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Chair

The Honourable Rob Merrifield

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• (1535)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): If members would take their seats, we have our witnesses here. We have our committee. Let's get started.

We are continuing our study on a comprehensive economic partnership agreement with India.

We have three witnesses in the first hour and two in the second hour. We have some committee business to look after at the end of the second hour.

We want to welcome our witnesses. From Bombardier Inc., we have Pierre Seïn Pyun.

Thank you for being here. We'll give you the floor, and we will introduce the rest as we give them the floor.

The floor is yours, sir.

Mr. Pierre Seïn Pyun (Vice-President, Government Affairs, Bombardier Inc.): Mr. Chair and members of the Standing Committee on International Trade, it's a pleasure for me to be here with you today and to have this opportunity to share with you Bombardier's perspectives on a comprehensive economic partnership agreement with India. I have a prepared statement that I'm going to read, and I certainly look forward to the discussion and questions later.

[Translation]

Thank you for taking the time to come and meet with us today.

[English]

First, let me briefly talk about Bombardier in general. I'll cover our presence in India and where India fits in our broader strategy for Bombardier.

As a reminder probably for most of you, Bombardier is a Montreal-headquartered company. It is multinational now, with around 70,000 employees around the world, including 23,000 employees here in Canada. We have two main business units, as you probably know: aerospace and rail manufacturing. Bombardier is now actually the number one rail manufacturer in the world and the number three civilian aircraft manufacturer in the world.

On the rail side, the company has a very solid and wide-ranging product, service, and technology portfolio, going from mass transit technologies to locomotives, very high-speed trains, and signalling systems.

In aerospace, we are actually number one for business aircraft. We also supply regional aircraft.

With the CSeries program, our new aircraft, we're going beyond the regional aircraft space with an aircraft optimized for a 100- to 150-seat range. We have sites across the country with a concentration of production plants and engineering centres in the provinces of Quebec and Ontario: Montreal, Saint-Laurent, Dorval, Mirabel, Saint-Bruno, La Pocatière, Kingston, Downsview, Mississauga, Thunder Bay, and North Bay. We also have a presence in Saskatchewan and Alberta, where we provide military pilot training in Moose Jaw and Cold Lake.

We are going through a very intensive research and development phase—actually, an unprecedented R and D period—in both aerospace and rail. We have a number of aircraft development programs under way. I mentioned the CSeries program, but we have new Global aircraft programs, the Global 7000 and Global 8000, including new Learjet aircraft as well: the Learjet 70, Learjet 75, and Learjet 85.

On the rail side, just by way of example, we are developing a very high-speed train, which we call the ZEFIRO, for the Chinese market and the Italian market, and monorail systems for Brazil and Saudi Arabia in a range of environmentally friendly technologies, which we call ECO4 technologies, to reduce greenhouse gas emissions and increase energy efficiency.

As you can imagine, these are very capital-intensive endeavours with very significant cash outlays in the last years. The economic downturn is affecting us, but we believe that these investments will make us very well positioned for the future when the market recovers. We have spent, over the last five years—and that excludes 2012—\$2.7 billion in our Canadian operations, rail and aerospace combined.

Yet the Canadian market represents only 7% of our total revenues, so we are a very export-oriented company. From our strong base in Canada and North America, Europe and the U.S. will remain very important markets for us. For instance, we generate 65% of our revenues on the rail side from the European market, but we are increasing the focus on emerging markets, which includes India. Over the last five years, our revenues from the so-called BRIC countries—Brazil, Russia, India, and China—have gone from \$500 million to around \$2 billion. The Asia-Pacific region represents 15% of total revenues for Bombardier now.

I'm going to talk more specifically about India. It is important for us for both in aerospace and rail. We have a presence there. We have developed local roots in India. We see India as a market and a partner for the long term, so that's the view that we take: a long-term view of the market. If we include the people who we have on contracts, we employ close to 1,200 people in India, in addition to the various partnerships that we have in place in both the rail and the aerospace sites of our operations.

One of our most important investments in the Asia-Pacific region is located in India, with our production site in Savli in the state of Gujarat. That site builds railcars. We recently delivered our 600th vehicle for the Delhi Metro in India. We have commercial and business aircraft in operation around the country, with around 40 business aircraft and 25 regional jets. Among our customers in India, we count SpiceJet, Jet Airways, and Air India Regional.

Let me turn to what we see as opportunities in India going forward. There are sizeable rail infrastructure projects on the horizon in India that are of strong interest to us. Subway systems will be developed or expanded in a number of cities in India, such as New Delhi, Kolkata, Chennai, Bangalore, and others. There are opportunities to supply and service propulsion systems, signalling systems, and locomotives for the Indian railways.

The demand for business aircraft and commercial aircraft is very significant in the country. According to various forecasts, there's a demand for more than a thousand business aircraft in the next 20 years in the Indian market. We see a demand for around 1,700 commercial aircraft with a seat range of between 20 and 150 seats—the space in which Bombardier is supplying products in the region, including India—in the next 20 years.

As well, India has considerable engineering resources that we're tapping into. We have engineering centres in Hyderabad and Bangalore: Hyderabad for rail and Bangalore for aerospace. We also intend to use India as an export base for the region, particularly for southeast Asia. We've had a breakthrough this year with a contract to supply trains in southern Australia. The bogies, the moving parts of the trains, will be supplied from one of our sites in India, the Savli site in the state of Gujarat, which I was referring to.

• (1540)

[*Translation*]

I would like to talk about some of the challenges we face in India, challenges related to doing business in that country.

The free trade agreement with India could potentially help us to overcome several of these challenges. However, in some cases, the challenges may go beyond what a free trade agreement could dispel.

We talked about business opportunities in regional aviation and business aviation. However, the infrastructures and the regulatory framework must continue to evolve to keep up with demand and the rate of growth in these sectors. We see an enormous potential for aviation to link the so-called secondary and tertiary cities in India. However, for the sake of comparison, let me say that India has two times fewer airports than China. There are currently about 80 airports in use in India. It would thus be crucial for us to develop a good client support network, and we have already begun to do that. We have a support centre in Mumbai. We also have partnerships, for

instance with Air Works, who do maintenance work on our planes in Mumbai and New Delhi.

India is a vast bureaucracy that is difficult to navigate. Predictability, schedules and transparency for public infrastructure supply projects can constitute considerable challenges for foreign companies such as Bombardier.

Moreover, India is an extremely competitive market. The entire world is turned toward India. Americans, Europeans, Chinese, Koreans, Russians and Japanese are all active in the areas in which we work. And so we are facing very fierce competition in the Indian market.

This concludes my comments.

[*English*]

I look forward to the discussion and questions.

The Chair: Thank you very much for that.

We now have with us, from NOVO Plastics Inc., Mr. Sierra.

The floor is yours, sir.

Mr. Baljit Sierra (President and Chief Executive Officer, NOVO Plastics Inc.): Thank you, Mr. Chair and members of the committee. I'm very happy to be here today to share a little bit about my company and our experiences in India.

NOVO Plastics is a Canadian manufacturer of engineered plastic components and assemblies, primarily for the auto sector, but for some consumer commercial markets as well. We have a very strong foundation in engineering, innovation, and R and D. As part of that mandate, we have developed quite a few proprietary products.

The Indian market is very appealing to us because it gives us global diversification. Just to give you some figures for India in the auto sector, India currently has the largest three-wheeler volume in the world in terms of manufacturing. They are the second-largest two-wheeler manufacturer in the world, and they're the third-largest commercial vehicle manufacturer in the world. The volumes are tremendous there. For any Canadian manufacturing company, it's very important to have a global strategy, and I firmly believe that India has to be a part of that global strategy.

That said, we entered the Indian market two years ago with a proprietary product, the plastic muffler. Our plastic muffler replaces steel mufflers on vehicles. It reduces emissions, it's lighter, and it has the same durability as a steel muffler. We went to all the large OEMs in India to introduce our product, and we're in the final stages of testing, just before we reach commercialization. It's a tremendous opportunity for our company, and we see a great market in India.

In India, from my perspective, we have been working with a variety of government agencies and some representatives in that country. We've worked with the trade commissioner's office successfully. We've worked with the High Commission office. The EDC has been a big help to us in India. We have had great support, and they've really helped us enter that market. That's an important facet: that beyond the CEPA agreement, those things are very important for Canadian companies looking at that market. I think the focus on those things has to continue.

I think the recent visit by the Prime Minister, along with a delegation, really went far in raising the Canadian profile in India. I think that's also a very important thing that we have to focus on going forward as the CEPA negotiations continue. I think there has to be a continued push by both business and government in that regard.

Moving on to some of the challenges we're facing as a Canadian company entering that market, first and foremost, I mentioned that we do quite a bit of R and D innovation. India has a great hunger for technology. If you look at that country and all the auto manufacturers or two-wheeler manufacturers, you see that they have quite a few joint ventures with companies from other countries, where the companies supply technology. That said, when we export our technology, our products, into India, we are facing tariffs, and in a country that itself really thrives on low-cost manufacturing, the model is not in sync with our export into that country. I think the elimination of trade barriers is a very key point as we move forward in these CEPA negotiations.

The second point is the legal framework in India, the legal infrastructure, so to speak, and the associated intellectual property protection laws. Also, as a Canadian company, we've encountered some issues, first in negotiating very straightforward NDAs 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, to be quite honest with you, 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. I think that's very important.

As a company who has customers in India throughout the country, the third thing is that the infrastructure in India is quite complex and it doesn't lend itself to ease of distribution. I think that is a long-term project, and it really has to be focused on by our counterparts in India.

- (1545)

The fourth thing with the CEPA negotiations is the facilitation of business professionals back and forth between India and Canada. As we set up our business in India, we're going to be sending some people from our company to India, and vice versa; I will bring some engineers and skilled people here to be trained in our country. The facilitation of those exchanges, whether that be visas or ease of access, is very important as well.

It is our hope that the CEPA negotiations will continue at a rapid pace. I know that everyone has set a pretty aggressive timeline. It's a very important market in the world, and we look forward to the continued success of these negotiations.

Thank you.

The Chair: Thank you very much. We do as well. Hopefully, the timelines will be short. It has yet to be seen exactly how fast they will move along. We appreciate the opportunity to hear from you on that.

From Prudential Consulting Inc., we have Mr. Khurana.

Thank you for being here. The floor is yours.

Mr. Vikram Khurana (Founder and Chief Executive Officer, Prudential Consulting Inc.): Thank you, Mr. Chairman.

Distinguished members of the committee and ladies and gentlemen, thank you for this opportunity to share my views on the trade negotiations with India.

Let me give you some background on Prudential Consulting and its group of companies. Prudential Consulting is an early pioneer in advising large and small clients who wish to make investments in India and engage with Indian public and private companies to export their products and services. In the past 17 years, PCI has advised a number of small and large businesses wishing to enter the Indian market and/or that are interested in procuring from India and/or importing skilled human resources for projects in Canada.

On the trade negotiations, firstly, we can draw a number of parallels between these negotiations and the Indian trade negotiations with Australia and the United States. For the purpose of size and context, I will focus on some of the common factors between Canada's negotiations with India and the Australian negotiations with India.

Firstly, the Australians see the same opportunity that we do in a significant and young population: purchasing parity, affluence, growing demand, and a very large middle class that is growing at a very rapid pace. Similar to Canada, Australia has identified the same or similar priority sectors—ICT, energy, mining and infrastructure, food processing and agribusiness, and education services—as the low-hanging fruit on where best to engage. Engagement between the organizations similar to those in the Canadian realm—civil society groups, business associations, public and private agencies—are pushing policy-makers on both sides to create a trade framework.

In the Canadian context, it's my view, based on the surveys I've read, including the national opinion poll conducted by the Asia Pacific Foundation of Canada, which I would recommend to everyone, that more Canadians than ever before are in tune with Asia and attribute their longer-term prosperity to increased trade links with Asia. However, the warm feelings toward Asia remain well below those for western democracies, with Australia and Japan being the exceptions.

The point I'm making is that policy-makers will have to be cognizant that only four out of ten Canadians are supportive of free trade agreements with Asian countries such as India, because two-thirds of Canadians oppose the idea. This gap between what policy-makers may seek to do with free trade agreements and the engagement of Canadians needs to be bridged through better communication and education.

I would like to talk about the export readiness of Canadian companies. Even amongst seasoned Canadian exporters that are used to exporting to the U.S. and Latin America, there's a great disparity in the knowledge and experience in exporting to India. This disparity has further resonance from province to province. As policy-makers, it'll be important to use tools at our disposal to bridge these gaps and make our companies export ready.

I would like to take the specific example of Atlantic Canada and the Atlantic Canada Opportunities Agency. This federal agency can play a very important role in ensuring that Atlantic Canadian companies and organizations reach their full potential in exporting to India. Further, in evaluating opportunities, our collective assets such as the BDC, the Export Development Corporation, the Canadian Commercial Corporation, and the Trade Commissioner Service must learn to function as a unit wherever possible.

In talking briefly about the procurement policy of both governments, which will be a topic of trade negotiations in allowing access to government-related business, I urge policy-makers to look beyond the negative connotations associated with offshoring and foreign ownership to opportunities in sensitive and non-traditional areas such as defence and aerospace. Beyond bullets and bombs, Canada has a number of defence technologies that have great potential in the \$80-billion defence market in India. Further, as Canada builds its own defence infrastructure—such as naval vessels—Indian investment and manufacturing prowess can have a positive impact in places such as Halifax and Vancouver, amongst others.

• (1550)

Moving on to the topic of negotiations, Indians themselves have to deal with a lot of red tape, archaic and obstructive administrative and bureaucratic policies, and, lastly, corruption. It would be naive for Canada to think that in doing business with India our values somehow will be readily adopted. As we proceed through negotiations and make the first engagements, Canadians will have to be patient and mentally ready to take on those challenges lest they be demoralized due to short-term challenges.

In summary, if two-way trade between Australia and India can grow from \$3.3 billion in 2000 to over \$20 billion in 2011, there's great potential for Canada to grow its trade manifold by: addressing tariff barriers and behind-the-border restrictions on trade in goods; entering into a free trade agreement that could facilitate growth in services trade; and increasing regulatory transparency and facilitating and encouraging investment by reducing barriers faced by Canadian suppliers and enhancing investment protections.

Thank you.

• (1555)

The Chair: Thank you very much.

We'll now go to questions and answers. We'll start with Mr. Davies.

You have seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you very much to all three of you for being with us today and sharing your experience and knowledge with us.

This summer I had a chance to sit down with the chief negotiator for the Canada-India trade talks. I think they've conducted four negotiations and are on their fifth.

Among some of the facts and figures they gave me is the fact that India has a population of 1.2 billion right now that is slated to go to 1.5 billion in 2050. The population is actually getting younger, bucking the worldwide trend, so they have a growing younger population, which bodes well for growth. They told me that India

anticipates spending \$1 trillion in public infrastructure spending over the next five years. That includes building an industrial corridor between Mumbai and New Delhi. They told me that they are growing at the rate of 8% GDP per year, and lately that's about 5%, so it's a very dynamic economy.

The chief negotiator also told me that the Indian negotiators are more interested in—and what they really require from Canada—is investment in technology, more so than the actual export of goods, although they do need those as well. We know that lately Canada's investment in research and development and innovation has been lagging. I think the OECD has ranked fifteenth out of 37 countries in gross domestic expenditures in R and D. How important for your businesses is Canadian investment in promoting growth and trade in the technology sector?

Mr. Pierre Seïn Pyun: I will make some comments on that. In my introduction, I referred to an unprecedented period of research and development for Bombardier on both the rail and the aerospace sides. The bulk of the design and engineering work in all our new aircraft programs that I was referring to is being undertaken here in our operations in Canada. Of course, input and contributions are being made at our other sites and by our partners around the world, including those in India—we have engineering centres in India—but the lead for these projects is in our Canadian operations.

This is critical for us. If there's any concern among the investment community partners and financial analysts when they're looking at the company's performance this year, it's the rate at which we are spending cash in research and development. But as I mentioned, we're confident that this is the right approach to position the company very well for the future, in both rail and aerospace. India does play a role. Our partnerships in India and our own engineering centres are providing input into the engineering and design work being done in Canada.

Mr. Don Davies: Thank you.

Mr. Sierra, did you want to answer that question too?

Mr. Baljit Sierra: Yes. For the most part, I just want to mirror my colleague's comments. You mentioned that Indian companies are hungry for technology. From my experience, they absolutely are. We're finding that we're introducing one form of technology to them and they're coming back to us asking if we can work on this or look at that different area. I think that's key.

As a Canadian manufacturer, I think that focus and government support for things like innovation, SR and ED.... I know that program is undergoing some changes, but I think those are very crucial to success, because I think technology export is going to be a tremendous factor in the success of Canada-India relations.

Mr. Don Davies: Thank you, Mr. Sierra.

You mentioned that you've run into some tariff issues in India. What are those tariff issues? Can you describe them to us?

Mr. Baljit Sierra: There are tariffs on raw material. Our business is injection moulding. When you import resin, whether it's nylon or polypropylene, it's a proprietary resin that's engineered for certain applications. That has to come from Canada or from Europe or other countries. About 10% is the minimum tariff on raw material, and it goes up from there; there are other customs levies. There is also a lack of transparency in the whole tariff and levy situation in India.

But as I mentioned earlier, India is a low-cost manufacturing country. If you're exporting technology, it's very, very important, in order to compete in that country, to have some kind of tariff elimination strategy.

• (1600)

Mr. Don Davies: Mr. Pyun, what are the biggest challenges that your business faces in terms of doing business with India? If you could give instructions to the Canadian trade negotiators that would assist Bombardier, what would those be?

Mr. Pierre Seïn Pyun: There are two areas.

More particularly for aerospace, my colleague mentioned the issue with tariffs and other duties, and we're faced with a similar situation with respect to our exportation of business aircraft into the Indian market. There's a number of charges being applied to the acquisition of business aircraft, including tariffs, duties, and value-added taxes, and excise taxes as well, and all these charges combined amount to a surcharge of 23% on our business aircraft.

We are of the view that this is stifling the business aviation market in India. There's no local manufacturer, so we don't present a competitive threat, if I may express myself in this fashion, for the Indian market, but there's still some distance to go in India to see business aviation as a tool for economic development and productivity.

On the rail side, I would say the lack of transparency and fairness issues as well with respect to public tenders.... There are some very sizeable procurement projects coming up for rail equipment. There are some projects that we've been working on for some time, but because of red tape, because of some political issues as well, and because of slowness in the bureaucracy, some of these projects have been delayed on a number of occasions. It's difficult for foreign suppliers to adjust our plans accordingly when we don't have any sense of predictability as to when these projects will be going forward.

But recently we've seen some indications that reforms are being pushed through in India by the Indian government: more openness to foreign companies, to foreign suppliers, in some specific areas, like retail. I'm sure you've heard about that. On aviation as well, they're encouraging foreign investment into Indian airlines, and also in the insurance business, but that doesn't really affect us directly. There's also talk about forming a committee that would be comprised of a number of ministers to fast-track some of the large-scale infrastructure and industrial projects in India. I think that bodes well for companies such as ours.

The Chair: Thank you very much.

Mr. Shory, you have seven minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you, Mr. Chair.

Thank you, witnesses, for coming in and sharing with the committee members your views on this Canada-India free trade agreement.

I'll throw the questions out to all of you. I'd like each of you to give your own perspective on how you view this agreement because each of you has a presence in India.

From Bombardier, for example, I want to know two or three things. How long have you been present in India? What were the obstacles in the beginning when you broke the ice, basically? How has your business experience been and what potential do you see? How important is the FTA between Canada and India? If we do not sign this, or if we are not successful in this FTA, what could be the potential loss? Or is there no loss?

Mr. Khurana used some tough lines, I guess, and maybe they are true. One of the comments he made about the Trade Commissioner Service, EDC, and BDC is that they need to learn the market where they want to work. I'm looking for your experience with the trade commission office and EDC, etc.

Let's start with that.

The Chair: Let's start with that...?

Voices: Oh, oh!

The Chair: That's a lot of questions. I usually have a hard time squeezing out one question in a couple of minutes. You broke the record here.

Go ahead.

Mr. Pierre Seïn Pyun: I will try to be concise. We have been in India for 35 years, but of course our presence has expanded over time. Also, I should note that on the rail side Bombardier grew a lot by acquisitions. Some of our operations date back from the companies we acquired in Europe, but with operations in India like Adtranz on the rail side.

I think of some of the initial challenges when we were looking at investing in India in connection with the Delhi Metro project. That's a fairly recent investment dating back a few years. Our investment was tied to the project in New Delhi. There were local content requirements. We had to comply with some requirements to localize production, including doing the final assembly of the railcars in India. We had to choose a location for the investment as well. That was part of the initial challenges. We also needed a good pipeline of projects going forward: some level of reassurance that there would be projects coming on stream to justify our investment, not only for one project but for a number of projects in India going forward.

So that would be the challenge on the rail side, but all in all, I think finding the right partners in India was certainly very key for us in our initial stages in the Indian market.

The Chair: We'll hear from the other two witnesses now.

• (1605)

Mr. Baljit Sierra: Mr. Shory, to answer your first question, NOVO Plastics Inc. has been in India for about three years now. As Pierre mentioned, our initial obstacle was finding the right partner in that country. There are many tier 1 suppliers to the automotive industry there.

Vikram mentioned some comments about the EDC, BDC, and the trade commissioner's office. We actually had a very positive experience with them. Our first visit to India was through the EDC. We also met with the trade commissioner's office several times. They played a key role in introducing us to the right partners in that country. That gave us a soft landing in the country, so that was very key.

Your third question was about the trade agreement and what would happen of what would be the effect if the trade agreement wasn't signed. I think that, for a variety of reasons, it would result in our being less competitive in the Indian market with respect to both price points and technology. It would add time to our growth in that country. On those two fronts, I think CEPA is very important. We must all keep to an aggressive path to get this agreement finalized.

Mr. Vikram Khurana: We've been in India for the last 17 years. We have been taking clients to India who have been unsuccessful in marketing to India in the past and reintroducing them to India in a slightly different fashion, which has made them successful.

How important is the agreement? The agreement is important from an administrative point of view. A good example would be the seafood industry. The Trade Commissioner Service negotiated a six-month exemption from the Indian food authorities for the import of Atlantic Canadian seafood products, which gave an immediate impetus to seafood producers from the east coast. A single wedding in India can take about three container loads of lobster. That's a good example.

Voices: Oh, oh!

Mr. Vikram Khurana: There are big families and it's a novel product.

Those are the kinds of real-life impacts that can be brought to bear due to our agreements or potential agreements.

In terms of my comments about single units, the export friendliness of Canadian financial institutions is lacking. Commercial banks do not understand international export rules as well as they should. In a lot of ways, BDC is out of step with EDC. While EDC does a tremendous job—I agree with Baljit—in promoting Canadian exports and the trade commissioner is out there pushing exports domestically, we cannot get any financing for exporting to anywhere in the world, let alone India.

Mr. Devinder Shory: Yes, and very quickly, I don't know how many lemons we would need for those lobsters, but anyway, that will help our agriculture sector.

Voices: Oh, oh!

The Chair: We don't grow lemons, but...

Mr. Devinder Shory: Quickly, I want to hear your views. I believe all of you know that we just finalized negotiations on FIPA. What will be the effect on the investment sector once that foreign investment protection agreement is enforced? Would it encourage some investors?

• (1610)

The Chair: We'll allow one quick answer from someone.

Mr. Vikram Khurana: It is a building block towards an FTA. I think it's a must-have. I think it not only creates transparency but also protects our investments in that country and reduces barriers, both tariff and non-tariff, in the longer term.

The Chair: Thank you.

Mr. Easter, you have seven minutes.

Hon. Wayne Easter (Malpeque, Lib.): Thank you, Chair.

On the FIPA, I would agree with you. It's a building block. It's necessary to have both an economic trade agreement and a FIPA if it's going to work.

Maybe this is a question for Gerald. First, on the FIPA, we've seen on the Department of Foreign Affairs website that there is a foreign investment protection agreement with India. Now it's not there that there isn't.... Is there one or isn't there?

An hon. member: It's not signed yet.

Mr. Devinder Shory: It's not signed yet.

Hon. Wayne Easter: It's not signed yet. Then why did you have it up there that it was?

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): It's being negotiated—

Hon. Wayne Easter: I see. I know that the government would never put up false information, but—

The Chair: Let's focus on the other end of the table. We'll grill Gerald later.

Hon. Wayne Easter: So it's negotiated but not signed. All right.

From my neck of the woods, Mr. Khurana, obviously we need more weddings in India, because I come from fishing country, and so does Gerald.

An hon. member: [*Inaudible—Editor*]...Alberta beef—

Hon. Wayne Easter: I know that the regional development agencies, ACOA being one, do pretty good work in terms of at least getting in the market, opening up contacts, etc., as do EDC, CCC, and the trade commissioners. Are you saying in your remarks, though, that there's not enough coordination between the various government bodies and agencies that may go into that market to be well focused on what our approach should be in a market?

Mr. Vikram Khurana: That's exactly what I'm saying, Mr. Easter.

I guess, within the ACOA realm, that they have to cater to four competing provinces. We don't have a single rep for Atlantic Canada, unlike Ontario or Quebec, for example, that could be the local point of presence. BDC does not have an export business development policy that caters to exporters.

Last but not least, I think there's a great amount of ambiguity in the international documentation, such as letters of credit and so on, that frequently changes hands in the processing of transactions. Plus, there's a general risk aversion with respect to emerging markets.

Hon. Wayne Easter: Thank you. That's good for us to know.

Mr. Pyun, you said something along the lines of there being a lack of predictability with public tenders. How do you see a free trade agreement basically dealing with some of those issues? When you look at an economic trade agreement, you're often looking at tariffs and investment protection and so on, but how do you get around some of these other real problems in India in terms of, as you said, public tendering and lack of predictability?

I understand that the bureaucracy is even worse than Ottawa's, if it's possible. How do you get around that?

Mr. Pierre Seïñ Pyun: To your point, I think that maybe not all the issues can be addressed by a free trade agreement, but I think the Canadian model, so to speak, of an ambitious free trade agreement would include commitments with respect to government procurement. For instance, in the negotiation with Europe, I think a government procurement chapter is being envisaged. In the NAFTA, there is a government procurement chapter, if I'm not mistaken.

I think public tenders could be covered by such a chapter, and there could be some discipline in relation to fairness and transparency included in such a chapter. But I understand that it's been a bit of a challenge to try to get those so-called new generation issues included in the negotiations with India.

• (1615)

Hon. Wayne Easter: I think you indicated in your response to one of the questions—and this was quite a while ago—that you had to basically assemble your rail products, your railcars, there. Is it one of the bigger obstacles in China and India that they demand a local production component?

Mr. Pierre Seïñ Pyun: To clarify, we don't see that as a major obstacle, because this is the reality of our business in the rail sector. We're seeing offset requirements and local content requirements in virtually all the markets in which we do business, including in the U.S., with its Buy American policy. We have invested in the U.S. to be able to meet the Buy American requirements.

We have adapted well to this reality. Actually, if we compare ourselves with our competitors, our readiness to localize would be one of our comparative advantages, as long as the investment makes sense, of course, in light of the pipeline of forthcoming projects. But to understand those requirements and, linked to that, to make the right decisions in regard to investing in the country—and then all the challenges that come with investing, hiring employees, and training, of course, and so on and so forth—we had to go through those processes and challenges in the Indian market.

Hon. Wayne Easter: Would you expect, then, that in any trade agreement with India reciprocal measures would be in place and that

we would require the same in Canada in terms of the assembly of Indian products coming into this country?

Mr. Pierre Seïñ Pyun: I think our view is that in any negotiation the outcome has to be balanced and there should be some level of reciprocity. Now, as for applying this principle to specific industries, sectors, and chapters, I think you have to see what offensive and defensive interests we have at stake. India is not currently... They have some companies manufacturing rolling stocks and rail equipment, but on the global stage, India and Indian companies are not among our competitors. The Japanese would be, and the Germans and the French, but not India at this point in time.

The Chair: Thank you very much.

Mr. Holder, for seven minutes.

Mr. Ed Holder (London West, CPC): Thank you, Chair.

I'd like to thank our guests for being here today. I find your testimony very helpful thus far.

Interestingly, Mr. Pyun, you made reference that reciprocity is necessary. In my experience, every free trade deal that we put in place is all about that, and there are not always equal scenarios. It gives inputs based on your strengths and, as you mentioned, defensive and offensive interests. I would agree. What you've said just strikes me as a logical thing, and I wouldn't imagine anyone around the table taking exception to that.

I just attended a Diwali ceremony in my own riding in London, Ontario. I don't know if you've ever been to my city. It's the 10th largest city in Canada. I share that with you, because we have so much to offer I think in terms of world opportunities. I was surprised that at this small ceremony we had over 500 people there. It was just a superb event.

I heard my colleague opposite talk about Canada being 15th out of 37th in R and D. I don't have that stat in front of me.

Mr. Don Davies: I do.

Mr. Ed Holder: It struck me as I looked at it—whether that's correct or not—that Canada represents something like one half of 1% of the world's population and 18% of the world's land mass, and it's obviously clear that we're rich in resources. We have the strongest economy in the G-7, and the OECD ranks Canada's economy number one in the world. So it's interesting that KPMG has said that Canada's research and development costs are some 13% less than those of the United States.

When we make this reference about Canada punching above its weight, I think it truly does in the world. Frankly, we're blessed with geography, but we're spoiled, because 90% of our population is within a couple of hours of the United States and 75% of our business is with the United States, because that's an easier geography. I'm challenged by whether we take that for granted.

Mr. Khurana, you talked about EDC and BDC not being so comfortable or supportive of emerging market opportunities, but I wonder whether Canadian businesses know how to embrace the opportunities. I don't mean large businesses like Bombardier, which I think is a phenomenal Canadian success story and has learned to embrace it well, though they have challenges when there are tariff barriers and non-tariff barriers.

But I don't know about the small and medium companies, particularly medium-sized companies, which frankly don't know how to do it. Mr. Sierra, I give you marks for your company taking that kind of initiative.

What's your sense—and I'm going to ask Mr. Sierra the same question—about Canadian trade commissioners in terms of how helpful they are to, say, medium-sized businesses going overseas—let's say to India—to do business. I think that becomes a fairly significant challenge because we have that easy geography with the United States. I'm nervous about the ease of that business. I don't want to decrease any business that we do with the United States; I want to grow that number. But I think we have an obligation, as a government, to create an atmosphere so businesses can do their jobs internationally.

Mr. Khurana, do you have any sense of that?

• (1620)

Mr. Vikram Khurana: Yes. Thank you for the opportunity.

When we picked the sectors that were of interest to Canadians and Canadian interests, I think there was a great eye on Canadian innovation. Look at food processing. Only 6% of food in India is processed. The rest is either consumed the same day or wasted. We obviously have a number of food processing technologies. A success story is McCain in India. When they entered, they did not have a cold supply chain, so they venture-capital-funded some of their senior staff so they could set up cold storage and a cold supply chain.

Mr. Ed Holder: Could I interrupt you, please?

Does this have anything to do with the humble potato from Prince Edward Island?

Mr. Vikram Khurana: It does. Yes.

Mr. Ed Holder: We may come back to that, because someone needs to be a defender of the P.E.I. potato. I might come back to that.

Mr. Vikram Khurana: Sure.

Look at ICT. We have health care technologies that are the envy of the world. The government has just funded a joint centre of excellence on India, which obviously will look at innovation-based opportunities. Look at energy and mining, and nuclear technology. We were the original suppliers 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.

Last but not least, in our education sector, the number of students who were recruited to Canadian universities has gone up from 1,200 during the Prime Minister's last visit to 24,000 during his current visit.

I would say that we've done fairly well.

Mr. Ed Holder: I appreciate it.

Mr. Sierra, do you have some thoughts on that? I particularly wanted to get your insight.

Mr. Baljit Sierra: Sure, Mr. Holder. I would just add that I think the resources are there with the trade commissioner's office of EDC. I agree with you in that I think the visibility of these resources has to be brought forward to Canadian companies that are looking at those markets.

We did some research and met with our EDC representative and trade commissioner. They helped us. We found them invaluable in terms of getting market intelligence in India and in introducing us to the right partner. India is such a large company for an SME to go to and get paired with the right partner. I think they played a crucial role.

As for how you raise visibility, as in whether there are more area-type representatives from these organizations going around to the various businesses, that's potentially one way. I think the issue is not that they are not helping SMEs; I think it's the visibility. If we raise that visibility, we should be fine.

Mr. Ed Holder: We're always concerned about tariff barriers, but we're particularly concerned about non-tariff barriers, the things you can't quite see. There might be a perception that we don't buy this product because it's not Indian, or it's not from wherever. Have you had any experience of that in India at this point?

• (1625)

Mr. Baljit Sierra: We haven't at this point—

Mr. Ed Holder: Good.

Mr. Baljit Sierra: —but we have heard that they are there and there are issues to look at.

Mr. Ed Holder: Mr. Pyun, would Bombardier have those kinds of issues in terms of non-tariff barriers?

Mr. Pierre Seïn Pyun: I would just note that even for large companies like Bombardier we do work very closely with the Trade Commissioner Service and—

Mr. Ed Holder: How does that work for you?

Mr. Pierre Seïn Pyun: It may be different types of services that we are requiring from our post in India. In the sectors in which we operate, governments tend to be very involved. The role of the government to engage in economic diplomacy, if only to level the playing field for us, I think is very important.

So interventions, or our high commissioner raising the visibility of Bombardier with key government interlocutors, would be the type of services from the high commissioner that we would benefit from, both from the high commissioner and from the Trade Commissioner Service.

Also, we had an issue with our investment in the state of Gujarat, a tax issue, and they advocated for us to get a tax reduction that made our site much more competitive. That's a success that we had this year thanks to the support of the high commissioner and the Trade Commissioner Service.

The Chair: Thank you very much.

I want to thank you, Mr. Khurana, Mr. Sierra, and Mr. Pyun. Thank you for coming in and sharing with our committee your views on what we hope will be a very fruitful engagement in an FTA with India.

With that, we'll suspend and have the next group of panellists come forward.

• (1625) _____ (Pause) _____

• (1630)

The Chair: We'll call the meeting back to order.

We want to thank our second panel for being here with us.

I would remind the committee that we have committee business. We'll break about 10 minutes prior to the end of the hour. We want to make certain that we leave enough time for questioning.

Mr. Davies, you had a question?

Mr. Don Davies: Yes, Mr. Chairman. I'm sorry, but I'm going to register a little bit of a complaint.

In the first round—and we've talked about this before—you scheduled three witnesses who talked for 30 minutes, and you brought the gavel down with about four minutes left to go. The result of that first round was that the Conservatives had 14 minutes of time and we had seven and so did the Liberals. I've raised this before. We have 101 seats in the House of Commons, and the Liberals have 35; we have four members and they have one. It is completely unfair to have the opposition being limited to the same amount of time.

With the greatest of respect to Mr. Easter—this is certainly not his doing—I would ask that you don't schedule three witnesses, or if you do, that you cut down their initial speech from 10 minutes to eight minutes. Certainly, if the Conservatives were in our position, I would support the same thing. We want to make sure that we have proportionate time with the witnesses. That first round was a classic example of how we lost two-thirds of our time, and that's unfair.

The Chair: Okay. Before we lose any more time in this panel, I'll just explain to you very quickly. This was before your time on the committee; it goes back to when we constituted the committee. A motion was made. I was following that motion, which leaves the first round at seven minutes for each, as was done. If we went into the second round, what I would have done is give you.... Let's say that there were five minutes left; I could have stretched it to two minutes for you and two minutes for the Conservatives to give balance in that second round.

That's the way I would have run it. That's the way I have run it ever since the beginning of the committee. I understand your point, but we can take that up at another time. I'm following the rules that were set out when the committee was constituted.

Mr. Don Davies: Mr. Chairman, I accept that.

The Chair: I hear your opposition.

Mr. Don Davies: I hear that and I will bring this up at a different time so that I don't take more time from the witnesses.

But I will say, though, that you have reserved to yourself the right to schedule the witnesses, and you know in advance. I find out only when I show up here that you have three witnesses and that you're

planning to give them 10 minutes apiece. It's a simple question of math that you know at the beginning we're not going to get our time.

The Chair: When we ask the witnesses to come forward, we give them five minutes. Some of them go a little bit over that. In the last panel, they didn't all take 10 minutes. In fact, I believe the middle one was about five minutes and 30-some seconds. I don't remember exactly.

Nonetheless, this is a debate for another time. We have our witnesses with us and we're going to continue with our witnesses at this time.

An hon. member: Could—

The Chair: I'm sorry: this debate is over.

• (1635)

Ms. Annick Papillon (Québec, NDP): Could you just speak a little bit slower, please?

The Chair: Oh, a little slower...? Okay. Fair enough. That's a legitimate argument.

Mr. Don Davies: Mr. Chairman, I just have one other quick, quick question to raise here.

The Chair: Well, I'm not going to entertain any other quick questions.

Mr. Don Davies: Mr. Chairman, I have the right to be heard and to be recognized on this.

The Chair: Is it on this same line?

Mr. Don Davies: No, it's on a different line.

My question is that we also thought that we'd be hearing.... Traditionally, we have a briefing from the department as the very first...and I don't know why, but I came expecting a departmental briefing.

The Chair: Yes, we'll take that up in business, but there's an explanation for that. Let's take that up in future business.

We have before us, from the Canada India Foundation, Mr. Sundaram and Mr. Shastri. Which of the two of you are presenting? Mr. Shastri?

The floor is yours, sir.

Mr. Rahul Shastri (National Convenor, Canada India Foundation): Honourable Chair, distinguished members of the House of Commons Standing Committee on International Trade, and ladies and gentlemen, my name is Rahul Shastri. I am the national convenor of the Canada India Foundation. I am accompanied today by our executive director, Mr. Sundaram.

We thank you for the opportunity to share our views on behalf of the Canada India Foundation on the formal comprehensive economic partnership agreement currently under negotiation between Canada and India, and also on the broader issue of greater trade with India and stronger relations with India.

The Canada India Foundation was formed as a non-profit public policy organization for the express purpose of promoting stronger relations between Canada and India. During the past five years, we have been actively working towards this objective. We have been engaged with cabinet ministers, members of Parliament, senators, and members of the Canada-India interparliamentary friendship group, as well as Indian business and political leaders. Our charter members, either individually or collectively, have made substantial contributions to the creation and operation of Canada-India centres on public policy in Canadian universities, such as Waterloo and Carleton.

Our most significant initiative has been the organization of thematic Canada-India public policy forums, focusing on selected opportunity sectors. We have held three of these forums: energy in 2009; mining and metals in 2010; and, most recently in September, agriculture and food processing. The format of the forums has been identical. They have brought together leading authorities from academia, government, and business. We are in the process of finalizing our report on agribusiness and food processing. That forum was held in Vancouver and Saskatoon this past September. We would be pleased to share the report with your committee if you would like a copy.

Insofar as India, its demography, and opportunity are concerned, you heard this afternoon the reasoning for both the opportunity and the necessity of trade with India. This would include: the fact that 50% of India's population is under the age of 23; the high propensity of savings, as the average Indian is projected to save as much as 40% of his income in 2015; and the voracious appetite of the domestic consumer, as 80% of India's GDP is due to domestic consumption.

According to the IMF, India's is the 10th largest economy in the world by nominal GDP and third by purchasing-power parity. India imports \$461 billion worth of goods and exports \$299 billion worth. Canada accounts for just \$5.1 billion in bilateral trade, or less than 0.7%. Clearly these numbers are not defensible, given Canada's and India's considerable shared legacy, the English language, and the judicial and military system, and, most importantly—and I cannot emphasize this more strongly—the economically strong, vibrant Indo-Canadian community in this country. The GTA alone has over half a million persons of Indo-Canadian origin, and at least 500 of them, as Mr. Holder has told us, were in London at the Diwali celebrations.

It's not enough to engage India at the national level. You have to do it at the state level as well. The current—and likely to be sustained—geopolitical climate in India has been the importance of its states to assert themselves more and more, politically and economically. The excellent economic growth of Gujarat in the past decade, as you've heard from the representative of Bombardier, with its entry into Gujarat, is well documented and is acknowledged by Canada, as evidenced by its participation as a country partner in the Vibrant Gujarat event.

However, Gujarat is by no means India's only gem. Tamil Nadu just signed about 14 or 15 MOUs with a number of different partner countries, valued in excess of \$4 billion, and Canada wasn't there. Canada was not at the table. We need to be at the table.

While the justification for the CEPA with India would be the creation of new jobs for Canadians and an increase in the average Canadian family's income, the trigger for its success would be in demonstrating the benefits that India would accrue from entering into such an agreement with Canada. There is a perception that the CEPA negotiations have not progressed as quickly as one would hope, that there is a lack of energy on the Indian side, and that there is the possibility of reaching an agreement that is much reduced in scope. The CIF does not support a half-agreed-to document. We look to the government to try to bring forward a comprehensive agreement covering all of the issues.

• (1640)

If we look to Australia, for example, in comparison to Canada, by 2020 its trade is benchmarked to be somewhere in the neighbourhood of \$50 billion. In that context, our trade of \$15 billion by 2015 is modest, given the fact that we have more natural resources than Australia, a greater population base, and a prosperous and more mature Indian diaspora. In reading some statistics earlier this week, I noticed that Germany has trade of approximately \$26.5 billion with India. That is up by \$3 billion from just the past year. So everybody is coming to the party, knowing that there is a massive market out there.

Insofar as issues of importance in CEPA and strategies going forward are concerned, our membership cites the following matters to be addressed.

You've heard some of this today: facilitate the temporary entry and legitimate delivery of professional services between our two countries to allow ease of temporary professional travel, a clearer breakdown of the taxes and levies to which Canadian businesses and their products will be subject, and the removal of tariff barriers that impede market access for Canadian exporters; phase in lifting of tariff barriers in those sensitive areas where Canadian businesses would be threatened if the gates were opened all of a sudden; tackle non-tariff barriers; where there are regulatory issues, invite Canadian businesses that would be directly impacted by those regulations to be involved in that process; include services as part of CEPA; and, as you've heard from Mr. Sierra today, look for and attempt to bring forward a high standard of intellectual property protection.

CIF believes that with a comprehensive approach to addressing the top five areas of the partnership reflecting both Canada's strength and India's need—that is, energy, agriculture, education, mining, and infrastructure—not only should the current target of \$15 billion in bilateral trade be easily achievable, but frankly, we should rethink that figure and look at a number that is closer to \$30 billion.

Insofar as energy is concerned, prominent among the recommendations made by CIF at its energy forum was the speedy conclusion of a civil nuclear agreement between Canada and India. We were pleased to note that the first step towards that agreement was taken shortly after the energy forum. Now that the administrative arrangements have been made and agreed upon, we hope that it won't be long before this important element in Canada-India trade will be in place, paving the way for uranium sales.

It's not just the uranium sales that we are looking to, but also, frankly, the export of our technology, which is going to allow for continuing trade beyond just the mere supply of the raw material. That will provide jobs. That will provide technology transfer. And that will provide development.

Natural gas and oil is another issue where we look to the future and to development and substantial strategic advantage from Canada.

Education and research have been touched upon earlier in these proceedings. Again, we have more than 12,000 students from India in higher education programs in Canada. We hope that number will increase.

In summary—I know my time is short—as an organization, we are here to assist the government in terms of its agenda with CEPA. We have tremendous contacts within the diaspora here and overseas. We invite members of the committee and the government to engage our membership in terms of matters going forward. We believe the government can take advantage of our networking and our relationships, which have been long-standing.

We are grateful for your time and attention today.

• (1645)

The Chair: Thank you very much for your presentation.

Mr. Woo, you're here live this time. Last time, you were here via teleconference. I appreciate the opportunity to have you in town today to present to the committee. From the Asia Pacific Foundation of Canada, the floor is yours, sir.

Mr. Yuen Pau Woo (President and Chief Executive Officer, Asia Pacific Foundation of Canada): Thank you, Mr. Chairman and members of the committee.

Good afternoon. The Asia Pacific Foundation of Canada is very pleased to have this opportunity to share some thoughts on the Canada-India closer economic partnership agreement.

You've heard from many of the witnesses about the desirability of the agreement and some of the specific measures that should be included. I won't go into these issues.

The Chair: Excuse me. You may have to slow down a little bit.

Are we okay?

Mr. Yuen Pau Woo: Yes.

You've heard from other witnesses already on the desirability of the agreement and on some of the priority sectors to be included in a deal. We fully support the agreement and agree with everything that my colleagues from CIF have said, as well as from previous presentations....

What I'd like to focus on instead is the broader context of the bilateral negotiations and what I consider to be one of the most important preparations that we need to make, which is the preparation for domestic understanding of the importance of a stronger Canada-India relationship.

You've already heard from other witnesses that the level of two-way trade and investment between Canada and India is really very low, compared with that of our other trading partners, at \$5 billion a

year two ways. India ranks quite low as one of our major trading partners, which really offers an opportunity for us to take advantage of.

What I'm trying to say here is that even without a free trade agreement, the opportunity for rapid growth in two-way trade is not difficult to achieve. We've seen this already in the education sector. I believe one of my colleagues has presented figures showing that the number of Indian students coming to this country has I think quintupled in the last five or six years.

Because we are starting from a low base in many other sectors, the prospect for rapid growth is very great indeed, and that can take place even while we are negotiating a free trade agreement. We should indeed have a very high level of ambition for the CEPA, but there is a feeling, which my colleague has articulated already, that the 2013 target may not be achievable, for a variety of reasons. That should not deter us from making efforts to expand the trade relationship, even outside of the trade agreement.

This brings me to what I think is the principal challenge we have right now in building the bilateral trade relationship, and that is to basically to get more companies and more Canadians interested in India in the first place. Even if we are successful in concluding a deal by 2013, if we don't have the companies, the people, the bodies, and the agencies that are able to take advantage of it, we won't be able to reach that target of \$15 billion—or even \$30 billion, as Rahul has suggested—so a lot of work is going to have to be done in the meantime to get our SMEs and our agencies involved and interested in India.

In addition, we need to think very hard about public support for an FTA with India, as well as the other trade and investment instruments that we're looking at; I'm referring also to the foreign investment protection agreement. As we all know, a similar deal with China had been floated—and has now passed, of course—but it generated a huge amount of public antipathy and even opposition. I think we need to do better on an India deal and explain to Canadians why a FIPA is essential, why it benefits Canada above all, and, likewise, why an FTA is important.

You may have heard from my colleague and board member that Canadians are wary of free trade agreements with Asian countries. In fact, only a minority of Canadians, based on our national opinion polling, support FTAs with Asian countries, and that includes both India and China, so we cannot let a bureaucratic negotiation process run ahead of the effort we need to work on with regard to public opinion.

Finally, on the question of domestic preparations, we also need to have a clear statement and understanding of the role of state-owned enterprises investing in this country. This is, of course, a very current issue with respect to China, but we know that the Indians, particularly in the energy sector, are also looking to invest in this country. ONGC is a state-owned enterprise and they will be watching the decisions on Nexen and Petronas very closely.

All of these issues are interlinked. Fundamentally, we need to get our domestic act in order so that we send the right signals and, even as we negotiate a treaty to facilitate greater trade, we have to make sure that we have the people, the companies, and the means to take advantage of that agreement.

Thank you, Mr. Chairman.

•(1650)

The Chair: Thank you very much.

We'll now move to questions and answers. We'll start with Mr. Sandhu.

Mr. Jasbir Sandhu (Surrey North, NDP): Thank you, Mr. Chair.

Thank you for being here this afternoon.

We had a trade surplus six years ago. Now we have a trade deficit of about \$50 billion. I'm reading very carefully the submission by the Canada India Foundation. To see that we have only \$5.1 billion in trade with India is—I'll use Mr. Shastri's word—indefensible. He goes on further to say in this particular submission that Canada is behind the game.

It seems that we're not doing something right here. We heard in previous testimony that the trade between Australia and India has grown sevenfold in the last 10 years, from \$3 billion to \$21 billion, so here's a general question: what is our government not doing right here with regard to India? I understand that we have a large first- and second-generation population of people of Indian origin. I include myself, and Mr. Shory is here, and you. Where has the government missed the boat in the last 10 years?

Mr. Rahul Shastri: I don't know if we've missed the boat. I think we've just been slow to get on the boat. I think part of the allure for Canada is that within 200 miles of 80% of the population you have had the largest consumer society in the history of the world. Frankly, up until 2008, it appeared that it was going to continue endlessly. In 2008, there came a cliff, and everybody seemed to fall off that cliff. That caused, I think in large part, a shift in paradigm and an opportunity to review things and view things differently.

So while we're sitting at \$5.1 billion in trade with India, that's up substantially from the \$2.6 billion that it was just a couple of years back. I think Canada is starting to engage with India. I think the Prime Minister's recent trip to India highlights the importance that Canada is placing on its relationship with India. However, I do think—and I think you've heard it before in these proceedings—that we need to better sell “Brand Canada”. We need to identify what Brand Canada is all about. We need to connect Brand Canada with people outside this country. I think if we do that we're going to have an easier time delivering our goods and our services overseas.

I can't speak to the view of the commonplace Canadian person, as my friend Mr. Yuen has indicated in regard to the survey, but I think that's an important part of it. If we're going to move forward with a comprehensive economic partnership agreement with India, we need to ensure that we have a population that is engaged. If that means there's an educational process that needs to be undertaken, then that's what we should be doing as well.

Mr. Jasbir Sandhu: I agree with you. We need to have a brand to sell to India. From my calculations, we have two visa offices in India, one in Chandigarh and one in New Delhi, and we have a population of 1.2 billion people there, and a growing economy. Next year it is forecasted to grow by 5% or 6%.

On these trade offices or the visa offices, you talked about students, and I have got students or their relatives coming in to my constituency. They're wanting to sponsor students to come in and take advantage of our universities and colleges, but they're having difficulty in either obtaining visas or accessing the services of consulates in various parts of Canada.

Do you think that having more trade commissioners, more visibility at the ground level, will help develop the brand that we want to develop in India?

•(1655)

Mr. Rahul Shastri: Certainly, I think, the more resources that we put towards enterprise, the more visibility we will have, and the better that will speak to us—

Mr. Jasbir Sandhu: What has been the experience of your members in regard to getting access to consular services or trade services from the Canadian government in India?

Mr. Rahul Shastri: I think the establishment of the commission in Bangalore is a step forward in terms of allowing companies both in Canada and out of India to partner up and to get information. I think that if you look at the countries doing substantial trade—some of the European nations and obviously some of the Asian nations—you'll see that they have a greater presence on the ground in India. I think that directly correlates to more business. If you know about a country, you're more inclined to do business with a country.

Mr. Jasbir Sandhu: You mentioned that Australia is doing better than we are in India. What have they done right and what can we learn from them?

Mr. Rahul Shastri: I think part of the issue with Australia is proximity. We're a little far away from Australia, but the advantage we have over Australia is a substantial diaspora here. That diaspora is now becoming more engaged than it ever used to be, and there's a sense now that there's a substantial proud heritage, whereas before it wouldn't be something that people would necessarily publicize or publicize as loudly as they do.

But India is more than just the flavour of the month. India has arrived. People from India wear their heritage with great pride now. People are getting engaged in those discussions, whereas perhaps 20 years ago those discussions weren't as commonplace.

Mr. Jasbir Sandhu: You mentioned in your testimony here that Australia has a very small Indian population and then there are usually first nations. Have we failed to tap into the very economically vibrant Indian community here? Has the government failed to tap into this group or to facilitate to have this group to be able to help us build bridges with India?

Mr. Rahul Shastri: Well, I don't think the government has failed. I just think, as I indicated earlier, that the emergence of India and China over the past number of years perhaps was not as big an issue as it could have been until we had the financial crisis in 2008. After that took place, I think people looked further afield for markets. That is what has taken place as a consequence of that crisis. Also, I think the diaspora here is established, is successful, and is now engaged and is attempting to do what it can to assist the government to bring prosperity to its home country. I think that's great.

The Chair: I just want to go back to your first question just to make sure that the facts are right. The trade deficit was \$50 billion...? Is that what you're saying?

Mr. Jasbir Sandhu: Well, we had a trade surplus of \$25 billion when we started in 2006. Now we have a trade deficit of over \$50 billion.

The Chair: I believe that last year we had a trade surplus again.

Mr. Don Davies: No, it's the current account—

The Chair: Just check your numbers on that. I'm just going by what our—

Mr. Don Davies: The current account deficit is \$50 billion.

The Chair: We'll check those numbers and get back to the committee.

Mr. Jasbir Sandhu: Sure.

The Chair: We'll move on to our next questioner, Mr. Keddy.

Mr. Gerald Keddy: I'm always interested to hear from the opposition, but much more interested to hear from our witnesses.

Welcome to the committee. It has been a very good discussion so far.

There were a couple of points raised both in your testimony, Mr. Shastri, and in the testimony of the witnesses before you. I just want to try to drill down a little deeper into that, if we can.

There was a comment you made, Mr. Shastri, about the financial wall that the world hit in 2008. Suddenly we woke up and realized—as we'd realized for some time—that the American marketplace wasn't going to be the be-all and end-all for Canada. We'd already lost market share—from 85% down to 72% prior to 2008—so we knew the direction it was going in. I think it is fair to say that governments were slow to pick up on the rising economies in Asia. We knew we had to do something about that. I very much feel that our government has done something about that in a very positive and progressive way.

One of the issues that has not been discussed is the nuclear cooperation agreement. I think that agreement alone has shown a lot of good faith on the part of Canada. I think it has also changed attitudes, quite frankly, from a former government that treated India, especially in nuclear energy, with a more colonial or even paternalistic attitude.... How much has an agreement like that, where Canada has finally recognized that India has nuclear power, and that we can participate in that resource.... India is going to need tremendous reserves of energy for a growing economy. Hopefully the FIPA will be signed and the final i's dotted and the t's crossed. It

has been slow, but those agreements form the building blocks for a proper free trade agreement. Do you have any comment on that?

• (1700)

Mr. Rahul Shastri: As we've indicated in our presentation, only 20% of India's nuclear requirement has been met. There's an extraordinary opportunity there for Canada. I think the Prime Minister has recognized it, and I think the government has recognized it, first of all by starting these discussions with India a few years back, and now by setting a sunset date—and a hopeful sunset date—on the conclusion of an agreement within the next year or so. Some may say it's optimistic, but I would agree with you that the government has done quite a lot to advance into looking to markets beyond the United States. I think it's important.

Insofar as the nuclear cooperation agreement is concerned, there was great fanfare when it was announced in 2010 and then it seemed to hit a bit of a wall. The recent visit by the Prime Minister reignited the interest. We're very hopeful that, as you put it, the i's can be dotted and the t's can be crossed in the not too distant future. That will allow the flow of uranium into India, the uranium that miners in this country are sitting on and can't do very much with. We've all seen what has taken place in Japan over the last couple of years with its decision to basically move away from nuclear reactors, and many countries in Europe are doing the same thing.

But beyond simply just the trade in raw materials—and I indicated that earlier—there's the opportunity there for technology, and that technology is where the value added is for Canada. It's value added in terms of the dollars that can be gained from the technology and the jobs that can be created here through the technology—

Mr. Gerald Keddy: I'm going to have to cut you off for a second, because I have another couple of points that I want to get into the mix and get comments on.

When we talk about energy, certainly the uranium and the nuclear energy are a huge part of Asia's future—India's future in particular—but it's also oil and gas, and natural gas, which Canada has a great and secure supply of, but I'd like to look to the east coast for a moment, if we can.

Mr. Khurana mentioned the lobster required for an Indian wedding. Part of that was tongue in cheek, but part of it is the reality of a huge market in India, with a tremendously fast-growing middle class. They can't meet their infrastructure needs, even at the 7% or 8% growth that they have now. The discussion is that they require 11% or 12% growth to just build the infrastructure that the growing middle class will need.

The closest port to India in Canada is Halifax, on the east coast, through the Panama Canal. We often forget that. The east coast has oil and natural gas as well. I don't know if we've looked for a trading partner anywhere that will benefit both the east coast and central Canada, and also the west coast, as much as India has the potential to.

• (1705)

The Chair: It's not the Panama Canal.

An hon. member: It's the Suez.

Mr. Gerald Keddy: The Suez Canal—did I say Panama?

The Chair: Yes.

Mr. Gerald Keddy: Thank you for correcting me. We've been talking about Panama. We finally actually got Panama passed...so it stuck in my brain. No, it's the Suez Canal. I apologize.

Mr. Yuen Pau Woo: The central challenge in the Canada-India relationship is the asymmetry in the relationship. India is a very large country. It feels that it's arrived on the world stage as a large power, if not a superpower, and India is being courted by many countries. It's absolutely essential that we close the nuclear cooperation agreement, but we are one of many. Everyone else is getting on board. It's absolutely essential that we do this free trade agreement and that we do the foreign investment protection agreement, but we are one amongst many countries trying to strike deals with India.

The question for us is this: how do we distinguish ourselves from the competition? I think you and others have touched on at least two of the ways in which we can distinguish ourselves: energy security and food security. When the Indians look around the world and they think about where they can get help and trade and expertise on energy and food, they can think of Canada. We genuinely have leverage on those issues.

Uranium has certainly opened the door for an energy cooperation relationship that goes beyond simply shipping uranium. I don't know if it is really viable for us to sell LNG to India when Qatar is the world's cheapest producer and it's a stone's throw away, but we can try. But for sure we can help on energy cooperation more broadly: energy conservation, smart grids, green technology, and perhaps even raw materials.

On food, we're already a major exporter to India. I know this, and do you know why? When I was in Myanmar recently, in Burma, I met with some agricultural interests there and they said to me: "We want to learn from Canada. Did you know that Burma is the second largest producer of pulses in the world and you are beating our pants off by selling to our neighbour?" People watch us, and they watch how successful we are at exporting peas, lentils, beans, and so on, all the way from Canada. We have an ability to build on that expertise.

The Chair: You're done.

Mr. Easter, you have seven minutes.

Hon. Wayne Easter: Thank you, Mr. Chair.

First off, in regard to the agribusiness and food processing report you have, I think we'd all agree that we would appreciate that, Mr. Chair. If that could be forwarded to the clerk, he'll see that we all get a copy. That would be fairly valuable to us. Thank you for that.

Just in starting, though, with the recent press that's out there on the Foreign Affairs document that has been leaked, it shouldn't be any surprise why we're behind the eight ball into Asia.

Mr. Gerald Keddy: It's crap.

Hon. Wayne Easter: No, it's not crap. It's the reality. Look—

Mr. Gerald Keddy: It's crap.

Hon. Wayne Easter: And you know it. You know it, Gerald.

The Chair: Just ask the question.

Hon. Wayne Easter: The Prime Minister's attitude towards Asia has now turned a 180, and that's a good thing. I congratulate the

Prime Minister for turning a 180 in his attitude towards Asia, but in the beginning it was a very negative attitude. We've lost four years, guys. You can laugh, but we've lost four years in China and India because that original attitude that Foreign Affairs—

The Chair: Do you have a question for the witnesses?

Hon. Wayne Easter: Yes.

I have the floor, Mr. Chair.

The Chair: You go ahead with a question or you won't have the floor.

Hon. Wayne Easter: And I do have the floor.

So we've lost four years. Now the Prime Minister is seeing that Foreign Affairs is important, and that's a good thing, but I'm saying that we've lost four years, and some day you guys will have to realize that.

The Chair: Do you have something for the witnesses?

Hon. Wayne Easter: Yes. I will have a question here in a minute, Mr. Chair.

The Chair: Well, yes indeed, or you won't—

Hon. Wayne Easter: I have the floor.

You raised some concerns, Mr. Shastri, on non-tariff barriers. What are those areas? Could you expand on that and give us some examples of non-tariff barriers that we should be looking at?

• (1710)

Mr. Rahul Shastri: Sure. I'd be happy to, Mr. Easter.

Examples would include customs procedures. Indian customs clearance often involves huge quantities of paperwork, which hinders trade by absorbing limited business resources. It's particularly constraining for small and medium-sized exporters.

Also, India's customs valuation system is often insufficiently transparent. There are anecdotal cases of excessive tariffs being applied on imports due to overmeasuring of their real transactional values, for instance.

There are export subsidies—direct and indirect financial support, including tax holidays—provided to Indian export industries located in special economic zones that are not necessarily available for Canadian businesses.

In relation to government procurement, Indian suppliers are afforded a price preference in applying for government contracts vis-à-vis foreign suppliers.

Anti-dumping is an issue. The number of cases examined under India's anti-dumping legislation has spiralled up in recent years. It's a concern and should be a concern for Canadian business—

Hon. Wayne Easter: I'm sorry to interrupt you, but in terms of some of these forums that you've held, have you held one on non-tariff trade barriers?

Mr. Rahul Shastri: We haven't held a forum on trade per se. Obviously, for the most part, our members are people with substantial business interests, both here and in India. With our brother and sister organizations, such as the Indo-Canada Chamber of Commerce or the Toronto Indus Entrepreneurs or the Canada-India Business Council, we will discuss these amongst ourselves during round tables. These are some of the issues that come up in the context of those discussions.

Hon. Wayne Easter: I think those are very valid points that I expect our negotiators are aware of, but we certainly should be aware of them as well. There's another that I'll come back to in a minute. In terms of the whole labour professionals...you're really talking about equivalent labour mobility under the FTA, is that right?

Mr. Rahul Shastri: Yes.

Hon. Wayne Easter: So that professionals can go in there and in here, with streamlined visas, etc.?

Mr. Rahul Shastri: Correct. You heard from Mr. Sierra, whose company of course is involved in India and Canada and is looking to bring engineers back and forth. It's a very cumbersome process as it is now. It's getting better with the existence of additional visa programs, but that's still something that can be streamlined further.

Hon. Wayne Easter: I think, Mr. Woo, that you talked about a problem with public support. I agree with you on that. It's the same when it comes to China. I really think part of the reason for that is... You mentioned the FIPA that was signed with China, which wasn't debated. We did have a briefing at this committee, but it wasn't debated in the House of Commons, and I do think that's a mistake by the government.

Government members will disagree, I'm sure, but the fact of the matter is that if we were to be transparent on those agreements and have the proper debate, the extraordinary claims that are made out there I think would show up in the light of day as not as serious as was once perceived. I do have a very sincere problem with the Canada-China agreement on the unlimited liability for the federal taxpayer for provincial decisions, but I think we would move some distance in gaining more public favour for these types of agreements if the government would be more transparent. I'd like your thoughts on that.

My last question is about the IP protection. What are the concerns? What needs to be done to ensure that our folks who have intellectual property to protect are indeed protected in the Indian market and that we don't have cyber espionage or whatever?

Mr. Yuen Pau Woo: Thank you, Mr. Easter.

In the Canada-Asia relationship today, we are at a point where Canadians and our political and business leaders have all come to an understanding of the economic importance of Asia for us. I think that's quite unanimous now. We've seen how, as our colleague mentioned, after 2008, Asia essentially saved Canada from a more severe recession. That is in part why the Prime Minister, business leaders, and civil society leaders are all talking about the need for diversification and more trade with Asia. That's why we are entering into an FTA and so on and so forth.

But, ladies and gentlemen, I think all of that is bringing us to what I call the hard part in the Canada-Asia relationship, because as we

pursue this path that we know we have to take—deeper integration with Asia—we are going to have to do things that are going to be troubling for the Canadian public. So we have to think very hard. You have to think very hard, because you have constituents and so on, about how the public view catches up with the intellectual acceptance of the need to do this.

I'm referring to investment from Asia. I'm referring to state-owned enterprise. I'm referring to FIPAs. I'm referring to FTAs. It's not just India. It's not just China. It's going to get more and more difficult. This is the hard part, but if we want to do it, we have to make sure the public is with us.

• (1715)

The Chair: I was just encouraged that the opposition is encouraging us to go down this road faster.

Mr. Shipley, go ahead.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much, Chair.

Today has been very interesting, with all of our witnesses.

Mr. Woo, I'm interested to hear you talk about having a domestic understanding—I think those were the words you used—in terms of how we can continue to grow our exports, recognizing that there isn't much credit given from the opposition for what has happened. It seems to me that if you move from \$2.6 billion to \$5.1 billion, that's an almost 50% increase over a few years. Though they're small numbers, the percentage is large.

You said the target is to then move to \$15 billion by 2015, but you think objectively that there's an opportunity to move that target to somewhere around \$30 billion. That's an extraordinary increase. Maybe it was Mr. Shastri who mentioned that. Whoever it was, it was intriguing.

I'm wondering if you can help us understand how that might happen, because it seems that we have an identity concern. How do we brand Canada in India? Can you help me a bit with that? I'll go back to the branding question a little later maybe.

Mr. Rahul Shastri: My colleague, Mr. Woo, made a very clear point when he asked, how do we get India engaged in CEPA? What is it that Canada has that India wants? It's food and it's energy.

It's not going to take very much in the context of technology transfer through uranium or some sort of nuclear reactor deal to increase that trade number substantially. It's not going to take very much if we're able to come forward with a framework—through the National Energy Board, obviously—to allow natural gas to be exported into India directly. Those are significant dollars that are at play here.

We're not only talking about the actual raw material itself. We're talking about refineries. We're talking about pipelines. We're talking about delivery mechanisms. That can substantially increase the trade.

If India is looking to Canada to assist with its energy security and its food security—through companies such as PotashCorp, Agrium, or Mosaic—which are going to be in substantial demand given what's happening to India's population, then I think we're going to be well on our way to establishing substantial trade figures, but frankly, we have to push those two issues.

Mr. Bev Shipley: Thank you.

I think those two key things—energy and food—are something we need, whatever the country is, and we know that Canada is recognized around the world, in so many of the agreements that we have, not only as a producer of quality but as one that is reputable in terms of being able to come forward with products that are of a standard often not met by many other countries.

For example, when we're talking about Japan, quality is everything. Is there the same sort of a sense with India that Canada would be looked at as a trading partner that has a reputation for quality?

• (1720)

Mr. Yuen Pau Woo: The short answer is yes, even though India's consumption profile is very different, of course, from Japan's. The biggest problem in India is not the refinement of the product, even though there is a market for high-end products.

The single biggest problem is really wastage. Indians do look to Canada for our very efficient post-harvest system of quality control and processing and minimization of waste in the whole issue of “from farm to fork”, of getting the product....

Mr. Bev Shipley: You mentioned that earlier, that wastage, and it struck me. It's not something that we actually talk very much about in terms of food in a country. The processing, the farming, and then the wastage and the storage: is that a big issue in terms of being able to work with India with the technology we have in Canada to prevent that? Can you expand on that a little bit, please?

Mr. Yuen Pau Woo: Yes. It is certainly a huge issue for India. It's multifactorial. It has to do with farm practices. It has to do with lack of a cold chain, of refrigeration. It has to do with the way markets are run and the lack of facilities. It has to do with a lack of distribution centres and the limited development of supermarkets that can preserve food. It has to do with bad roads and poor infrastructure. We can't solve all of those problems, but we have a lot of experience in getting food products to market and minimizing the loss.

I should clarify that the Indians waste a lot of food on the supply chain to the table, while we waste the food after the table.

Voices: Oh, oh!

Mr. Yuen Pau Woo: Let's not be too smug about it. We throw out a lot of food.

But I think the bigger point is this. We can negotiate a free trade agreement. We can negotiate a bilateral treaty. We can put in place frameworks. But to get India's attention, you need more than a framework, because a framework is a passive instrument and they're not going to pay attention to us unless they really believe we can make a difference.

I think we need a parallel strategy that really focuses on one, two, or three big things and we need to just keep hammering at it year after year after year.

The Chair: Thank you very much.

I think our time has gone.

I want to thank you, Mr. Woo, for being here, and Mr. Shastri and Mr. Sundaram. With that, that we'd like to—

Hon. Wayne Easter: We're going to go in camera, I know—

The Chair: Yes.

Hon. Wayne Easter: —but I'm only going to deal with one motion and it's typical that you guys go in camera and vote against it. There would be five minutes if you wanted to go to another questioner.

The Chair: We have some other business as well.

An hon. member: You can't—

Hon. Ron Cannan (Kelowna—Lake Country, CPC): On a point of order, Mr. Chair, you can't speak about what happens in camera—

The Chair: With that, witnesses, we want to thank you very much for coming in.

We will suspend as we move in camera.

[Proceedings continue in camera]

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