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The Honourable Rob Merrifield

Standing Committee on International Trade

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● (1530)

[*English*]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): We want to call the meeting to order. We are continuing with our study of a comprehensive economic and partnership agreement with India.

We want to thank the department for coming in. We're excited about hearing from our department with regard to how things are going. I'm sure that it's going to stimulate a considerable number of questions. We want to thank our chief negotiator, Mr. Don Stephenson, and his team for being here with us.

We will yield the floor to you. We look forward to your presentation as you introduce the rest of your guests.

[*Translation*]

Mr. Don Stephenson (Chief Trade Negotiator, Canada-India Comprehensive Economic Partnership Agreement, Department of Foreign Affairs and International Trade): Thank you kindly, Mr. Chair.

It is my pleasure to be here today to speak on the topic of the Canada-India Comprehensive Economic Partnership Agreement, or CEPA, negotiations.

With me from the Department of Foreign Affairs and International Trade are Luc Santerre, Director of South Asia Commercial Relations, Catherine Gosselin, Deputy Chief Negotiator for the CEPA negotiations, and Shendra Melia, Deputy Director of the Services Trade Policy Division.

As the committee will no doubt recall, we discussed the CEPA negotiations almost a year ago on December 1, 2011. Since that time, the negotiations have been progressing well through the initial stages. Four rounds of negotiations have been held, and we will soon move towards the next and more intensive stage of the negotiations.

[*English*]

The decision to pursue the CEPA negotiations with India is a key part of Canada's broader strategy of engagement with this increasingly important country. As Prime Minister Harper stated during his recent state visit to India, our government is committed to promoting greater trade and investment with India. India is a growing economy with enormous potential, and expanding our trade and investment links with India will create jobs, growth, and long-term prosperity here in Canada.

The visit of November 4 to 9 was Prime Minister Harper's second official visit to India. Prime Minister Harper was accompanied by a high-level delegation comprising three ministers, including the Honourable Ed Fast, Minister of International Trade, five members of Parliament, two senators, senior officials, and business persons. In addition to New Delhi, the Prime Minister visited Agra, Chandigarh, and Bangalore.

Prime Minister Harper and Prime Minister Singh held detailed discussions on bilateral issues and on regional and international issues of mutual interest. Most notably, the prime ministers announced the conclusion of negotiations for the administrative arrangement between Canada and India that will allow the implementation of the nuclear cooperation agreement between the two countries that was signed in June 2010. They witnessed the signing of the Canada-India Social Security Agreement, which will enable Canada and India to better coordinate the pension provisions and contributions of their citizens who have worked in both countries. They also commended the convening of the first meeting of the India-Canada CEO Forum.

Furthermore, Prime Minister Harper announced the winner of the Canada-India Research Centre of Excellence competition, and Minister Fast welcomed the announcement of commercial agreements worth more than $2.5 billion. The two leaders also noted that bilateral trade at its current level does not reflect the true potential of the commercial relationship and reiterated their shared desire to see bilateral trade reach $15 billion by 2015.

In 2011, two-way foreign direct investment reached $5 billion, and bilateral merchandise trade reached $5.2 billion, an increase of 23.4% from 2010. As Minister Fast remarked:

> Canada's growing trade with India is fuelled by our strong people-to-people ties. India is a growing economy with enormous potential, and our government is committed to further strengthening the links between our two countries.

The CEPA negotiations have an important role to play in reaching this potential.

The committee will recall that in November 2009 Prime Ministers Harper and Singh announced the formation of a joint study group to examine the feasibility and benefits of a comprehensive economic partnership agreement. The joint study was publicly released in September 2010 and concluded that free trade could boost the economies of both Canada and lndia by at least $6 billion, increase bilateral trade by 50%, and directly benefit a variety of Canadian sectors, which we discussed in more detail last year.

Let me now provide some context to the CEPA negotiations, an update on where we are in the talks, and what we expect in the coming months.

• (1535)

[*Translation*]

Canada, as you know, is pursuing an evermore ambitious array of trade negotiations with partners around the world.

Since 2006, Canada has concluded free trade agreements with nine countries: Colombia, Honduras, Jordan, Panama, Peru and the European Free Trade Association member states of Iceland, Liechtenstein, Norway and Switzerland. In addition, Canada is pursuing many other negotiations including with the European Union, Japan and Korea. Exploratory talks have also been launched with Thailand, and more recently, Canada joined the Trans-Pacific Partnership talks.

As part of Economic Action Plan 2012, the government committed to updating the 2007 Global Commerce Strategy to align Canada's trade and investment objectives in specific high-growth and strategic priority markets. Canada's pro-trade agenda is also driven by the need to ensure that Canadian workers and companies can compete on a level playing field with their foreign competition.

India has already negotiated several trade agreements, including with Chile, ASEAN, Korea and most recently Japan. India is also currently negotiating with New Zealand, Australia and the European Union, and the queue is likely to continue to grow in the coming years.

So where do negotiations stand today?

Following the release of the joint study, the prime ministers of Canada and India formally announced the start of the CEPA negotiations in November 2010. Six rounds of negotiations have been held to date, four of them since we last met, in December 2011. The third, fourth and fifth rounds were held in December 2011, February 2012 and July 2012, all in New Delhi. Most recently, the sixth round was held November 15 to 17, here in Ottawa.

India typically conducts its trade negotiations with a very small team. As a result, rounds with India are shorter and more focussed than is Canada's usual model.

In terms of structure, seven negotiating tables have been established covering the key areas of the agreement. These are goods, technical barriers to trade, sanitary and phytosanitary measures, origin procedures, customs and trade facilitation, institutional issues, and services. That includes cross-border trade in services, temporary entry, financial services, and telecommunication services. We have also agreed that other areas as identified in the joint study may be discussed in future rounds.

[*English*]

Following a productive sixth round, at which most areas were discussed, the first stage of the negotiations is coming to a close. We have exchanged information on approach, trade data, tariff information, and model text. Progress has been made towards consolidating text in a number of areas. We have different approaches in some areas of the negotiations, and the sixth round provided an opportunity to address some of these issues. We plan to further these discussions intersessionally.

We are starting to move toward the next stage of the negotiations that will involve the exchange of first offers in goods and services. During the round, my counterpart and I discussed how we can intensify the negotiations and lay down a road map of next steps through to the conclusion of the negotiations.

The negotiations with India are a high priority, and our target remains to complete negotiations by the end of 2013, further formalized during Prime Minister Harper's visit to India, as the two prime ministers welcomed the progress being made in the negotiations and reaffirmed their desire to conclude in 2013.

• (1540)

Based on consultations to date, the CEPA negotiations enjoy broad-based support from stakeholders in Canada, including the provinces and territories. We will continue to consult with and seek advice from stakeholders as we proceed.

Our aim is to move forward with ambition to ensure a forward-looking agreement that captures our current trade today and facilitates the Canada-India economic relationship into the future.

[*Translation*]

In conclusion, Mr. Chair, the government is committed to deepening Canada's trade and investment ties with India, as shown by Prime Minister Harper's visit to India.

Canada has an ambitious trade negotiations agenda, and the CEPA is a key element of that.

I thank you for the opportunity to address the committee members. My team and I look forward to hearing your views, which will inform our negotiations. We would be pleased to answer your questions.

Thank you.

[*English*]

The Chair: Thank you very much for your presentation. I know that you've just finished your sixth round, right? To be done by the end of 2013 is very ambitious, but we wish you all the success in that.

Mr. Davies, the floor is yours for seven minutes.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you.

Mr. Stephenson, first of all, thank you all for being here, and thank you for your expertise and service. I know that we have an excellent team negotiating on our behalf.

There are a couple of basic goalposts here, Mr. Stephenson. Do we currently have a trade deficit or a surplus with India? For that, you can break it down to a trade deficit and a current account deficit, however you wish.

Mr. Don Stephenson: The trade in merchandise between Canada and India is roughly the same, roughly balanced. We have $5.2 billion worth of trade, and it's about fifty-fifty.

With respect to the current account, I'm unsure, and we'll have to consult an economist to answer your question properly.

Mr. Don Davies: Now, I know that India presents quite a positive profile for us in terms of trade. Their population will grow to 1.5 billion by 2050 and the population is getting younger. My figures are that they plan on spending a trillion dollars on public infrastructure in the next five years, and they're building an industrial corridor between New Delhi and Mumbai, so I think there are some great opportunities. Their economy appears to be growing at a rate of around 5% currently, but that has been as high as 8%.

My understanding is that the Indians are interested primarily in investment and technology—more so than exports from Canada—and I'm wondering if you could comment on that.

● (1545)

Mr. Don Stephenson: First, I would say that when Indians talk about their priorities in terms of economic development, they talk about food security, energy security, public sector infrastructure, and education. All of those are areas of tremendous Canadian strength, where we have a lot to offer and there's a lot of potential.

In a more general sort of way, 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.

Mr. Don Davies: Thank you.

In your notes, you say that we have “different approaches in some areas of the negotiations” and I think that's to be completely expected. I would presume that one of those different approaches might be an investor-state provision.

We've been reading that India has been very reluctant—or certainly nervous—about investor-state provisions. There have been three suits filed in 2012 against the Indian government: one in April by the British telecom giant Vodafone; on February 28, there was the Russian conglomerate, Sistema; and thirdly, a Norwegian telecom company, Telenor, has also threatened to invoke the India-Singapore Comprehensive Economic Cooperation Agreement to protect its investments as well.

Have you had any discussions with the Indian negotiators around investor-state provisions, and is Canada pushing for an investor-state mechanism in this agreement?

Mr. Don Stephenson: The CEPA will not include investment protection. Investment protection is being dealt with in another negotiation on a foreign investment promotion and protection agreement, in which Canada would seek.... Canadas's standard model includes investor-state provisions, but that's not my negotiation. That's another one.

Mr. Don Davies: Exactly, so you may not know this. I may have this wrong, but I think I heard in the House in the last week or two that the Canada-India FIPA had been negotiated but not yet signed. First of all, do you know if that's correct? If it is correct, do you know if that agreement as negotiated does or does not have an investor-state provision?

Mr. Don Stephenson: Well, I don't want to take a misstep on someone else's negotiation. As I understand it, India is currently in a process of review of their model for foreign investment protection agreements, and that may have some bearing on our negotiation.

As I said, I know that our standard FIPA model includes investor-state provisions, but I wouldn't venture any farther with respect to somebody else's negotiations.

Mr. Don Davies: That's fair enough.

Can you tell us if there are areas of the Canadian economy that might be vulnerable to an agreement with India? We talk a lot about the advantages. We want to be optimistic, but surely no trade deal between two partners is a complete win for either party. I'm interested in finding out where you think Canada's vulnerabilities are.

Mr. Don Stephenson: The first thing to say about vulnerability in a trade negotiation is that the outcome you're looking for is one that protects your interests and that you don't do a deal that puts you at risk. You are looking for win-win.

With respect to the sectors that have expressed some sensitivity, it's sort of logical. Those areas where we tend to have higher tariffs are the areas that expressed the greatest concern.

For example, in textiles and apparel, there have been concerns with respect to temporary entry of business persons, and, as well, in a couple of sectors, such as the gems and jewellery sector, for example, because India is a huge producer and exporter of gems and jewellery. Those are the sectors that have expressed concerns, but that's about it.

● (1550)

Mr. Don Davies: You say that Canada's pro-trade agenda is "driven by the need to ensure that Canadian workers and companies can compete on a level playing field". I think it's fair to say that Indian wages and benefits are significantly below Canada's. Do you see any vulnerability there? If we allow goods and services to enter Canada tariff-free from a country that has very different wages and benefits—in fact, quite a bit lower—are there any vulnerabilities there, do you think, for our Canadian manufacturers?

Mr. Don Stephenson: Well, the wage cost is the principal—or at least one of the principal—Indian competitive advantages. That is just in the nature of trade. I don't see that as a major vulnerability to Canadian exports in any sector that I can immediately think of.

The Chair: Thank you very much.

Now we'll move to Mr. Shory, who was with us in Japan, only to fly home to return to India, so he was with the visit in India.

Mr. Shory, the floor is yours.

Mr. Devinder Shory (Calgary Northeast, CPC): Yes, some people are jealous of that.

Voices: Oh, oh!

Mr. Devinder Shory: Thank you, Mr. Chair.

Thank you to the witnesses as well.

I have had an opportunity to talk with you as well, Mr. Stephenson. First of all, I want to thank you and your team for putting all your energy towards this negotiation.

You made a comment in your opening remarks that you have a plan to intensify the negotiations. As the chair said before, I wish you good luck. You may want to share it with us. How are you likely to proceed to intensify the negotiations so that we can finalize it before our targeted date?

Mr. Don Stephenson: In the course of the most recent discussions with India, the sixth round of negotiations two weeks ago, Canada made proposals with respect to the structure of the services, market access negotiations, and the temporary entry of business persons.

I think that is a first step in engaging the market access part of the negotiations, the exchange of offers, and the real—forgive me—horse-trading, the real negotiating process. At that point, it seems to me that a more intensive process will be possible with India and will logically follow.

At the last session, we began, between the two chief negotiators, to have a discussion about a road map through to the end of the negotiations, as I said. That certainly included more frequent meetings, starting with an intersessional meeting in January, a meeting would focus on market access issues. At that point, it seems to me that meetings perhaps every other month would be possible and would move us to a conclusion at the end of 2013.

Mr. Devinder Shory: You may also recall, Mr. Stephenson, that during our visit last year, we were told that there are tariffs applicable of up to 30%—for example, on lentils. Of course, tariffs will be negotiated. Are you aware of any non-tariff barriers, and are they an obstacle? Are you negotiating those non-tariff barriers as well?

Mr. Don Stephenson: First of all, with respect to the tariff on lentils, the bound tariff in the WTO, the tariff that India may not exceed, may be 30%, but the applied tariff is often at zero when India needs the imports. The problem with that is the uncertainty with respect to whether the tariff is going to remain at zero or move back up. In the negotiations, we'll be looking to lock in low tariffs, even when they're applied at very low levels, including at zero.

With regard to non-tariff barriers, there are significant non-tariff barriers. There are sanitary and phytosanitary issues with respect to our agricultural trade in India that present important barriers to our trade. We try to address them with the appropriate authorities each time we're in India.

Some of these issues must be addressed outside the negotiations, but we make the effort of trying to advance those discussions every time we're there, because we understand that even if we get additional market access in the deal, if there are still non-tariff barrier problems getting the product into the market, it doesn't help our producers. With respect to what we do inside the agreement, we try to negotiate a streamlined process for dealing with disputes or issues in market access, including sanitary and phytosanitary measures, and for recognizing each other's standards and procedures like that.

● (1555)

Mr. Devinder Shory: As Mr. Davies mentioned, there are huge opportunities in infrastructure. When we were there, we visited the McCain plant. They told us how they have created jobs there and also how successful they are.

On the other hand, when I look at investments, I see that Indian companies have more investments in Canada, whereas Canadian companies have fewer investments in India. What is the reason? Is there any obstacle? What would encourage companies or make them feel comfortable, I would say, to go out and invest in that market and take advantage of all the opportunities that Mr. Davies mentioned?

Mr. Don Stephenson: I like to use the McCain plant as the best example I can think of in regard to investing in India, because they took a very patient approach, they took a very local approach, and they are very successful.

With respect to the balance in the flow of investment, it's a little bit difficult to be confident in the numbers, because a lot of the investment of which we are aware between Canada and India doesn't seem to show up in our numbers, our official numbers. Sometimes this is because the investment goes through another country for tax or whatever reasons. I would point out, for example, that the largest investor of any country in India is Mauritius. This seems clearly to be for corporate tax reasons or others. That's the first thing.

With respect to what the concerns or the impediments are to Canadians investing more in India, I'd take us back to the discussion of the FIPA. I think that having the certainty and predictability for the protection of your investment in India that a FIPA would provide would certainly help with regard to Canadians feeling more comfortable about making investments in India.

The Chair: Thank you very much.

Mr. Easter, you have seven minutes.

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

Thank you again for coming, Mr. Stephenson, and thanks to the team of folks with you.

Although I know it's not your area, you mentioned the standard FIPA model. You will know there was a lot of concern expressed on the China FIPA. We still haven't had answers on it. One of the big concerns is unlimited liability to the federal government as a result of provincial actions. I will say to you that we have a motion on the floor—which we started to debate at a previous meeting, but we ran out of time—asking that officials come here from the Department of Foreign Affairs and International Trade on the Canada-India FIPA.

I really think we need to do that, because the difficulty is that there seem to be more broad-based discussions on the trade agreement, but on the FIPA, it's just tabled in the House and not debated. That is a concern. I really think that there are probably greater dangers to Canada under the unlimited liabilities of the FIPAs than there are on the trade. This is an issue that I think impacts the trade side and that we need to deal with.

So first, what is the involvement of the provinces in the Canada-India negotiations? We know where they are on the Canada CETA, but what involvement is there from the provinces, and how do they have input? Or do they?

● (1600)

Mr. Don Stephenson: The provinces are closely consulted on the negotiations with India, first of all through the long-standing permanent mechanism for consultation between the federal government and the provinces and territories. It's called C-Trade. It's the committee on trade. It meets at least quarterly to review all trade matters.

As well, we've had a number of special meetings on the CEPA, specifically on services negotiation issues. I have visited all of the provinces, although not yet all of the territories, to consult with not just the trade department but all interested government departments.

I can tell you that all of the provinces are supportive of the negotiations. They are comfortable that their interests are being advanced and protected in the discussions and that they are being closely consulted.

Hon. Wayne Easter: When they're consulted, are they.... I've heard how well the provinces supported a number of trade agreements now, but sometimes when you talk to them—and I've talked to several provinces as well—they actually know very little about the details. That's what we're finding.

If you look at how New Zealand's consultations on their trade go, everything is on the table. Everybody seems to know what's going on. Our problem is that it's all guess; when I talk to the provinces, they never seem to know specific details. Are you talking theory or are you talking specifics?

Mr. Don Stephenson: You make a point that they support the negotiations in general, but the devil is in the details. That's true of all trade negotiations.

The fact is that I just came from two hours of sitting around a table like this with all the provinces to debrief them on what happened at the last discussion. At the end of each day of negotiations, even from India, we debrief the provinces by phone. We provide them with the texts on the table in the negotiation, and each sort of generation of text, so they can see them.

In particular, in respect of the services negotiations, we took them through—in detail—the proposed Canadian approach, because we had to adopt a slightly different approach in the services negotiations rather than use our traditional model. We took a great deal of time to take the provinces through that model. I don't want to speak for everybody's negotiations, but I think that in respect of my negotiation they're not guessing.

Hon. Wayne Easter: So it would be fair to say, then, probably, that the only ones who seem to be in a position where they're left guessing, if you want to put it that way, are the MPs who are elected from across the country to represent constituents Canada-wide, because we don't know the details. I think that's a troublesome thing. I'll just make that point. Maybe the government could consider being a little less secret and a little more transparent.

On the labour and environment side, you did day that wage costs are one of the principal Indian advantages. No question: if you lose your suitcase now with Air Canada, you're calling an Indian call centre. I'm rather sensitive on call centres, because both in New Brunswick and in Prince Edward Island we have had call centres pull out on very little notice and move to India or elsewhere in the world.

Also, I don't think it's a good policy to have a trade agreement that is going to force wages down in our own country. How do we get around that? What do you sense that could be in this trade agreement to protect especially our wage levels and our health and safety standards? I mean, I looked at today's *Globe and Mail*. There was a huge fire in Bangladesh. Somewhere around 1,100 people burned to death. The doors were locked. They couldn't get out. It was a six-storey building, a garment factory. I don't think that's what we should be competing against.

I'm not saying that's the case all over India, but we are competing against health and safety standards that are much less stringent than ours, and wages that are not much above slave rates. How do we protect ourselves?

● (1605)

The Chair: That's the end of the questioning—far beyond the end of the questioning.

Hon. Wayne Easter: You're a generous chair, though.

The Chair: I'll allow a quick answer.

Mr. Don Stephenson: Well, 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.

The Chair: Mr. Keddy.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman. I'm going to share my time with my colleague, Wai Young.

I want to welcome our negotiating team today. It's always a pleasure to have you here.

I don't know where Mr. Easter is getting all his facts, but it's nice to see and hear that one of the great successes of our free trade negotiations has been that ongoing dialogue with the provinces and territories, and also the fact that they are kept in the loop in these negotiations and other ongoing negotiations, such as the CETA with the European Union. The importance of this is that there are no great surprises at the end. For the record, Mr. Chairman, obviously you have to negotiate in privacy and secrecy, and then everyone has a chance to vote in a democratic way on the final results.

I would like to mention a couple of points that haven't been mentioned. I think we sometimes take it for granted, but the fact is that we have that huge market in India, with what will soon be the largest population of any country in the world. They have English as an official language—one of our official languages—which is a tremendous competitive advantage for many of our unilingual businesses in Canada. Also, there's the fact that they are concerned about food security. They can't supply the food for especially their growing middle class.

I forget the number—I'm sure, Mr. Stephenson, that you have it at the top of your head—but I think they're expanding by somewhere around 150 million people a year—some phenomenal number. They need about 9% to 11% growth just to supply that growing middle class, whereas they obviously don't have quite enough growth now. I'm going to stop there to leave some time for Ms. Young, but would you comment on that growing middle class in India and what they're going to consume?

● (1610)

Mr. Don Stephenson: You hear a lot of different numbers, but in India they're all big numbers—

Voices: Oh, oh!

Mr. Don Stephenson: —because if you multiply anything by 1.22 billion people, it's a big number. I've heard that anywhere between 250 million and 300 million people are in what India refers to as the middle class. I'm not entirely sure it's the same definition as ours, but affluent consumers number 25 million and they can afford whatever they want. I heard an Indian minister comment that the year before last, they added the population of Australia to the middle class, so it's rapid growth.

The Chair: Ms. Wai Young, welcome to the committee.

Ms. Wai Young (Vancouver South, CPC): Thank you so much.

Thank you to the panel for that most interesting information.

I just wanted to ask you about the fact that I'm from Vancouver South, where we have a very large South Asian population, and we are on the gateway, of course, to Asia Pacific. What do you see as barriers, once we finish the CEPA—or opportunities, really—for Canadian businesses in reaching that $15 billion doubling and tripling in trade that we want to accomplish? What would you recommend?

Mr. Don Stephenson: First, with respect to the Indian diaspora in Canada, it is a tremendous asset, particularly in a market where relationships matter. In India, you have to invest a lot in the relationship before you get the deal, and you need relationships to be able to navigate in that market. It's a different kind of business culture, a different kind of bureaucratic culture, and a different kind of consumer. Relationships in this particular market matter a great deal, so the people who still have strong linkages to India can be a real asset.

With respect to the opportunities that this will create, well, it will be as mundane as tariffs that are lower than other countries get in selling the same products. So in trying to sell into the Indian market, our suppliers, including our small and medium-sized companies, will have that advantage over their competitors.

We hope, of course, that this would extend into various areas and services, including the temporary entry of our professionals into the Indian market. Oftentimes in the debate around temporary entry, it sounds as though Canada should be on the defensive because there are so many Indian workers, but Canada also has offensive interests in being able to move our service suppliers into the Indian market to deliver architecture and engineering and legal services, and financial services.

In fact, even our goods producers need to access the market to service the products they sell, in order to be able to go in and market their products. Even in temporary entry we have very strong interests. We hope that this deal would give our companies an advantage over others or at least a level playing field.

Ms. Wai Young: Mr. Chair, do I have time for another quick question?

The Chair: Yes.

Ms. Wai Young: You've emphasized the importance of relationships, particularly in a culture like India's, where it's who you know, and those ties and strengths, and trust and faith and confidence, obviously.... How do we then take something like this, that is not tangible, and build that into a CEPA, and/or build that into, downstream, applying something like a CEPA to increased trade with India?

Mr. Don Stephenson: My answer would be, principally outside the CEPA; the government's strategy to build a relationship with India involves using all of the tools in the tool box. CEPA is only one of them. The foreign investment protection agreement is one. The social security agreement is one. The nuclear cooperation agreement is one. We're negotiating an audiovisual co-production agreement. We have MOUs of all varieties.

Perhaps the most important in respect of your question is that we're expanding the Trade Commissioner Service on the ground in India to help companies find partners and find opportunities.

● (1615)

Ms. Wai Young: Thank you.

The Chair: Thank you very much.

Mr. Sandhu.

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

Thank you for being here today. In your testimony, you mentioned that Prime Minister Harper signed the Canada-India Social Security Agreement. That would look after how we could coordinate our pension benefits. Can you explain a little bit of the details?

Mr. Don Stephenson: No, but perhaps my colleague, Luc Santerre, might be able to.

Mr. Luc Santerre (Director, South, Southeast Asia and Oceania Commercial Relations, Department of Foreign Affairs and International Trade): Canada has a number of pension-sharing agreements with many countries around the world—over 50, if I'm not mistaken—and had been negotiating a similar pension-sharing agreement with India. It was just recently signed. It will be implemented in the coming months. We're just going through the details for that.

What it will allow is a number of things, but two main things, I would say. One is of interest to people who choose to move permanently to another country. Before they move, they likely will have made pension contributions in their home country. This will allow them, once they retire in the other country, to receive pension benefits that are blended, so that someone who starts afresh, either an Indian in Canada or a Canadian in India, doesn't, at the time of their retirement many years down the road, lose all the pension contributions they've made. That's more of a diaspora element.

Then, in the shorter term, for companies that employ people who might need to go to the other country for a few months, or maybe year or two, either as temporary workers or with a more long-term work permit validity, what this allows them to do, while they are in the other country on a temporary basis, is that they do not have to pay into the other country's pension scheme; they just continue to pay into the pension scheme of their home country. That is really quite a benefit to the Canadian companies doing business in India, and vice versa—to the Indian companies doing business in Canada—because their cost of having employees making double pension contributions, in the absence of the social security agreement, is a business cost that companies have been complaining about. With this agreement, that additional business cost is taken out of the equation.

Mr. Jasbir Sandhu: Just to clarify the first part, let's say somebody has worked in India for a number of years and they migrate to Canada, or vice versa, and they are entitled to some years of pension here. Their pension from their home country will be counted here. Would it be taxed here?

Mr. Luc Santerre: That's right. As part of the agreement, what will happen is that they will receive only one pension in the country in which they retire, from the pension authority of that country, and the calculation of that pension entitlement will take into account contributions made in the other country.

Mr. Jasbir Sandhu: I'm always amazed that India.... We've heard that India is a prosperous country, that it has grown, and that it has a growing population, yet the business we're doing with it is only $5 billion...it's like peanuts. What are the obstacles? Is CEPA going to be able to address some of those obstacles?

Mr. Don Stephenson: Well, I think there are many obstacles. The first is that it's far away. If you are exporting a hard good, the logistical problem and the cost of getting your good to the Indian market plays a role.

There's the consumer in India: very price-conscious; very concerned about certain foreign goods for servicing kinds of reasons; different tastes.

There's the uncertainty of the tariff; the caps that are placed on foreign investment; the sometimes obscure regulatory requirements.

All of these things make India a challenging place to do business, but all of the tools that the Government of Canada is trying to deploy in the Indian market will hopefully give Canadian companies, Canadian investors and exporters, more certainty, more transparency, and more comfort in terms of taking the initiative to try the Indian market.

● (1620)

The Chair: Thank you very much.

Mr. Holder, for five minutes.

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

I would like to thank our guests for attending today. Welcome back to some of you.

I have several questions, but you know, it's rather interesting; I look at Canada, with half of the world's population, 18% of the land mass, rich in resources, and I look at India, rich in population, rich in various skills, with a need for Canada's resources. If I could ever imagine that there might be a fit, I could see the Canada-India free trade agreement, the CEPA, as being that response.

Mr. Sandhu asked a very interesting question, and I thought a good one, about the obstacles of doing trade between India and Canada.

I think, Mr. Stephenson, you outlined some of that, but let me ask you a question on tariff uncertainty. Will it be better with this free trade agreement, yes or no?

Mr. Don Stephenson: Yes.

Mr. Ed Holder: Caps on foreign investment: will it be better with free trade agreement, yes or no?

Mr. Don Stephenson: It's certainly our hope and our objective in the negotiations. How well we do, well, it remains to be seen.

Mr. Ed Holder: Is it closer to yes or no?

Mr. Don Stephenson: Well, it's closer to yes, but—

Mr. Ed Holder: I'll take “closer to yes”.

Voices: Oh, oh!

Mr. Ed Holder: The obscure regulatory requirements that you've discussed: will it be better with this free trade agreement?

Mr. Don Stephenson: Yes, including the opportunity to dispute matters regulatory—

Mr. Ed Holder: We do business with India today. I think you mentioned some $5 billion. So will it be better, in your opinion, to have a system that handles disputes between two willing countries when in fact currently we do $5 billion, with the potential to do that much more? Will that be better with a free trade agreement?

Mr. Don Stephenson: Yes. That's why we do them.

Mr. Ed Holder: So it strikes me that when I consider this.... I look at the several areas that are Canada's interests within a CEPA. Energy, agriculture, education, mining, and infrastructure are the ones that come to my mind.

You referenced McCain's success in India. Can you briefly explain what that means, that success?

Mr. Don Stephenson: McCain is a very interesting example of how to work in the Indian market. Number one, they spent six years researching exactly what variety of potato would grow best in the regions of India, recruiting local farmers and training them in how to farm those potatoes for McCain so that they meet the standard. In so doing, they dramatically reduced the fertilizer being used by the farmers on the land and the water required for irrigation.

When they got the first line of french-fried potato manufacturing going, I think they said they processed something like 30,000 tonnes of potato in the first year. At home in Canada, you buy 30,000 tonnes of potato from two or three farmers. In India, it's hundreds of farmers, so you benefit hundreds of families.

Mr. Ed Holder: Just to clarify, then, coming back to the McCain example, are there any potato products going from Canada to India at this time?

Mr. Don Stephenson: No, not at this time, neither potatoes nor frozen french fries.

Mr. Ed Holder: What concerns me is the Prince Edward Island potato. It strikes me that the Prince Edward Island potato has eyes to see but no voice to speak.

Voices: Oh, oh!

Mr. Ed Holder: I think we need to be able to speak on behalf of that potato. Even if it's the culture of experience that McCain can offer the Indians, then I will acknowledge that this has benefit to McCain in Canada.

Mr. Don Stephenson: I assure you that I speak on behalf of that potato.

Mr. Ed Holder: Perfect.

Now, what concerns me is that in the various free trade deals that we've talked about, from South America to Europe to the Middle East and to other places, much has been discussed about how we can help assist these countries. By the way, I think that's honourable. To the extent that we can raise standards of living and create benefits to other countries, I think that's great.

But frankly, I'm particularly interested in Canada's benefit. What's not quite as clear to me is the tariff regime in India that these various Canadian industries have to deal with. Can you give us some sense, based on your negotiations—six rounds, I understand now, so you have some feel for this, I'm speculating—as to what tariff benefits Canadian businesses will see as a result of your negotiations, the successful ones?

● (1625)

Mr. Don Stephenson: First of all, I would like to say that the average tariff faced by a Canadian export into India is something in the range of 9%, but on manufactured goods, that's in the range of 5% to 10%, and in agricultural goods the average is 30%. That's an average. Some tariffs are very significantly higher.

We would expect in these negotiations to dramatically reduce those tariffs, and I mean something like 90% of tariffs, say, either going to 0% or at least having a significant reduction. That would be a reasonable target. Typically, and particularly in a negotiation with a developing country, one would see an implementation period being provided, a transition period, that would likely be longer for the developing country than the developed. That would be a standard kind of arrangement in a negotiation between a developed and developing country. That gives you some idea of the parameters.

Now, I should point out that India is sensitive in agriculture. That's why the tariffs are higher. And they're sensitive in agriculture for a number of sensible reason. Fifty-two per cent of the workforce in India still relies on agriculture. In Canada, which is perhaps the fourth- or fifth-largest exporter of agricultural products in the world, it's 2%.

So that's an awful lot of people. That used to be much higher in India. The transition to the cities and to manufacturing jobs and services jobs is happening, but it has to be managed, so they are very sensitive. These are also poor farmers. This is not farming in the the way a Canadian 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.

The Chair: Thank you very much.

Mr. Ed Holder: Might I add that all of my questions were within the five-minute period? It's just that some of the answers went beyond.

The Chair: Yes, and I know exactly what it was.

Thank you.

Monsieur Morin.

[*Translation*]

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Stephenson, before starting negotiations, you built economic models and projections on the trade potential.

Would you be able to provide us with those models to give us an idea of the potential we're talking about? Do you have documentation to submit to the committee?

Mr. Don Stephenson: The joint study carried out with India is available on the department's Web site. It includes the two countries' projections, or economic models, in a report. So they are available to you.

In fact, I thought the committee had asked us to provide copies of the report when we appeared last December.

Mr. Marc-André Morin: I have another question that might be a bit more explosive than potatoes.

Earlier, you mentioned the nuclear cooperation agreement. I know that, for decades, Canada's position was to bring a lot of pressure to bear on the successive Indian governments. They didn't like being told that they couldn't be regarded as a nuclear power. In their view, that status is perfectly legitimate given that nuclear powers like Pakistan and China surround them.

We're not talking about a very calm region, where the potential for conflict is non-existent. And there are very serious reasons for that. These countries aren't surrounded by democracies. So the potential for conflict is tremendous.

Canada has always sought to prevent nuclear proliferation. I would like to know, then, how that matter between Canada and India was resolved.

● (1630)

Mr. Don Stephenson: I will ask my colleague Mr. Santerre to answer that.

Mr. Luc Santerre: Canada and India reached a nuclear cooperation agreement extending solely to civil matters, in June 2010 while the G20 Summit was happening in Toronto. On the sidelines of the summit, Prime Minister Singh came to Canada on an official visit. The nuclear cooperation agreement signed by the two countries extends solely to the civil domain.

When Prime Minister Harper visited India at the beginning of the month, negotiators had concluded an underlying agreement to operationalize the civil nuclear cooperation agreement. It's an administrative agreement laying out all the details. It provides for the reporting mechanisms on both sides as regards the sharing of civil nuclear expertise, materials and technology. These mechanisms are designed to preserve the integrity of both countries' interests in nuclear non-proliferation.

Mr. Marc-André Morin: Does it include control and oversight mechanisms?

Mr. Luc Santerre: I don't have the mechanisms with me, but everything is fully compliant with the non-proliferation policy Canada has maintained for the past 30 years.

Mr. Marc-André Morin: Was it the result of pure goodwill on both sides, or did compromises have to be made? Did Canada have to give up a certain degree of control over the materials exported to India? Or did India just agree to Canadian oversight and supervision to ensure that—

Mr. Luc Santerre: I'm not an expert on that agreement. So I wouldn't want to venture an inadequate answer to your very specific question. What I can tell you is that the integrity of our non-proliferation policy remained perfectly intact on both sides, because India also has such a policy in place.

Mr. Marc-André Morin: Thank you.

[*English*]

The Chair: Thank you.

Mr. Cannan.

Hon. Ron Cannan (Kelowna—Lake Country, CPC): Thank you, Mr. Chair.

To you and your team, Mr. Stephenson, thank you very much for coming here again this afternoon.

Following up on some witnesses we had previously who talked about the different culture and different way of doing business and building relationships, one of the factors they felt—the Canada India Foundation, and the Asia Pacific Foundation of Canada, etc.—is the lack of desire or I guess energy from the Indian perspective to get engaged in the process. What's your strategy to get them a little more motivated to move this process in a more timely manner so we can move forward as expeditiously as possible?

Mr. Don Stephenson: Well, as was commented on already, I would agree with the assertion that India needs Canada in respect of meeting many of its development objectives, including the list that I provided: food security, energy security, infrastructure, and education. That having been said, India has a lot of suitors. A lot of countries—north, south, east, and west—are trying to put themselves in a position to enjoy the explosive growth of the Indian market.

How does Canada distinguish itself in that crowd? In particular, how do we motivate an ambitious outcome in our negotiations? Clearly, one of the things we're going to have to do, and plan to do, in the negotiations is respond to India's interests and needs in the negotiation in a fair exchange, in a reciprocal deal. It's the substance of what's on the table that will drive the interest on the Indian side. That would be my suggestion.

Hon. Ron Cannan: I come from British Columbia as well and represent Kelowna—Lake Country in the Okanagan, where there is a large and growing Indian community that is very intelligent, especially in the high tech area. I'm wondering what we're doing as far as the negotiations for intellectual property are concerned. Have they signed on to WIPO, and for international copyright, ACTRA, and the different international legislation that is in place?

● (1635)

Mr. Don Stephenson: In my remarks, I indicated there were some areas and issues that were not yet part of the agreed content of the final agreement—the modalities, as we call them. Intellectual property is one of those areas. Canada continues to promote the idea of including intellectual property protection in the agreement, but this is not yet agreed on the Indian side. That issue and all others, I suppose, are still in negotiation, and the outcome is difficult to predict.

In the meantime, the Indians are members of the WTO, where there are provisions on the protection of intellectual property, and they are members of WIPO.

Hon. Ron Cannan: You said they've signed other bilateral agreements. What's the status with the U.S. in negotiations?

Mr. Don Stephenson: They are not in negotiation with the U.S. They are in the fifth year of negotiations with the European Union.

Hon. Ron Cannan: Okay.

On mining, Canada is a leader in the mining industry. What are the opportunities for Canadian mining companies getting into the mining industry in India?

Ms. Shendra Melia (Deputy Director, Services Trade Policy, Department of Foreign Affairs and International Trade): Mining services is one of the areas that we identified in the joint study as an area of potential export interest to Canada, an area where we felt gains could be made.

Also, for energy more generally as well, a number of our small and medium-sized enterprises are very aggressively trying to enter the Indian market for renewable energy. Electricity is another one of those areas, in transmission, distribution, and generation. Again, there's tremendous potential there. That's one of the areas in which we would be seeking to get India to make further commitments for us in the market access offers when we get to that stage of the negotiations.

Hon. Ron Cannan: In one of the reports, Mr. Davies alluded to infrastructure opportunities of up to a trillion dollars by 2017. That would be a great opportunity for Canadian engineering infrastructure.

I haven't been there, but I've heard from other people that there is an issue of treatment of water and waste water. In the environmental aspect of negotiations, will that be a side agreement, as well as labour and the environment?

Ms. Shendra Melia: I think the areas you've just identified are areas that fall more under the purview of services negotiations. Environmental services is another one of the areas that we've identified where we have tremendous export potential. Our exporters are very sophisticated in this area. Not only in seeking to enter India, but in practically any negotiation that we have around the world right now, environmental services are key. Waste management is one of the opportunities in India.

You mentioned transportation and infrastructure. Again, I think you've hit the hammer on the head of a number of our key services export interests. Again, those are areas that we would be negotiating with India in terms of market access when we get to that stage of negotiations.

As Don mentioned, we're currently in the first phase of negotiations, which is trying to get agreement on the modalities or the structure for the negotiations. After that has been dealt with, we would move onto the market access. We would be making requests of India in areas of export interest to us. They would do the same with us, and then we'd actually be making offers.

Hon. Ron Cannan: Thank you very much.

The Chair: Thank you very much.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you very much to the witnesses for coming today.

Mr. Stephenson, you made an interesting comment about agriculture and how significant it is in terms of security. I think I missed the number, but a very high number of people are involved in that industy in India, making them sensitive to agriculture. I'm assuming that you meant sensitive to agriculture in terms of what they might be importing.

Do you see the agriculture industry not only as an export for Canada as products—so you would be talking about lentils and some of the larger industry ones, such as beef, maybe—but are you also talking about technology that they would be looking for as they look at the numbers? When we talk to people in China, for example, about the number of people who were involved in agriculture and their influx away from the rural areas into the urban areas, technology, innovation, and science and research tend to move that industry ahead. Is that an area you're talking about?

● (1640)

Mr. Don Stephenson: Yes. I guess this is also Shendra's area in large measure, but there will continue to be opportunities—in fact, we hope expanded opportunities—for Canadian exports of agricultural products, including the value-added, the processed food products. But I think it's fair to say that the biggest opportunity in India in the agricultural sector is in investment and in bringing Canadian technology to the challenge of agricultural production in India.

One of the ministers that my minister, Minister Fast, met in India last year—I believe it was Minister Sharma, the Minister of Commerce—indicated that something like 40% to 60% of food spoils in India before it reaches a consumer. One of the opportunities, then, for Canadian investors with the know-how that very few countries on the planet have more abundantly than Canada, would be in helping them build their food handling system, including their cold chain facilities, and in developing value-added food processing in India.

Very recently, India opened multi-brand retail for investment by foreign firms, which means that the huge multinational firms—the Carrefours, the Walmarts—will be establishing increasingly in India. The Reliance corporation in India, one of the huge mega-firms, is planning to spend billions of dollars creating mini-marts and retail sales that provide tremendous opportunity to fill shelf space with product, both from Canada and through investment in India.

Mr. Bev Shipley: One of the things you also mentioned in passing is that in terms of relationships—we've been told this time and again, and I think it's important for Canada—Canada is recognized around the world, I believe, in many areas of what we produce and what we do in research, for having quality products. I think also of how important building relationships is in terms of how we have historically dealt with other countries in trade agreements.

Does India see this as important? How do we brand Canada to the Indian population? We're a small population of 34 million. They increase by that population over a weekend.

Voices: Oh, oh!

Mr. Bev Shipley: So how do we brand Canada, this large country with a small population, to make them understand and know what we actually have to offer?

An hon. member: That must be a long weekend.

Mr. Don Stephenson: I think you need a better witness than I to try to address such a large question. Maybe a really good place to start would be our High Commissioner to India, Stewart Beck, who has been spending the last two years trying to figure out the answer to that question.

Our brand is, I would say, weak in India, because they have so many other suitors, and because we're far away and we're more or less the expensive option. When we talk about the Indian market, by the way, and branding ourselves in the Indian market, we tend to say that like it's one market. India is not one market; it is many markets. There are very strong regional differences, and one thing about trying to address the Indian market correctly is to understand the regional differences and the fact that you have to adapt your approach to the different markets.

Beyond that, I think we have to use our strengths—the things they know us for—including the quality of our products and technology. That, I think, is well known in India, but it's a very crowded marketplace. It's very difficult to brand.

The Chair: Thank you very much.

Madam Papillon.

● (1645)

[*Translation*]

Ms. Annick Papillon (Québec, NDP): My first question is for Mr. Santerre.

Did India sign the nuclear non-proliferation treaty? I would just like that clarified please.

Mr. Luc Santerre: No, I don't believe so.

Ms. Annick Papillon: Thank you.

According to the Canada-India Joint Study Group Report, despite differing points of views on trade and labour, and trade and the environment, Canada and India have agreed to continue to discuss those issues as they progress toward a bilateral CEPA.

What are those differing views? Has progress been made in those discussions? Can we expect an eventual agreement to include chapters on labour and the environment, in particular?

Mr. Don Stephenson: India has always been resistant to the idea of including labour and environmental measures in an international trade agreement. It does not want to accept a direct link between its obligations and trade disciplines regarding international standards in working conditions and environmental protection, which it even signed.

Discussions are ongoing. Canada's approach, as you explained, is to include measures in an annex to the free trade agreement. The annex would contain a statement whereby both countries confirm their intentions to respect international standards. Negotiations are under way. I cannot say with confidence what the outcome will be.

Ms. Annick Papillon: They appear in an annex, but are not necessarily included.

Mr. Don Stephenson: That is Canada's usual model.

Ms. Annick Papillon: You piqued my interest when you were talking about India's priorities. You mentioned food security, energy security and infrastructure, but you also mentioned education. I am keen to hear a bit more about that. What opportunities could Canada offer India in that regard? Which companies or organizations could benefit, in particular?

Mr. Don Stephenson: First off, keep in mind that Canada's approach is to exclude public education, public health, culture and social programs from its free trade agreements. That policy stands as part of my mandate in the negotiations with India, as well.

That said, Canada's colleges and universities are extremely interested in the Indian market. Rarely have I gone to India without accidentally running into one of our university or college presidents looking to bring Indian students to Canada or to build partnerships in research and program delivery. They are known as 2 + 2 programs, meaning programs offered by both institutions. After spending two years studying in Canada and two years studying in India, students would receive a degree conferred by both institutions.

Ms. Annick Papillon: Are there any negotiations in that area under way at the same time?

Mr. Don Stephenson: Yes.

I wasn't told of any barriers specific to this type of partnership that I could try to remedy in our current talks. From the outset, our position excludes education, and as far as I know, there aren't any related barriers that need to be raised in our negotiations.

Because education is a provincial responsibility, I consulted with the provinces, as well as the major national associations of universities and colleges. They said they saw no barriers that I should attempt to remedy in the negotiations.

Ms. Annick Papillon: For example, you mentioned the idea that some of our technologies and minds could help to fix problems. That might be one way for us to set ourselves apart on the international stage, to explore a promising avenue.

In fact, we need to consider the implications of limiting talks to the export of certain items without any added value, especially in light of the skilled labour shortage we have on our hands in Canada. If we then turn around and create primary sector opportunities only for India, I would have trouble seeing how we could also set ourselves apart in terms of what a highly developed country has to offer.

● (1650)

Mr. Don Stephenson: I agree.

[*English*]

The Chair: Thank you very much.

We have one more question and answer session in this round, and we have three Conservatives who have said they want one question each to take up that five minutes. I have to see this.

Mr. Cannan, you'll start, and then we'll have Mr. Holder and Mr. Shory. You'll each have one question.

Hon. Ron Cannan: Short snappers: be quick.

Mr. Stephenson, last week we met here with the Canadian Tourism Commission. What's the issue with the global commerce strategy? Minister Fast talked about using our trade agreements for tourist opportunities. He talked about 25 million wealthy people, plus the other millions who are in India, in terms of air access. Is that an issue? He talked about tourism opportunities for Canadians as part of our brand marketing to bring Indian visitors to Canada.

Mr. Don Stephenson: First of all, with respect to air links, they are not part of the CEPA negotiations. They are negotiated separately by Canada's chief air negotiator. Perhaps the committee could invite him to speak to the issue of links between Canada and India. I often hear from Canadian businesses that one of the things that would help a lot, in terms of developing the market, is more direct links with India.

Would you speak with respect to tourism services, Shendra?

Ms. Shendra Melia: Again, tourism services is one of the areas in which we export to India. It's one of our largest services export interests. We have a large population that travels to India to consume those services. I'd say that travel services are at the top of one of our export services, whereas for India it's the reverse. A lot fewer Indians come to Canada to consume travel services. It's certainly one of those factors that we would take into consideration when we're constructing what our requests and offers would be for India in terms of market access interests and exchanges.

Hon. Ron Cannan: Thank you very much.

Devinder, we'll go on to you.

Mr. Devinder Shory: Thank you.

Mr. Chair, I want to talk a little about “Brand Canada”, because I know that not too many people in India knew about Canada, but definitely, with the efforts of this government, I would say, and the high commission and trade commissioner expansion in India, it has changed a lot, whether it was, say, the appointment of the Bollywood actor as tourism ambassador for Canada to India, or the Canadian Bollywood industry having their annual award ceremonies here in Toronto, or encouraging India to have its Year of India in Canada last year, when they organized so many events here.

Canada is definitely very well known in certain areas. For example, Mumbai is the business hub of India. Everybody knows about Canada now.

Rather than mentioning all the benefits—you mentioned them and everybody mentioned them—I will ask a question. What would be the downside if we did not pursue this agreement? Would there be a great loss of opportunity for Canadian businesses and Canadian families or would it be business as usual?

Mr. Don Stephenson: Well, I think that if we do not pursue this opportunity, it's pretty clear that others will and that we will lose ground. We will lose competitiveness to our trading partners. In that sense, I think it's tremendously important, particularly given the fact that Canada needs to diversity its markets in the world. If you want to diversify markets, you have to go to where the explosive growth is happening, and that's India, China, and a few other markets.

Mr. Ed Holder: Mr. Stephenson, you said that India has a lot of suitors. It makes me wonder where the United States is in their interests in India, which then leads me to wonder what the status is of our process of consultation with their subnational governments.

In consideration of those comments, you indicated there are challenges in dealing with India being far away, yet Japan is very high on our list and being treated very fairly, so I'm trying to understand that inconsistency.

That's a big question, Mr. Chair.

● (1655)

The Chair: You have time for an answer.

Mr. Don Stephenson: I'm still working on the question.

Voices: Oh, oh!

Mr. Don Stephenson: Well, India is certainly farther than Japan. In terms of infrastructure for goods, such as port facilities and domestic transportation, Japan is a lot less challenging than India. Certainly if you're trying to export a perishable good to India, there are tremendous challenges, going back to cold storage, etc. I don't know where else to go with the question.

Mr. Ed Holder: There are other parts to that question, Chair. One was on India's suitors and where the U.S. is, and the other was on the status of communication with the subnationals.

Mr. Don Stephenson: With respect to how we communicate with our subnational governments, I indicated earlier that we have a process that provides for very close consultation with the provinces. I can tell you, from my exchanges with them, that they feel very comfortable with the process we have in place with respect to this negotiation.

With respect to the United States, they are not in the process of negotiating a free trade agreement with India at this time. They engage more in bilateral discussions on specific issues, very often through a summit type of process. That's the approach they have taken.

The Chair: Very good.

Now we have another couple of questions here.

We'll go with Mr. Davies and then Mr. Easter.

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

I want to follow up on something. I'm not understanding, Mr. Santerre, exactly what happened with the uranium issue. I understand that Canada for a long time has been pushing to have Canadian verification of the uranium we sell to India, to ensure that uranium we sell to India is not directly or indirectly diverted to nuclear weapons. I know that India had been resisting that for a long time. I think that instead they were pointing to other international verification bodies.

What was the final outcome of that? Who's verifying? Are Canadians verifying that the uranium we sell to India is not directly or indirectly going to nuclear weapons? If not, who is?

Mr. Luc Santerre: The government provides both parties with the information they need to ensure them with the knowledge of what the equipment is being used for. As to who provides that verification, I don't know the details, but I am assured that we will have reliable information out of this. The negotiations are concluded, but the administrative arrangements are not yet signed.

Mr. Don Davies: When you do find out who is the verifier of that information, would it be possible to provide that information to the committee?

Mr. Luc Santerre: I can ask that the information be provided to the committee, yes.

Mr. Don Davies: Thank you.

I was going to move to the environment. I must say that I'm a little bit concerned by the description of India's position that they don't generally like to put environmental or labour standards in trade agreements.

I think the government has always responded to our concerns in that area by saying that we have side agreements on environment and labour—maybe with the pluses and minuses of that—but what is our position on that, Mr. Stephenson? Would we sign an agreement with India that does not have an agreement on environmental and labour standards?

Mr. Don Stephenson: It will be up to ministers to decide what agreement they would be prepared to sign for Canada, but my mandate is to seek a side agreement on the respect for international standards in environmental protection. Recognizing India's position on the matter....

And by the way, the Indian position is not to “make an effort” to improve the environment for their people; they are in fact signatories to many of the same environmental protection agreements, the international standards, that Canada has signed, and they make an effort within their means to enforce and promote those agreements.

It's the linkage to trade disciplines that they have traditionally resisted, for reasons that you'd have to ask India about.

Mr. Don Davies: Have we asked the Indians that? I'll tell you why —

Mr. Don Stephenson: Yes, we are pursuing our mandate, which is to—

Mr. Don Davies: Because our linkage is quite clear. I've read our side agreements, and they say that both countries agree that they will not lower their environmental or labour standards in order to increase investment or trade. You couldn't get a clearer link than that. Anyway, I think I have your answer on that.

I want to move to IP and patent protection. Is Canada seeking any extension of patent protection that would be over and above what it already has for patent protection of pharmaceuticals?

● (1700)

Mr. Don Stephenson: No, not at this time. We are still pursuing the issue of whether or not intellectual property measures and obligations would form part of the CEPA negotiations.

Mr. Don Davies: My final question is on trade offices and commissioners.

We got back from Japan and found out that Canada had closed its consulate and trade commissioner offices in Osaka. We've heard from a wide variety of witnesses that this is not helpful if the purpose is to try to encourage trade.

I'm just wondering what the position is in India in terms of Canada's presence of having trade commissioners and trade offices on the ground. If you don't have that information here, I wonder if you could send it to the committee. I'd like to know where our trade commission offices are, how many commissioners we have, and what's slated to happen in the future.

Mr. Luc Santerre: We currently have about 40 trade staff distributed across India in eight offices. We are in New Delhi, the capital city, at the Canadian High Commission, and in Mumbai, the business centre of India. We are in Chandigarh, with a smaller trade office, and in Ahmedabad in the state of Gujarat, Calcutta, and Hyderabad. We also have a consulate in Chennai. When the Prime Minister was there, we opened a consulate in Bangalore, where we already had a trade office, but we've upgraded it to consulate status.

The Chair: Thank you very much.

Mr. Easter.

Hon. Wayne Easter: Thank you, Chair.

Earlier, Don, you said that Indian investment doesn't show up in the official numbers.

A number of us were in Japan, and I think we probably all were surprised when we met the mining industry and they gave us a map of the various locations in Canada where they have mines and investments. We were quite surprised by the amount of investment they have.

Is there any way of getting a handle on those numbers?

Mr. Don Stephenson: Well, I think some of the more informal sources, including the information collected by our High Commission in India, who are on the ground and who can see Canadian investment on the ground in India, and who can reconcile our export of investment data against the Indian import data...that comes a little closer, but it's an imperfect science.

Hon. Wayne Easter: That's just a point to know. We're not against investment in Canada, nor are we against investment in India, but we need to protect investors on both sides, for sure, without giving up our sovereignty.

Last September, *Policy Options* published an article about Canada's main exports to our five major Asian trading partners. Our major exports to the five of them were coal, seeds, pulp, wood, mineral fuels, oils, pork, vegetables, paper, and machinery. On the other hand, we import from those same countries automobiles and parts, electronics, appliances, and apparel. Some of those are from India as well.

The problem I see with those commodities is that we're still very much seen as a supplier of raw materials, or semi-refined materials at best. We're still hewers of wood and drawers of water to a great extent, and we do not seem to be adding value in Canada.

As Marc-André whispered in my ear earlier, an accountant in India is often paid around $15,000. Compare—

A voice: [*Inaudible—Editor*]

Voices: Oh, oh!

Hon. Wayne Easter: I'll not repeat that comment. It might get you in trouble.

Look at the price for accountants here. I know of businesses now —farming or shipping—that send their numbers to India to be processed and get them back the same day.

But my worry is that we're reducing our middle class in this country. Because we're providers of raw materials, we're pushing the whole wage structure down. How do we get around that? How do we add value in a way such that we enhance the economy in our own country and the salary numbers? We have to increase salary numbers.

● (1705)

Mr. Don Stephenson: First of all, with respect to the imports that we receive from the explosive growth economies, the number I'm familiar with is for China, and China has become the manufacturing centre for the world. But I saw a report recently that indicated that 55% of China's exports in manufactured goods are from foreign companies established in China to export, so the benefit of that trade goes to foreign firms, including Canadian and American firms. You need to kind of unpack the numbers a little bit to know what's going on in a highly connected global economy.

Hon. Wayne Easter: I don't want to interrupt you, Don, but I do have to make this point.

The Chair: That's the end of your time. Sorry, Mr. Easter.

Hon. Wayne Easter: We're protecting capital and not labour—

The Chair: Hello? Hello?

Hon. Wayne Easter: —and that's the problem.

The Chair: You're done, Mr. Easter. Sorry—

Hon. Wayne Easter: We have to get around that issue because we have to enhance labour.

The Chair: Thank you very much.

That was more of a political statement, so I'm very pleased that you would be able to catch the political spin and answer it appropriately. I have one question as we close this, just before we let you go.

At the very beginning of the meeting, you mentioned that the interest is in food security as well as energy security, but we didn't get into what energy security. Would that come from the west coast? Are we talking about LNG and oil and/or coal? Which of those three would be the most likely targets for India?

Mr. Don Stephenson: I'm afraid I have to answer yes: it would be in all forms of energy. It would be in LNG, and perhaps not just off the west coast, but off the east coast potentially as well. It would be in coal. It would be in renewable sources of energy. In all of these categories, including our hydro technology, India has tremendous needs, and it's right across the board.

The Chair: Thank you very much.

Thank you to the department for coming. We appreciate that very much.

I don't know if we really need to suspend.

Mr. Easter, you have a motion. Do you want to leave it for now? We have bells at 5:15 p.m. and that doesn't give us a lot of time.

Hon. Wayne Easter: The motion should only take a minute, Mr. Chair.

The Chair: Okay. We will suspend.

[*Proceedings continue in camera*]

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