



HOUSE OF COMMONS
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CANADA

**REPORT ON A COMPREHENSIVE
ECONOMIC PARTNERSHIP AGREEMENT
BETWEEN CANADA AND INDIA**

**Report of the Standing Committee on
International Trade**

**Hon. Rob Merrifield
Chair**

MAY 2013

41st PARLIAMENT, FIRST SESSION

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THE STANDING COMMITTEE ON INTERNATIONAL TRADE

has the honour to present its

SEVENTH REPORT

Pursuant to its mandate under Standing Order 108(2), the Committee has studied a comprehensive economic partnership agreement (CEPA) with India and has agreed to report the following:

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REPORT ON A COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT BETWEEN CANADA AND INDIA

INTRODUCTION

On 1 December 2011, the House of Commons Standing Committee on International Trade (hereinafter the Committee) commenced a study on negotiations for a Comprehensive Economic Partnership Agreement (CEPA) between Canada and India. The Committee held hearings in Ottawa from December 2011 to March 2013 in order to obtain input from 42 Canadian stakeholders about the principal issues in these negotiations.

Primarily in response to the lack of progress in reaching a new multilateral agreement at the World Trade Organization (WTO), many countries—including Canada—are turning their attention to bilateral and regional trade liberalization agreements. Consistent with one of its stated foreign policy priorities, Canada has emphasized the strengthening of economic ties with certain countries where Canadian opportunities and interests are perceived to have the greatest potential for growth. In this context, the Government of Canada identified India as a priority market¹ and highlighted market opportunities in India for Canadian companies, including in infrastructure, energy, food, education, and science and technology.²

With an estimated population of 1.2 billion in July 2012,³ India is the largest democracy in the world. India's population is expected to surpass that of China by 2025 because of its higher population growth rate.⁴ India is one of the four BRIC countries: Brazil, Russia, India and China. The BRIC countries are characterized by their relatively significant geographic and population sizes, their potential to become leading forces in the world economy and their high economic growth rates. In terms of this last characteristic, India's estimated gross domestic product (GDP) growth rate in 2012 was 6.0%; the country is also expected to have a high growth rate in each of the next five years, although at an annual rate of less than 10%.⁵

1 Department of Foreign Affairs and International Trade [DFAIT], [Seizing Global Advantage: A Global Commerce Strategy for Securing Canada's Growth and Prosperity](#), March 2009.

2 DFAIT, [Canada-India Relations](#), January 2013.

3 U.S. Central Intelligence Agency, [The World Factbook: India](#), February 2013.

4 United Nations, Department of Economic and Social Affairs, Population Division, [World Population Prospects: The 2010 Revision](#), December 2012.

5 International Monetary Fund, "Gross domestic product, Constant prices, Percent change," [World Economic Outlook Database](#), October 2012.

Canada and India cooperate on a number of bilateral and global issues, including regional security and counter-terrorism, science and technology, and the environment and energy. The two countries also interact on issues of mutual concern through a variety of multilateral forums, such as the G20.⁶ Bilateral relations between Canada and India are supported by a substantial and growing Indo-Canadian community, which is estimated to exceed 1 million individuals.⁷ In 2011, India was the third-largest source country of immigrants to Canada, after the Philippines and China.⁸

This report provides information on the existing trade and investment relationship between Canada and India, identifies the issues that Canadian stakeholders believe should be Canada's priorities in the negotiations for a CEPA between the two countries, and makes recommendations to the federal government.

CANADA–INDIA TRADE AND INVESTMENT ACTIVITY⁹

Canada–India merchandise trade totalled \$5.2 billion in 2012, comprised of \$2.3 billion in Canadian exports to, and \$2.9 billion in imports from, India. Although India was Canada's 15th-largest merchandise trading partner in that year, it is not a major trading partner considering its population size and relatively rapid rate of economic growth.

In 2012, India was Canada's 12th-largest export destination worldwide; it was its 5th-largest in Asia, a region made up of 27 countries. India was also Canada's 20th-largest source for Canadian imports; it was its 5th-largest in Asia in that year.

From 2007 to 2012, the value of Canadian exports to India increased at an average annual rate of 5.6%, compared to 0.2% globally. However, the value of Canadian exports to India fell by 10.4% from 2011 to 2012.

The value of Canadian imports from India increased at an average annual rate of 7.6% over the 2007 to 2012 period, compared to 2.6% globally. From 2011 to 2012, the value of Canadian imports from India increased by 12.7%.

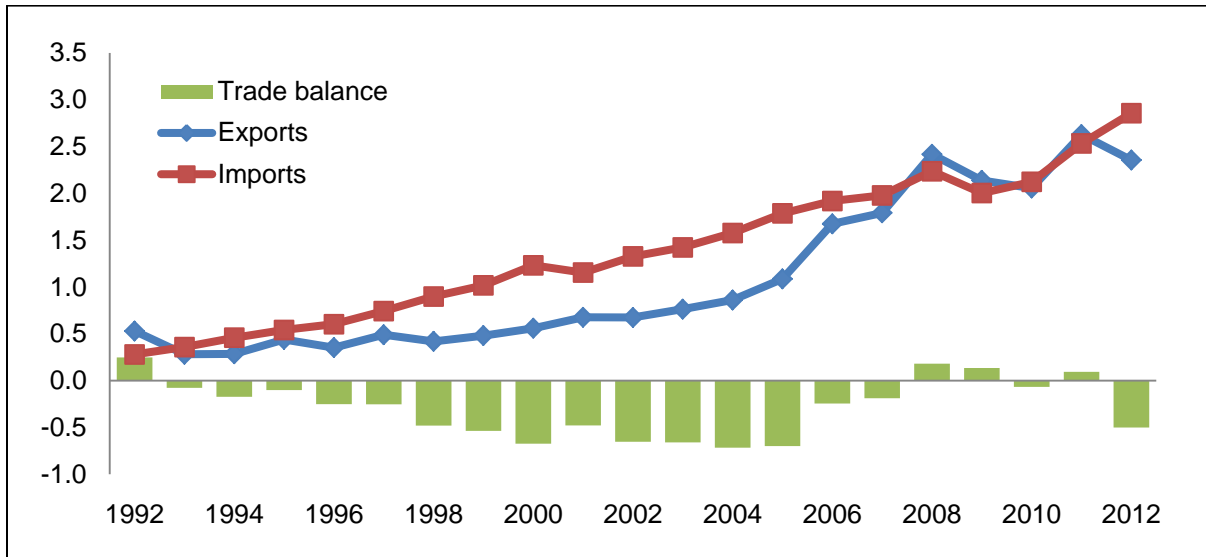
6 DFAIT, [Canada–India Relations](#), January 2013.

7 Ibid.

8 Citizenship and Immigration Canada, [Facts and Figures 2011 – Immigration Overview: Permanent and Temporary Residents](#), October 2012.

9 The data presented in this section are based on annual data from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance-of-payments-based.

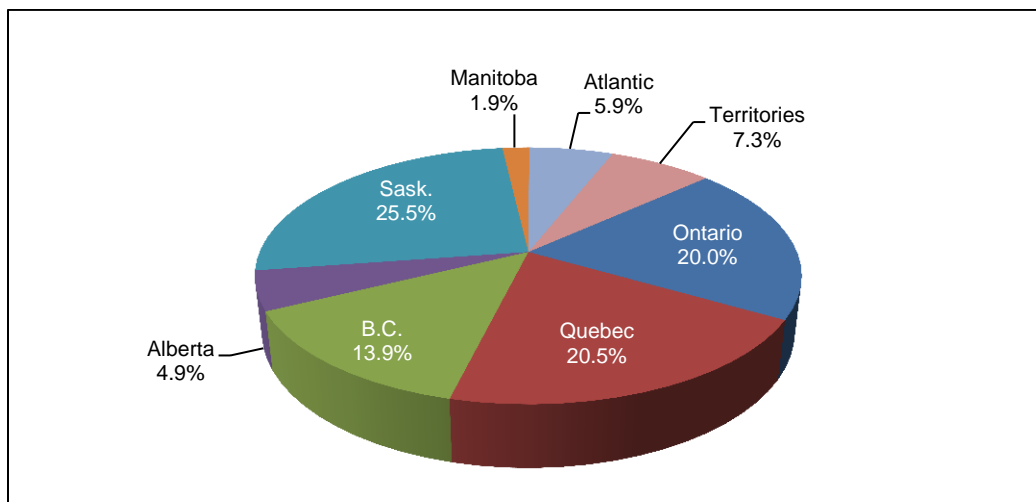
Figure 1 — Value of Canada’s Merchandise Trade with India, 1992–2012 (\$ billions)



Source: Figure prepared based on Statistics Canada data.

In 2012, the provinces of Saskatchewan, Quebec and Ontario had the highest-valued merchandise exports to India, with exports to that country totalling \$601.5 million, \$485.0 million and \$471.7 million respectively.

Figure 2 — Canada’s Merchandise Trade with India, by Province/Territory, 2012



Source: Figure prepared based on Statistics Canada data.

In 2012, Canada was a net exporter of resource-based products to India, and a net importer of manufactured products from that country.

**Table 1 — Top Canadian Exports to, and Imports from, India, 2012
(\$ millions)**

Exports		Imports	
Product	Total	Product	Total
Leguminous Vegetables - Dried and Shelled	504.4	Medicaments - Measured Doses or Packed For Retail Use	148.5
Helicopters, Airplanes and Spacecraft	270.3	Non-Crude Petroleum Oils and Oils Obtained from Bituminous Minerals	113.1
Diamonds	175.0	Articles of Jewellery	107.6
Newsprint - Rolls or Sheets	173.3	Diamonds	98.8
Coal and Solid Fuels Manufactured from Coal	160.7	Linen	96.8

Source: Statistics Canada.

Although services make a significant contribution to the Indian and Canadian economies, bilateral trade in services in 2010—the latest year for which data are available—was only \$1.2 billion, comprised of \$446 million in Canadian exports to, and \$722 million in imports from, India.

In 2011, Canadian direct investment in India totalled \$587 million, making it the 40th-largest destination for Canadian foreign investment. In contrast, Indian direct investment in Canada was \$4.4 billion in that year, the 13th-largest source of foreign investment in Canada.

NEGOTIATIONS FOR A CANADA–INDIA CEPA

The negotiation process

Discussions between Canada and India regarding formal and binding commercial treaties began in July 2007, when responsible ministers from both countries announced the desire to sign and ratify a Foreign Investment Promotion and Protection agreement (FIPA). However, a FIPA between Canada and India has not yet been signed.

In November 2009, Canada and India announced the creation of a Canada–India Joint Study Group, which was composed of Indian and Canadian officials, to explore the possibility of a CEPA. Economic analysis conducted by Canada determined that

substantial and symmetrical gains would be achieved through the elimination of barriers to trade between Canada and India, with estimated GDP gains of 0.4% for Canada and 0.5% for India totalling approximately C\$6 billion for each country. Economic analysis conducted by India, which used different assumptions, estimated gains totalling approximately US\$12 billion for India and US\$15 billion for Canada.

The Joint Study Group concluded its work by indicating that, because there was enough common ground, it could recommend that Canada and India move forward with the negotiation of a CEPA.¹⁰ Negotiations between Canada and India were officially launched on 16 November 2010. Since then, seven rounds of negotiations have taken place.

The Government of Canada's chief trade negotiator for the Canada-India CEPA (hereinafter Canada's chief trade negotiator) told the Committee that negotiations for a CEPA between Canada and India are a high priority for the Government of Canada; instructions to complete negotiations by the end of 2013 have been given.¹¹ The Committee was also told that, partly because India conducts trade negotiations with a very small team, the rounds of negotiations with India will be shorter, more focused and more frequent than is usually the case.¹² In this regard, John Harriss (Professor and Director, School for International Studies, Simon Fraser University) noted:

One of the problems that must be faced in these talks is that the bureaucratic capacity in India for conducting trade negotiations is pretty limited. My colleagues talk to me of India turning up at major trade talks with three people, when the Chinese, for instance, come along with 50 people. There are limitations of bureaucratic capacity, and at the moment I think India's priorities are to conclude trading agreements with Southeast Asia and to get through the long-running trade talks with the European Community.¹³

Scope of a potential CEPA

The Committee heard a range of testimony regarding the scope of a potential Canada-India CEPA. Suresh Madan (Champion, Canada Chapters, Member, Global Board of Trustees, The Indus Entrepreneurs) welcomed the progress that has been made to date at the negotiating table and said that an agreement should be concluded as soon as possible based on the points on which both parties currently agree, with outstanding issues addressed in subsequent negotiations.¹⁴

According to Jason Langrish (Senior Trade Advisor, Canada-India Business Council), all trade agreements are not the same: they reflect, among other things, the

10 Ibid.

11 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

12 DFAIT, [Evidence](#), Meeting N^o.16, 1st Session, 41st Parliament, 1 December 2011.

13 John Harriss, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

14 Suresh Madan, [Evidence](#), Meeting N^o. 64, 1st Session, 41st Parliament, 25 February 2013.

scale of the trade and investment relationship between the two parties as well as the institutional linkages between them. Therefore, it is to be expected that a possible Canada–India CEPA would not be as comprehensive as a possible trade agreement between Canada and the European Union, for instance.¹⁵

The Canadian Chamber of Commerce noted that a Canada–India CEPA should be “a comprehensive, balanced and high-quality agreement that will ensure long-term, real market access for Canadian exporters of goods and services, while also duly recognizing sensitivities. A limited agreement could swiftly lose relevance to both countries’ business communities and may need to be updated less than a decade after its conclusion.”¹⁶

While some witnesses expressed their hope that the CEPA negotiations will lead to a comprehensive and ambitious agreement, others argued that the parties should reduce their expectations and be realistic about the content of a potential agreement. In this regard, Rahul Shastri (National Convenor, Canada India Foundation) voiced concern about the apparently slow progress of the negotiations to date and the possibility that the negotiations will lead to an agreement with a limited scope.¹⁷ John Harriss shared this concern, noting that it will be very difficult for Canada and India to conclude anything other than a shallow agreement.¹⁸

Canada’s recent approach to free trade negotiations has been to negotiate three separate but linked agreements: the free trade agreement and parallel agreements on labour cooperation and the environment. In the context of negotiations for a Canada–India CEPA, Canada’s chief trade negotiator told the Committee that, while Canada will pursue adherence to international standards for labour and environment protection, India has—in the past—resisted the inclusion of labour and environmental measures in international trade agreements.¹⁹ In speaking about the environment, John Harriss pointed out that India has historically resisted environmental regulation, and that the implementation of federal environmental legislation by Indian state governments has been problematic.²⁰

John Harriss also commented on labour rights in India, and highlighted some of the challenges that the country is facing. In particular, he spoke about the difficulty of controlling child labour, the significant increase in the employment of contract workers,

15 Jason Langrish, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

16 Canadian Chamber of Commerce, “Canada-India: The Way Forward,” Submission to the House of Commons Standing Committee on International Trade, 27 March 2013.

17 Rahul Shastri, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

18 John Harriss, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

19 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

20 John Harriss, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

whose labour rights are practically non-existent, and the problems faced by organized labour because of “political fragmentation”.²¹

TAKING ADVANTAGE OF INDIA’S ECONOMIC POTENTIAL

India: A future economic superpower

From a historical perspective, India’s position along traditional trade routes, its large population and its densely populated regions made the country’s economy a significant contributor to the world economy until the 19th century. However, this role diminished over time as India’s modernization efforts lagged those of other countries. India’s rapid modernization in recent years and its gradual adoption of market-based principles led several of the Committee’s witnesses to argue that India has once again become a significant contributor to the world economy and that Canada should take steps to take advantage of India’s economic potential.

According to Canada’s chief trade negotiator, India is projected to have the world’s fourth-largest economy by 2025 and the third-largest by 2050. Moreover, India has already established itself as a key player in global value chains, and its middle class has between 150 million and 250 million people. On that basis, they indicated that India is a priority market for commercial engagement with Canada.²²

A number of witnesses pointed out that business opportunities, both now and in the near future, are vast. Satish Thakkar (appearing as an individual) noted:

For instance, in telecommunications, there are more than 500 million cellphone subscribers, with an additional 10 million to 15 million added every month. In infrastructure, India plans to spend \$1 trillion on infrastructure in the near future. In education, India needs more than 1,000 new universities and 50,000 vocational colleges to cater to its growing needs.²³

Gian Dhesi (President, Pacific Exotic Food Inc.) also emphasized the existing business opportunities in India, and highlighted that—between 2006 and 2011—consumer spending in India increased from US\$ 549.0 billion to US\$ 1.1 trillion, with 250 million people expected to join India’s workforce by 2030.²⁴

Witnesses also commented on India’s economic growth. John Harriss, for example, mentioned that “India is not likely, actually, to sustain the sorts of rates of growth it hopes for.”²⁵ That said, others were more optimistic about India’s growth prospects and the

21 Ibid.

22 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

23 Satish Thakkar, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

24 Gian Dhesi, Brief submitted to the House of Commons Standing Committee on International Trade, 1 March 2013.

25 John Harriss, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

opportunities available to foreign businesses. At present, many countries are pursuing deeper economic and diplomatic relations with India and Canada's chief trade negotiator noted that India has negotiated free trade agreements with several countries or groups of countries, including Chile, the Association of Southeast Asian Nations, South Korea and, most recently, Japan. In addition to Canada, India is currently involved in negotiations with New Zealand, Australia and the European Union.²⁶

Canada's brand in India

The Committee's witnesses were in agreement about the economic opportunities in India and about the need for Canada to take advantage of them. However, their opinions regarding Canada's brand in India were more varied.

According to Eugene Beaulieu (Professor of Economics, University of Calgary), when India started to liberalize its economy, it began to increase trade with neighbouring countries; Canada was not often considered by Indian policy makers and business people. Although the situation is changing, and India is now pursuing trade and investment agreements with a number of countries, he believed that Canada is still not a priority for India.²⁷

Similarly, Canada's chief trade negotiator confirmed that Canada's brand is weak in India. Reasons for this weakness include the geographical distance between Canada and India, and the number of countries that are seeking commercial relations with India. From India's perspective, Canada may be viewed as an "expensive option."²⁸

Rahul Shastri told the Committee that the limited trade between Canada and India is not defensible given the countries' commonalities, such as the English language, similar judicial systems and Canada's large Indo-Canadian community.²⁹

The role that the Indian diaspora in Canada could play in enhancing trade relations between Canada and India was raised by a number of witnesses. According to them, the presence in Canada of more than one million Canadians of Indian origin is a considerable asset for Canada, especially as members of this diaspora are—to an increasing extent—politically and economically engaged. Pradeep Sood (Chief Executive Officer, Starling Corporation) argued that Canadians of Indian origin need to be consulted more frequently in order to take advantage of their knowledge and their networks. He indicated that:

I've always believed, concerning our failure to take advantage of the more than one million Canadians of Indian origin in Canada: this is where the diaspora would be extremely helpful.

26 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

27 Eugene Beaulieu, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

28 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

29 Rahul Shastri, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

The diaspora networks could be extremely helpful in making Canadians understand how the system works, how it can be most useful and productive, and how success can be achieved in the shortest length of time.³⁰

Witnesses noted that the Indian diaspora in Canada is all the more useful given the importance of interpersonal relationships in doing business in India. In this regard, Eugene Beaulieu noted that studies show that a large diaspora in a host country can stimulate trade and investment with the country of origin because of the existing networks.³¹

The Committee was told that, in addition to the Indian diaspora, Canada has other assets that could help Canadian exporters and investors penetrate the Indian market and attract the attention of the Indian government. In noting that Canada and India share many socio-economic and political traits, Satish Thakkar said:

They are both parliamentary democracies and pluralistic societies that are governed by the will of the people. Both are knowledge-based economies that are based on a perennially expanding services sector. Both societies and economies have complementarities which, if harnessed properly, will lead to integration of bilateral relations.³²

To some witnesses, energy and food resources are Canada's most important assets given the demand in India for these resources. According to Yuen Pau Woo (President and Chief Executive Officer, Asia Pacific Foundation of Canada), India turns to Canada when seeking trade, help and expertise in relation to the food and energy sectors.³³ Other witnesses confirmed that, in terms of food and energy security, Canada's brand in India is very positive.

The Committee's witnesses urged the government and Canadian businesses to build on these strengths, as well as on other strengths—including product quality and technological capabilities—for which Canada is known in India. Vikram Khurana (Founder and Chief Executive Officer, Prudential Consulting Inc.) argued that these strengths allow Canada to have a good reputation in India: "Look at energy and mining, and nuclear technology. [Canada was] the original [supplier] of the CANDU technology to India, which has since been reworked and improved upon by some of the Indian innovations. Look at infrastructure. Obviously, SNC-Lavalin is one of our great companies, and ACORN International is doing a fair amount."³⁴

In addition to relying on the strengths for which Canadians are known in India, Todd Winterhalt (Vice-President, International Business Development, Export

30 PradeepSood, [Evidence](#), Meeting No. 64, 1st Session, 41st Parliament, 25 February 2013.

31 Eugene Beaulieu, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

32 Satish Thakkar, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

33 Yuen Pau Woo, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

34 Vikram Khurana, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

Development Canada) advised Canadian businesses wanting to take advantage of opportunities in India to “establish a local presence, ... be willing to adapt their products and business models to Indian norms, and ... show that they are committed to staying for the long term.”³⁵

BARRIERS TO CANADA–INDIA TRADE AND INVESTMENT

Despite Canada’s trade opportunities in India, challenges remain with regard to market access. In its report, *Doing Business 2013*, the World Bank ranked India 132nd out of 185 countries for ease of doing business and 184th for enforcing contracts.³⁶

In addition to customs duties, which are relatively high for some products exported to India, witnesses noted several technical barriers to trade faced by Canadian exporters and investors wishing to enter the Indian market. These barriers relate to sanitary and phytosanitary issues in agricultural trade, a lack of consistency in the enforcement of regulations, considerable red tape that causes delays, and the complexity of the federal system.

Tariff barriers

The Committee was told that India applies relatively high tariffs on most imported goods. Canada’s chief trade negotiator noted that India’s average tariff rate is around 9%.³⁷ In terms of products of interest to Canada, in 2009, India’s tariffs were: 10% for fertilizers, chemicals, wood products, pulp and paper, and helicopters; 30% for fish and seafood; and between 30% and 50% for pulses,³⁸ although they currently enter the Indian market duty-free under a temporary measure.³⁹

Canada’s exports of pork to India were highlighted as one area in which tariffs in relation to food and food products can be quite high. As explained by Jacques Pomerleau (President, Canada Pork International), an import duty of 37% is applied on Canadian pork exported to India, to which a value-added tax of 5% on raw meat or 12% on processed meat is added; thus, the tariff on pork could be as high as 49%.⁴⁰

According to witnesses, agriculture is a sensitive issue in India, given that 52% of India’s workforce depends on agriculture, compared with 2% in Canada. Moreover, as Canada’s chief trade negotiator pointed out, “This is not farming in the way a Canadian

35 Todd Winterhalt, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

36 World Bank, [“Ease of Doing Business in India.”](#) *Doing Business 2013*, 2013.

37 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

38 While pulses are a part of the legume family, the term “pulse” refers only to the dried seed. Dried peas, edible beans, lentils and chickpeas are the most common varieties of pulses.

39 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

40 Jacques Pomerleau, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

thinks about farming. This is subsistence farming, in very large measure, so they're extremely sensitive to price fluctuations, to market prices, and to the cost of inputs. India has to manage their agricultural trade very carefully."⁴¹

Jean-Michel Laurin (Vice-President, Global Business Policy, Canadian Manufacturers & Exporters) noted that India's relatively high tariff rates are a barrier to Canadian manufacturing businesses wanting to export their products to India, particularly in the automotive, aerospace and food processing sectors.⁴²

Non-tariff barriers

Bureaucracy and corruption

The Committee was told that non-tariff barriers in India are at least as problematic as tariff barriers for Canadian exporters and investors; particular mention was made of the administrative burden of non-tariff barriers. Witnesses also highlighted the lack of transparency and consistency in the enforcement of regulations, and the long delays in obtaining permits and approvals. For example, Todd Winterhalt said:

Certainly, what we encounter most often, and what we see our Canadian clients faced with most often, are things like the bureaucracy. That is, as I mentioned, endemic in terms of trying to obtain permits to conduct business. In particular sectors, it is particularly challenging, infrastructure investment, for example, or resource development in India, or things surrounding real estate development. Anything that has a land element to it is very challenging in terms of working through the Indian bureaucracy. The time and expense that are required to get to an outcome, to get a permit, is certainly something that's a disincentive to Canadian companies, be they exporters or investors.⁴³

According to witnesses, customs procedures do not seem to be immune to this administrative burden. Rahul Shastri said that Canadian exporters expend considerable resources in completing the paperwork required for goods to enter the Indian market, and that the paperwork is particularly burdensome for small and medium-sized businesses.⁴⁴

As well, the Committee was informed that corruption is a barrier that continues to prevent a portion of government spending in India from reaching the intended beneficiaries; this reality may deter some Canadian companies from investing in India. According to Sachin Mahajan (Managing Director, Mergers and Acquisitions, Canaccord Genuity Corp.), the "parallel economy" in India, where cash is the predominant method of payment, is a significant impediment for Canadian companies hoping to enter the Indian market.

41 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

42 Jean-Michel Laurin, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

43 Todd Winterhalt, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

44 Rahul Shastri, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

Witnesses also spoke to the Committee about the need for Canadian companies to be patient when trying to establish partnerships in India, and to understand and respect the business culture. That said, a number of initiatives implemented by the Indian government to deal with bureaucracy and corruption were highlighted. Pierre Seïn Pyun (Vice-President, Government Affairs, Bombardier Inc.) confirmed the existence of reforms and greater openness to foreign companies in specific sectors, such as retail, aerospace and insurance. He also mentioned that discussions are underway regarding the creation of a committee composed of a number of Indian ministers that would have the ability to expedite some of the large-scale infrastructure and industrial projects in the country.⁴⁵

Inadequate infrastructure

According to a number of witnesses, India's economic growth is restricted by the poor condition of some of the country's infrastructure. They argued that improvements in road quality and energy supply in particular are required.

For example, the Committee was informed that the state of India's infrastructure is a particular problem for the transportation of goods entering India and for distribution once there. The challenges of food distribution in India clearly illustrate this reality. According to Yuen Pau Woo, the lack of distribution centres and supermarkets, the lack of refrigeration and the poor condition of the country's roads mean that a significant portion of food cannot be consumed once it arrives at its destination, as it has spoiled. While the situation is challenging for Canadian exporters, he pointed out that needed improvements in India's infrastructure are also an opportunity for other Canadian businesses with experience in food transport and logistics.⁴⁶

Sanitary and phytosanitary measures

Witnesses told the Committee that sanitary and phytosanitary measures related to agricultural trade with India are significant barriers for Canadian exporters. For instance, the complexity of Indian standards and the lack of consistency in their application at different entry points in the country require Canadian exporters to expend considerable effort on issues that are simply formalities in other markets. In this regard, Gordon Bacon (Chief Executive Officer, Pulse Canada) noted:

Canada's largest pulse trade challenge with India over the last nine years has been related to a sanitary and phytosanitary issue. This issue, at times, has stopped the loading and unloading of Canadian vessels. It has cost Canadian exporters hundreds of thousands of dollars on single shipments that had to be diverted after leaving Canada to be fumigated in third countries.⁴⁷

45 Pierre Seïn Pyun, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

46 Yuen Pau Woo, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

47 Gordon Bacon, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

Jacques Pomerleau noted that Canada's pork industry and the Canadian Food Inspection Agency have had difficulty getting their Indian counterparts to negotiate a practical export certificate for Canadian pork products. That said, he told the Committee that, since the announcement of negotiations for a Canada–India CEPA, Indian veterinary authorities have been more open to negotiating such a certificate.⁴⁸

Investment initiatives⁴⁹

The Committee was informed that an important element of the economic relationship between Canada and India is direct investment. According to witnesses, considering India's economic growth and major projects to improve the country's infrastructure, India could be an attractive market for Canadian investors; however, the existence of some barriers prevents investors from experiencing the full benefits of these opportunities. For example, concerns exist in relation to India's legal framework, particularly the enforcement of agreements in that country in the event of contractual disputes. Baljit Sierra (President and Chief Executive Officer, NOVO Plastics Inc.) summarized the challenges of the Indian legal framework, stating that:

[A]s a Canadian company, we've encountered some issues, first in negotiating very straightforward [non-disclosure agreements] or confidentiality agreements, or manufacturing agreements. But when you get to a dispute arbitration clause, we often have to pick a third party neutral country as the jurisdiction, because ... we want to stay out of the Indian court system. It tends to get bogged down and it's not conducive to expedited business in that country.⁵⁰

Regarding the Indian legal system, Todd Winterhalt noted that a court decision in India on a trade dispute can sometimes take up to 10 years.⁵¹

Another barrier relates to restrictions on Canadian portfolio investments that are made directly in India. The Committee was told that restrictions on taxation and approvals from the Reserve Bank of India make this type of investment particularly complicated in India. Furthermore, as Suresh Madan noted, Canadians' inability to buy Indian securities directly creates a significant barrier for Canadian investors.⁵²

Representatives of the life and health insurance sector highlighted India's foreign equity limit of 26% for foreign life insurance providers that want to enter into joint ventures with Indian-owned companies. The Committee was also told that the Indian government

48 Jacques Pomerleau, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

49 In conjunction with the negotiations for a CEPA, Canada and India are also negotiating a foreign investment promotion and protection agreement (FIPA). The latter is expected to set out the rights and obligations of the signatories respecting the treatment of foreign investment.

50 Baljit Sierra, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

51 Todd Winterhalt, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

52 Suresh Madan, [Evidence](#), Meeting N^o. 64, 1st Session, 41st Parliament, 25 February 2013.

recently introduced a bill that would raise the foreign equity limit to 49%, a change that is supported by Canada's life and health insurance sector.⁵³

Finally, witnesses voiced concerns about the opaque nature of land acquisition, land title and land registry services in India. For example, Jas Ghuman (appearing as an individual) and Gian Dhesi explained to the Committee that corruption was particularly problematic when foreigners try to acquire and maintain land in India.⁵⁴ In Gian Dhesi's view, a single-window system should be established to facilitate the land acquisition process for foreign investors.⁵⁵

The complexity of India's federal system of government

The Committee was informed that Canadian companies wanting to do business in India face challenges related to the complexity of India's system of government. For instances, power is divided among the central government and 28 states and 7 union territories. While the central government has jurisdiction in areas such as the conclusion of treaties and international trade, the Indian Constitution gives numerous powers to Indian states in areas that have an impact on trade and investment, such as agricultural land rights.

According to witnesses, the regulation of business varies from state to state, and is the main barrier resulting from India's system of government. That said, Canada's chief trade negotiator told the Committee that—in the event that a Canada–India CEPA is signed—the obligations that are being negotiated with India's central government would apply to the states.⁵⁶

Jan Wescott (President and Chief Executive Officer, Spirits Canada/Association of Canadian Distillers) described the difficulties that varying state-level requirements can create for distributing alcoholic products in India, stating:

Some states require a liquor licence simply to transport product through the state, even if the product never enters that state's local markets. Some state-owned liquor monopolies' listing policies are so opaque that importers are never informed of why a listing has been denied. Elimination of state-level non-tariff trade barriers is essential in order to achieve real market access for Canadian spirits.⁵⁷

53 Canadian Life and Health Insurance Association Inc., Submission by the Canadian Life and Health Insurance Association to the Standing Committee on International Trade for its Study of the Canada–India Comprehensive Economic and Partnership Agreement, 17 January 2013.

54 Jas Ghuman and Gian Dhesi, [Evidence](#), Meeting N^o. 66, 1st Session, 41st Parliament, 4 March 2013.

55 Gian Dhesi, [Evidence](#), Meeting N^o. 66, 1st Session, 41st Parliament, 4 March 2013.

56 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

57 Jan Wescott, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

A number of witnesses said they hoped that a CEPA could overcome the impact of interstate barriers in India; in the meantime, however, it is important for Canadian companies to understand India's regional disparities and the need to adapt their approach accordingly in order to be successful in this market. Similarly, the Committee was reminded that foreign enterprises need to engage Indian states, particularly considering the recent desire of Indian states to assert themselves politically and economically. The state of Gujarat was used as an example of an Indian state that has done well economically and has shown initiative in attracting foreign investment.⁵⁸

EXPECTED BENEFITS OF A CANADA–INDIA CEPA

Overall impact

While the Committee's witnesses identified some specific business opportunities that a Canada–India CEPA could provide, they also argued that such an agreement could help to deepen political and economic ties in the long term between the two countries, and could provide the impetus needed to increase bilateral trade so that it more accurately reflects the size of both countries' economies.

Suresh Madan said that a Canada–India CEPA would benefit both countries, especially as they have much in common: "We are parliamentary democracies, pluralistic societies, and knowledge-based economies, with high contributions to GDP by the service sector, a combination that you don't see in many other countries. [A] CEPA will benefit both countries [...]."⁵⁹ In this regard, Jean-Michel Laurin said that he hopes that the Government of Canada will continue to seek closer and deeper political and economic ties with India beyond the conclusion of a CEPA.⁶⁰

Naval Bajaj (President, Indo-Canada Chamber of Commerce) shared his view that the establishment of closer economic ties between India and Canada would serve as a gateway for Canadian companies to the entire South Asian market, which is experiencing rapid economic growth. Similarly, access to the Canadian market could create opportunities for Indian companies in the North American market.⁶¹ Pierre Seïn Pyun confirmed that Bombardier Inc. plans to use India as an export base for the region, particularly for Southeast Asia.⁶²

Although India recently concluded CEPAs with South Korea and Japan, Canada's chief trade negotiator told the Committee that it has not entered into agreements with a number of the countries with which Canada competes in the global marketplace, including

58 Rahul Shastri, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

59 Suresh Madan, [Evidence](#), Meeting N^o. 64, 1st Session, 41st Parliament, 25 February 2013.

60 Jean-Michel Laurin, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

61 Naval Bajaj, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

62 Pierre Seïn Pyun, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

the United States.⁶³ In concluding a CEPA with India, they said that Canada would benefit from being the first in the market; if Canada does not take advantage of this opportunity, others will do so.⁶⁴

That said, some witnesses sought to reduce expectations regarding the benefits of a CEPA between Canada and India, and expressed the opinion that while a Canada-India CEPA would result in benefits for both countries, it is equally important that businesses take advantage of opportunities to establish deeper, long-term relationships in India. Jason Langrish argued that, although governments can help businesses in terms of market access and interstate relations, it is ultimately up to businesses to take advantage of available opportunities.⁶⁵

Similarly, John Harriss stated: “To do business in India requires a lot of work in building personal contacts ... [b]uilding personal relationships – there ain’t no substitute for that.”⁶⁶ He also noted there would be many benefits for Canada in increasing trade with India.⁶⁷

Witnesses expressed their satisfaction with the services provided by the Canadian Trade Commissioner Service, which supports Canadian exporters and investors seeking to access the Indian market. That said, the Committee was told that allocating more resources to assist Canadian exporters and investors in India could help to develop further Canada’s brand in that country.⁶⁸

Merchandise trade and government procurement

The Committee was told that Canada’s largest exports to India are pulses and fertilizer, especially potash. Consequently, the tariffs that apply or that could be applied on those exports in the future are of great importance to Canada. Canada’s chief trade negotiator confirmed that reducing tariffs on these products is a basic objective of the Canadian negotiating team in the CEPA negotiations.⁶⁹ In that regard, Don Stephenson said:

The elimination of tariffs therefore could generate substantial opportunities for Canadian producers and exporters in a wide range of economic sectors. As well, we believe there are opportunities for Canadian workers and companies in the services sector, where 80% of new jobs in Canada are created today. More specifically, Canadian companies and their

63 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

64 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

65 Jason Langrish, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

66 John Harriss, [Evidence](#), Meeting N^o. 65, 1st Session, 41st Parliament, 27 February 2013.

67 Ibid.

68 Rahul Shastri, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

69 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

employees would stand to benefit from further liberalization of the Indian market in many sectors⁷⁰

Citing a study by the National Council of Applied Economic Research, Ron Bonnett (President, Canadian Federation of Agriculture) told the Committee that the percentage of middle-class consumers in India's total population will increase from the current level of 13.1% to 20.3% by 2015–2016, and to 37.2% by 2025–2026. According to him, India's growing middle class will create an increased and diversified demand for food and food products, and increased market access opportunities for Canadian producers.⁷¹

In this context, the Committee was informed that permanent elimination of import duties and the establishment of a mechanism to address market access issues would increase trade opportunities for Canadian exporters wanting to export food and food products to India. Jason Langrish said that all regions of Canada could benefit from these new opportunities because of the diversity of food and food products that India now needs and will need in the future to address its demographic and economic growth.⁷²

Regarding forest products, David Lindsay (President and Chief Executive Officer, Forest Products Association of Canada) commented that demand for newsprint in India is expected to increase by about 8% annually over the next few years. The use of dissolving pulp to create rayon and other fabrics is another promising sector in India. According to him, a CEPA with India would allow Canadian businesses to take better advantage of opportunities in that country, given the tariffs that are currently applied on Canadian exports of value-added forestry products to India.⁷³

Jean-Michel Laurin told the Committee that increased market access for industrial goods in India is a priority for the Canadian manufacturing sector, given the relatively high tariffs that are undermining the competitiveness of Canadian businesses in India, particularly in the automotive and aerospace sectors.⁷⁴ Regarding the manufacturing sector, Zhan Su (Professor, Director of Stephen A. Jarislowsky Chair in International Business, Laval University, appearing as an individual) indicated that India's manufacturing activities continue to be modest and—in context of the CEPA negotiations—should not be perceived by Canada's manufacturing sector as a threat.⁷⁵

Other witnesses expressed a different point of view, suggesting that lower wages represent an important competitive advantage for India and that increased trade through a Canada–India CEPA could result in workers being displaced in Canada. Eugene Beaulieu

70 Ibid.

71 Ron Bonnett, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

72 Jason Langrish, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

73 David Lindsay, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

74 Jean-Michel Laurin, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

75 Zhan Su, [Evidence](#), Meeting N^o. 70, 1st Session, 41st Parliament, 27 March 2013.

explained that, “[o]n actual employment effects, it's fairly dubious to make arguments that a [Canada–India CEPA] is going to generate jobs.”⁷⁶ Furthermore, he said that “[i]n the shorter run, it could lead to some transitional effects where some people are laid off from some firms and other firms are hiring to expand.”⁷⁷

The complexity of value-added trade was also highlighted by witnesses, who argued that there may be important opportunities for Canadian sectors farther up the value chain. According to Ailish Campbell (Vice President, Policy, International and Fiscal Issues, Canadian Council of Chief Executives): “We're doing very well in some of these high value-added components of the manufacturing value chain across this entire country.”⁷⁸ That said, she also stated that, in the context of a significant skills shortage in Canada, “[w]e must do better about getting Canadians into those jobs and training Canadian workers.”⁷⁹

Given the integrated nature of the North American economy, Satish Thakkar said that the provisions concerning rules of origin in a Canada–India CEPA should reflect this reality in order to prevent goods partially produced in Canada from not being recognized as Canadian on the Indian market.⁸⁰

Some witnesses highlighted the business opportunities resulting from India's desire to improve its infrastructure, most notably in the transport and energy sectors. Gian Dhesi explained to the Committee that, “[w]hile the [Indian] government has raised its investments in infrastructure, the investment gap remains daunting with an estimated US\$1 trillion required to meet the country's resource needs over the next five years.”⁸¹

The Committee was also told that India is creating an industrial corridor from New Delhi to Mumbai where a number of cities will focus on specific economic sectors. According to witnesses, this initiative will present business opportunities for Canadian engineering, architectural and transportation services, among others.⁸² According to other witnesses, India particularly needs investments and technology, which could be provided by Canadian businesses.

In light of such opportunities, some witnesses pointed out the importance of providing greater access to government procurement in India for Canadian enterprises.

76 Eugene Beaulieu, [Evidence](#), Meeting N^o. 59, 1st Session, 41st Parliament, 11 December 2012.

77 Ibid.

78 Ailish Campbell, [Evidence](#), Meeting N^o. 70, 1st Session, 41st Parliament, 27 March 2013.

79 Ibid.

80 Satish Thakkar, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

81 Gian Dhesi, Brief submitted to the House of Commons Standing Committee on International Trade, 1 March 2013.

82 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

In that regard, and according to the Department of Foreign Affairs and International Trade, although Canada and India have differing points of view on government procurement, the two parties have agreed to discuss the issue as they undertake their negotiations for a CEPA.⁸³ Greater access to government procurement in India is a priority for the Canadian manufacturing sector. According to Jean-Michel Laurin:

We have been told that India has not yet been willing to discuss government procurement in the context of these negotiations. Given Canadian business expertise in infrastructure projects, in engineering, manufacturing, construction and services, all those aspects of what you would call an infrastructure project, ensuring that Canadian businesses have guaranteed open access to government procurement contracts and ensuring more transparency in India's tendering process are also very important for our members.⁸⁴

Trade in services

Given the size and growth of the services sector in Canada and in India, several witnesses told the Committee that the greatest opportunities that could arise from a CEPA for the two countries are in this sector.

For example, Canada's chief trade negotiator said that "Canadian companies and their employees would stand to benefit from further liberalization of the Indian market in many sectors, including energy, mining services, financial services, environmental services, and transportation and infrastructure services, including architecture and engineering."⁸⁵

Some witnesses noted that educational services in India are a market with significant potential. Paul Davidson (President and Chief Executive Officer, Association of Universities and Colleges of Canada) commented on the size of the education market in India: 550 million people under the age of 25. This university-age population is larger than that of Europe, Australia and the United States combined.⁸⁶ He said that other countries have implemented intensive marketing campaigns, with the result that they have recently done better than Canada in attracting Indian students; that said, Canada has made progress over the last two to three years. According to him:

[T]here's a reason others are doing a better job of marketing themselves, and that is that their governments stand with them in that marketing effort. The Government of Australia has been spending about 20 times what Canada has for about 15 years, and that's generating results for Australia. The United Kingdom is just completing a five-year £35-million initiative to promote itself as a leader in international education and this is on top of the core funding to the British Council. [...] I should add that these figures are changing

83 Department of Foreign Affairs and International Trade, [Canada-India Joint Study Group Report: Exploring the Feasibility of a Comprehensive Economic Partnership Agreement](#), 2010.

84 Jean-Michel Laurin, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

85 DFAIT, [Evidence](#), Meeting N^o. 16, 1st Session, 41st Parliament, 1 December 2011.

86 Paul Davidson, [Evidence](#), Meeting N^o. 58, 1st Session, 41st Parliament, 6 December 2012.

and they're moving in the right direction. The number of university students from India has increased by 40% in the last couple of years. The number of college students has increased quite dramatically because of a unique program between Citizenship and Immigration Canada and the [Association of Canadian Community Colleges], a colleague organization, which has increased the number of students from India quite dramatically.⁸⁷

In relation to services, Canada's chief trade negotiator told the Committee that Canada has deviated from its traditional negative-list approach⁸⁸ in negotiating services commitments, and is adopting a different approach in the Canada–India CEPA negotiations.⁸⁹ In the event that the Government of Canada opts for the positive-list approach⁹⁰ that is typically used by India, the Canadian Chamber of Commerce argued that the list must be “extensive and feature a most-favoured nation (MFN) clause to ensure Canadian services companies are not disadvantaged in the future.”⁹¹

Canada's chief trade negotiator nonetheless confirmed that the Government of Canada would not deviate from its traditional approach of excluding public education, public health, culture and social programs from the negotiations for a Canada–India CEPA.⁹²

Temporary entry of business persons

Witnesses spoke to the Committee about the temporary entry of business persons, noting that the need for labour mobility between countries increases as the flow of trade between them increases. They hoped that a potential CEPA between Canada and India would include provisions to facilitate the temporary entry of Canadian business persons and workers into India, as well as of Indian business persons and workers into Canada.

Ailish Campbell spoke about the need to facilitate the temporary entry of business persons and about the trade in services between Canada and India. In particular, she commented on the 24-hour business cycle and the benefits of establishing global teams within businesses. She said:

[W]here we have shortfalls and opportunities, we cannot allow Canadian growth to stumble when we have opportunities to use Indian or other service providers in literally a 24-hour market cycle where, for example, we have Canadian teams based in Calgary and others that then hand off at the end of their effective business day to Indian service providers to do work overnight creating these global teams. That can also mean importing Indian engineers, high-tech Indian talent for specific projects, learning from them, and then as I said, also

87 Ibid.

88 With a negative-list approach, all services are included except those specifically excluded on the list.

89 DFAIT, [Evidence](#), Meeting N^o. 56, 1st Session, 41st Parliament, 27 November 2012.

90 With a positive-list approach, commitments exist only in relation to the services included on the list.

91 Canadian Chamber of Commerce, “*Canada-India: The Way Forward*,” Submission to the House of Commons Standing Committee on International Trade, 27 March 2013.

92 Ibid.

taking advantage of the opportunities for Canadian engineers and Canadian construction firms and others to travel to India to provide value-added services in those markets.⁹³

According to Baljit Sierra, as Canadian businesses establish themselves in India, they have to send Canadian staff to India and bring Indian staff to Canada for training and development. For these businesses, facilitating those exchanges—whether through visas or ease of access—is very important.⁹⁴

Witnesses said that the temporary entry of Indian workers into Canada was also a priority for India in the negotiations for a Canada–India CEPA, especially in relation to India’s successful information technology sector. According to Jason Langrish, “If they don’t have the ability to move their workers abroad, if they don’t have the ability to get their workers into Canada, to service their client base and also grow their businesses, they’re not going to be that interested in an agreement.”⁹⁵

CONCLUSION

During its study, the Committee heard testimony from Canadian stakeholders representing a number of sectors, as well as from experts on issues related to India and Canada–India relations. On balance, the Committee’s witnesses supported the negotiations for a Canada–India CEPA.

That said, there remain some barriers to trade in India that cannot be eliminated, or that will be difficult to eliminate immediately, through a Canada-India CEPA; these barriers include geographical distance, institutional capacity, infrastructure and business culture. There also appears to be a disparity between the two countries’ negotiating positions with respect to tariffs on food and food products, government procurement and the approach to opening up the service sector. However, it was also noted that increasing trade with India to \$15 billion by 2015 was achievable, and that concluding a less comprehensive Canada-India CEPA expeditiously—and addressing ongoing issues in the medium and longer term—might be more advisable than attempting to negotiate a more comprehensive agreement in the short term.

Nevertheless, the Committee believes that a potential Canada–India CEPA would help to improve Canada’s brand in India, and would enable Canadian companies to differentiate themselves from foreign competitors in the Indian market. In this regard, in addition to the characteristics shared by the two countries, Canada has two major advantages compared with other countries seeking to take advantage of business opportunities in India. First, Canada has a diaspora of more than one million Canadians of Indian origin who have both networks and an understanding of the business culture

93 Ailish Campbell, [Evidence](#), Meeting N^o. 70, 1st Session, 41st Parliament, 27 March 2013.

94 Baljit Sierra, [Evidence](#), Meeting N^o. 55, 1st Session, 41st Parliament, 20 November 2012.

95 Jason Langrish, [Evidence](#), Meeting N^o. 57, 1st Session, 41st Parliament, 29 November 2012.

in India. Second, Canada's food and energy resources are significant assets given the demand for these resources in India.

Therefore, the Committee recommends:

Recommendation 1

That the Government of Canada, as soon as possible, conclude a comprehensive economic partnership agreement with India that provides a net benefit to Canada.

Recommendation 2

That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, emphasize the importance of including provisions to ensure greater access to government procurement.

Recommendation 3

That the Government of Canada ensure that, in a comprehensive economic partnership agreement between Canada and India, the provisions regarding rules of origin reflect the integrated nature of the North American economy.

Recommendation 4

That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, adopt an ambitious negotiating position regarding the temporary entry of Canadian business persons to India and of Indian business persons to Canada.

Recommendation 5

That the Government of Canada establish a mechanism that will facilitate ongoing consultation with Canadians of Indian origin.

Recommendation 6

That the Government of Canada, in partnership with Canadian post-secondary institutions, develop an action plan to attract more Indian students to Canada.

LIST OF RECOMMENDATIONS

Recommendation 1

That the Government of Canada, as soon as possible, conclude a comprehensive economic partnership agreement with India that provides a net benefit to Canada. 22

Recommendation 2

That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, emphasize the importance of including provisions to ensure greater access to government procurement. 22

Recommendation 3

That the Government of Canada ensure that, in a comprehensive economic partnership agreement between Canada and India, the provisions regarding rules of origin reflect the integrated nature of the North American economy..... 22

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That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, adopt an ambitious negotiating position regarding the temporary entry of Canadian business persons to India and of Indian business persons to Canada..... 22

Recommendation 5

That the Government of Canada establish a mechanism that will facilitate ongoing consultation with Canadians of Indian origin..... 22

Recommendation 6

That the Government of Canada, in partnership with Canadian post-secondary institutions, develop an action plan to attract more Indian students to Canada. 22

APPENDIX A LIST OF WITNESSES

Organizations and Individuals	Date	Meeting
<p>Department of Foreign Affairs and International Trade</p> <p>Michelle Cooper, Director, Services Trade Policy</p> <p>Eric Robinson, Deputy Chief Trade Negotiator, Canada-India Comprehensive Economic Partnership Agreement</p> <p>Luc Santerre, Director, South, Southeast Asia and Oceania Commercial Relations</p> <p>Don Stephenson, Chief Trade Negotiator, Canada-India Comprehensive Economic Partnership Agreement</p>	2011/12/01	16
<p>Asia Pacific Foundation of Canada</p> <p>Yuen Pau Woo, President and Chief Executive Officer</p>	2012/11/20	55
<p>Bombardier Inc.</p> <p>Pierre Seïn Pyun, Vice-President, Government Affairs</p>		
<p>Canada India Foundation</p> <p>Rahul Shastri, National Convenor</p> <p>Kalyan Sundaram, Executive Director</p>		
<p>NOVO Plastics Inc.</p> <p>Baljit Sierra, President and Chief Executive Officer</p>		
<p>Prudential Consulting Inc.</p> <p>Vikram Khurana, Founder and Chief Executive Officer</p>		
<p>Department of Foreign Affairs and International Trade</p> <p>Catherine Gosselin, Deputy Director and Deputy Chief Trade Negotiator, Canada-India Comprehensive Economic Partnership Agreement</p> <p>Shendra Melia, Deputy Director, Services Trade Policy</p> <p>Luc Santerre, Director, South, Southeast Asia and Oceania Commercial Relations</p> <p>Don Stephenson, Chief Trade Negotiator, Canada-India Comprehensive Economic Partnership Agreement</p>	2012/11/27	56
<p>As an individual</p> <p>Satish Thakkar,</p>	2012/11/29	57
<p>Canada-India Business Council</p> <p>Jason Langrish, Senior Trade Advisor</p>		
<p>Indo-Canada Chamber of Commerce</p> <p>Naval Bajaj, President</p>		

Organizations and Individuals	Date	Meeting
Spirits Canada / Association of Canadian Distillers C.J. Helie, Executive Vice-President Jan Westcott, President and Chief Executive Officer	2012/11/29	57
Association of Universities and Colleges of Canada Paul Davidson, President and Chief Executive Officer	2012/12/06	58
Canadian Manufacturers and Exporters Jean-Michel Laurin, Vice-President, Global Business Policy		
Export Development Canada Mark Bolger, Regional Manager, Asia Todd Winterhalt, Vice-President, International Business Development		
Forest Products Association of Canada Isabelle Des Chênes, Vice-President, Market Relations and Communications David L. Lindsay, President and Chief Executive Officer		
Canaccord Genuity Corp. Sachin Mahajan, Managing Director, Mergers and Acquisitions	2012/12/11	59
Canada Pork International Jacques Pomerleau, President		
Canadian Federation of Agriculture Ron Bonnett, President		
University of Calgary Eugene Beaulieu, Professor of Economics		
Canam International Darshan Singh Sahsi, Managing Director	2013/02/13	63
Sundher Group Of Companies Tom Sundher, President		
Canadian Livestock Genetics Association Rick McDonald, Executive Director	2013/02/25	64
Starling Corporation Pradeep Sood, Chief Executive Officer		
The Indus Entrepreneurs Suresh Madan, Champion, Canada Chapters, Member, Global Board of Trustees		

Organizations and Individuals	Date	Meeting
<p>Minaean International Corporation Mervyn Pinto, President and Chief Executive Officer</p> <p>Pulse Canada Gordon Bacon, Chief Executive Officer</p> <p>Simon Fraser University John Harriss, Professor and Director, School for International Studies</p>	2013/02/27	65
<p>As an individual Jas Ghuman,</p> <p>Pacific Exotic Food Inc. Gian Dhesi, President</p>	2013/03/04	66
<p>As an individual Zhan Su, Professor, Director of Stephen A. Jarislowsky Chair in International Business, Laval University</p> <p>Gus Van Harten, Associate Professor, Osgoode Hall Law School, York University</p> <p>Canadian Chamber of Commerce Nav Bubber, Director of Operations, Scotia Private Client Group, Bank of Nova Scotia</p> <p>Cam Vidler, Director, International Policy</p> <p>Canadian Council of Chief Executives Ailish Campbell, Vice President, Policy, International and Fiscal Issues</p>	2013/03/27	70

APPENDIX B LIST OF BRIEFS

Organizations and Individuals

Canada India Foundation

Canada Pork International

Canadian Chamber of Commerce

Canadian Life and Health Insurance Association Inc.

Forestry Innovation Investment

Pacific Exotic Food Inc.

Sundher Group Of Companies

REQUEST FOR GOVERNMENT RESPONSE

Pursuant to Standing Order 109, the Committee requests that the Government table a comprehensive response to this Report.

A copy of the relevant *Minutes of Proceedings* ([Meetings Nos. 16, 55 to 59, 63 to 66, 70, 73 and 74](#)) is tabled.

Respectfully submitted,

Hon. Rob Merrifield

Chair

**Supplemental Report of the Official Opposition New Democratic Party of
Canada on a Comprehensive Economic Partnership Agreement (CEPA)
with India**

The Official Opposition New Democratic Party of Canada is supportive of deepening and broadening Canadian economic relations with India. We believe that a well-structured Canada-India CEPA could offer important opportunities for both countries to advance our mutual interests.

New Democrats recognize India's increasing global political, economic, technological and cultural influence as well as India's importance as a partner for Canada with shared values, and a commitment to democracy and rule of law.

Evidence received by the Committee has highlighted the complexities of trading with a country such as India. While we believe that India has experienced positive changes that will facilitate trading relations with Canada, issues highlighted by witnesses present challenges and will necessitate caution.

While we support in principle, and in many specifics, the findings and recommendations contained in the Report, we believe that they are incomplete.

The following expresses those additional findings and recommendations that we believe are necessary to achieve stronger long-term economic relations with India, and promote a flourishing Canadian economy, environment and society.

Political Conditions

India has experienced important political and economic changes that are encouraging in the context of Canadian trading relations. However, witnesses such as Dr. Zhan Su, a Professor and Director of Stephen A. Jarislowsky Chair in International Business at Laval University, also testified that India is still categorized as an emerging economy with significant challenges to overcome such as food security and inequality.¹ According to the World Bank, India ranked 132nd out of 185 countries in terms of ease of doing business, and 184th in the world in terms of enforcement of contracts. The Canadian government must take these conditions into account while negotiating a CEPA.

¹ Zhan Su, Meeting 70, 1st Session, 41st Parliament, March 27, 2013.

Labour Situation

Canadians want access to affordable goods, but not at the expense of core values such as labour rights, children's rights, and other basic human rights. The tragedy of the collapse of a garment factory building in Bangladesh on April 24th 2013 reminds us that the respect and enforcement of adequate labour standards are fundamental to trade and commerce in a globalized economy. From a legal perspective, it is concerning that India has not yet ratified core ILO conventions such as Convention No. 87 on the Freedom of Association and Protection of the Right to Organise, and Convention No. 98 on the Right to Organise and Collective Bargaining. Moreover, witnesses stressed numerous labour challenges that the Indian government still faces. According to Dr. John Harriss, a Professor and Director of the School for International Studies at Simon Fraser University, India has been experiencing "jobless growth", with "very little development at all of the numbers of good jobs in India." He further testified that the biggest development over the last decade has been the "tremendous increase" in the employment of contract labour. Dr. Harriss stated that this has resulted in labour rights remaining "very undeveloped" as "93% of the Indian labour force are employed in the informal sector, where there is no guarantee of labour protection and very little job security".² Concerning child labour, India has not yet ratified the ILO Convention No. 182 on the Worst Forms of Child Labour, its analogue Recommendation No. 190, or the Convention No. 138 on the Minimum Age. While progress appears to have been made in this regard, several witnesses referenced the difficulty of ending child labour in India. Accordingly, Suresh Madan, a Director of the Indus Entrepreneurs Toronto, stressed that it was advisable for Canada to seek inclusion of clauses against the exploitation of labour in the agreement.³ In addition, the Canadian government should consult in an ongoing manner with labour unions in Canada and India regarding means for improving protections for labour rights through the agreement.

Environmental Issues

Canadians believe that trade policies must go hand in hand with sustainable development and the protection and enhancement of the environment. Accordingly, ambitious provisions committing both countries to high standards of environmental protection along with effective monitoring and enforcement mechanisms must be included in trade agreements. This should be emphasized in the CEPA given weak or weakening environmental regulation in both India and Canada. As several witnesses underscored, the issue concerns not only the

² John Harriss, Meeting 65, 1st Session, 41st Parliament, February 27 2013.

³ Suresh Madan, Meeting 64, 1st Session, 41st Parliament, February 25, 2013.

enactment of legislation, but the monitoring and enforcement of environmental regulations. Dr. John Harriss also noted that there is increasing recognition within India of the importance of environmental issues, which may offer opportunities for Canadian companies with expertise in the development of clean technologies.⁴

Political, Social, Educational and Cultural Support

The vibrant Indo-Canadian community provides Canada and India with strong connections and is a vital facilitator of our trade relations. Numerous witnesses stressed that political, social, educational and cultural supports are key to building long lasting relationships. Testimonies spoke to the leadership of the Indian diaspora in creating trading opportunities with India, and the significant benefits to Canada of the presence of international students from India across the country. We believe that strengthening these relationships is essential in the context of a CEPA with India, as they will help build relations of trust and depth, which in turn generate important economic opportunities. Accordingly, we believe that the Government of Canada ought to provide resources to strengthen social, cultural and educational exchanges between Canadian and Indian civil society and citizens, and increase its participation in Indian and South Asian regional fora.

Temporary Foreign Workers

Canadians are concerned about recent allegations of abuse of the Temporary Foreign Worker Program and intra-company transfers to displace Canadian workers. While we encourage means for Canada and India to pursue the benefits of labour and knowledge mobility between our two countries, we believe that it must be done in a mutually beneficial way. Witnesses spoke about the positive growth that could come from the temporary exchange of business persons between Canada and India, and the potential for CEPA to facilitate this. However, the Temporary Foreign Workers Program and intra-company transfer visas have been badly mismanaged under the Conservative government and resulted in misuse of the programs to displace Canadian jobs. A temporary foreign worker program has a legitimate role to play in addressing skill shortages where Canadian workers are unavailable. However, great care must be taken in the CEPA negotiations to ensure the prevention of misuse of labour mobility clauses.

⁴ John Harriss, Meeting 65, 1st Session, 41st Parliament, February 27, 2013.

Investor-State Dispute Settlement (ISDS) Process

As mentioned in Committee, the CEPA between Canada and India will not include an ISDS process. India, along with other countries such as Australia, has expressed its reluctance to pursue these extreme and ideological measures. New Democrats support this caution. These mechanisms are of increasing concern to Canadians as they permit foreign corporations to sue governments (including sub-federal bodies) for enacting measures that are perceived to interfere with their profit expectations. This puts taxpayers at risk for potentially billions of dollars of damage claims and restricts the democratic ability of governments at all levels to legislate in Canadians' interests. Many experts also expressed concerns that ISDS processes violate principles of the rule of law, including conflicts of interest, the lack of an effective appeal procedure and no security of tenure for adjudicators. Consequently, we oppose any attempt to include such ISDS provisions in a CEPA, or a Foreign Investment Promotion and Protection Agreement (FIPPA), between Canada and India. We are, however, conscious of challenges in the Indian judicial system. We therefore stress the importance of a firm negotiation position aimed at developing open and efficient legal systems that will resolve disputes in a timely manner, consistent with the rule of law. The essence of trade is commerce, and the essence of commerce is contractual relations. Ensuring that both countries have fair, effective and efficient enforcement processes for upholding the rule of law is essential to building a firmer and deeper trading relationship.

Enhancing our Trading Relationship

Building a commercial relationship with India requires more than a simplistic approach to trade, and the signing of a treaty is not sufficient. It requires leadership from government in the form of continued political engagement and investment in trade promotion. The Committee heard from many witnesses that human and economic resources from the Canadian government are essential to help Canadian companies, small and large, penetrate and succeed in the Indian market. Ailish Campbell, Vice President, Policy, International and Fiscal Issues, at the Canadian Council of Chief Executives, noted that the services provided by Export Development Canada, trade commissioners, the diplomatic corps as well as the engagement of provinces with sub-federal entities in India, are necessary to foster a vital ongoing relationship-building between Canada and India.⁵ We therefore strongly support the delivery of a full complement of trade services in India to assist Canadian businesses working to access the Indian market. We further believe that Canada should bolster its trade commission services in

⁵ Ailish Campbell, Meeting 70, 1st Session, 41st Parliament, November 29, 2012.

Canada, both to assist Indian businesses wishing to operate in Canada, and Canadian businesses who require information about India.

Recommendations of the New Democratic Party of Canada

1. That the Government of Canada, in a comprehensive economic partnership agreement between Canada and India, include provisions committing both countries to high standards in labour rights, human rights and environmental protection along with effective monitoring and enforcement mechanisms.
2. That the Government of Canada, in a comprehensive economic partnership agreement between Canada and India, support measures to address the development and food security challenges of vulnerable populations in India.
3. That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, adopt a firm negotiating position stressing the importance to both countries of open and efficient legal systems that will resolve disputes in a timely manner consistent with the rule of law.
4. That the Government of Canada, in a comprehensive economic partnership agreement between Canada and India, neither propose nor accept an investor-state dispute settlement mechanism.
5. That the Government of Canada ensures that any comprehensive economic partnership agreement with India includes measures to prevent the misuse of the temporary foreign worker program and intra-company transfers to displace Canadian workers and increase monitoring and enforcement of TFW applications and intra-company transfer visas to end abuses.
6. That the Government of Canada ensure that Canada has sufficient consular offices in India staffed to provide a full complement of trade services to assist Canadian businesses working to access the Indian market.
7. That the Government of Canada, in the negotiations for a comprehensive economic partnership agreement between Canada and India, invite the provinces and territories to participate in negotiations if provincial and territorial interests are engaged and obtain their consent for any measures that substantially affect their interests.

8. That the Government conduct an impact assessment to determine whether the rights of Aboriginal peoples are likely to be impacted by an economic partnership agreement with India, and if so, conduct the appropriate consultations
9. That the Government of Canada ensure that Canada's supply-management system be wholly protected in an economic partnership agreement with India.
10. That the Government of Canada ensure that, in a comprehensive economic partnership agreement between Canada and India, if public procurement is addressed, the ability of Canadian governments at all levels to adopt local economic development, environmental protection, job creation or sourcing initiatives is preserved.
11. That the Government of Canada encourage the exchange of social, cultural and economic delegations between Canada and India.
12. That the Government of Canada ensure that Canada's chief negotiators in a comprehensive economic partnership agreement with India provide the Committee on International Trade and the Canadian Parliament with regular briefings and progress reports on the development of the agreement.

CANADA – INDIA TRADE AGREEMENT LIBERAL PARTY — SUPPLEMENTARY REPORT

The premise of entering into trade agreements should be to increase the net benefit to Canada and Canadians. This should be demonstrated in not only an increase in exports but an increase in the value added exports and associated employment and productivity associated with that trade.

The government has – as it has with all previous trade initiatives – attempted to present this trade initiative based upon the generalized assumptions which their own officials have challenged. The Liberal Party has noted in previous Supplementary Reports that the government has produced economic analysis of a potential agreement, prior to the commencement of actual negotiations, must be noted.

This Conservative government has once again, as it has with all its FTA's provided only a best case scenario will result in terms of economic benefits to Canada and Canadians. They fail to present any analysis as to how Canada can take best advantage of such trade agreements.

In order to place that assessment in its proper context, the statements of the Assistant Deputy Minister of Trade for International Trade, Don Stephenson are worth noting. In testimony on September 29, 2011 and again on December 1, 2011 he described the joint study prepared on an FTA between Canada and India – an analysis prepared in advance of negotiations in the following terms in September stating, “I want to make the point these are theoretical econometric studies. I'd like to say that these are absolutely accurate but they can't be.” In December he described the study as “an economic modelling exercise.”

It is this uncertainty that the committee should take note of in the report submitted to the House.

The director of International Economics at the School of Public Policy at the University of Calgary published a short paper in November on the Canada – India trade agreement found that: “It is difficult to be optimistic in expecting much to come out of the mission to India – or even expecting a significant outcome from the ongoing trade negotiations with India over the short run.” The paper went on to state, “One of Canada's goals it to improve market access into India, something India has no interest in.”

In a recent analysis by the Eurasia Group, the prospects for the Indian economy are quite uncertain:

“while India sustained generally substantial growth rates the tough political choices on reform were continually left for the next parliamentary session, and the breakthrough to higher growth was not achieved. Instead, corruption issues tainted the government, coalition partners proved less

compliant than expected, and most importantly, the anti-reform elements within Congress showed that they still had considerable political clout and influence with the “ruling family. In 2013, the ability of the government to implement robust economic policies will decline even further, perpetuating India’s “stalling or falling” outlook.” (Eurasia Group, Top Risks for 2013, January 2013, p.10)

A recent article for the Carnegie Endowment (Six Reasons for India to look east, February 26, 2013) the point was reinforced that economic growth which India had experienced in the recent past of more than 8% annually was unlikely to return without substantial internal economic reforms being acted upon.

This concern was shared by Professor John Harriss of Simon Fraser University with the committee, “India is not likely to sustain the sorts of rates of growth it hopes for.” (Evidence, #65, February 27, 2013, p. 13).

These observations concerning the evident slowing of the Indian economy stand in contrast to the optimistic declarations of government officials who continually used the term “explosive” when describing the Indian economy. Again, the government should take careful note of these contrasting statements.

In any trade arrangement with India, concern has to be taken of the pervasive subsidy issues which are a major feature of the economy. In this regard it was noted that in the wake of the 2008 economic crisis, India undertook stimulus spending in conjunction with its already established subsidy structure which has required the country to “implement a macroeconomic ‘exit’ strategy which should include the entrenched domestic subsidies.” (India: An Emerging Economic Power, Kevin Lynch, Policy Options April 2010, p. 48).

While Canada is seen as a source of raw resources for the Indian economy. India is “shifting their industrial production away from labour intensive and commodity intensive product lines to sophisticated technology intensive output...” While Canada stands to benefit through the provision of natural resources such as potash, wheat, coal, and energy products”, (Policy Options, September 2012).

JOBS AND OUTSOURCING

The committee was reminded by Professor Beaulieu from the University of Calgary that there is no direct assumed correlation between trade and jobs.

There's a very loose connection between a trade agreement and actual employment or jobs. One of the things you see a lot are comments that it's going to generate jobs. The economic evidence on job creation from trade agreements is that there's not a big employment effect—maybe in the short run, but not in the long run. There's potentially some economic growth effects and that kind of thing that in the longer term can translate into a stronger economy. On actual employment effects, it's fairly dubious

to make arguments that it's going to generate jobs. (Evidence, #59, December 11, 2012, p. 3)

The issue of the out-sourcing of Canadian jobs did arise during the proceedings of the committee and this issue merits further consideration

When Foreign Affairs and International Trade officials were asked if the issue of the outsourcing of jobs to India was a concern, their response was interesting and should be of some concern to the committee:

You also talked about the outsourcing of jobs. As representative of the Canadian Trade Commissioner Service, I would say that the general advice we give Canadian companies is to keep focusing on their international competitiveness and their cost structure. In some cases, that could mean dealing with foreign service providers. Earlier we talked about call centres for lost luggage, for example. This might also affect value-added services, such as those in computer engineering.

I think you have raised a valid point when you talked about the protection of jobs in Canada. But we also have to make sure that Canadian companies pay attention to their international competitiveness and their cost structure. They have to see what their competitors are doing, be they American or otherwise, in order to monitor and reduce costs for computer services, for example. (Evidence, #16, December 1, 2011, p. 8)

This line of thought was supported by the testimony of the International Business Chair, Laval University when he told the committee:

I believe that, inherently, outsourcing, especially controlled outsourcing could actually be beneficial for businesses to some extent...domestically our cost structures are extremely high. If we could outsource certain steps, while endeavouring to strengthen our competitiveness at other steps, those two things combined could give us a certain competitive advantage. (Evidence, #70, March 27, 2013, p. 4)

When officials were asked to respond to the clear issue of the lower standards in India in terms of worker safety and wages, the response demonstrated the limited ability of the federal government to take action in this regard:

“Canada cannot prevent Canadian firms from taking advantage of low-cost services—call centres, or software development, or other kinds of services—in other countries. If it's available to them, that helps them remain globally competitive, because that's what their competitors are doing, and it still provides for a lot of quality jobs in Canada. In the medium- and longer-term, one of the principal obstacles to economic growth in Canada is labour shortage. So accessing services in other countries, either cross-border or through temporary entry of professionals

into Canada, is actually accessing the labour that we need for our companies to operate.

With respect to labour and environment, Canada's approach is relatively well known. We try to promote in our trade discussions adherence to international standards for labour and environment protection, and we will do so in the discussions with India.” (Evidence, #56, November 27, 2013, p. 6)

When it comes to India’s expectations from Canada officials from International trade were quite emphatic – for the most part the major interest of India in terms of exports are in the area of semi-processed raw materials and direct investment from Canada – neither of which are significant contributors to value added jobs in Canada.

“India's interests are indeed, as you say, principally in investment, as they can't reach any of their development goals without foreign investment, and in technology, and that applies pretty much in all of those sectors, but in all sectors generally speaking. So in terms of the Indian interest, I would say that it is more in investment than in imports from Canada, but in certain sectors the imports are extremely important to India. For example, potash and lentils contribute to their food security, one of their highest priorities. That would be my guess.” (Evidence, #56, November 27, 2012, p. 3)

While the interest from India in direct investment from Canadian sources is evident, concerns should be noted. A recent report by the Carnegie Endowment raised some troubling concerns in relation to the Indian situation:

“the overall liberalization of FDI thus far has been uninspiring and in many instances has included counterproductive components that betray a poor understanding of a market economy. A good example of such unhelpful policies is the ‘local content requirements’ that litter many otherwise sensible Indian efforts at increasing FDI.” (Opportunities Unbound, Carnegie Endowment, 2013, p. 20)

According to the report from the University of Calgary market access within India remains – in spite of the fact India has signed five bilateral and two regional FTA’s – a significant problem. The report states that according to a WTO study India continues to employ non-tariff barriers including prohibitions, licences, and restrictions to restrict imports as well as anti-dumping measures. To what extent will these restrictions have to be eliminated in order to ensure that any FTA is worthwhile engaging in?

Again from the University of Calgary paper there is the following concern: “Canada is interested in negotiating the liberalization of services and procurement these are off the table as far as India is concerned.”

In testimony before the committee, the VP for international business development of the Export Development Corporation indicated that the extent of corruption within the Indian economy is not to be under-estimated:

“I think we would be sugar-coating things if we didn’t say there were corruption concerns and issues still present in India at multiple levels and in multiple locations in the country... this is very much something I would classify as a non-tariff barrier and one that dissuades Canadian companies that have a choice of where to put their hard earned capital.” (Evidence, December 6, 2012, #58, p. 17)

The committee was informed that there are concerns Canadians must be aware of with respect to doing business in India which are not prevalent in Canada.

“Indians themselves have to deal with a lot of red tape, archaic and obstructive administrative and bureaucratic policies and lastly, corruption. It would be naïve for Canada to think that in doing business with India our values somehow will be readily adopted... Canadians will have to be patient and mentally ready to take on those challenges...” (Evidence, #55, November 20, 2012, p. 4)

Professor Harriss of Simon Fraser University put forward the following observation with respect to the manner in which influence is exerted within the Indian economy:

India, of course, ranks pretty low on the World Bank's index of the ease of doing business, and very low, indeed, in the area of contract enforcement. Those are facts that are probably pretty well known... the stranglehold that is exercised by a small number of very big companies in India, companies like Reliance, SR, indeed Tata, as very powerful companies that actually do exercise a great deal of influence on the actions of government as importantly as on policy. The advice that my friend was suggesting to me yesterday was that it would be important to avoid areas where powerful vested interests are involved, to avoid areas such as telecom and pharmaceuticals, where the big boys have very strong interests. (Evidence, #65, February 27, 2013, p. 10)

As with the previous trade agreements this government has entered into there is a lack of an understanding or acceptance of the need for the federal government working with all stakeholders across the country in developing an industrial and economic strategy which will ensure that Canada and Canadians can take the best advantage of any agreement. The key component of this strategy being enhanced value added activity within Canada.

RECOMMENDATIONS

1. That the government ensures that there is a full reciprocity in trade included in any agreement between Canada and India with specific focus on our value added manufacturing sector.
2. That the government undertake a full cost/benefit assessment related to the outsourcing of jobs to India and the impact this practice has on the Canadian labour market.
3. That the Government of Canada consider the establishment of a worker trade-adjustment program, similar to the NAFTA-TAA in the United States, in order to assist workers in Canada who may be displaced by increased trade with India.
4. That, concurrently with the negotiations between Canada and India for a Comprehensive Economic Partnership Agreement (CEPA), the Government of Canada develop a national trade and industrial strategy. A focus of the strategy should be strengthening the domestic manufacturing base in order that, once a CEPA is concluded, Canada's businesses that participate in value-added production chains are able to maximize the benefits resulting from the CEPA.