

# Complementarities driving India-Canada relations

Canada and India are two major democracies with deeply shared values. Very few countries in the world can match Canada's potential to be a partner in India's economic transformation. India's new economic environment, characterized as open, predictable, stable, and easy to do business in, is recognized as one of the most competitive in the world. India provides a strong talent pool in the areas of science, technology, and research. India enjoys cost efficiency in manufacturing, and its labour costs are among the lowest in the world.

## THE "INDIA" OPPORTUNITY

India has emerged as the fastest growing economy in the last three years, with a growth rate in its gross domestic product of more than 7 percent. According to the International Monetary Fund, India is likely to grow at consistently higher rates (7 percent) and retain its position as one of the fastest-growing economies till 2020. Around 87 foreign direct investment (FDI) rules across 21 sectors have been eased to accelerate economic growth in areas such as defence, construction, research and

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development, pensions, broadcasting, pharmaceuticals, and civil aviation. Barring a few reserved sectors, 100 percent FDI is allowed through the automatic route in several sectors, without the need for government approval, including automobile manufacturing, food processing, and construction. Today, India is home to more than a thousand research and development centres of multinational corporations.

India is at the threshold of major reforms and is poised to become the third-largest economy of the world by 2030. The government is increasing its infrastructure spending. There are plans to connect Delhi and Mumbai, as well as 24 "smart" cities, with a high-speed railway, in what is touted as the world's largest infrastructure project. Booming start-ups in India are creating jobs and providing employment to millions of millennials.

## TRANSFORMING THE COUNTRY WITH TECHNOLOGY

The Aadhaar project, an initiative of the Unique Identification Authority of India (UIDAI), was started in 2010 with the aim of providing a unique 12-digit identifier, called the Aadhaar number, to India's 1.3 billion people. It is the best example of how modern technology is being used to jump-start the future development and transformation of a country. The government set up the Aadhaar program for two principal reasons: to give everybody a unique ID so that they can participate in the modern economy; and to ensure that the numerous welfare benefits offered to individuals are passed to the intended beneficiaries. Aadhaar provides online fingerprint or iris authentication, which can be done from anywhere. This system can make transactions "presenceless." The move to a cashless economy will be accelerated by Aadhaar-enabled biometric smart phones.

Today, nearly 1.18 billion people have been assigned a unique ID. Smartphone ownership is growing dramatically and is expected to reach a penetration level of 700 million by 2020. With the Reserve Bank of India (RBI) giving licences to more than 20 new banks, the competitive intensity of the financial services sector is set to increase. One can visualize a future where every Indian adult has an Aadhaar number, a smart phone, and a bank account.

Finally, as the Indian economy goes from being data-poor to data-rich in the next few years, the electronic consent aspect of the Aadhaar program will enable consumers and businesses to harness the power of their own data to




Community Conversation with State Bank of India and Consulate General of India in Toronto, February 2017.

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to the hardships of finding a suitable, well-paying job. International students often feel that they are in a disadvantaged position, compared with their Canadian counterparts, when it comes to securing a desirable job. Upon finishing their education and entering the job market, many students experience a change in perception around their job opportunities. The wish to stay in Canada after completing their education has been always a priority for Indian international

students, but the final decision is dependent on their employment prospects.

Students point to a lack of connection and communication between Canadian universities and Canadian employers. They feel that Canadian employers are somewhat hesitant to hire international students; they sense that employers are often discouraged by their accents and lack of Canadian citizenship or PR status. International students also believe that employers do not

understand or appreciate their international experience. The dilemma of needing Canadian experience without being able to gain it is real, and there is a disconnect between international students' expectations and the reality. It is therefore important for Indian students who want to study in Canada to do a cost-benefit analysis and reality check before coming to Canada to fulfill their dreams. 

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get fast, convenient, and affordable credit. The use of digital footprints will bring millions of consumers and small businesses (who are in the informal sector) into the formal economy, with the ability to access affordable and reliable credit.

As an insightful report from Credit Suisse so well explained, there is a \$600 billion market capitalization opportunity waiting to be created in the next 10 years. This will be shared between existing public and private banks and the new banks. It may even go to non-banking platform players, which use the power of data to fine-tune credit risk and pricing, and to make money from customer ownership and risk arbitrage.

The health-care sector and the research sector in India are witnessing a surge of activity and the beginning of what is predicted to be a phase of rapid growth with the convergence of the telecom and health-care sectors. Health is becoming an extremely important paradigm for finding solutions to challenges in India, which could also benefit the entire world. India is experiencing 22-25 percent growth in medical tourism, and the industry is expected to double in size from US\$3 billion to US\$6 billion by the end of 2018.

The education industry in India is expected to grow to US\$144 billion by 2020, from US\$97.8 billion in 2016. With

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762 universities, India has the largest higher-education system in the world, and it ranks second in terms of student enrolment in higher education.

### **COMPLEMENTARITIES THAT WILL DRIVE THE FUTURE OF INDIA-CANADA RELATIONS**

Today, India is the world's largest democracy with 814 million registered voters, compared with 28.5 million voters in Canada. India's needs and Canada's capacities complement each other. India and Canada also have strong complementarities in information technology, energy and infrastructure, manufacturing and technology, higher education, smart cities and urban planning, agriculture and agro-processing, skills development, banking, entrepreneurship (start-ups), and research.

There is a huge demand for hydrocarbons and steel-grade coal in India, and Canada has an abundance of both. India is a big consumer of pulses such as lentils and beans, and Canadian pro-

duction has been increasing to meet part of India's needs. Canadian pulp and newsprint as well as potash find their way to India. Canada is a big market for the kinds of goods that India manufactures for export—from apparel and fabric to carpets, leather articles, gems and jewellery, and pharmaceuticals. While there are well-regarded Indian companies in Canada and well-regarded Canadian companies in India, along with some cooperation in high technology—from nuclear energy to avionics and solar cells—these are still only the beginning. India offers a host of opportunities for Canada's mature pension fund and investment companies.

India-Canada trade is an economic partnership of immense mutual benefit. It is a strategic partnership that can help address many shared global challenges. And it is a relationship nurtured by the emotional bonds of a vibrant Indian community in Canada of 1.3 million people. 