors considered and weighed before any such project is cleared and implemented. Environmental issues thus have a major bearing on trade and technical cooperation, since both of these are related, directly or indirectly, to industry. The 'environment' angle is in fact somewhat like the other element that is, these days, almost omnipresent - IT – in that it has to be factored into the planning and execution of all projects, big and small.

For a country like India, with a giant economy, the fourth largest in the world, which has been growing as an average of 7 percent for over a decade now, and plans to grow as fast or faster in the future, environment management is of special importance. For example, by 2025, more than half of India's population – by then expected to be around 1.3 billion - will be living in urban centers, and within just 10 years, five of India's cities will be among the 30 largest in the world, with traffic congestion and heightened pollution to match. The consequences of such rapid urbanization for the environment can be imagined. It will put enormous additional pressure on India's already strained city infrastructure, and lead to heightened demands for clean water, waste treatment and air pollution controls. This, in turn, will call for strong and imaginative policies to minimize the negative impact on the living conditions of the urban population.

All concerned in India – the Central (Federal) Government, the individual State Governments, the judiciary, the NGOs and other civil society organizations, and the public at large - are fully conscious of the need for the sustained, indeed accelerated growth that the country seeks, needs, and cannot do without to proceed in tandem with proper environmental management and sustainable development, which are the new *mantras* of the new century and the new millennium.

India is thus already ultra conscious of the need for taking environmental concerns into account – an Environment Impact Statement for every project, introduced as far back as 1978, has been made mandatory from 1994, and public hearings, especially useful for highlighting the concerns of those most directly affected, have become an integral part of the exercise since 1997. India is also one of the few countries to have a separate Ministry of Renewable Energy.

Today, corporate India is being exhorted, especially by the expanding and vocal middle class, and obliged to demonstrate corporation social responsibility by incorporating environment protection into standard corporate policy. Pollution control is actively pursued through public awareness raising, fiscal methods, and voluntary regulation, as also through stringent controls. One example of this last, triggered by judicial activism on the part of no other than the Supreme Court of India, is the rapid, though at times painful exercise of the conversion of the public buses and three wheelers in Delhi from diesel to compressed natural gas (CNG), which resulted in a dramatic and very perceptible reduction in air pollution in the city.

The direct consequence of this growing sensitivity in India to the need for environment protection is a heightened emphasis on issues such as environment management, waste water treatment, provision of clean water, effluent treatment technologies, air pollution control, energy management, non-conventional energy sources, and of course, in the first place, environmental monitoring to quantify and trigger all the rest. In short, there will be a progressively larger and urgent demand for environmental management expertise and for the related goods and services. The market for such goods and services in India, currently placed at around US$10 billion with a CAGR of 10-12 percent, will expand rapidly.

Against this background, it was hardly surprising that bilateral cooperation in environment management was identified as a priority issue during the recent, successful visit to India in January 2005 of the Canadian Prime Minister, Mr. Paul Martin. The Joint Statement of January 18, 2005 issued during the visit noted pointedly that the two sides would "Deepen environmental cooperation, including the promotion of environmental friendly technologies".

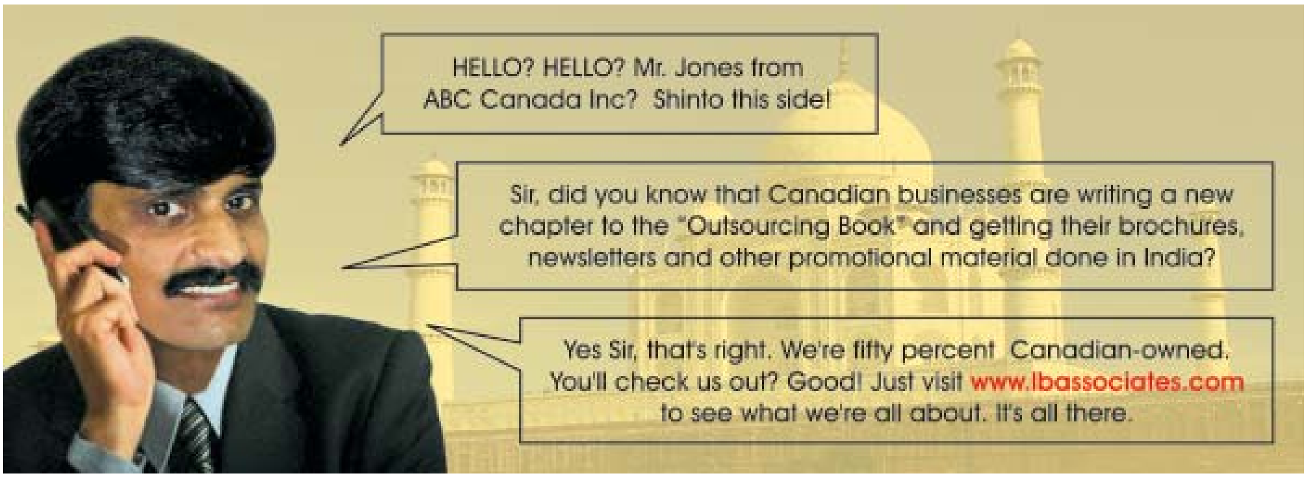
The follow up to this statement of intent has resulted in serious discussions aimed at establishing an India-Canada Hitech Forum for Environmental Cooperation, which is meant to be not a talk shop or even a policy forum, but a very practical and action-oriented body in the form of a public private partnership, focusing, to begin with, on three key elements – environment management, non-conventional energy, and effluent technologies. Such a mechanism would help harness the energies of both governments, and of the private sectors in both countries, to seek out best practices, help formulate appropriate government policies related to the environment sector that would take on board industry concerns in both countries, and also help expand bilateral trade through the effective commercialization of such environmental technologies.

The field of environment management is a particularly promising one for India-Canada cooperation since Canada is an acknowledged world leader in the related technologies and in clean development mechanisms. For example, India is already interested in the immersed membrane technology and reverse osmosis products developed by Canada that can help deliver clean water supplies, and also help treat waste water to render it safe and non-polluting.

It is almost self evident that the range of clean development mechanisms that Canada could share with India would be very great. These could range from mega to mini. An example of the latter would be a project to use rice husk ash – produced after generating one to three MW of power while burning the rice husk – which would otherwise be a polluting byproduct of rice cultivation, as an additive to convert ordinary concrete into high grade concrete. A variant of this project could use another pollutant, industrial fly ash, instead of rice husk ash. Another project could be for the production of a nanotech lithium-iron battery that would have a much higher energy density than the normal one, thus permitting an electric car to run up to 200 kms on a single charging, at a cost of 1 cent per km as against the usual 8 cent per km at present. Both these projects, promoted by an Ontario private sector research institution, are at present in the demo stage in India. There can be many others in every sector of industry.

Given Canada's recognized strengths in this field, it is not surprising that the bi-annual Americana International Environmental Conferences, held in Montreal each spring, and the GLOBAL Environmental Conference and Trade Show held in Vancouver in the alternate years, both attract substantial international participation, including from India. Besides this, environmental missions from Canada to India have helped identify projects for such cooperation; the latest of these missions was in January/February 2005, which visited Mumbai, Hyderabad, Kolkata and New Delhi.

Sustained bilateral interactions in this vital sector, both within the soon to be established India-Canada Hitech Forum for Environmental Cooperation and at the purely business to business level, will help promote Canadian FDI in this very promising sector, as also the export of Canadian environmental technologies and equipment to India. The Government of India permits 100 percent FDI in environmental equipment and services, and it is worth noting that this sector is deemed so profitable that the US Department of Commerce has rated it the No. 2 priority sector, after IT, for US exporters and investors. Canadian firms in the environment sector should thus move fast to take advantage of the booming Indian environmental management market that beckons to them. It will not be beckoning for too long!



Indian Retail Banking: Bright New Prospects

India is today the world's fourth largest economy. Economic prosperity is providing a steadily expanding segment of the one billion plus population of India with real and steadily expanding purchasing power. This is an opportunity that simply cannot be overlooked by the global banking fraternity, including the Canadian banking majors.

This is especially so since the economic reform process has, by now, produced an effectively level playing field for foreign investors in/ entrants into the banking sector as compared to the domestic ones. In the latest Central (federal) budget announced in February 2005 and subsequently adopted, the FDI cap in private domestic banks has been increased from 49 percent to 74 percent. Foreign banks in India will benefit from greater flexibility in the regulations governing the Statutory Liquidity Ratio and the Cash Reserve Requirement, and they can sell preference shares. They can open up to 12 new branches in a year. A roadmap is being developed to move towards capital account liberalisation. In short, the outlook for FDI in the banking sector is bright and getting steadily brighter.

With one of the most under-penetrated retail lending markets in Asia-Pacific, India offers great potential for foreign banking investment. India's mortgage debt in 2002 totalled only 2 percent of gross domestic product (GDP), compared to 7 percent of that of Thailand, 8 percent of that of China, and much higher proportions of other parts of the region. While India remains characterized by extreme wealth and poverty, a middleclass is beginning to emerge, with absolute demand for products and services on the rise.

To seize this opportunity, new market entrants must exploit specific market niches and leverage best-in-class capabilities, while addressing the unique challenges of the Indian banking environment. Four product areas with high growth potential are as follow:

Housing Loans

The appealing combination of low, stable interest rates, rising household incomes and more receptive customer attitudes toward holding debt, translated into a market that has expanded by 35 percent annually from 1999 to 2004.

With the development of a rapidly growing middle class, the number of households able to afford a mortgage continues to show rapid, sustainable growth. Not only do more and more people want to buy houses, but they are more and more willing to assume debt for that purpose. The government's encouragement of housing construction and the Reserve Bank of India's (RBI) stimulation of the housing loan market further bolster this trend.

Despite greater mortgage affordability, penetration of the mortgage loan market is relatively low, creating a natural entry point. Relatively simple housing loan products expose incumbents to new market entrants that can offer differential pricing, broader loan equity requirements and even more sophisticated products as the market develops. Though still a highly concentrated market, other banks (including global banks) with cheaper sources of funding are increasingly taking market share from the Housing Finance Corporations (HFCs), the traditional source of mortgage funding. The market share of HFDs is expected to drop from 60 percent of percentage of outsourcing loans value in 1999 to 34 percent by the end of 2005.

Current market projections forecast robust growth. India's housing market is expected to grow by between 30 and 45 percent by 2008, to a total value of between US$45 billion and US$77 billion, with the opportunity concentrated primarily in metropolitan and urban regions. Even though the margins are under pressure – partly as a result of the relatively small credit spread of 1 to 1.25 percent – housing loans are expected to remain a profitable pick for market entry because of the definite and substantial growth potential.

Vehicle Loans

The growing prosperity of recent years has produced a strong demand for automobiles and two wheelers. Though estimates of the size and growth vary, all outlooks remain positive. In fact, increasing demand for mobility is fuelling sustainable growth in target markets for all classes of vehicle loans – commercial vehicles, family cars and two-wheelers.

With rising levels of customer purchasing power, the car sales volume, expected to grow from 570,000 to over 950,000 between 2001 and 2007, had, by October 2004, already crossed the one million mark. Given the anticipated economic expansion, double digit growth in vehicle purchases should continue for the next several years. Significant investments in the development of national highway systems, lowering of tariffs on petroleum-related products, and a robust economy will ensure this. Year-over-year growth has shot up from just 0.7 percent to 16.2 percent between 2002 and 2003, and to more than 50 percent in 2004.

Personal Financial Services (PFS)

The growing market for wealth management offers good opportunities for banks that can establish the right combination of account management and distribution infrastructure. Banks and brokerages are currently doing business with less than a third of the 50,000 families in India with net worth of US$1 million and higher.

Though the target market of high net worth individuals is relatively small, rising levels of household assets and customer sophistication are creating a viable niche market. Assets under management (AUM) in India jumped to US$30.3 billion in 2003, up 14.3 percent from the previous year. Global financial institutions have made significant headway into the India PFS market, as 37 percent of AUM is controlled by foreign joint ventures and private global banks.

PFS profitability remains good, even though the eligibility criteria for customers are less stringent than in many other countries. In fact, key credit products show greater profitability than in the corporate market. In a typical large, private sector bank, it is estimated that PFS can generate a profit before tax of approximately 35 percent of operating income, with cost-to-income ratios of about 65 to 70 percent.

Small and Medium Enterprise (SME) Banking

Representing 95 percent of India's industrial enterprises, SMEs comprise a critical sector of the Indian economy on the basis of employment and GDP contribution. They also represent a growing, but under-serviced market. Based on experiences in other countries, the SME segment offers an attractive risk/return trade-off.

In fiscal year 2003, the Small Industries Development Bank of India (SIDBI) disbursed a total of US$23.8 million for SMEs for refinancing (US$17.7 million), support agencies (US$2.3 million), project finance (US$2.1 million) and bills (US$1.7 million). Because the Indian government and the RBI now consider SMEs to be a priority sector, public banks dominate lending to this segment, with more than 80 percent of the SME market in 2003. In recognition of growing SME needs, the government has launched a number of measures to improve the credit flow in this direction, including the following:

- Encouraging banks to open specialized SME branches within each district and SME cluster;
- Loosening collateral security requirements;
- Offering reduced financing rates for funding technology development; and,
- Providing capital subsidies on technology upgrades.

Based on the situation in other countries, SMEs typically demonstrate significant revenue and profit performance, accounting for about 30 percent of total bank profitability and generating above average market returns. In the US, for example, returns on SME banking services range from 20 to 40 percent. The SME segment could over time represent a similar opportunity in India.

In Conclusion

While there are challenges, as there are everywhere, the long-term opportunity in India for globally focused banks is very real. The confluence of rapid economic development, elevated consumer purchasing power levels, and an under-served retail banking population positions India as a key potential growth region for the 21st century. It is for Canadian banking majors to recognise this opening and benefit from it, as so many other global banks – from Citibank and the Bank of America to ABN AMRO, ING and other European ones - have done so successfully. As at present, only the Bank of Nova Scotia and the Toronto Dominion Bank have set foot in India, while their Indian counterparts – the State Bank of India, ICICI Bank, and now even the Bank of Punjab and the Bank of Baroda – seem to be much more adventurous in moving into Canada. It is surely time for the Canadian spirit of financial enterprise to make up for lost time in India.

FDI in Infrastructure: The Enabler

The Government of India recognizes that one of the major constraints facing the Indian economy, if it is to sustain growth rates at over 7 percent per annum, and perhaps more, is the need to rapidly upgrade the aging and inadequate infrastructure – especially in the power, roads, ports, airports, and telecom sectors. As the Prime Minister, Dr. Manmohan Singh, emphasised at a recent meeting in New York with the elite of the American business establishment, India needs and can absorb up to US$150 billion in FDI in infrastructure over the next ten years, of which $55 billion would be for roads, ports and airports alone.

Of late, there has been dramatic progress in the telecom sector, as has been described earlier, and a good beginning has also been made in the roads sector, with the Golden Quadrilateral of 4-lane world class highways connecting New Delhi–Mumbai–Chennai–Kolkata–New Delhi, 5846 kms in all, already 74 percent complete, and actually coming in ahead of time. Next on the anvil would be the 7300 km project for the upgrading of the north-south and east-west highways, and feeder roads to the smaller cities and towns would be taken up thereafter. However, in all the other sectors listed above, and of course also in telecom and roads, there is a very substantial need for FDI, and thus significant and profitable opportunities for foreign companies.

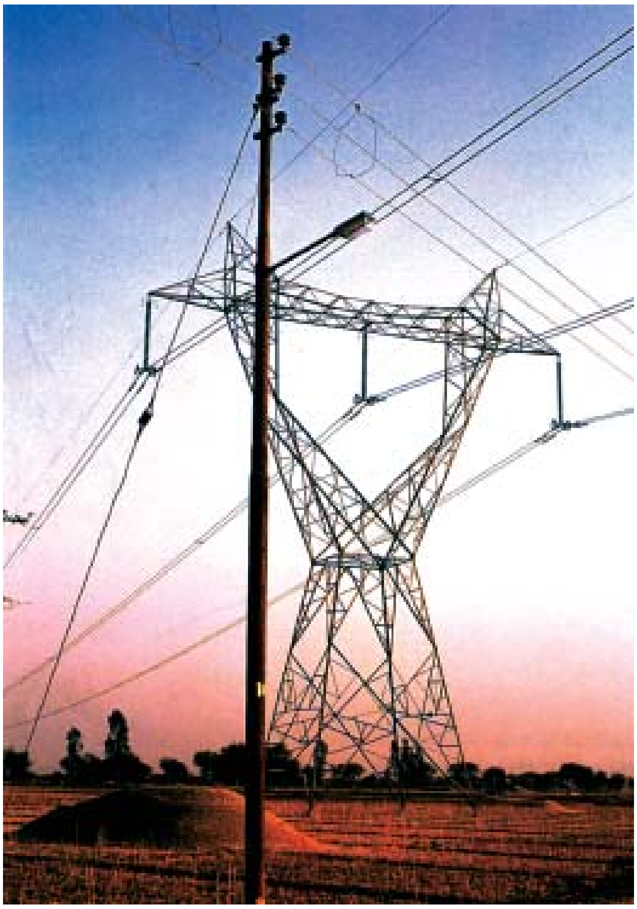
In a bid to attract both domestic private investment as well as FDI in the infrastructure sector, the Government of India has systematically relaxed regulations, reduced foreign investment restrictions, and introduced a number of tax, customs and other incentives for companies engaged in infrastructure-based activities. These incentives include, but are not limited to, the following:

- Increased foreign equity participation (or FDI) of up to 100 percent through the "automatic approval" route by removing the ceilings on project costs and the percentage/amount of FDI in most sectors of infrastructure, except for a small negative list. "Automatic approval" means that foreign investors need not first obtain the Government of India's Foreign Investment Promotion Board (FIPB)'s approval. Instead, they simply may apply to the Reserve Bank of India, India's Central Bank, for clearing their investment.
- Tax deductions in respect of profits and gains from industrial undertakings or enterprises engaged in infrastructure development under Section 80-IA of the Indian Income Tax Act, 1961.
- Tax exemptions against income for an infrastructure capital fund or a company under Section 10(23G) of the Indian Income Tax Act, 1961.

This year's India Union Budget 2005-06, issued on 28 February 2005, has also lowered the corporate income tax rate from 36.6 to 33.6 percent for domestic companies. A lower tax rate, among other factors, should further encourage investments in India. The corporate income tax rate on foreign companies has remained at 40 percent. However, there are many positive changes regarding foreign investment in the following sectors.

Power

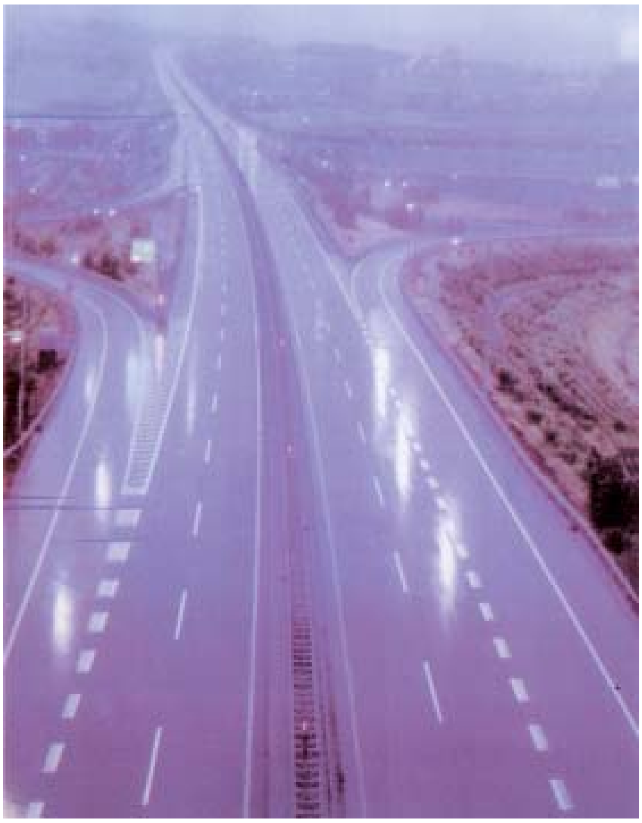
The Government of India permits FDI up to 100 percent in the power sector, without any limit on project cost, under the automatic route in respect of the projects relating to electricity generation (including coal, gas and liquid fuel-based thermal power projects, hydro-power projects, wind power, solar power, and biomass-to-cogeneration power, projects), transmission,



distribution and power trading. Further, there is no limit on the project cost and the percentage/amount of foreign direct investment in these projects.

Roads

The Government of India permits FDI up to 100 percent in the construction and maintenance of roads, highways, vehicular bridges, toll roads and vehicular tunnels under the automatic route. The private sector can develop commercial retail service and rest areas along the roads on which they have secured operation and maintenance contracts. The National Highways Authority of India (NHAI) is permitted to participate up to 30 percent in the equity in Build, Own and Transfer (BOT) projects. The Government of India provides a 10-year corporate tax holiday for road project developers. It provides a 100 percent income tax holiday for the first five (5) years and 30 percent for the next five (5) years. The Government of India also provides a 100 percent customs duty exemption.



Civil Aviation

The Government of India permits foreign equity participation, including investments by foreign airport authorities, in airport infrastructure of up to 74 percent under the automatic approval route, and further up to 100 percent FDI with FIPB permission. In the domestic air-transport services sector, the Government of India permits FDI of up to 49 percent under the automatic approval route, and Non-Resident Indian investment of up to 100 percent after first obtaining FIPB approval.

Since the Government of India recently has permitted domestic airlines to fly international routes, and has initiated an 'Open Skies' policy with the US, the sector has seen a dramatic upsurge of domestic interest in the civil aviation sector,

including the establishment of several new domestic airlines. This will open up new opportunities for equipment and project finance, such as for the purchase and finance of new aircraft – Indian private airlines placed orders worth around US$10 billion for new aircraft at the recent Paris Air Show. This is an area that should be of interest to Canada, given Bombardier's capabilities in medium size aircraft construction.

There would also be linked openings for the modernization and upgrading of existing airports, such as by the installation of state-of-the-art air traffic control systems, and for the construction of new domestic and international airports, for the privatization of such airports and, over time, possibly for the privatization of the current Government of India-owned airlines – Air India (for international operations) and Indian Airlines (for domestic operations) as well.

The Indian Minister of Civil Aviation, Mr. Praful Patel, recently advised US Transportation Department Secretary, Mr. Norman Mineta, that India will require the modernization or new construction of at least 30 airports even in the short term. These undertakings will obviously require significant capital outlays, with sophisticated equipment finance and project finance structures, with openings for FDI and project management expertise.

Marine Ports

The Government of India permits FDI of up to 100 percent in the construction and maintenance of marine ports and harbours and in project services for water transportation, such as the operation and maintenance of piers, loading and discharging

of vessels, etc. The Government of India permits FDI of up to 51 percent on an automatic basis in commercial support services for the operation and maintenance of the piers and loading vessels at a marine port. It provides a 10-year tax holiday for port developers.

Oil and Natural Gas

The Government of India permits foreign investment of up to the following levels:

- In exploration and production, 100 percent FDI in small and medium-sized fields under the automatic approval route through competitive bidding;
- 60 percent FDI for unincorporated and 51 percent for incorporated, joint ventures;
- 100 percent FDI under the automatic route for the Natural Gas/ LNG/ petroleum products pipeline sector;
- 74 percent FDI in infrastructure related to marketing and marketing of petroleum products;
- 100 percent FDI in a corporate subsidiary for purposes of market study and formulation;
- 100 percent FDI in a corporate subsidiary for purposes of investment/financing; and,
- For actual trading and marketing, a minimum of 26 percent of Indian equity is required over five (5) years.

Pipelines for oil and gas are still a monopoly of the government enterprises. When private parties are allowed to invest as seems likely, the sector will require the independent regulation of tariffs, licensing, access, etc. to secure investment and financing. Tariff regulation is not in the functions of the gas regulator in the draft regulatory legislation currently before the Indian Parliament.

As far as Canada is concerned, there has been a significant rise in interest in investment in the Indian oil and gas sector by Canadian oil majors after Niko Resources of Calgary, a small company, teamed up with Reliance, an industrial giant but then a newcomer to the field of deep sea gas exploration, and, in 2002, made the biggest gas find in the world that year, now estimated at 14 trillion cubic feet, off the south-eastern coast of India. Another Calgary firm, Canoro has also discovered oil in Assam in north-east India, and Niko itself has found oil in the western Indian State of Gujarat. The latest, fifth round of offerings of 20 new blocks in India, both on-land and offshore, for oil and gas exploration and production, at a road show in Calgary in February 2005 that was addressed by the Indian Minister for Petroleum and Natural Gas, thus called forth an unprecedented level of interest. This could well be the harbinger of stepped up Canadian investment in the oil and gas sector in India.

Canadian Investment Opportunities in India's Transportation Sector

Apart from the openings in civil aviation sector outlined above, Canada also sees tremendous scope for investment in India, especially in the transportation sector. With large scale migration from rural to urban areas, India will need adequate public transportation for easing the congestion in her cities. Canada could play a pivotal role in providing its expertise in this endeavour.

Mr Hugh O'Donnell, Executive Vice President and COO, Canadian Commercial Corporation (CCC) observed this at a seminar on India-Canada Partnership organised by the Confederation of Indian Industry (CII) and the Canada Trade Mission, on 06 April 2005. He said that India was strongly on the radar of Canada since it was an emerging market and an emerging economic super power. The CCC, which has worldwide experience and expertise in handling transportation projects, was willing to look at projects on a Government-to-Government basis and on turnkey approach, where the CCC would act as the prime contractor.

Indian private transport sector CEOs felt that Canada could help improve the urban infrastructure in India, and also in road upgrading and construction, and that Canada should not miss the opportunities now available in the road sector in India.

Conclusion

India is entering a new era in project financing and infrastructure project development. The country's recent and rapid economic growth, though impressive, is nonetheless is the result of an economic engine running on a mere half of its capacity, through technology services export revenues. The use of the remaining capacity in India's economic engine, for which substantial and rapid infrastructure upgrading is essential, will not only safeguard the sustained growth of India's economy, but could help accelerate this growth process beyond all present projections. Canada should ensure that it is part of this process, something that would benefit both countries.

Sunrise Industries:

The New Frontier

The former Prime Minister of India, Mr. Atal Bihari Vajpayee, once remarked humorously that IT stands for India Tomorrow and BT stands for Bharat Today. This remark has proved to be farsighted. After being at the forefront of the information technology revolution, India has now shifted focus to the biotechnology and pharmaceutical sectors.

Biotechnology: With a large pool of scientific talent – with over 20,000 Master's degree holders in biology emerging every year - and excellent R&D capabilities underpinned by its world class IT sector, India is emerging as the new hotspot on the global biotech map. India has over 800 biotech labs, 84 of which are in Bangalore alone. The quality of biotech research in India is second to none.

Biotechnology is a sunrise sector in India. The present market size is US$2.5 billion, and there is great potential for expansion in both bioinformatics and vaccines. India has a large market for biotech-based products, most of which are at present being imported, and this market is expected to grow to US$4.5 billion by 2010.

Though the country has at present only a 2 percent share in the global market, the biotech sector in India is on the threshold of dramatic growth in the coming decade. It is thus an attractive destination for FDI. There is a good fit between the Indian biotech firms, seeking backward integration towards the discovery mode, and foreign biotech firms seeking forward integration from the discovery platform into the production mode. Now, with full compliance with the TRIPs regulations on IPR coming into play from January 2005, many Indian pharmaceutical companies are gearing up for the genome battle.

The importance of the biotech market in India and its prospects for growth can be grasped from the steps taken by the Indian government to further development of research and entrepreneurship initiatives in this sector. The Department of Biotechnology (DBT) and the various Centres of Excellence provide the backbone of furthering research activities and laying the foundation for generating knowledge and trained manpower to assist entrepreneurship programs and the private biotech industry in India. Several industry houses from the 'old industry' have already jumped in the Indian biotechnology market to take advantage of the opportunities in this new and exciting field. These new initiatives being taken by the Indian government, the presence of so many excellent institutes of biotechnology, and the setting up of Biotech Parks by the various State governments, all this has provided a fillip to FDI in the Indian biotech sector.

The importance of India in the global biotech field is manifold. In addition to generating trained manpower and a knowledge base, India is proving to be an ideal setting for manufacturing activities and high-level biotechnology research programmes. The global biotech sector is estimated to be worth $40 billion. About 20 percent of the new drugs developed come from the biotech sector. The fact that biotech accounts for 70 percent of the drugs in the approval pipeline in India is testimony to the sector's potential.

Agri-biotech: India also has great growth potential in the agri-biotech sector. It has adequate trained manpower and a knowledge base, a good network of research laboratories, rich biodiversity, well developed base industries (e.g. pharmaceuticals, seeds), access to the intellectual resources of NRIs in this area, the opportunity for extensive clinical trials, and research access to a diverse disease population Moreover, India is the second largest food producer in the world after China, and thus offers a huge market for biotechnology products. The transgenics of rice, brassica, mungbean, pigeonpea, cotton, tomato, and some vegetables like cabbage, cauliflower etc. and protein-enriched wheat with a higher lysine content are already into field trials and ready for large scale production. The nutraceuticals market is valued at Rs 25,000-30,000 mn (US$532-638 mn). The genetically engineered seed market was worth an estimated $250 million out of a total seed market worth US$500 million in 2001. Marine resource development and aquaculture also hold great potential.

The growth of biotechnology in India has led to a substantial increase in budgetary allocations for its development. Additional venture capital funds in line with the government's Technology Development Fund (TDF) concept are being introduced to promote small and medium biotech enterprises.

The Indian Government has evolved bio-safety guidelines, and has helped to lay down patent rules. It has participated in technology transfers and international collaborations. It has also established an effective regulatory framework for the approval of GM crops, and r-DNA products for human health. A proactive government policy allows stem cell research in the country, subject to sound ethical guidelines. As far back as 2000, India had 10 of the 64 stem cell chains under investigation in the world, and 2 out of the 10 labs in the world approved by the US for stem cell research, in Mumbai and Bangalore.

Biopharma: There have been several striking biotech success stories in India, ranging from Biocon, started in a garage with Rs 10,000/- (around US$600/-) in 1979 by Ms. Kiran Mazumdar Shaw, which is today the second Indian company to reach a market cap of US$1 billion on the first day of its listing. Its IPO was oversubscribed 33 times, and the stock opened with a 35 percent premium on its issue price. The runaway success of the Biocon IPO shows that Indian investors are betting big on the ability of India's domestic biotech firms to replicate the success of the Indian pharma majors. Biocon, which has been focussing on biopharmaceuticals since 1998, has seen a CAGR of 72 percent in this sector. It specialises in statins, exported largely to the US and Europe, and in the diabetic segment, having developed and patented the first internally developed recombinant human insulin, which it will export. While enzymes account for 12 percent of Biocon's revenues, it will continue to concentrate on biopharmaceuticals and on new drug molecules. With a global biopharma market of US$63 billion, India hopes to gain a market share of US$4-5 billion. In this endeavour, Biocon is clearly the market leader.

At the other end of the spectrum in terms of size, but working towards the same goal of promoting biopharma in India, is Bharat Biotech, a $7.3 million firm founded by a NRI couple, Krishna and Suchitra Ella. When Krishna Ella, a molecular biologist at the University of Wisconsin in Madison, went to venture capitalists in 1995, proposing to make hepatitis B vaccine in his native India for a mere dollar a shot, whereas the UK drug firm SmithKline Beecham was selling the product in the West for 20 times that amount, he was laughed out of their offices.

Undeterred, he and his marketing manager wife Suchitra Ella sold their houses in America and India, abandoned their US careers and left for Hyderabad to set up their own company. Taking advantage of the new economic opportunities at home due to the economic liberalisation from the early 1990s, and the incentives, such as tax breaks, simplified regulations and guaranteed high-quality water, power and communications links offered in the new biotech parks, they sank all they owned into the venture, secured loans from friends, and finally won backing from an Indian bank.

Their company, Bharat Biotech, now sells the vaccine in developing countries for 28 cents a shot. It owns the second biggest production facility in the world for this vaccine, and has an annual turnover of $7.3 million. It has since started manufacturing other products, such as a typhoid vaccine and an antibiotic for use against staphylococcus bacteria, which can cause skin and blood infections and pneumonia. The firm has now obtained funding from the Bill and Melinda Gates Foundation to carry out malaria vaccine research, and to develop a cheap vaccine for rotavirus, a major cause of a type of childhood diarrhea that kills about half a million children every year in poor countries. Despite the huge disparity in size, Biocon and Bharat Biotech are similar in that they have both demonstrated the potential of the Indian biotech sector, and they have both taken on and beaten the Western pharma majors at their own game. India will undoubtedly produce many more of them.

Pharmaceuticals: The Indian pharmaceutical industry is one of the fastest growing sectors of the Indian economy, and has made rapid strides over the years. From being an import-dependent industry in the 50s, the industry has achieved self-sufficiency and gained global recognition as a producer of low cost, high quality bulk drugs and formulations.

India is one of the top 5 manufacturers of bulk drugs in the world, and is among the top 20 pharma exporters. The industry manufactures almost the entire range of therapeutic products and is capable of producing raw materials for manufacturing a wide range of bulk drugs from the basic stage. The Indian pharma industry comprises over 20,000 manufacturing units and provides employment to approximately 3,300,000 people. It produces about 60,000 finished medicines and roughly 400 bulk drugs, which are used in formulations. Indian pharma majors like Cipla, Cadilla, Dr Reddy's Labs, and Ranbaxy have gained a global reputation, and pharma exports now form a significant and growing element of India's export basket. .

Most Indian pharma majors were till recently focussed only on generic drug manufacture and on reverse engineering and process patents; India will have a 33 percent share in the global generics market by 2007. Last year India exported US$1.15 billion of drugs, mostly generics, to the US. India has the largest number (74) of US Food and Drug Administration-approved pharma production units outside the US. By 2013, a further US$60 billion worth of drugs will go off patent in the West, and Indian firms stand ready to benefit from that for their generics exports.

The product patent regime has come into force in India from January 2005. The second amendment of the Indian Patents Bill, which was cleared by the Parliament in March, includes a 20-year patent term, emergency provisions, and commencement of R&D immediately after the filing of patents. The bill is compatible with the provisions of WTO and TRIPS.

Having been preparing for the introduction of product patents for the last few years, several Indian pharma producers have now begun to demonstrate that they also possess the ability to engage in commercially viable R&D and drug development activities, and at significantly lower costs than in the West. It costs between US$120-210 million to develop a new drug in India, as against US$6-900 million in the West; R&D costs in India are about 40 percent lower, and clinical trial costs are even less expensive. Several Indian pharma majors, like Ranbaxy's, Nicholas Piramal, Dr. Reddy's Labs and others have become significant players in the global drug development market, filing as many as 855 patents in 2003-2004 alone, as against none 10 years ago. The industry has expanded R&D spending from 4 percent of its revenues earlier to 8 percent of its current revenues of US$9 billion.

The current world market for drugs is of US$521 billion, with the Indian market being of US$9 billion (including exports). India accounts for 8 percent of the global production of drugs, and 1.5 percent by value. Globally the Indian pharma industry ranks 4th in terms of volume and 13th in terms of value. India's exports have been growing at a CAGR of 22.9 percent and reached US$3 billion in 2004. The domestic market is growing at 8-9 percent per annum, reaching US$25 billion by 2010, with a market capitalization of almost US$150 billion.

Whether in pharma, biopharma or biotech, the investment potential in India is very substantial. It is now for Canadian firms to realise this and act accordingly. For their part, several major Indian pharma and biotech companies have set up shop in Canada to benefit from the advantages the country affords these sectors. Others are partnering Canadian enterprises to develop drugs and treatments. India's largest pharmaceutical company, Ranbaxy, is expanding into Canada and mulling investments in Ontario's biotechnology sector. The State of the Punjab and the province of Saskatchewan have very recently signed a biotech cooperation agreement. It remains to be seen whether Canadian firms are astute enough to spot the huge opportunities offered them by the unique combination of factors in India favouring these sectors, and take advantage of them.

Agro-processing: A Bonanza in the Making

India, once affected by periodic food shortages and wracked by famines in colonial times, has, thanks to the Green Revolution in foodgrains in the 1950s and 1960s, now become not just self-sufficient in foodgrains, but also an exporter in a small way. Similarly, the White Revolution of a decade later in dairying, anchored in the milk co-operative concept so successfully pioneered by Dr. Verghese Kurien and his team at Anand in Gujarat State in western India and replicated elsewhere, has made India the top milk producer in the world, which overtook the US in 1996, and today produces 86 million tonnes of milk per annum as against barely 27 million tonnes at the time of India's independence in 1947. India is today not just No.1 in the world in milk production, but No.2 in wheat and rice, as also in fruits and vegetables, No. 4 in eggs, and No. 5 in fish and seafood production. The potential of the Indian economy as a supplier of lower cost, high quality food products to the rest of the world is thus self-evident.

In fact, the premier global consultancy firm, McKinsey, had predicted, in 2001, that the Indian agro-processing industry could be doubled in size over 7 years from the then total output of US$70 billion, making India the food products basket of the world. This prediction is yet to be fully realised, but the potential of the agro and food processing industry in India has been widely recognised by the Western countries and by Canada in particular. It has been, for some time now, one of the priority sectors for India-Canada trade and investment, having been identified once more as such during the recent trade mission to India, in early April 2005, led by the Canadian Minister for International Trade. Mr. James Scott Peterson.

The agro-export industry in India has two main options: the export of wheat, rice and other foodgrains, of fruits and vegetables, and of seafood and other marine products, and allied items as is or with minimal processing, and the export of processed, value-added items – fruit juices, jams, pasta, noodles, vegetable oils, milk products, etc.

In the former category, seafood is already a major item in India's export basket, and the Marine Products Export Development Council co-ordinates and promotes such exports energetically. The Government of India, as also those of the concerned Indian States, work hard to tackle all the issues linked to seafood exports, including quality controls, which are stringently enforced thought a detailed and effective countrywide mechanism, and a network of producers associations that helps ensure that there are no slippages that could cause health-related concerns in the importing countries. Canada could be a promising market for such India premium seafood delicacies.

In direct foodgrain exports, India's specialty is Basmati rice. The Government has notified new standards and specifications for Basmati rice effective January 2003. Rice mills, especially those engaged in exports, are now equipped with quality management systems like ISO and HACCP. Somehow, Indian Basmati rice has not yet been able to penetrate the Canadian market, though it is selling very well in the US, in fact well enough to attract copycats, who often have to be fended off by India asserting the Basmati trademark through expensive lawsuits. This is depriving Canadian consumers of this high quality variety at economical prices, and needs to be looked into on a priority basis.

Food Processing: The Employment Generator

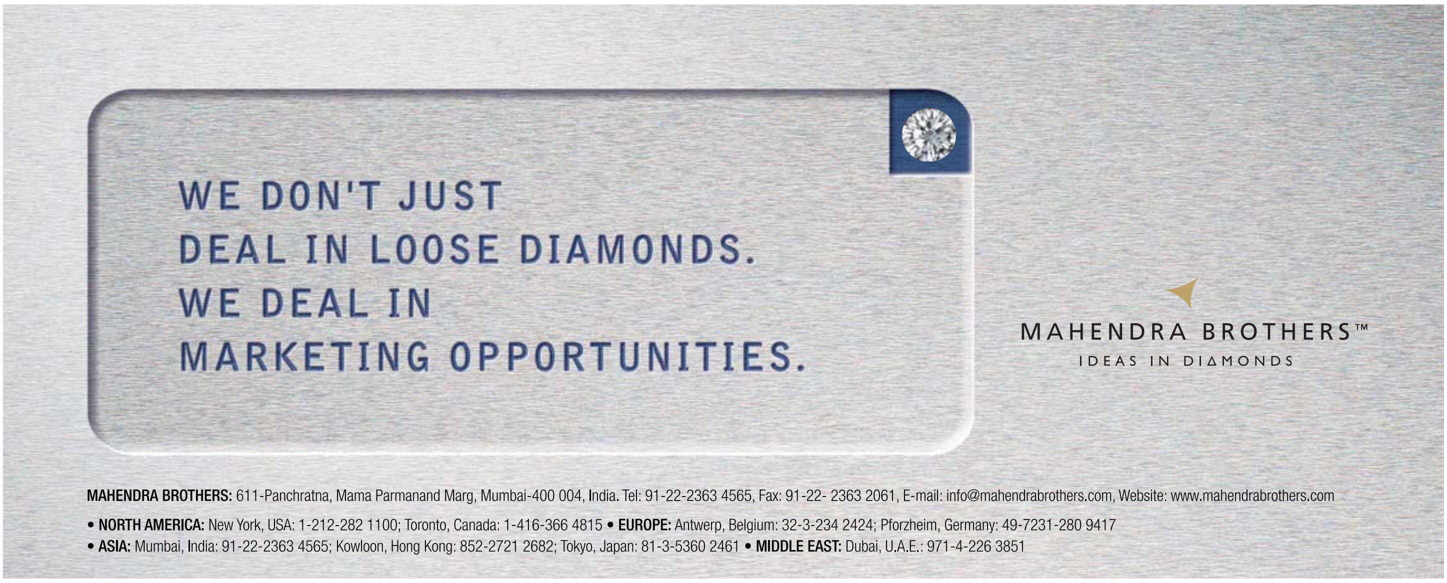
Coming to processed food products, the potential for FDI in India in this sector is very substantial, and this for two main reasons. Firstly, the percentage of India's fruit and vegetable production that is processed locally is very low, much less than 10 percent. Moreover, because of inadequate refrigeration, transportation, packaging and distribution systems, a substantial percentage of the fruit and vegetable production is spoiled before reaching the consumers, whether in India or abroad. Connoisseurs abroad are thus deprived of delicacies like the prized Alphonso mango, the King of fruits, and other choice Indian fruit varieties, as also of the chance to get other products in this category at better prices thanks to India's lower costs of production. Given Canadian expertise in the processing and packaging of such items, there should be substantial scope for Canadian FDI in this sector. This could cover not just technical and managerial expertise, but also the sale of equipment for food and allied processing and packaging, and could have an obvious spin off for the Canadian plastics industry.

Secondly, the domestic Indian market for processed foods of all kinds is growing dramatically, given the rapidly expanding middle class and the surging disposable income of this class. In a decade, the number of middle income families in India has gone up from less than 7 percent of the households to over 22 percent of the households, and the consumer goods expenditure of this class, currently estimated at US$260 billion, is slated to rise to US$510 billion in 5 years. Moreover, over 54 percent of the population of India is under 25 years old, and the youth market, with its propensity for consumption, is thus truly enormous. With more and more Indian women working full time outside the house, the demand for processed, ready to cook food products is also booming. Besides the food processing and packaging sectors, there would also be obvious spin offs in the allied segments of storage, transport and distribution.

Indian agro-processing and marketing firms are already active in this sector - the Indian food processing industry is one of the top ranking industries in the country, employing an estimated 1.6 million workers and accounting for 14 percent of the total industrial output and 18 percent of the GDP. The turnover of the total processed food products market is currently of around US$69.4 billion, out of which value-added food products comprise US$22.2 billion, and this is growing at double digit rates. The Government of India has already approved proposals for joint ventures, foreign collaborations, industrial licenses and 100 percent export oriented units envisaging an investment of US$4.80 billion, out of which foreign investment is over US$1.82 billion. This, however, amounts to only touching the tip of the iceberg. There is a huge and as yet insufficiently explored potential here for foreign, including Canadian firms, to invest with the prospect of substantial and assured returns.

Canadian Agro-export Prospects

As for Canadian agro-product exports to India, this sector too has considerable unexplored potential, and the focus here should be on the upper end of the burgeoning India middle class. Canada already exports over US$140 million per year of salmon, apples from Manitoba, chocolates, and the exotic, premium ice wine, a uniquely Canadian specialty. While these items should be pursued vigorously, especially in the metro markets in India, there could also be scope for initially exporting, and later growing the trademark Canadian fruit, the blueberry, in India. This could be both for local consumption and then for regional export, as fruit and as processed products such as blueberry juice, jam and dried blueberries. In fact, this idea is currently being explored after the recent visit to Canada of the Chief Minister of the Indian State of the Punjab, which is a lead player in the Indian agricultural sector, and in agro-processing as well.



Plastics: A Niche Opportunity

The Indian plastics industry continues to grow. In fact, it is estimated that the industry has grown by about 14 percent in the last ten years. But there is still great potential within the industry waiting to be tapped.

Plastic serves virtually every sector, particularly household goods, packaging, automobiles, paints, defence equipment, medical and surgical products, kitchen and toilet products, toys, appliances, agriculture and even construction. Universally accepted as energy conserving, plastics have almost replaced materials like rubber, metals, wood, and glass in several uses. Without the generous use of plastics, water management, storage, transportation and other agriculture-related operations would be less efficient.

The demand for plastic material in India will also increase with the rising concern for hygiene. Low-cost polymers offer a hygienic option due to its pilfer-proof property in the packaging of healthcare products and medicines. The plastic waste management industry has also emerged as a parallel option for investment. Thus, it is obvious that plastics have a great future in India.

The Indian plastics industry has its origins in 1957 when modest but promising production of polystyrene began. Its Trade Associations, exemplified by the All India Plastics Manufacturers Associations, are well supported. Boosted by the onset of the liberalisation policies of the 1990s, the Indian polymer industry has shown impressive growth over the last decade and is expected to continue to grow at double-digit rates in the coming ten years, making plastic one of the fastest growing industry sectors. India is expected to become the 3rd largest polymer consuming market after the US and China within this decade.

Consumption of plastics in India is touching 4m tonnes per annum, 85 percent of which is accounted for by commodity plastics. Plastics consumption is being fuelled by urbanisation, agricultural development, infrastructure development, FMCGs, white goods and packaging. Today, over 3 million people are employed in plastics, however, the plastics processing industry is a fragmented one; small in scale, not highly automated and supported by a weak infrastructure.

Various estimates suggest there are between 25,000 and 30,000 plastics processing units in India. A large proportion of the processing industry is concentrated in the Western Region, which has less than 15 percent of India's population but produces over 30 percent of its manufactured goods.

Despite all of this, consumption per head in India remains low; just 3 kg per head versus a global average of 17 kg. Investment potential is therefore vast. It is estimated that to meet processing demands, 51,600 machines will be required by 2010. In moulds and dies the current capacity is 2000 tools, however the industry estimates that over 15,000 tools will be needed in order to maintain the momentum of the plastics industry. Foreign suppliers will therefore be essential to help maintain India's plastics industry growth.

Enter CPIA and OPPI

The Canadian Plastics Industry Association (CPIA) has come to an understanding with the Organization of Plastics Processors of India (OPPI). CPIA signed a Memorandum of Understanding (MOU) with the OPPI, which represents some 200 of the largest processors in India, as part of a year-long strategy to build ties with the Indian plastics industry. CPIA President and CEO Serge Lavoie signed the MOU during a six day visit to Delhi, Mumbai and Pune where he participated in more than 30 meetings with organizations and companies.

Lavoie said that the next steps are to inform CPIA members of his observations in India; help develop introductions between CPIA members and Indian companies; plan an inbound mission of Indian firms to ExpoPlast in October and plan an outbound mission of CPIA members to PlastIndia in February 2006.

Plastindia 2006 (15-20 February 2006) is the 6th international plastics exhibition and conference to be held at Pragati Maidan, New Delhi.

Canada-India: Bridges in the Air

The governments of Canada and India have liberalised the countries' current bilateral air transport agreement. Under the agreement, weekly capacity for passenger services will increase approximately five-fold to 35 round-trip flights per week for each country; each country can designate as many air carriers as it wishes for flights between Canada and India; Canadian air carriers can access the cities of Bangalore, Chennai, Hyderabad, Kolkata, Mumbai and Delhi; Indian carriers can access Edmonton, Vancouver and two other cities to be named by India, in addition to Montreal and Toronto; airlines of both countries will be able to take advantage of new code share provisions whereby an airline sells seats in its name on the flights of another airline; and capacity for all-cargo services is unlimited. The agreement was signed in June 2005 in Ottawa by Indian Civil Aviation Secretary Ajay Prasad and Canadian Chief of Air Negotiator John McNab. The agreement also grants 'Fifth Freedom' rights to airlines from India between points in Canada and one intermediate point in Asia and three in Europe including the UK. The right allows an airline to either pick up passengers en route or fly beyond the port of call in the second country. The designated Indian carrier has also been allowed to operate cargo services without any restriction on the frequency of flights. At present, Air India operates three flights a week between Delhi, Amritsar and Toronto via Birmingham, while Air Canada flies a daily service between Delhi and Toronto.

The Indian national carrier, Air India, which has long been awaiting clearance for its much needed expansion plan, finally received the nod earlier this year to acquire 50 aircraft from Boeing at a cost of US$7 billion. This will help in re-establishing the airline as a premier player in the global aviation industry. From a few decades ago, having the dubious distinction of being one of the few major airlines in the world to reduce rather than increase its ports of call, AI today is adding international destinations to its network aggressively.

As part of the liberalised air ways, some private Indian airlines have also bagged the rights to go international. Apart from flying to destinations in South East Asia, Jet Airways—India's largest private airline—commenced its UK operations in May 2005 with a daily service between LHR and Mumbai being serviced by newly-leased three A-340-300E aircraft. In a path-breaking expansion bid, Jet Airways has signed a deal with Airbus to buy ten A330-200 and A330-300 aircraft, with options to acquire ten more aircraft. The company also signed a deal with Boeing for 20 aircraft – six Boeing 777-200LR, four Boeing 777-300ER and ten next generation Boeing 737-800s. This agreement marks the beginning of Boeing 777s in its fleet. Both agreements were signed by the airliner at the Paris Air Show, 2005. Air Sahara, another major Indian private airline, has also commenced operations to South East Asia and plans to launch its services to the UK sometime in September-October 2005.

Star Navigation Wins US$9 Million Contract from India's SpiceJet

India's SpiceJet has ordered Toronto-based Star Navigation Systems Group's In-flight Safety Monitoring System for its entire fleet of aircraft. Delivery of the contract, worth up to US$9M over 10 years, started in April 2005. Star Navigation will also introduce an on-board wireless telephone system for passengers and a WiFi system to allow the aircraft to communicate with the airline's corporate LAN. SpiceJet was launched by Royal Airways (India) earlier this year.

India takes Flight: A Domestic Aviation Boom

Dramatic growth in Indian air travel dominated the Paris Air Show held in June 2005. A hefty Airbus order from low cost start-up IndiGo lifted the tally of Indian deals at the show past US$13 billion. Airbus said that India is one of the world's most promising markets and predicted 100 million new consumers will become potential air travellers in the country by 2010. "India is starting a rapid economic expansion and we think air travel will be part of that," said Airbus Chief Commercial Officer John Leahy.

IndiGo, a new Indian budget airline, handed Airbus an order worth US$6 billion at list prices for single-aisle aircraft. This order for 100 jets in the A320 family comes on top of major Indian announcements that have dominated the event, which is held every two years. Deliveries of IndiGo's planes will start late in 2006.

Jet Airways committed to buy at least 20 Boeing planes worth over US$2.8 billion, including 10 wide-bodied 777s that it will use to boost international service. The airline's chairman told reporters that the carrier's commitment to buy 10 Boeing 777s and 10 single-aisle 737-800s was "just the beginning," adding it was "looking very seriously" at Boeing's newest plane, the 787. Jet separately committed to buy 10 Airbus A330 aircraft with options to buy 10 more in a deal worth about US$1.5 billion. The long-haul planes will be delivered between 2006 and 2009.

In addition, Jet's domestic rival Kingfisher Airlines said it planned to spend about US$2.5 billion for "multiple wide-bodied aircraft" from Airbus, including its mammoth double-decker, the A380 model. Kingfisher Airlines will become the first Indian carrier to purchase the A380 – the world's biggest airliner. The airline, which began flying earlier this spring, announced a major wide-body order comprising five Airbus A380s, five A350-800s and five A330-200s. The firm order

adds to its existing order for 10 A320s and three A319s plus options for a further ten.

Air Deccan took delivery of its first new ATR 72-500 aircraft at the Paris Air Show. The aircraft is the first one of an order for 30 new ATR 72-500 aircraft signed, in February, at Aero India held in Bangalore. The airline also placed orders for 30 Airbus A320s at a price tag of US$1.8 billion a few months ago. Paramount, another Indian low cost start-up, announced an order for five Empresa Brasileira de Aeronautica SA's planes costing nearly US$200 million.

Indian carriers have been modernizing their fleets and expanding their network as the government has deregulated the sector. Jet and Sahara are now allowed to operate international flights as well. In the last nine months, India alone has booked 250 aircraft, nearly half of the orders for the entire industry worldwide. SpiceJet, another Indian start-up, has started operations and placed orders for 30 Boeing jets. Air India and Indian Airlines plan to purchase 68 and 43 aircraft, respectively, in the near future. That there is more to come on this front is evident from the fact that there is no word yet on aircraft deals from Go Air, Air One and MagicAir – all three are planning to get airborne very soon.

Get set to join a well paid International Profession with excellent prospects

Among other options, Indian students have a fascination to study abroad, since international education, be it a semester abroad or a full degree program in another country, can be one of the most rewarding and exhilarating experiences in a person's life. There is so much to be gained from learning a new culture, experiencing new challenges and opening your mind to a whole new world. On a professional level, it can enhance their career by exposing students to a variety of new perspectives, the latest technology or state of the art research and training. It also opens up new horizons for the students by offering global career opportunities worldwide.

Many Indian students have traditionally gone to the US, Australia, Canada and UK for higher education notably in Computer Sciences, Hospitality Industry, Engineering and Business Management. Universities and colleges in Canada, United Kingdom, Australia, New Zealand, United States and Switzerland, have over the past few years, successfully wooed thousands of Indian students to study with them. While there is no doubt that the degrees and diplomas offered are better recognized than most available here, the cost of studying and living abroad is beyond the reach of a large majority. Apart from the money, adapting to International style of education along with the cultural shock that most students face while adjusting to life overseas make it all the more challenging.

CIIS the best

CIIS, in India, is an extension campus of Georgian College & Fanshawe College, Canada. Both these colleges are Funded & Managed by the government of Ontario & among the largest Co-op colleges in Canada. CIIS has also inked subsequent tie-ups with Universal College of Learning (UCOL), New Zealand.

At CIIS it is a strong belief that academic and professional exchange as a means for transferring knowledge an across borders is critical for preparing a new generation of global citizens. Thus realizing the need for an institute offering students a quality International education, where close attention to each student would inspire and he them develop self confidence, the Canadian Institute for International Studies brings courses in India to award Canadian College diplomas and International University degrees for you right here.

What is more important is that these diplomas / degrees cost you a mere fraction of what you would spend in the US or Canada and you get exactly the same education with the option of completing the whole course in India or taking a transfer to the Canadian campus after one or two years of study.

Programs at CIIS

CIIS offers different programs to match the entry requirements, interests and aspiration of the students. Currently the following Canadian College undergraduate programs are offered:

- COMPUTER PROGRAMMER ANALYST
- BUSINESS ADMINISTRATION - AUTOMOTIVE MARKETING
- MECHANICAL ENGINEERING TECHNOLOGY - AUTOMOTIVE MANUFACTURING
- FASHION DESIGN

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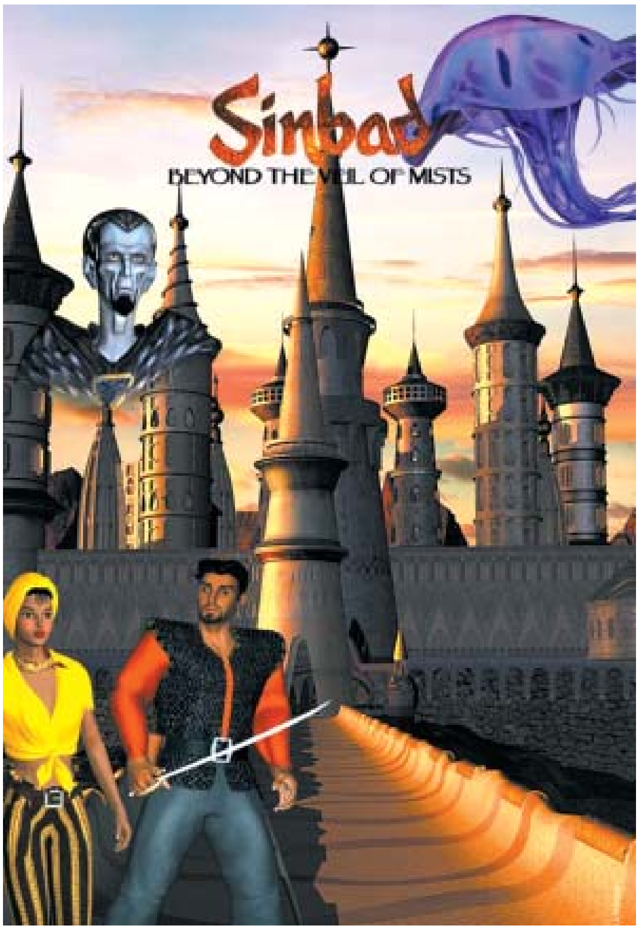
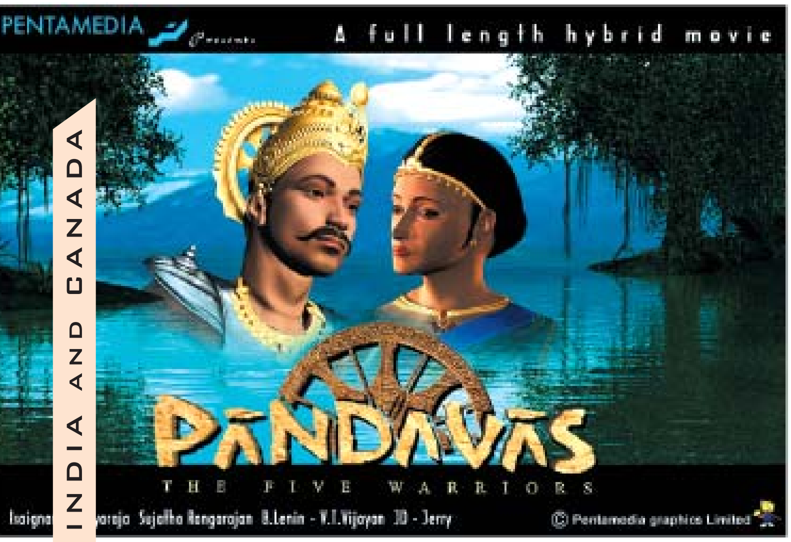
Animation: A Gold Mine in the Making

India has a whole history of legends and myths which are good subjects for many films and TV series. Banking upon these, India is currently experiencing the dawn of a new medium of film-making. Animation is an amazing medium, that has yet to be fully understood and taken advantage of. It is a new frontier, a canvas yet unpainted— the future of great cinema. India, the largest producer of feature films, enjoys around 10 percent of global market share, and is all set to grab the driving seat in the global animation atlas.

Animation made an entry in the Indian market as a support medium for India's advertising industry. A recent study states that the Indian animation industry, currently pegged at US$550 million, is expected to grow 30 percent annually in the next three years and is likely to reach US$15 billion by 2008. Pankaj Khandpura, creative director at Tata Elxsi, shares the same optimism: "Global television networks are using India as an outsourcing base. A lot of projects in the 3-D animation field are coming our way." Going by the Robi Roncarelli Report, India's growth prospect in this industry will largely reflect on film-TV production, followed by the games industry. It is estimated that film-TV production will contribute 42 percent of the share of US$5 billion industry by the end of 2005. Games follow a close second, by taking up 32 percent of the industry.

India's leading animation film producer Pentamedia finds that India's potential rests on its software power. "The success of Cartoon Network in India has given a spurt to the animation programmes," says Sumathi Sridharan, Vice President, Pentamedia. Interestingly, even Cartoon Network is now looking at locally developed content. The channel is said to premiere two feature-length 3D animation shows titled

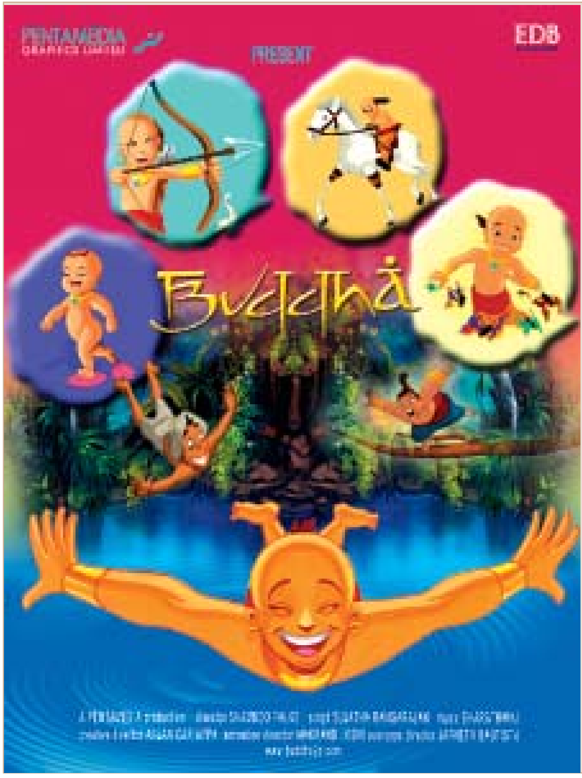




Pandavas — The Five Warriors and *Sindabad — Beyond the Veil of Mists*. Pentamedia has made both these animation pictures. Comments Sudhir Mathur, Head of Arena Multimedia: "With western giants such as ILM and Disney planning to set up shop in India to produce animation films and movies, animation would be one of the fastest growing IT segments." All these developments can be viewed as the harbinger of greater international participation in Indian animation industry.

Looking at the skill set required to develop a picture, an animator must have creative and artistic abilities. Along with the national level training institutions, the industry leaders such as Pentamedia, and Arena Multimedia, a division of Aptech, are also engaged in imparting training. "The industry is moving towards global benchmarking and hence requirement of trained manpower becomes a critical factor", adds Mathur of Arena Multimedia, tracing the need of the hour.

Indian animation film producers are basically targeting the US market. They have a sizeable market in the South East Asia



"The Legend of Buddha" Qualifies for Oscar

The Legend of Buddha—a 2D film produced by Pentamedia Graphics Limited—was nominated for the Oscar Awards 2005 in the best animation film category.

According to the company, only eleven animated films from across the world including The Legend of Buddha qualified for this year's award.

The film, on the life of Prince Siddhartha (Gautam Buddha), was produced at Pentamedia's studios in India, Singapore and Philippines, and is the result of over two hundred thousand drawings supported by 3D animation backgrounds. Pentamedia's 3D animation film Alibaba was nominated for the Oscars in 2002.

and are also looking at the Europe as their new destination. But, why US? Reasons Seema Ramanna, Managing Director, Crest Communication: "High labor costs for US & international Studios; low operating margins for US & international studios; emergence of alternative media & distribution streams; growth & penetration of 3D; convergence-related applications; increasing use of visual effects in features and commercials". Adds Jaykumar, Director (Operations) of Kerala-based Toonz Animation India: "I believe the Indian animation industry looks great. There is much potential out there. Great matchups exist between the capabilities of Indian studios and the production works available from Western studios. Untapped opportunities exist for developing Indian animated content for the rest of the world. If Indian studios continue to improve the quality of their work, and if they manage their businesses well, animation will become a major industry in India".

There is a great scope for bilateral cooperation, where the 'pre' and 'post' production activities can be undertaken by Canadian counterparts, while the technological aspect of designing can be outsourced from India. National Association of Software & Service Companies (NASSCOM) has forecasted a promising future in the segment of digital content development, animation and engineering and design industry which may generate about three million jobs. "Computer animation companies located in the Asia Pacific region will gain more market share in the years to come. And Indian companies are favourably placed because of their proficiency in operating the systems," says Robi Roncarelli, President and Editor of the *Pixel* magazine. Combined with India's prowess in software design and coding, the industry can also contribute to emerging sectors such as new media, games, web design, e-learning, visualization among others. Also, unlike South East Asian counterparts, India has an advantage, that many people are proficient in the English language. Indian companies have already established bases in Singapore, Philippines and in the Asia Pacific region, the traditional stronghold of animation. The synergy of India's technology and creativity of Asia Pacific will cater to the global demand of quality entertainment.

Animations have great scope on the Internet as well as in the high-end game technology. This has a huge market globally, requiring both software and creative skills. The international animation industry is increasingly looking eastwards as the costs of real sets, studio space and outdoor locations skyrocket. India, one of the biggest film industries in the world as well as a reputation for low-cost high-quality software engineers, therefore promises a lot to them.

Is India only good at Services?

Dead Wrong!

Though India's economic growth and its impact on global economy in the twenty-first century is characterized by its new found success in the IT and BPO sector, the good old fashioned manufacturing sector is quietly emerging with strength, and India is fast emerging as a manufacturing hub in the South-East Asia. And about time too, because if software is the brain of the Indian economy, the manufacturing sector is its backbone. Thus it must also be strong for the economy to be strong. All said and done, the manufacturing sector is the edifice on which India can bank its dreams on: of becoming a knowledge economy of this century.

The manufacturing sector attained a growth of 10 percent in 2003-04, but unfortunately has slid a bit since then – in 2004-05, the sector grew by 9.2 percent. However, it has bounced: according to the credit rating agency ICRA, the manufacturing sector grew by 10 percent in April 2005 – the first month of this current fiscal. The ICRA study has also projected a manufacturing growth rate of 7 percent for 2005-06 in the base case, with an upside potential of averaging 8 percent (this upside potential can only be achieved if there is an impetus in investment on a fairly broad basis, particularly in the infrastructure sector). During the April-June quarter of 2005, the manufacturing sector grew by 8 percent, which was higher than the 7.6 percent growth in the corresponding quarter of 2004-05. Though these figures do not reflect astonishing growth, they show a healthy trend, which has all the potential of turning healthier by the day.

Today, many multinational giants are considering India as a manufacturing hub. The US conglomerate GE is just one of them. According to Jeffrey Immelt, Chairman GE Worldwide, the time is opportune to invest in India. Then there is Sakata Inx Corporation, a major Japanese ink production company, which has announced its plans of creating a major ink testing hub in India. For Sakata, this type of offset ink manufacturing plant with latest technology is the first outside Japan. This Indian unit is expected to cater to the corporation's domestic as well as export demands of offset inks.

There is other good news for the manufacturing sector of India, which ultimately will not only reflect in greater consumer preferences but greater employment generation and poverty alleviation. Take some samples: GE has entered into an OEM deal with Thermax India to supply chillers for the Pune based Thermax India's power systems; Hyosung, a South Korean two-wheeler major, is making India the manufacturing hub for its 250cc cruiser bike named Aquila through a technical tie-up with Kinetic Engineering; Matsushita of Japan will be sourcing Panasonic colour television sets from India for its international market; and, the Huyndai small car is to be outsourced from India. And yes, the big daddy of all manufacturing giants – Ford Motor Company – is also interested in India. It is envisaging to source US$120-160 million worth of auto components from Indian manufacturers over the next two years under its India Sourcing Program. Besides, major MNCs like Volvo, Chrysler, Toyota, Unilever, Cummins, Clariant, and Delphi are sourcing components and hardware from India. Besides all these, LG Electronics, according to its Managing Director Moon B Shin is aspiring to make India a manufacturing hub for its exports.

Moreover, thanks to India's affordable yet highly skilled manpower who are fluent in English, many MNCs are also setting up their research and development centres in India. RBI's Deputy Governor Rakesh Mohan has rightly recommended establishing joint ventures with these R&D centres to propel the growth rate of India's manufacturing sector.

However, it is not only the growing interest among the multinationals that is promoting India's emergence as a manufacturing hub. Buoyed by the waves of liberalization, Indian conglomerates are also showing distinct signs of reaching international manufacturing standards and showing a remarkable resilience to international competition. Here it deserves a mention that about 20 percent of Indian automotive production in 2004 was exported to developed countries. According to a CII-McKinsey report, India's exports of manufacturing products are likely to reach US$300 billion in 2015, from US$48 billion in 2003. The resurgence in this sector is not only reflected in soaring profits and exports but also by the fact that many Indian manufacturing firms are spreading their branches abroad. Now with the fast elimination of infrastructural impediments like steep power and telecom costs (thanks to the new Telecom Policy 1999) and delays in road and port transportation, the path of this growth seems to be smoothened.

Given the recent success of the auto manufacturing industry, the experience needs to be replicated for IT hardware. If India can make satellites and the vehicles for launching them successfully, then surely it can do well in hardware. Some are of the opinion that with both domestic and global demand as robust drivers, India has the potential of building a US$100 billion plus hardware industry over the next decade.

Bharat Forge has the world's largest forging facility and Essel Propack is presently the world's largest manufacturer of

laminated tubes. And it is common knowledge that Hero Honda is the world's largest manufacturer of motorbikes. Some noteworthy signs of the Indian manufacturing industry going global can be seen by ONGC's 25 percent stake buy-out in a Sudan based oil firm from Talisman Energy of Canada, which required an investment of US$720 million, and in Hinduja's purchase of controlling interest in C3—a call centre in the Philippines.

India's manufacturing sector is not only about high and mighty corporations. In this sector, the small scale industries (SSIs) play an important role. Presently there are about 3,500,000 SSI units in India, producing about 8000 different items. SSIs contribute 34 percent of the national exports and provide direct employment to over 20 million persons.

Recently in May 2005, the Federation of Indian Chambers of Commerce and Industry (FICCI) released a manufacturing competitiveness survey during its executive meeting. The survey, which explored the latest trends in 102 manufacturing sectors and also reviewed the export growth trends of 30 sectors, between April-March 2004-05, focussed on how India emerged as an "important manufacturing hub for a number of industrial products and is poised for major expansion in some manufacturing segments". According to the survey, electrical equipment and machinery, electric motors and construction equipment are some of the sectors experiencing more than 20 percent growth during the given period. Textile machinery, automobile industry and castings and forgings industry also showed appreciable rise in exports. FICCI praised government policies for giving an impetus to the growth of India's manufacturing sector and appreciated the constituting of the National Manufacturing Competitiveness Council and Investment Commission. It also supported the identification of 45 thrust areas by the PMO, for implementation by ministries.

Indian sailors bringing light into people's lives in the Maldives!

How India faced the Tsunami

On the morning of Sunday, December 26, 2004, giant tsunami waves, generated by an earthquake off Indonesia, struck the coastal areas of south-eastern, eastern and south-western India, causing massive loss of life and damage to property. The Government of India and the state governments of Tamil Nadu, Andhra Pradesh, Orissa, Kerala and Pondicherry – the states most affected by the tsunami – launched large-scale relief operations to distribute food, blankets, medicines and other material to the victims. The Indian armed forces played a crucial role in the operations, mobilizing their assets in the area on a war-footing. Indian Airlines flew more than 1000 people out of the Andaman and Nicobar Islands, while delivering water and medicines to far flung areas. A special Ministerial Disaster Management Group, headed by the Prime Minister, ensured speedy delivery of relief and rehabilitation in the worst-affected areas. In the largest peacetime operation ever undertaken by the Indian armed forces, 30 ships, 30 helicopters, 25 large transport aircraft, and over 4,000 military personnel ran operation Sea Wave, delivering food, water, medicines and other supplies, and evacuating the injured and the survivors from the Andaman and Nicobar Islands in the south-east to Kerala in the south-west.

Carrying relief material and medical supplies ashore.

However, what was remarkable was that Indian help also reached neighbouring Sri Lanka by the evening of the same day. Within 24 hours of the tsunami, an Indian naval vessel equipped with helicopters and divers reached Sri Lanka. Three more Indian ships arrived there a day later and three others, similarly equipped, reached the Maldives less than 72 hours after the calamity. The Indian Air Force used heavy-lift aircraft to deliver fully staffed field hospitals and clinics in Sri Lanka, and one Indian naval vessel was converted into a hospital ship. By Day 6, an Indian hospital ship was also operating in Indonesia. Eventually, India deployed over 32 naval vessels and 41 aircraft, plus almost 20,000 military personnel, operating in an arc from the Maldives to Indonesia, outstripping the relief efforts of all other powers in the region.

Two days after the tsunami, on December 28, the US invited India to join the Tsunami Core Group along with Japan and Australia. It was later expanded to include the UN, Canada, as well as the EU. India was invited to join the Core Group precisely because of the recognition that it had the largest and the most effective capabilities and resources in the region.

In the days following the calamity, members of the Core Group interacted frequently through daily teleconferencing at the top official level. The Core Group also worked closely with the UN to see how the relief efforts could be best channelized through its network. India also conveyed to foreign governments that it would be happy to provide full logistic support for the dispatch of any relief supplies that may be provided to Sri Lanka and the Maldives.

As is evident, India's help to other countries hit by the tsunami was extended despite the very heavy demands on its resources by the massive domestic relief operations. Throughout the tsunami crisis, India's response to offers of international aid was that it should be directed to those whose needs were greater, such as Indonesia and Sri Lanka. The world saw that India had the capabilities and resources to not only take care of its own needs, but also those of others. In the end, India had the satisfaction of helping its neighbours and friends in their hour of need, even as it coped with a major disaster at home.

Dual Citizenship: Well on its Way

People of Indian origin residing outside India have been keenly awaiting grant of dual citizenship by the Government of India. On 29th June 2005, the Indian government issued a press note, which constitutes an important landmark: it outlines how dual citizenship will be granted to eligible applicants in the very near future. The text of the press note is given below.

Press Note

Salient Points of Citizenship (Amendment) Ordinance, 2005

The Citizenship (Amendment) Ordinance, 2005 has been promulgated on 28th June, 2005. This will amend the Citizenship Act, 1955 by deleting Schedule Four of the present Act, whereby persons of Indian origin, who or whose parents/ grand parents migrated from India after 26th January 1950, or were eligible to become Indian citizens on 26th January 1950, or belonged to a territory that became part of India after 15th August 1947, and their minor child, whose present nationality is a country which allows dual citizenship in some form or the other, will become eligible to be registered as Overseas Citizens of India (OCI). This provision is extended to such citizens of all countries other than those who had ever been citizens of Pakistan and Bangladesh. The amendment further reduces the period of stay of two years to one year in India for an OCI, who is registered for five years, to become eligible for grant of Indian citizenship.

The Prime Minister, on Pravasi Bhartiya Divas 2005, made a commitment to extend the facility of OCI to all countries beyond the 16 mentioned in the fourth Schedule of Citizenship Act, 1955. **This ordinance will fulfil that commitment.** Further, the Prime Minister said that the application form and format of the citizenship certificate could be simplified and the benefits available to OCIs will be properly specified. Accordingly, the Citizenship Rules 1956 have been suitably amended to simplify the application forms and the procedures. The earlier application form was for one person and required an oath of allegiance to be taken before the Indian consular staff and declaration of immovable properties and the list of family members living outside India. The new application form has been made applicable for four persons wherein the spouse and up to two minor children can apply together. Various requirements which were not to be used in deciding OCI registration have been done away with and the form has been greatly simplified bringing in clarity and transparency.

As regards the procedure, now things have been made much simpler. Earlier such persons had to apply only in their country of citizenship, whereas now they can also apply in the country where he/she is ordinarily residing. The condition of oath of allegiance has been done away with. For forms within the country only FRRO and MHA have been authorized to receive applications for OCI. The fees of US$275 for grant of OCI can be deposited in equivalent local currency. A provision has been made that those who are PIO card holders can also apply for OCI, if he/she is so eligible, on payment of nominal fees of US$25.

Indian Missions have been authorized to grant OCI within 15 days to such cases wherein there is no involvement in serious offences like drug trafficking, moral turpitude, terrorist activities or anything leading to imprisonment of more than a year. For such cases the Mission can grant OCI and then send the matter to MHA for post verification. In all other cases where there is some involvement and crime record is declared, the cases will be cleared within the period of three months after prior inquiry into the antecedents of the individual by MHA. It may be noted that every case will be inquired into pre or post and if someone is found to have acquired OCI certificate on false information, the certificate will be cancelled forthwith.

As regards the benefits, notifications have been issued by the Home Ministry for introducing a new type of visa called 'U' visa which is multi-purpose, multi-entry life long visa. This will entitle the OCI card holder to visit the country at any time for any length of time and for any purpose. Further, such OCI registered persons have been exempted from police reporting for any length of stay in the country. Such persons have also been granted all rights in the field of economic, financial and educational fields in parity with NRIs. However, they will have no right with respect to acquisition of agricultural or plantation properties.

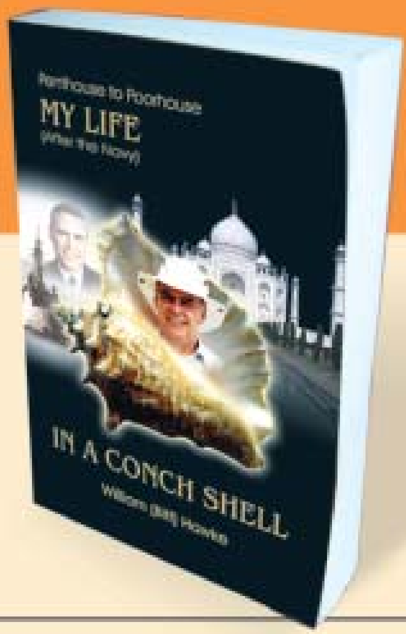
After the promulgation of the ordinance, steps have been initiated to print the visa stickers and the registration certificates. The registration certificate will look like a passport, (similar to) the one given to registered PIOs. The Cabinet has also directed the Ministry of Overseas Citizens of India Affairs to work on giving smart cards to registered OCIs. They will also be authorized to issue notifications for giving any specific right to registered OCIs.

MHA may be in a position to roll out this scheme with simplified, transparent and time bond scheme possibly by 15th August 2005 and hopes that a large number of Indian diaspora will seek registration as Overseas Citizens of India. Such persons will not only get an opportunity to visit their roots anytime for any purpose and for any length of time but will also contribute towards the national goal of equitable development by generously contributing to national economy.

Ministry of Home Affairs
Asadha 8, 1927, June 29, 2005

MY LIFE (After the Navy) IN A CONCH SHELL

By William (Biff) Hawke



If the title of this book doesn't sound appealing to our readers; there's an INTERESTING TWIST!!

The author retired from the Canadian Navy in 1988 and has been **living and doing business in India** for the last nine years. Therefore, the book contains interesting insights into **India's unique social and business culture**, as seen by a Canadian - an Outsider on the Inside.

Lucid and Engaging - Bill ain't no Boswell, but his colourful experiences, fluency in narrative and ease of development (nothing apparently contrived) make for an enjoyable read. This book would indeed entertain those who neither knew Biff nor know Bill for that matter! As an Indian myself, his insight into the social and business culture of India surprised me.

Sunil K. Sukumaran, M.Sc., D.Phil. (Oxon.), Author and Editor

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Business Briefs

July 2005

Star Navigation Systems Signs Letter of Intent with India's A.R. Airways

Toronto-based Star Navigation Systems Group Ltd., a technology company that provides hardware and software solutions primarily to commercial and corporate aviation operators around the world, announced that it has signed a Letter of Intent with A.R. Airways of India (Club One Aviation) for its ISMS — an in-flight safety monitoring system. The ISMS features in-flight data monitoring and diagnostics with a real-time, secure connection between aircraft and ground. The contract is valued at approximately C$2.5 million.

Information summarized from: Canada NewsWire

July 2005

Teleglobe International Holdings to be Acquired by India's VSNL

Teleglobe International Holdings Ltd. announced it has entered into a definitive agreement to be acquired by Videsh Sanchar Nigam Limited (VSNL), India's provider of international communications and Internet services. The transaction is structured as an amalgamation of Teleglobe with a newly formed subsidiary of VSNL. Teleglobe shareholders will receive consideration of C$4.50 per common share in cash. Headquartered in Montreal, Teleglobe is a wholesale provider of international telecommunications services, including voice, data and IP, and mobile signaling services.

Information summarized from: Teleglobe International Holdings Press Release

July 2005

India's ICICI Bank to Establish Branch in Vancouver

ICICI Bank Limited, a Mumbai-based bank, announced that it plans establish a branch in Vancouver in October. The Canadian operations target the Indian population in Canada that still has ties in India such as property, business or family. Currently, ICICI Bank has four locations in Canada. There are two branches in Toronto and one each in Brampton and Scarborough.

Information summarized from: National Post

July 2005

Trade Mission to India and Thailand Organized by NRC's Earth Sciences Sector

Natural Resources Canada's Earth Sciences sector is organizing a trade mission to India and Thailand from September 20-30 to showcase Canadian excellence in geoscience and geomatic applications for natural hazard assessment and mitigation. It will provide a chance for Canada to strengthen its commercial ties with India and Thailand, and to develop new business opportunities for Canadian firms involved with these technologies. In New Delhi, where the mission is scheduled to begin, activities will be held in conjunction with TechSummit 2005 followed by two days in Chennai. From India, the mission will proceed to Bangkok for three days of networking with Thai government officials and private sector representatives.

Information summarized from: Foreign Affairs Canada

July 2005

Quebec's BioSyntech Inc. and Nicholas Piramal India Sign Letter of Intent

Laval-based BioSyntech Inc. has signed a letter of intent with pharmaceutical company Nicholas Piramal India Limited (NPIL), pursuant to which NPIL will subscribe to 7,500,000 common shares of BioSyntech at a price of C$0.80 per share. NPIL's post-issue shareholding will be approximately 17% of issued shares. BioSyntech Inc. is a biotechnology research company that specializes in the discovery, development and manufacturing of biologic implants for therapeutic delivery and regenerative medicine. As part of the arrangement, NPIL will acquire exclusive rights for marketing, sales and distribution of current and future products of BioSyntech for India, Pakistan, Sri Lanka, Bangladesh, Laos, Cambodia, Vietnam and Philippines. The companies have agreed to explore opportunities to collaborate for research and development activities with respect to future products of NPIL using BioSyntech's technological platforms.

Information summarized from: BioSyntech Inc. Press Release

Jun 2, 2005

Raytheon to Deliver Air Traffic Control Training Simulator to Civil Aviation College in India

Ottawa-based Raytheon Canada Limited announced that it received a contract award to deliver a turnkey FIRSTplus air traffic control training simulator to the Civil Aviation Training College in Allahabad, India. The company expects the system to be operational by mid-2005. SES Systems Pte. Ltd., a wholly-owned subsidiary of Singapore Technologies Electronics Limited, is the prime contractor. Raytheon Canada, is a wholly-owned subsidiary of US-based Raytheon Company.

Information summarized from: Raytheon Canada Press Release

Jun 2, 2005

Montreal's ICP Solar Forms Partnership with India's Titan Energy Systems

Montreal-based manufacturer of products based on solar technology, ICP Solar, announced that it has formed a partnership with Titan Energy Systems, which is based in Andhra Pradesh, India. Titan Energy Systems is a manufacturer and exporter of Solar Photovolatic Modules. Under the agreement, ICP will ship solar cells that are manufactured at the company's plant in England to Titan's plant in India for lamination and finishing. Titan Energy will resell finished ICP solar panels through its distribution network in India and Asia.

Information summarized from: Canada NewsWire

Jun 1, 2005

McCain Foods to Build Potato Processing Plant in India

McCain Foods, a producer of frozen foods based in New Brunswick, announced it will construct a C$18 million potato processing plant near Ahmedabad in Gujarat province. Construction of the frozen French fry and potato specialty plant will begin in June with completion scheduled for July 2006. McCain Foods has been involved in agronomy trials in India since 1995 and since 2000 in Gujarat. Potatoes supplying the new facility will be contracted with independent Gujarati farmers.

Information summarized from: McCain Foods Ltd. Press Release

May 25, 2005

Fytokem Products Announces Pharmaceutical Marketing Agreement with Unimarck Pharma (India) Ltd.

Fytokem Products Inc., a Saskatoon-based company focused on the development and commercialization of bioactive agents for therapeutic use, announced its intention to enter into an exclusive marketing agreement with an India-based pharmaceutical manufacturer, Unimarck Pharma (India) Ltd. The agreement gives Unimarck the exclusive right to use Fytokem's Tyrostat and Canadian Willowherb product lines in the pharmaceutical market in India. Unimarck is expected to use Fytokem's products in selected skin lightener and topical acne treatment products. The agreement is to be concluded in June 2005.

Information summarized from: Fytokem Products Inc. Press Release

May 24, 2005

India's I-flex Solutions Signs Strategic Alliance Agreement with Castek Software

Mumbai's I-flex Solutions Ltd. has entered into a strategic alliance with Castek Software Inc. As part of the alliance, I-flex has established an equity financing arrangement with Castek that allows for I-flex to become the largest shareholder in Castek. Toronto-based Castek Software provides core enterprise software to insurance carriers in the global property and casualty insurance vertical market.

Information summarized from: I-flex Solutions Ltd. Press Release (India)

May 5, 2005

Saskatchewan's International Road Dynamics Receives New iTOLL & WIM Contracts in India

Saskatoon-based International Road Dynamics Inc., a highway traffic management technology company specializing in supplying products and systems to the global intelligent transportation systems industry, has received three contracts to supply its iTOLL Toll Collection System and WIM System to clients in India. The contracts are from: Econs O&M Co. Pvt. Ltd. in New Delhi, to supply and install 4 high-speed Bending Plate WIM Systems, and 40 lanes of Toll Audit Systems; Ideal Road Builders in Mumbai, to supply 28 lanes of iTOLL to projects in Pune-Nasik, Vadgaon-Chakan and Thane-Ghodbunder, located in Maharashtra state; and from RBM Pati Joint Venture of Calcutta, to supply 14 lanes of iTOLL in West Bengal state. The contracts have a total value of C$1.86 million.

Information summarized from: International Road Dynamics Inc. Press Release

Apr 28, 2005

Reliance Industries and Niko Resources to Start Production on Offshore Block in Bay of Bengal

The government of India has given approval for natural gas production from petroleum exploration block KG-D6 in the Bay of Bengal to begin. Mumbai-based Reliance Industries Limited, a member of the the Reliance Group, holds a 90% interest in the block and Calgary-based Niko Resources Limited holds the remaining 10%. Production estimates are 40-60 million cubic metres of gas per day starting in 2007.

Information summarized from: Dow Jones International News

Apr 25, 2005

Minaean International Awarded Contract in India

Vancouver-based Minaean International Corp., a developer of alternative building technologies using light gauge steel, announced that its wholly-owned subsidiary, Minaean Building Solutions Inc., has been awarded a contract in the West Bokaro area in India. The contract, valued at C$150,850, is for the construction of a two-storey building of approximately 5,000 sq. ft. The building will be constructed as an annex to an existing building and will be used as accommodation facilities for officials visiting the West Bokaro Mine areas.

Information summarized from: Minaean International Corp. Press Release

Apr 18, 2005

University College of the Fraser Valley to Offer Business Degree in India

Abbotsford-based University College of the Fraser Valley (UCFV) will be offering Applied Business Administration degrees at Panjab University in Chandigarh starting September 2006. Students enrolled in the Business Administration program have the option of completing the whole program at Panjab University or complete the first two years in Chandigarh and finish the program at UCFV or at another Canadian university. UCFV also signed an agreement with Panjab University last November to establish a Canadian Studies Centre where both universities will collaborate in research and promote and facilitate faculty exchanges.

Information summarized from: Hindustan Times (New Delhi) (India)

Apr 11, 2005

Gamma Engineering Signs Two Agreements in India

Gamma Engineering Ltd. of Whitby, Ontario, a full service consulting engineering and design company, signed a Memorandum of Understanding (MoU) with Lechler India Pvt. Ltd. of Mumbai to engineer and design environmentally friendly air-cleaning equipment for steel mills and cement plants in India. The company also signed a MoU with Techno Expo of Jhaarkhand to modernize various steel mills in India, by supplying technology, engineering and installation of equipment that will increase production efficiency, save operating costs and reduce greenhouse gas emissions.

Information summarized from: International Trade Canada Press Release

Apr 8, 2005

Tata Consultancy Services of India and Communications Research Centre Sign Memorandum

Communications Research Centre Canada (CRC) of Ottawa, an agency of Industry Canada, has signed a memorandum of cooperation with Tata Consultancy Services Limited (TCS) of Bangalore, India, to collaborate in telecommunications technologies projects. Through this partnership, CRC and TCS will develop wireless broadband access technologies with a special emphasis on applications to enhance rural communications.

Information summarized from: International Trade Canada Press Release

Apr 8, 2005

Hydrogenics Signs Collaboration Agreement with Bangalore's REVA Electric Car Company

Mississauga-based Hydrogenics Corporation, a developer of clean energy solutions, signed a collaboration agreement with the REVA Electric Car Company of Bangalore, India. The companies will work on the development of technology demonstrator vehicles that incorporate Hydrogenics Corporation's proprietary hydrogen fuel cell and hybrid technology into the Indian REVA electric car platform. Two fuel cell vehicles are expected to be delivered to a major oil company in India before the end of this year.

Information summarized from: International Trade Canada Press Release

Apr 1, 2005

Tembec and India's Aditya Birla Group Sign Agreement for the St. Anne Nackawic Pulp Mill

Montreal's Tembec Inc. and the Aditya Birla Group of India announced that they have signed a Framework Agreement with the Province of New Brunswick regarding the acquisition of the St. Anne Nackawic pulp mill. The acquisition will be made by a joint venture between Birla and Tembec in which Birla will be the majority partner and Tembec the lead operator. After the closing of the transaction, work will begin on the conversion of the mill to allow it to produce a product mix of paper, dissolving and specialty pulps. Tembec is an integrated forest products company principally involved in the production of wood products, market pulp and papers.

Information summarized from: Tembec Inc. Press Release

Mar 31, 2005

SNC-Lavalin Acquires Engineering Firm in India

Montreal's SNC-Lavalin Group Inc. announced that it has acquired RJ Associates (Engineers) Pvt. Ltd., a full-service engineering and contracting firm based in Mumbai, ensuring a permanent and local presence in India. RJ Associates' work force numbers approximately 150 engineers. The company specializes in chemicals and petroleum, mining and metallurgy and other, process-related industries and has completed more than 100 projects in these areas in India, as well as in the US, Europe, Japan, Southeast Asia and the Middle East. SNC-Lavalin is an engineering and construction company.

Information summarized from: SNC-Lavalin Group Inc. Press Release

Mar 24, 2005

Sandwell Engineering Conducting Development Study for Hindustan Paper Corporation

Sandwell Engineering Inc. is performing a detailed study for the planned expansion and modernization of the two fine paper mills operated by Hindustan Paper Corporation (HPC). The objectives are to increase the capacity of each mill in an environmentally responsible manner, while also improving paper quality and mill profitability. HPC has retained Sandwell to prepare a Mill Development Plan and Detailed Project Report for the modernization of both mills. The Nagaon and Cachar paper mills are located in Assam State in northeast India, and produce pulp from bamboo. Each mill presently has a capacity of about 100,000 tonnes per year and produces a range of paper grades for education, communication and business uses. The study is expected to be completed in June 2005.

Information provided by: Sandwell Engineering Inc.

Mar 17, 2005

Imax Expands Partnership with Commercial Exhibitor in India

Toronto-based Imax Corporation and Chennai's Sathyam Cinemas announced an agreement to install two Imax MPX theatre systems at multiplexes in Chennai. The agreement supersedes an existing deal with Sathyam for one Imax theatre system, which was signed in 2004. The first Imax theatre is anticipated to open in March 2006 and the second in 2008. The agreement increases the number of Imax theatres scheduled to be operating in India by 2008 to nine.

Information summarized from: Imax Corporation Press Release

Mar 10, 2005

Brainhunter Inc. Launches Business Process Outsourcing Centre in India

Toronto-based Brainhunter Inc., a company that provides recruiting and staffing services, announced that it has launched a Business Process Outsourcing (BPO) centre in India. The company will provide expertise in the following six areas: finance and administrative solutions; procurement solutions; telemarketing services; information technology help desk services; human resources processing solutions; and technical support services.

Information summarized from: CCNMatthews

Excel India: Star Performer

When the Excel India Fund was launched by a young Indo-Canadian, Mr. Bhim Asdhir, in April 1998 with $200,000 of his own money, no one would have dreamed that the portfolio of this India-specific mutual fund, the only one of its kind in Canada, would now be worth $70 million.

Mr. Asdhir and Excel have bet big on the strengths and the potential of the Indian economy, and they have succeeded beyond anyone's expectations. That he launched this fund at a time when the Indian economy was, after the first round of economic liberalization and reform, at the takeoff stage, says much for his prescience and his ability to spot a good prospect well before the others.

Today, when the Indian economy has been growing at 7 percent or more for over a decade, the Excel Indian Fund too has been keeping a scorching pace, of 37 percent on an annualized basis for the last three years, and 41 percent during the last one year. It has thus beat the Canadian Stock Exchange Index by huge margins and it is not surprising that it has been repeatedly rated as the top performing mutual fund in Canada by Morningstar.

Mr. Asdhir, though a remarkably successful fund manager, is not a gambler who turned lucky, but a skilled analyst of the financial markets and of the details of India's economic performance over the last 15 years. The Excel India Fund managers have systematically selected some of the highest growth sectors in India, such as telecom and mortgage finance, and have also banked on the striking increase in the purchasing power of the 54 percent of Indians who are less than 25 years of age. They have had faith in India and the Indian economy, and they have not been let down.

Useful Websites

Government of India Directory - http://goidirectory.nic.in

Relevant Government Websites*

Reserve Bank of India
http://www.rbi.org.in

Ministry of Defence
http://mod.nic.in

Ministry of External Affairs
http://meaindia.nic.in

Ministry of Finance
http://finmin.nic.in

Ministry of Commerce & Industry
http://www.commin.nic.in

Ministry of Power
http://www.powermin.nic.in

Ministry of Road Transport & Highways
http://morth.nic.in

Ministry of Environmental and Forests
http://envfor.nic.in

National Highways Authority of India
http://www.nhai.org

Task Force on Infrastructure
http://indiaimage.nic.in/infrataskforce

Ministry of Information Technology
http://www.mit.gov.in

Ministry of Science and Technology
http://www.nic.in/snt

Group on Telecommunications
http://indiaimage.nic.in/got

Council on Trade and Industry
http://indiaimage.nic.in/pmcouncils

Economic Advisory Council
http://indiaimage.nic.in/pmcouncils

Ministry of Petroleum and Natural Gas
http://petroleum.nic.in

Ministry of Non-conventional Energy Sources
http://mnes.nic.in

Directorate General of Civil Aviation
http://dgca.nic.in

Ministry of Railways
http://indianrailway.com

Ministry of Textiles
http://texmin.nic.in

Indian Investment Centre
http://iic.nic.in

Foreign Investment Promotion Board
http://finmin.nic.in/the_ministry/dept_eco_affairs/fipb/fipb_index.htm

Securities and Exchange Board of India
http://www.sebi.gov.in

National Centre for Trade Information (NCTI)
http://ncti-india.com

National Informatics Centre
http://indiaimage.nic.in

Centre for Monitoring Indian Economy
http://www.cmie.com

Ministry of Tourism
http://tourismindia.com

Ministry of Water Resources
http://www.nic.in/ncf

Associations and Councils

Confederation of Indian Industry
http://www.ciionline.org

Federation of Indian Chambers of Commerce and Industry
http://www.bisnetindia.com
http://www.ficci.com/mea1

The Associated Chambers of Commerce & Industry of India
http://www.assocham.org

Federation of Indian Export Organisations
http://www.fieo.com

National Association of Software and Service Companies (NASSCOM)
http://www.nasscom.org

Manufacturers' Association for Information Technology (MAIT)
http://www.mait.com

Association of Indian Automobile Manufacturers (AIAM)
http://www.aiam.org

Engineering Export Promotion Council
http://www.eepc.gov.in

Indian Electrical & Electronics Manufacturers' Association
http://www.ieema.org

Electronics & Computer Software Export Promotion Council of India
http://www.indiansources.com

Electronic Components Industries Association
http://www.elcina.com

Association of Mutual Funds in India
http://www.amfiindia.com

Organisation of Pharmaceutical Producers of India
http://www.indiaoppi.com

Indian Exporters Online
http://www.indianexporters.com

The Synthetic & Rayon Textiles Export Promotion Council, Mumbai
http://www.synthetictextiles.org

Apparel Export Promotion Council, New Delhi
http://www.aepcindia.com

Basic Chemicals Pharmaceuticals & Cosmetics Export Promotion Council
http://www.chemexcil.gov.in

Gems and Jewellery Export Promotion Council
http://www.gjepc.org

Council for Leather Exports
http://www.leatherindia.org

Industrial Towns and Parks

National Highway Authority of India
http://www.nhai.org

Software Technology Park of India, Bangalore
http://www.soft.net

Software Technology Park, New Delhi
http://www.stpi.soft.net

Software Technology Park NOIDA,
http://www.stpi.soft.net

Software Technology Park Hyderabad
http://www.stph.net

Software Technology Park, Jaipur
http://www.stpi.soft.net

National Small Industries Corporation
http://www.nsicindia.com

Science and Software

Centre for Development of Advanced Computing
http://www.ncst.ernet.in

Vigyan Prasar
http://www.vigyanprasar.com

Council of Scientific and Industrial Research (CSIR)
www.csir.res.in

Indian Space Research Organization
http://www.isro.org

Aviation

Air-India
www.airindia.com

Jet Airways
www.jetairways.com

Indian Airlines
http://www.indian-airlines.com

Sahara Airlines
http://www.airsahara.net

Tourism

Tourism of India
www.tourismofindia.com/index.htm

Tourism & Travel in India
www.tourisminindia.com

Indian Travel Guide
www.indianvisit.com

States of India

See http://goidirectory.nic.in

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* *Relevant to this publication*

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JWT.3898.2005