China, India & Alberta

Jagdeep Singh Bachher
Filip Ksiazkiewicz
Ajit Gurtu
Lu Wang

May 6, 2011

China and India have been growing in importance, both economically and politically, for the last several decades. China is expected to be the largest economy in the world sometime in the 2020’s, and India is expected to have the world’s largest population in about twenty-five years. Alberta is the strongest economically performing Canadian province, and a veritable bank vault of natural resources, high tech firms, and growing academic institutions. It is in the interest of all three to develop economic linkages, cultural ties, and collaboration. This paper will explore some of the background on China, India and Alberta, and provide constructive suggestions and examples on how such linkages could be built. We also provide breakout boxes on topics we believe may be of particular interest to readers.
Introduction

Over the last twenty years, the rise of China and India as global powers has been the key development in how the world economy has changed. China is now the second largest economy on earth and India tenth, and both are growing rapidly. Other countries would be wise to hitch their economies to these workhorses. Alberta is in a key position to take advantage of the growth in China and India by building out mutually beneficial economic, research and academic linkages with both countries.

China contributes 15% to global GDP and its economy grows at about 10% a year. It has 1.3 billion people and a highly developed industrial base on its east coast. That said, it does rank 95th on the World Bank list of GDP per capita, meaning that it is still a developing economy. Being a developing economy means several key things: demand for resources while the economy industrializes will be high, growth will not slow down in the near term, and demand for technology and productivity enhancements will increase.

India’s economy is about the same size as Canada’s. India’s strong growth rate, however, will propel it upwards in relative size over the coming years. India, like China, constructs five-year economic plans. It is currently in its Eleventh Five Year Plan, which goes from 2007 to 2012. The plan’s goals are to restructure the economy to achieve faster and broader based growth, improve infrastructure and health services, and build 70 million new jobs. India also aims to house all of its rural poor by 2017 and provide clean drinking water for all by the end of the current Plan.

One thing we can be sure of is that both these economies will undergo growth rates that will propel them into more and more economic power. In some ways, officially Alberta has recognized this, and is making strides in key areas such as research and academic linkages with China and India.

In 2005, the University of Alberta (U of A) established the China Institute, a broad-governed organization with a mission to forge linkages between China-related initiatives and scholarship at the U of A. These linkages would enhance and support research activities between Alberta and China, and develop an enduring friendship. The U of A also has sixty memorandums of understanding with Chinese universities, research institutes and government agencies.

Within India, the Northern Alberta Institute of Technology has opened an office in New Delhi and is making inroads in presenting Alberta as a destination for India’s skilled workforce. The Shastri Institute at the University of Calgary funds research and joins institutions in India and Canada. The size of India’s education sector is expected to double by 2015.
In terms of Alberta's economy, we must ask ourselves why two global powerhouses like China and India would be interested in our province. The first answer is consistent outperformance. Over the last ten years, Alberta has outperformed Canada as a whole in growth in employment, GDP, exports and investment. Investment in Alberta pays.

The second answer is that future potential within the Alberta economy is strong, especially given themes AIMCo believes will play out over the medium to long term. Some of these themes are growth in energy, materials and food demand. Alberta is poised to deliver in these areas.

Alberta is obviously positioned to take advantage of growing energy and resource needs in emerging economies. It will be hard to square the increasing demand for energy and materials with supply, as countries such as Brazil, Russia, India, and China continue industrializing and growing. Alberta’s energy, resource and materials wealth will noticeably help the province’s economic fortunes.

That said, another important factor in looking at the future is Alberta’s diversification away from those same energy and resource industries. The view here is that resource revenues do not last forever and global demand changes patterns. In looking at a diversity success such as Pittsburgh, which grew a thriving high-tech and service economy after the collapse of its steel industry, we see how to branch out future potential.

This potential starts with broadening the economic base and here we note that since 1985, Alberta’s economic diversity has improved markedly, with energy’s share of GDP falling from 36.1% to 23.4% in 2009. Much of this drop was absorbed by growth in finance and business & communication services. There was also an increase in construction and healthcare’s share. This is future-positive.

Further, Alberta’s educational institutions are transforming themselves into world-class, collaborative, and sought-after organizations.

There is more to Alberta than energy and resources. We believe that Alberta is able to provide high quality engineering, technology, clean energy, financial services, infrastructure, and education assets to other economies. Alberta’s economy is getting more diversified and is poised to continue outperforming in an evolving global landscape.
The Fifth Generation Leadership in China

China Leadership will pass into the fifth generation in 2012. The 2012 Politburo Standing Committee, a governing body, will largely focus on economic development, although there may be some different viewpoints and opinions on how to achieve this development. These differing views seem to be expressed through the two individuals likely to take power in 2012.

Xi Jinping and Li Keqiang are the youngest members of the current Politburo Standing Committee and likely to become president and premier in 2012, respectively.

Xi is the son of, Xi Zhongxun, an early Communist revolutionary and a State Councilor, considered to be among the first generation of Chinese leadership. Xi had his leadership in Fujian, Zhejiang and Shanghai, which shows his ability to manage coastal manufacturing regions. However, because of his early years spent as a rural worker during the Cultural Revolution, Xi is believed to deeply understand the conflicts endured within Chinese society and has sympathies for the working class. He may be the best example promoting economic reforms and is seen as having the people’s best interests at heart.

Li was born in a rural county, where his father governed as a local official. Li received his LLB and PhD in Economics from Peking University, a Harvard equivalent in China. He is a former top secretary of the Chinese Communist Youth League and stalwart of the current President’s faction. Li also has held leadership positions in provinces like Henan, an agricultural province, and Liaoning, a heavy-industrial province, affording him a view of starkly different aspects of the national economy. Economics is his specialty, not in itself but as a means to social harmony. In his speech at the 2010 World Economic Forum, he emphasized that China has to go through an economic structural change, which includes developing sustainable growth, green energy and decreasing the income gap.

All fifth generation leaders of the 2012 Politburo Standing Committee are committed to maintaining the Chinese Communist Party’s rule. For the most part they remain dedicated to continuing with market-oriented reform. They will do so gradually and carefully, however, and will not seek to intensify reformist efforts to the point of dramatically increasing the risk of social disruption. Needless to say, a balance will need to be struck between the pursuit of economic liberalization and the re-centralization of controls, to avoid undesirable political side effects.

The fifth generation leadership appears in agreement on China’s broadest economic and political goals, even if they differ on the means of achieving those goals, will be conducive to maintaining the factional balance.
Alberta & China

China is Alberta’s second largest trading partner, with Alberta’s exports mainly consisting of chemicals, plastics, and food. We believe that Alberta is strategically positioned to provide resources, technology, and research to China. In return, Alberta would receive industrial and consumer products, human capital, and the vast financial resources China can provide. If we think about human capital, the sheer population of China, and strides the country has made in educational attainment, would provide opportunities for Alberta’s immigration needs. An interesting depiction of China’s population is displayed in the chart below, where each province in China is shown with its closest country-equivalent in population. For example, the northeastern-most province of Heilongjiang has approximately the same population as Poland.

Chart 1: China’s Provincial Population Country Equivalents

Source: The Economist

On the financial side, China has grown its foreign reserve holdings to the largest in the world and the size of its economy to the second largest in the world. China’s focus has shifted away from accumulating cash and into more strategic areas. Chinese state firms sometimes take positions or obtain contracts with particulars which would not make immediate sense from a financial perspective, but have the effect of strategically providing benefits for China. To think that money alone could sway ones stature, at this point in time in China, would be incorrect – other comparative advantages are needed. So where to start?
The chart above is similar to the chart on the previous page. Each Chinese province is represented by the country most closely matching its GDP level. In Heilongjiang’s case, its GDP is close to the Ukraine’s. This illustrates to us the immensity of China’s economy.

Alberta and China have a close collaboration in the energy industry. China’s rapidly growing demand for resources and high energy and commodity prices foster the Chinese government to encourage Chinese State Own Enterprises to “go-out”. Given Canada’s rich endowment of energy, minerals and other key resources, Chinese enterprises see Canada, in particular Alberta, as a major frontier to satisfy China’s needs. China’s top three oil companies have established offices in Calgary. In 2010, China Investment Corporation placed a $1.23 billion investment in Calgary’s Penn West Energy Trust Corp. A high oil price will support long-term investment in the oil sands and give confidence for further investment from Chinese investors.

To ensure a good investment environment in Alberta, long-term Canada-China relations need, over time, consistent political and economic policies from both sides. From 2005 to 2009, the Canadian government had cool relations with China on the political side, which hurt the economic relation between two countries. Although China invested billions in rich resource countries such as Australia, Brazil, Kazakhstan, Russia and Iran. Chinese investment in Canadian energy were largely absent until the fall of 2009. Since early 2009, the Canadian government changed its China policy and in December 2009, the Prime Minister visited China.
Beijing quickly observed the signal sent by Ottawa. And Chinese investors returned to Alberta. In 2009 and 2010, China’s sovereign fund and other big state-owned companies quickly invested in four projects worth more than $8 billion. Currently, both Canada and China are going through political transitions To the extent that it can, it would be prudent for Alberta to try to influence positive relations with China at the Federal level.

China, or more accurately, the China Communist Party (CCP) has entered a new political episode of group decision making. Absolute power for the president/chairman is now weakening. CCP will go through a leadership transition in 2012. Although the power struggle within the party is complicated, the transition is expected to be smooth. And the status of the CCP will be maintained. New leaders are expected to continually concentrate on economic development.

China has released a new five-year economic plan for 2011 to 2015, and Alberta could take cues from the five year plan and work to create opportunities within the plan for its own economy. Further, besides cooperating with China in energy, Alberta could develop further collaboration with China in technology, R&D, healthcare, agriculture, and clean energy.

In its new five-year plan, China expresses its intention to shift away from inefficient investment and focuses more on ordinary people’s happiness. In the next five years and further, it will change from export led consumption to a domestic led consumption economy. In the new plan, the target for GDP growth falls. In five years, 45 million jobs are planned to be created in urban areas. China will increase social spending on pension programs and health care. Enrollment in urban basic pension programs needs to cover 357 million people, compared to a current 223 million people. Basic health insurance spending is set to increase 3% annually.

Few economies in the world set out clear goals like this. In seeing China’s goals for the next five years, Albertan policymakers and industry should be able to figure out where to position Alberta’s strengths and abilities in order to achieve maximum benefit from doing business in China. In areas as diverse as road construction or medical imaging, Alberta’s opportunities to enter the Chinese market within the framework of China’s five year plan are enormous. Going the other way, China’s interest in Alberta’s resources and capacity to build out those resources will likely not wane.
In the plan, China will move from a reliance on "old" energy, and materials and industries to the creation of a low-carbon/new-materials based economy. Energy intensity of GDP by the end of 2015 will drop from the current 20% to 16%. A new target is set at 17% for the carbon intensity of GDP by the end of 2015; Non-fossil fuel share in primary energy consumption will increase from 8.3% in 2010 to 11.4% by end of 2015.

The plan strives to pursue major scientific and technological breakthroughs, with a target to have 3.3 patents per 10k people by 2015. Expenditure on research and development (R&D) should account for 2.2% of GDP. It plans to promote Strategic New Industries which are: 1) Energy saving and environmental protection (clean energy technology); 2) Next generation IT; 3) Bio-technology (pharmacy and vaccine manufacturers); 3) High end equipment (airplanes, satellites, high-speed rail, power plants, manufacturing technology); 4) New energy (nuclear, wind, solar); 5) New materials (rare earths, Nano-technology, carbon fiber and related); 6) New energy autos and related (electric and hybrid cars, batteries). Again, we note that these goals are clearly set out (and will likely be achieved) so the opportunities for firms who are involved in R&D, bio-tech, high end equipment, new energy, etc. - within Alberta are, frankly, obvious.

The signal from China is very clear. It will rely less on carbon-intense energy and is eager to pursue clean energy and hi-tech industry. Alberta could make strategic moves to feed China's technology needs. One of Alberta's advantages is its rich academic and research endowment from its world renowned universities: University of Alberta, University of Calgary and Grant MacEwan University. University of Alberta has an agreement with China's State Key Labs in cooperation in Nano-technology research, sustainable environment technology and development and joint research in health, energy and environment. Alberta and China also have signed several agreements in cooperation in science and technology fields, such as information and communication technology, life sciences, environmental technologies, advanced materials, energy-related technologies and hi-tech agriculture.

The academic and research links between China and Alberta, starting with the China Institute and the U of A's efforts to engage with China, will pay dividends in the future. China has tripled spending on higher education, to 1.5% of GDP, between 1998 and 2006. In 2007 there were over 5.5 million students in Chinese post-secondary institutes. The U of A’s links with China makes it an attractive destination – there are currently over 2,000 Chinese students at the institution, more than any other nationality except Canadian.

The U of A Association of Chinese Professors has 70 active members. Many of them carry out work in both Alberta and China, much of it funded by the Chinese side. The U of A has more than 30 agreements with Chinese universities and authorities to encourage and exchange research. The U of C has 26 agreements with Chinese universities. One facilitated the establishment of a MBA program at the Beijing University of
Petroleum. The U of C’s Haskayne School of Business has been involved in a joint venture with the Fok Ying Tung Foundation (Hong Kong), in collaboration with Zhongshan University and the Hong Kong University of Science and Technology, to offer executive management training programs for majors in China. Grant MacEwan University has 5 agreements with Chinese universities, colleges and education bodies. Its School of Business has offered three year study tours to China over the past few years and hosts visiting students, researchers and delegations from China.

All this to say, the development of economic and strategic linkages between Alberta and China stretch much further than the obvious answer of oil sands and resources. Academic and research cooperation between the two, the non-energy requirements in China’s new five year plan, and the availability of highly educated immigrants are areas in which Alberta could engage and benefit. China, on the other hand, would add value through doing business in Alberta in both the resource sector, and in participating in Alberta’s numerous high tech, engineering, infrastructure and medical capacities.
**Leveraging China’s Five Year Plan**

Identifying opportunities in China based on the goals of the new five year plan will be one of the keys for success for anyone wanting to do business there. In the new five year plan, China outlines a reduced carbon energy strategy and the desire to grow high tech and clean energy industries. One area where this theme will be particularly prevalent is in construction and infrastructure building, as China’s continuing modernization and expansion continues. For Alberta’s participation in China’s economy, this bears out as opportunities in high-tech, clean energy, and power generation.

Recently, Peabody Energy, the world’s largest private sector coal company, announced a partnership with China Huaneng Group, a Chinese energy company and Calera, a California-based clean technology company. Calera seeks to produce ‘green cement’ to replace currently-used carbon intensive cement in construction. Calera does this with its patented technology carbon conversion and mineralization of carbon dioxide in the form of carbonate and subsequent conversion to building materials.

In its partnership with China Huaneng Group and Peabody Energy, Calera will seek to deploy its technology to convert a percentage of the emissions of a planned 1,200 megawatt high-efficiency power plant and adjacent coal mine into cement and building materials. Khosla Ventures, a large venture capital fund, and AIMCo are supporters of Calera.

Examples such as the above are occurring with increasing frequency in China.

High tech and clean energy companies in Alberta seeking to leverage China’s five year plan will find the country ripe with opportunity and the desire to build out capacity. That these goals are government-led is particularly important in an economy structured such as China’s. In the near future, we believe that there will be superior opportunities in these areas. China is working hard to reduce carbon dioxide emissions and build out clean energy capacity.

**Interest in Alberta**

As China spreads out investments in energy and technology on a global basis, Canada has captured much of its attention. China Investment Corporation (CIC), a large Chinese sovereign wealth fund, has recently opened its first overseas representative office in Toronto. CIC says that the office will serve in deepening business cooperation and relationships with Canadian companies, and exploring investment opportunities in Canada.

Since 2009, CIC’s investments in Canadian firms have exploded. In the summer of 2009, CIC invested $1.5 billion in Teck, a Vancouver-based mining company. This equity stake has since grown to $3.5 billion, making it CIC’s largest single equity holding. CIC recently invested in Penn West Energy Trust, forming a partnership with Trust to develop bitumen assets located in Northern Alberta. CIC also invested in Kinross Gold Corp, and SouthGobi Energy Resources, a Canadian energy exploration company. Some of the largest holdings in CIC are Canadian-based firms.

In a recent interview, Mr Gao Xiqing, CIC’s President and Chief Investment Officer, said that the fund is looking at many other opportunities in Canada, both inside and outside the resource sector, and that his staff “love Canada”.

Leveraging Chinese interest in Canada and Alberta would be constructive in further diversifying Alberta’s economy and export destination base.

China’s continued interest and investments in Alberta may have captured the front page, but India’s attempts to join in on the oil sands sector may soon start to take the spotlight. In February, India sent a high profile delegation to Alberta to tour some oil sands operations. India’s economic expansion means that the country, which imports two-thirds of the crude oil it uses, will need to secure energy supplies well into the future. Alberta is an obvious choice for this goal. This could also be an opening for Alberta-based firms looking to do business in India, as opportunities within the Indian domestic energy market could put Albertans to work.
India and Alberta

India’s opportunities and linkages relative to Alberta differ from China’s. India faces challenges such as low agricultural yields, a place where Albertan expertise in enhanced seeds, inputs and agricultural infrastructure could yield big benefits. India seeks to build out road and rail infrastructure, an area where Alberta’s robust collection of construction and engineering companies could do business. That Alberta’s resources could help with India’s development goes unsaid – crude oil was Alberta’s number one export to India in 2009.

Alberta’s merchandise exports to India constituted a 1.9% share of Asia Pacific region, at CAD 121.6 million for 2009, up 42.3% from 2008. Alberta’s exports to India averaged $98.5 million CAD per year between 2005 and 2009. Primary exports included wheat, machinery, crude oil products, organic chemicals, linens, cement, insecticides, ethylene and electrical equipment.

**Alberta’s Exports to India**

![Graph showing exports to India and the percentage of total exports from Alberta from 1990 to 2010. The graph shows fluctuations in exports and the percentage of total exports from Alberta. The source is AIMCo GTAA & Economics, Datastream.]

If India has an Achilles heel, it would have to be its infrastructure.

If India has an Achilles heel, it would have to be its infrastructure. With the economy powering ahead, indicators of that weakness – like congested ports and airports, potholed roads and power blackouts – are showing up. Improvements are taking place but the need for more is paramount. Without such improvement, development will be limited.

To put this in perspective, India will require US$ 1.7 trillion investment in the next 10-years to modernize urban infrastructure and keep pace with the growing urbanization. A total of 261 projects with a capital investment of US$ 44.59 billion were approved at June end 2010. Investments from institutional investors seem to be the key drivers of funding for most projects, potentially representing avenues for investments in India for Alberta.

The roads sector in India will require investments in the range of US$ 75-90 billion over the next five years. Ports in India are also in need of
A 23% increase in infrastructure projects expected over the next year

The ten-year plan known as Maritime Agenda 2010-2020, intends to develop the capacity of Indian Ports to 3,200 million tons by 2020, 67% of the proposed investments in major ports are envisaged from private industry. Some of the most promising projects for the rapid growth in infrastructure sector include, Dedicated Freight Corridor (DFC), Mass Rapid Transit Systems (MRTS) and ports development. The Government of India is promoting private participation and FDI’s, with a 23% increase in infrastructure projects expected over the next year or so.

![Projected Infrastructure Spending: 2007-2012](image)

Source: GS & Planning Commission

A second Green Revolution in India is inevitable

The large and growing middle class in India is generating enormous demand for a greater quantity, and range, of food products. Increasing agricultural growth is critical not only for India to sustain high population growth rates, but also to move millions out of poverty. India’s agricultural yields are a fraction of those of its more dynamic Asian neighbors. For instance, rice yields are a third of China’s and half of Vietnam’s. India has 60% of its labor force employed in agriculture, which contributes less than 1% of overall growth. At the end of the day a second Green Revolution in India is inevitable. R&D for innovation in agriculture needs to be encouraged. India needs to continue to leverage global technologies to increase yields. Alberta could seek to invest in two separate ways, firstly through investments in the infrastructure associated with farming, and secondly, through R&D collaborations between the educational institutes aimed at developing seeds that produce more but require less resources like land, energy, water and fertilizer. Alberta aims to expand current trade with India in dried peas, canola oil, and beef and livestock genetics. With the target agricultural growth set at 4% in the Eleventh Five Year Plan, the potential for investments seem limitless.

With the target agricultural growth set at 4% in the Eleventh Five Year Plan, the potential for investments seem limitless
Another interesting market opportunity is for Alberta’s food processors. India’s processed food market is currently estimated to be worth US $90 billion and expected to exceed US $350 billion by 2015. This remains a largely untapped market with very few entrants. Although proper infrastructure is lacking, India has experienced unprecedented growth in demand for processed foods, mainly due to changes in food preferences, increased urbanization, a vibrant job market, growing disposable incomes and growth in organized retail. India currently holds the world’s second largest market for processed food. Alberta’s food exports to India are limited to wheat and lentils; with processed food exports in their infancy stage.

Real estate in India has seen strong growth in the last few years. Increasing demand for commercial and residential properties and liberalized policies have lessened the need for permissions and licenses for starting real estate projects. According to a recent report from Ernst and Young\(^1\), India is ranked as the 5th most attractive destination for future real estate investments. The housing and real estate sector which includes Cineplex, multiplex, integrated townships and commercial complexes, attracted cumulative FDI’s worth US$ 9,405 million from April 2000 to January 2011.

The Indian healthcare sector is expected to double its size to US$ 100 billion by 2015 and healthcare costs are expected to eat up 8% of GDP by 2012 (from 5.5% in 2009). An estimated 189 million people in the country will be more than 60 years of age by 2025, implying the need for more healthcare facilities. The rural healthcare sector is also witnessing considerable growth; primary health centers have grown by 84% but could do with more help to keep up with the population growth.

---

The energy sector is another interesting area for potential engagement from Alberta. India’s clean development mechanism (CMD) aims at protecting the environment by reducing carbon emissions. Carbon capture and storage technology being employed in Alberta could be potential energy sector collaboration projects. Ernst and Young ranked India as the fourth most attractive country for renewable energy investment in the World. India has about 1200 potential projects in the pipeline, of which around 750 are renewable-energy-oriented.

### Power Generation Needs - Projected Gap Until 2012

<table>
<thead>
<tr>
<th>Sector</th>
<th>Installed Capacity</th>
<th>Projected Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>58%</td>
<td>42%</td>
</tr>
<tr>
<td>Telecom</td>
<td>27%</td>
<td>73%</td>
</tr>
<tr>
<td>Airport</td>
<td>60%</td>
<td>40%</td>
</tr>
<tr>
<td>Ports</td>
<td>59%</td>
<td>41%</td>
</tr>
<tr>
<td>Roads</td>
<td>49%</td>
<td>51%</td>
</tr>
</tbody>
</table>

Source: Indian Planning Commission

Alberta’s human capital needs could partially be filled by India. Given its high standard of living and safety, Alberta is a top spot for highly educated and skilled Indian immigrants. Alberta could benefit by ensuring a steady flow of skilled workers to fill the shortage of skilled labor in the province. Indeed, Edmonton’s Northern Alberta Institute of Technology established an office in New Delhi to act as a co-ordination center to recruit, train and assist in the immigration of qualified candidates to Canada from the local Indian market. A study from the Petroleum Human Resources Council of Canada predicts occupations in the oil sector will continue to be in high demand in Alberta, leaving a big void which could be filled by immigrants. With the size of the education sector expected to double to US$ 50 billion by 2015, India will need 800 more universities and another 35,000 colleges by 2020. The educational link between India and Alberta is endless.

Alberta already has strong ties with India; there are over 72,000 Albertans of Indian decent and approximately 45 Indo-Canadian organizations existing in the province. The Shastri Institute at the University of Calgary funds research and joins institutions in India and Canada, the institute was founded in 1968 with a grant from the Indian government. In addition, the U of A has agreements with the Indian Institute of Technology Bombay aimed at enhancing research initiatives.
India has six of the top twelve software development centers in the world, and the industry has grown at an average annual rate of approximately 50% per year since the early 90's. Alberta's Information and Communication Technology (ICT) sector would stand to gain by an influx of ideas and investments.

India and Alberta could also join forces through the oil sands, upgrading the oil sands resource in Alberta to manufacture goods such as refined petroleum products and petrochemicals are aspects of Alberta’s hydrocarbon vision for 2020. Several Indian companies have expertise in petrochemical and refining industries, providing opportunities for investment from India. Oil and Natural Gas Corp. (ONGC), India’s largest oil producer, is pursuing efforts to invest in Alberta's oil sands and shale gas resources. They are planning to invest at least $1 billion.

For India’s political landscape, the next national elections are to be held in May 2014, the government is acting in conjunction with the RBI (Reserve Bank of India) to control inflation before the next election. The reliability of government contracts in India is coming into question, mainly due to the 2G scandal. The escalating Maoist insurgency in eastern and central India; along with continuing problems with neighboring Pakistan could impact the political outlook. Tax policy, subsidy reforms, review of financial laws are still areas of concern.
AIMCo’s Experiences in India

From a demographic and economic growth perspective, few countries are in as strong a position as India. As the economy continues to grow at a solid rate, data bears out a burgeoning middle class with ever-larger purchasing power. Much like China has indicated in its new five year plan that growth will shift to being consumer-led; India’s increase in purchasing power to a broader base of its population will likely see a similar move. With a rise in purchasing power comes demand for consumer goods and infrastructure. With 1.2 billion people (2011 census) and incomes growing, especially in larger urban centers, it’s not hard to see that the 65% of Indians under the age of 35 will demand better roads, airports, seaports, and public transit.

With that in mind, it’s hard to envision business and investment opportunities on a world-wide basis more compelling than infrastructure in India. With a projected $1.7 trillion investment requirement in infrastructure over the next ten years, opportunities for Alberta-based firms specializing in engineering, road technology, and power generation are everywhere.

Within this environment, AIMCo sought to identify opportunities in India, making an initial investment in March 2008. The investment was made through the 3i Group, within 3i’s India Infrastructure Fund, which is a $1.2 billion LLP fund that applies 3i’s investment expertise in the rapidly growing Indian infrastructure market. The capital for the fund comes from various investors and 3i’s own capital commitments. In addition, 3i is also the fund manager.

The fund concentrates on the power, ports, road and airports sectors in India, and mainly focuses on minority investments in various projects. The fund is exposed to a portfolio of high-quality infrastructure assets diversified across different stages of the asset life cycle and with a balanced risk profile. Three key investments of the 3i India Infrastructure Funds are Adani Power, developer of a portfolio of power plants across India, Soma Enterprise, an infrastructure developer focusing on build-operate-transfer projects, and Krishnapatnam Port Company which aims to develop, operate and maintain the Krishnapatnam port.

With AIMCo’s overall experience of investing in India being largely positive, potential new avenues of infrastructure investments will be explored. Different Indian infrastructure sectors will require additional sources of private financing in upcoming years, not to mention the knowledge and expertise that Alberta-based firms can bring with them.
In Conclusion

In many different ways – on the investment side, in cooperative economic growth, and in meeting the needs of technology and human capital, Alberta would benefit from stronger links to China and India, and vice versa.

What does this mean? For an institutional investor like AIMCo, we have the opportunity to deploy financial assets into strong growth areas in China and India. For the broader Alberta economy and firms within Alberta, globalization and advances in these countries’ openness to foreign firms means that opportunities are ever-expanding. China and India have clearly identified five-year plans for their own economic development, which include areas in which many Alberta-based firms specialize.

Clean energy, technology, engineering, infrastructure and agriculture/food are all zones within the economies of these countries where we believe Albertans could do business. On the flip side, Chinese and Indian investment in Alberta does not have to be limited to energy and resources.

We remain of the view that cooperation and friendship between Alberta, China and India will be beneficial all around within the context of investment, education, research, and development. We welcome and encourage opportunities and collaboration from these two great countries.