
The Republic of India



Highlights

- After sailing through the Asian Crisis in 1998, the Indian economy marched ahead at a slower pace in 1999/2000 given a poor performance of its agricultural sector.
- In the first eleven months of the fiscal year, India's exports and imports rebounded strongly in 1999/2000.
- Canadian imports from India increased at a strong but slower pace in 1999. After tumbling by 40% in 1998, Canadian exports declined at a slower rate during the year.

Produced by:

International Cooperation Directorate
International Business Branch
Industry Canada
Ottawa, Ontario

For Information :

André Patry
235 Queen St., suite 556C
Ottawa, Ontario
K1A 0H5
Tel : 613 941-4159
Email : patry.andre@ic.gc.ca



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India's Economic Performance in 1999/2000

India: An Overview

With a population estimated at over 1 billion, India is certainly one of the most promising markets in the world. In recent years, the economy began to harvest the results of the 1991 economic reforms. These reforms were architected to stimulate economic growth through deregulation, higher investment flows and greater openness to international trade.

However, two major items held back India's potential in the second half of the decade. First, India had a significant government fiscal deficit and inadequate infrastructure to support economic growth. Second, the country was confronted with the Asian Crisis in 1998. With the ripples of the Asian Crisis reaching India, industrial activity slowed, exports were sluggish and foreign investment flows were down in

1998. However, given India's modest current account deficit and low levels of short-term foreign debt, the country was able to weather the crisis without any disastrous consequences. During the same period, political sanctions were imposed on India by major industrialised countries following the Pokhran nuclear test. Sanctions were imposed to stop the nuclear up scale between India and Pakistan.

In 1998/1999, economic activity registered a 6.8% increase with the agricultural sector leading the overall growth. Industrial activity slowed as the manufacturing sector was held back, increasing only by 3.6% over the same period.

Estimates for 1999/2000 indicate that the Indian economy will grow at a slower pace, up 5.9%. A notable slowdown in the agriculture sector limited economic growth while major recoveries were realised in manufacturing (+7.0%) and construction (+9.0%).

While high knowledge sectors have been growing rapidly in recent years, the agricultural sector has been receding. Since 1980, the share of agriculture in the Indian economy dropped from 38.1% to 26.4% in 1997/98. The considerable number of skilled workers is establishing a solid foundation for the country's knowledge economy. However, infrastructures, such as communication, highways and electricity, which are needed to channel this knowledge, are either missing or not sufficient enough to foster growth. Major advances need to be made in developing these infrastructures.

Table 1: Main Indicators

Population (July 1999 estimate)	1 000 848 550
GDP at factor cost (1999/2000), US\$	265 577 556 25
GDP growth (1999/2000), %	5.9
GDP structure (1997/1998), %	
- Agriculture & allied services	26,4
- Industry	22,3
- Services	51,2
Exports Growth (1999/2000)*, %	11.1
Imports Growth (1999/2000)*, %	21.8

* Annual change for year-to-date data (April-February).

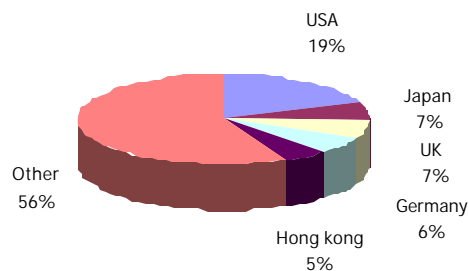
Harnessing the potential of the knowledge-based economy and investing in infrastructures are both important items outlined in the government's agenda. In 2000/2001, resources to be allocated in the energy, transport and communication sectors will cover 60% of the total budget.

As for India's trade performance in 1998/1999, exports fell by 3.9% and imports dropped by 7.1%. So far in the 1999/2000 fiscal year (April-February), exports are estimated at US\$ 33.3 billion, representing an 11.1% rebound from the same period last year. India's main export commodities are textile goods, gems and jewellery, engineering goods and chemicals. The major export destinations are the USA (19%), Japan (7%), UK (7%), Germany (6%) and Hong Kong (5%).

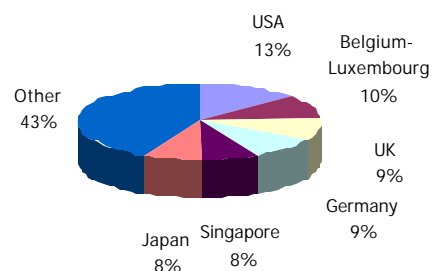
Imports also increased in the first eleven months of the 1999/2000 fiscal year. Elevated by a surge in oil imports (+66.4%), total imports are estimated at US\$ 42.0 billion, a 21.8% jump compared to the same period last year. India's imports are principally composed of crude oil and petroleum products, machinery, fertiliser and chemicals. The major import partners are the USA (13%), Belgium-Luxembourg (10%), UK (9%), Germany (9%), Singapore (8%) and Japan (8%).

India's Major Trading Partners in 1998

India's Top Export Destination



India's top Importers



Canada/India Trade Relations



After the Pokhran nuclear tests in 1998, Canada and other industrialised countries imposed political sanctions on India. Despite these sanctions, Canadian imports from India continued their upward trend, increasing by 21.0% in 1998. Imports increased again in 1999, albeit at a slower pace, up 13.0% to \$1.0 billion. Textile products are the leading imports from India, representing more than 30% of total imports from that country.

Canadian export performance *vis à vis* India in the last years was far from the 40% growth rate of 1997. In 1998, exports to India were hit hard by the Asian Crisis as they dropped by 14%. Exports fell at a slower pace in 1999, decreasing by 6.4% to \$388.1

million. After decreasing more than 60% in 1998, exports of paper products regained the top spot of Canada's exports to India last year, jumping by 89.7%. A noteworthy increase was also made in the export of fertilisers, particularly exports of potassium chloride. Canadian exports of fertilisers to India grew by \$33.4 million over the year.

Overall, Canada is a small player in the Indian market. In 1997, Canada held a 1.2% share of India's import market. However, Canada could increase its share in the near future as India's economy is evolving into the new economy. With a booming technology sector, India offers great market opportunities in the IT and biotechnology sectors for Canadian companies. The following represents the best prospect industry sectors in the Indian economy: computer software; telecommunications; pollution control equipment; power; mining equipment; architecture, construction & engineering; metal working machinery; sporting goods; laboratory equipment; education services; airport equipment; medical equipment; water resource equipment; food processing & packaging equipment; cosmetics.

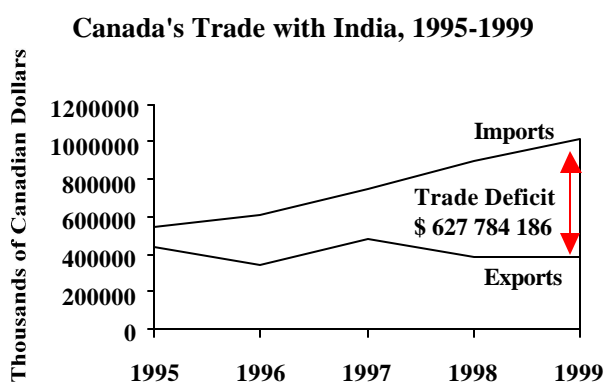


Table 2: Top 15 Canadian Domestic Exports to India (Canadian dollars)

	1998	1999	growth	Share in total exports to World
1 Paper & paperboard; art. of paper pulp, paper/paperboard	37 373 904	70 881 631	89,7%	0,5%
2 Pulp of wood/of other fibrous cellulosic mat; recovered waste etc	68 647 496	67 627 454	-1,5%	0,9%
3 Edible vegetables and certain roots and tubers.	83 243 576	56 465 036	-32,2%	4,0%
4 Fertilisers	7 863 946	41 267 359	424,8%	1,4%
5 Salt; sulphur; earth & stone; plastering mat; lime & cement	30 170 362	32 409 356	7,4%	2,3%
6 Machinery, boilers, mechanical appliances, engines, parts	22 026 368	19 619 796	-10,9%	0,1%
7 Electrical machinery equip parts thereof; sound recorder etc	19 044 128	18 223 924	-4,3%	0,1%
8 Optical, photo, cine, meas, checking, precision, etc	12 049 135	17 365 158	44,1%	0,5%
9 Rubber and articles thereof.	14 490 036	13 586 476	-6,2%	0,4%
10 Iron and steel	9 275 641	10 429 753	12,4%	0,3%
11 Special Transaction - Trade.	8 272 801	8 206 525	-0,8%	0,1%
12 Copper and articles thereof	4 224 373	5 243 085	24,1%	0,3%
13 Plastics and articles thereof	2 113 304	2 858 164	35,2%	0,0%
14 Oil seed, oleaginous fruits; misc. grain, seed, fruit etc	3 021 579	2 459 139	-18,6%	0,1%
15 Other made up textile articles; sets; worn clothing etc	3 160 278	2 097 079	-33,6%	0,7%
Top15	324 976 927	368 739 935	13,5%	-
Total	414 429 440	388 062 786	-6,4%	0.1%

Table 3: Top 15 Canadian Imports from India (Canadian dollars)

	1998	1999	Growth	Share in total import from world
1 Articles of apparel & clothing access., knitted or crocheted.	126 466 896	161 390 064	27.6%	8.1%
2 Articles of apparel & clothing access, not knitted/crocheted	136 093 200	145 218 432	6.7%	6.0%
3 Natural/cultured pearls, precious stones & metals, coin etc	56 886 488	71 764 976	26.2%	3.5%
4 Cotton.	67 516 048	67 871 440	0.5%	7.4%
5 Iron and steel	20 271 876	66 517 024	228.1%	1.4%
6 Organic chemicals.	57 741 988	44 740 280	-22.5%	0.9%
7 Coffee, tea, maté and spices.	39 322 404	39 428 920	0.3%	4.4%
8 Other made up textile articles; sets; worn clothing etc	30 713 548	34 931 368	13.7%	4.7%
9 Carpets and other textile floor coverings.	25 379 888	25 671 784	1.2%	3.4%
10 Articles of iron or steel	28 004 012	25 461 524	-9.1%	0.4%
11 Machinery, boilers, mechanical appliances, engines, parts	28 958 036	25 001 934	-13.7%	0.0%
12 Articles of leather; saddlery/harness; travel goods etc	24 435 044	24 804 778	1.5%	3.4%
13 Electrical machinery equip parts thereof; sound recorder etc	25 028 590	24 396 268	-2.5%	0.1%
14 Fish & crustacean, mollusc & other aquatic invertebrate	20 326 584	24 315 160	19.6%	1.6%
15 Footwear, gaiters and the like; parts of such articles.	17 715 744	16 813 180	-5.1%	1.2%
Top 15	704 860 346	798 327 132	13.3%	-
Total	898 601 126	1 015 846 972	13.0%	0.3%

Note: Data are taken from Statistics Canada and India's Ministry of Statistics and Ministry of Finance.