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The Honourable Rob Merrifield

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● (1530)

[English]

The Chair (Hon. Rob Merrifield (Yellowhead, CPC)): I'd like to call the meeting to order.

I want to thank our three witnesses for coming forward today. We're going to take all three in a row, then we will start our questions and answers. We want to welcome you to our discussion of a comprehensive economic partnership agreement between Canada and India.

We have with us from the Starling Corporation, Pradeep Sood. We want to thank you for being here.

From The Indus Entrepreneurs, we have Mr. Madan.

From the Canadian Livestock Genetics Association, we have Mr. McDonald.

We want to hear from everyone. We'll start with Mr. Sood. The floor is yours, sir.

Mr. Pradeep Sood (Chief Executive Officer, Starling Corporation): Distinguished members of the committee, thank you for giving me this opportunity to share my views on the comprehensive economic partnership agreement, CEPA, that is currently under negotiation with India.

I've been doing business with India in the IT-enabled services space since 2002. Three years back we set up Starling Corporation with a focus on working with small and medium-sized enterprises interested in engaging in the Canada-India corridor.

I've had the privilege of being president of the Indo-Canada Chamber of Commerce, board member of the Toronto Region Board of Trade, chair of the Ontario Chamber of Commerce, and now I sit on the board of the Canadian Chamber of Commerce. Today, however, I'm here as the CEO of Starling Corporation.

Seeing the growth rate, the demographics, and the booming middle class in India, I firmly believe that having India as part of our global strategy is very important. However, it is time to move from "why India?" to "how India?" We have to ensure that we get the India file right.

While signing a CEPA with India is a critical step in the right direction, I believe there are other important aspects to be kept in mind to help SMEs meanwhile to grow and continue building a strong economic relationship with India. For example, companies that operate in the largely deregulated areas are currently making good progress without CEPA and FIPA. Where these agreements

will be important is in enabling the very same SMEs to get into the heavily regulated part of the market.

In my opinion it is important to ensure that we have a high-quality agreement in a reasonable time that is strategic not just for today's relationship but also one that will be able to access to tomorrow's opportunities as well.

Canada has a large geographic area with diversified interests, meaning that we cannot have a one-size-fits-all strategy in the partnership agreement. This, I believe, also holds good for India. In particular, it would be productive to address the individual province-state concerns to maximize the engagement under the agreement. Having regional strategies for India should be an integral part of this agreement. We cannot afford to limit the potential of a good deal just to meet an artificial deadline. The outcome has to be fair to both parties.

In the meantime we need to focus on helping our SMEs prepare for what will be required when CEPA happens. We need to address at the practical level what should be done to ensure that business activities continue to grow in this corridor.

I also believe that if you were to address this relationship on a purely economic basis, we might lose. We must find out what Canada needs to bring to the table in respect of what India wants, and also prepare what we need to ask of India to help us build a sustainable partnership and put us ahead of the other countries. We can then try to develop our relationship on the back of that unique proposition.

Thank you.

● (1535)

The Chair: Thank you very much for that. I'm sure it will stir a number of questions.

Before that we have Mr. Madan from The Indus Entrepreneurs.

The floor is yours, sir.

Mr. Suresh Madan (Champion, Canada Chapters, Member, Global Board of Trustees, The Indus Entrepreneurs): Thank you. It's a great honour and privilege to appear before the House of Commons Standing Committee on International Trade. The standing committee and Canada's negotiating team have put tremendous efforts into furthering our national interests, and we are very proud of you.

I'll give you just a little background before I begin. I was born and educated in India, where I did my engineering degree and MBA. I worked for a few years with large companies in India before I emigrated to Canada. In Canada, I run an investment fund. I'm a portfolio manager of three different portfolios that invest money for Canadian families in both Canadian and foreign companies.

Today I am appearing before the committee on behalf The Indus Entrepreneurs, the organization I have been volunteering with for the last eight years. The Indus Entrepreneurs was set up in Silicon Valley in 1992 by a group of people who shared roots from the Indus region. Over the years we have grown tremendously and now have 13,000 members globally, with 65 chapters in 17 different countries.

We started our activities in Canada in 2000. In the last 13 years we have seen huge growth in Canada, and have about 1,000 members and chapters in Toronto, Ottawa, and Vancouver. We also have 16 different chapters in India in all the major cities there.

Our focus is to foster and nurture entrepreneurs. We want to nurture and encourage people to start on their own and help them commercialize their ideas. In this regard, we offer three different main activities.

One of them is mentoring. We offer one-to-one mentoring. Of our 13,000 members, we have 2,500 successful entrepreneurs who have agreed to share their time, their networks, and their connections to help other entrepreneurs establish business.

The second major activity we do is the TiEQuest business venture competition. In fact, we are in the midst of our ninth annual competition now, and we have received entries from 214 companies that are coming up with innovative products and services. They're competing against each other for prize money of \$150,000, as well as an opportunity to get financing from Canadian venture capital funds. We are seeing projects in cloud computing, big data, social media, clean tech, diagnostic devices, and a number of other high-tech and innovative product ideas.

We are very proud of the 25 different success stories in Canada that we've been able to create through this competition over the years. These companies are well established and have hired a number of people. Some of them have also been sold to multinationals.

In the last two years, we believe that we've found our calling by starting a new initiative called the TiE Institute, where we educate youth and new Canadians so they can learn the ropes on how to become an entrepreneur. I think the opportunity was liked. We have already been able to help 300 entrepreneurs start out, helping them generate and commercialize new ideas. We were able to integrate our TiE Institute offering with our competition, as well as with our mentoring program.

In addition, outside of Canada we have been doing a number of other activities, like holding major conferences of entrepreneurs, including our TiE engine networks, as well as offering a program every month at a breakfast seminar on doing business in India. We can do this because of our huge connectivity with the entrepreneurial community globally, and specifically in India.

TiE has a singular focus on wealth creation through entrepreneurship. It inspires and educates budding entrepreneurs and provides role models and one-to-one mentorship. TiE was involved in various conservation processes during the liberalization in India in the early nineties, and we are also actively involved with social entrepreneurs because we bring in a substantial pool of intellectual capital anyway.

Canada and India have so much in common. We are parliamentary democracies, pluralistic societies, and knowledge-based economies, with high contributions to GDP by the service sector, a combination that you don't see in many other countries. CEPA will benefit both countries and, therefore, we are very proud that the committee and our negotiating team have been working hard for the last three and a half years to make this a meaningful agreement.

● (1540)

Based on my experience of working with entrepreneurs, I'd like to focus on four areas where I think we need some additional push.

The first of those is bilateral investment. I know there have been negotiations on this, but it has not yet been ratified by the government. We need to go way beyond foreign direct investment into other areas of investment.

There are six areas that concern us regarding investment.

There is a limit on foreign borrowing in India, which limits investors from Canada actually investing in loan products there. There is a deferential tax treatment in force for portfolio investments. In the Indian market, the bulk of the foreign investment goes through either Mauritius, Dubai, or Cyprus. For Canadian investors and Canadian portfolio managers investing in India, it is impossible for tax reasons. Also, Indian companies are very much interested in tapping into foreign capital markets. Canadian capital markets provide a huge opportunity, especially in resources, mining, and a number of sectors. Indian companies, because of regulations, are not able to tap into these capital markets here. Similarly, Indian investors are able to invest in some other countries, but they're not able to invest in mutual funds as well as portfolio investments in Canadian organizations or Canadian funds. As an individual, I am allowed to buy real estate in India, but real estate funds from Canada are not allowed to buy there. These factors create various types of hindrances in the market. Within the CEPA and the service sector specifically, I think we need to address the question of investment opportunities for both Canadians and Indians.

Secondly, we need a much greater level of cooperation in the innovation economy. It is widely recognized that entrepreneurship is the engine of economic growth. The motivation of people to become entrepreneurs today is probably the highest it's ever been, given the economic uncertainty, lack of corporate security, layoffs, as well as downsizing in large organizations. Employment generation is a huge priority, both for Canada and India. In particular, youth have the fire in their bellies to come up with innovative products and ideas. To take advantage of this, it is the responsibility of both of our governments to create opportunities for youth. We always talk about the younger population in India and a potential demographic dividend, but this demographic dividend could become a nightmare if opportunities for youth are not created. The energy of youth can be harnessed through entrepreneurship and innovation.

Thirdly, I'd like to spend a little bit of time on the movement of people. It is well-known that half of the technology companies in Silicon Valley were set up by immigrants. We find that the Canadian immigration system over the last two years has been able to attract very highly qualified people who have the ability and interest to start on their own. On the other hand, the baby boomers are retiring. They're now 65. Many banks have done surveys and reported that many small business owners and baby boomers are planning to retire or are retiring and many of their businesses are up for sale. New Canadians can step into their shoes as well as acquire these businesses and grow them. We need to grow. A start-up visa is a very positive initiative. I think we need to strengthen international cooperation as well as CEPA to allow entrepreneurs and people who want to become entrepreneurs to immigrate.

Fourthly, I believe that the state of the negotiations and the time it has taken to go through seven different rounds so far has been very similar to the environment that private entrepreneurs have been facing in India. We know that India does not rank very high in the ease of doing business there. We also know that Indians are very cost conscious and very conscious about the decision-making process.

• (1545)

I think what we have achieved, through our negotiations, has been quite substantial. It is probably time to close them as soon as we can and to think of the rest as an incremental process. We should try to sign CEPA as quickly as we can with whatever advantages we have obtained and then negotiate the additional things on an incremental basis at stage two or stage three of finalization. Timeliness is critical and it is even more critical for entrepreneurs who do not have a huge runway. So I urge the standing committee to work towards getting the CEPA signed as quickly as we can.

Thank you, and I look forward to your questions.

The Chair: Thank you very much. I'm sure we'll be asking you some questions on that.

We also have from Guelph, Ontario, through video conference, Mr. McDonald, executive director of the Canadian Livestock Genetics Association.

The floor is yours, sir.

Mr. Rick McDonald (Executive Director, Canadian Livestock Genetics Association): Thank you very much for this opportunity.

This is the first week in about four that I haven't been in Ottawa, so the opportunity to do this by video conference is much appreciated.

India is a market with great potential for the Canadian livestock genetics sector, and we appreciate the support and assistance offered by the Government of Canada in our daily cooperation with CFIA, Agriculture Canada, and Foreign Affairs and International Trade, and the potential benefits offered by a CEPA.

I'll do a little introduction of CLGA first.

CLGA is a trade association of those involved in the livestock genetics industry, with about 70 members who do business in about 100 countries. Our membership includes artificial insemination companies, embryo export companies, live animal export companies, and those who provide services to the industry and help us with the development of capacity in other countries by developing genetic evaluation systems, animal management systems, and so on.

Our mandate has us dealing with animal health and market access and market development issues, and our membership comes from the dairy industry, the sheep and goat industry, and the poultry industry. But for the purposes of this hearing, I will confine my comments to the dairy industry.

I'll give a bit of history of the relationship between India and Canada and the dairy genetics industry.

There was limited contact back as far as the 1970s, and in fact, some Canadian Holstein heifers did go to India during that time. The Canadian Hunger Foundation partnered with Bharatiya Agro Industries Foundation, otherwise known as BAIF, and for several years in a row there were deliveries of bovine semen to India. But when the funding for that project ran out, the business stopped. Between then and the early 2000s, there was very limited contact and market access lapsed, so we then had no access for semen or embryos or live animals to India.

In the early 2000s commercial interest began to grow. After some protracted negotiations we were able to get limited access for semen and embryos in India 2005. This was followed by a period during which it was virtually impossible to get import permits. So we got the access but couldn't get permits. That has pretty much been resolved. It's interesting to note that during that period, the three large artificial insemination companies that are members of CLGA all had Indian expatriates as their marketing managers in that region of the world. As we were preparing our long-term international strategies and applications for funding under the agri-marketing program, they all said, "Don't make India a very high priority." But that has changed. As commercial interest in India has grown, the pressure to get full access to the country and to engage in the capacity-building that is required in the dairy industry has been great.

The issues that we've encountered in India with respect to technical market access include their claim of having very few resources to devote to negotiations with the countries that want to work in India, and so they have tried to develop a protocol that all countries will have to comply with. This continues to be a reason or excuse for the delays that we continue to encounter in achieving our market access goals there. Clearly, having one animal-health protocol or technical protocol in terms of zootechnics for all countries simply doesn't work. It creates huge delays in achieving our goals and in their achieving their own development goals.

As I mentioned, the outstanding technical issues are related to animal health and testing for genetic abnormalities, which is a very much outdated approach to things. It fails to recognize the authorities in various countries that are responsible for those issues.

● (1550)

There's also an issue with a lack of coordination between the people who negotiate market access in the capital and those on the frontier—at airports, for example—who have to receive shipments. We end up with shipments of goods being held at the airport or at the port of entry, and that again leads to costly delays.

I'll say a word about the Indian dairy industry. India produces more milk than any other nation on earth—cattle and buffalo milk—and they are proudly self-sufficient. But consumption is increasing at a faster rate than production can be increased in the traditional and old-fashioned system that currently exists in India. Realizing this, the Indian government has secured a World Bank loan to begin the process of modernizing their dairy industry.

In response to a request made by the Indian agriculture minister to both the Premier of Saskatchewan and Minister Ritz, in 2010 CLGA contracted the Saskatchewan Research Council, which, with funding support from the agri-marketing program, conducted an analysis of the Indian dairy industry and made recommendations on the issues that needed to be addressed first. The report was accepted, and the Indian minister designated lead responsibility for its implementation to the National Dairy Development Board, or the NDDB.

The Canadian dairy genetics sector remains committed to the capacity-building task in India, but this will in part be funded by the opportunity to conduct business. That is why science-based technical market access and transparent and expedient import processes are essential as part of the package.

An Indian technical mission to Canada was undertaken in the fall of 2011. In 2012 the chairperson of the National Dairy Development Board also visited Canada. So far, however, none of the recommendations in the SRC report have been acted upon. It is unclear what the next steps will be.

It is our impression that the forces of change and the forces of tradition have collided, and the realities of modernizing the Indian dairy industry are being sorted out. We are currently working with our partners and with Agriculture Canada on a Canadian mission to India to try to re-establish priorities and decide what the next steps will be.

In the meantime, competitor nations are very actively courting the Indian government and the Indian industry, with representatives of those countries and those industries posted in India and assigned to

study tours for decision-makers to other countries. We hope that the CEPA will help Canada stay ahead of the pack.

Thank you very much.

The Chair: Thank you very much.

I'm sure we're going to get into how large the dairy genetics industry actually is in India and its potential there, but I'm not going to steal any questions. I will leave that to Mr. Don Davies, who will start our questioning.

The floor is yours, sir.

● (1555)

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

Thank you, Mr. Sood, Mr. Madan, and Mr. McDonald for being here and lending us your expertise.

I want to start with the overall context. Although India was Canada's fifteenth-largest trade partner in 2012, it's not a major trading partner considering its population size and relatively rapid rate of economic growth, we're told.

To put some numbers around that, in 2012, if we just deal with merchandise trade and isolate that one factor, Canada-India merchandise trade totalled \$5.2 billion, whereas Australia, a country similar to Canada in terms of its economy, geographic size, and population, had merchandise exports to India valued at \$14.9 billion.

While we can account for that in terms of India and Australia's geographical proximity, Switzerland, a country whose GDP is approximately a third of Canada's and who is as geographically remote as us, had merchandise exports to India valued at \$32.4 billion.

With those numbers, I'm wondering if any of you could help us understand what the main obstacles seem to be preventing Canada and India from raising those numbers, which I think all of us are interested in doing.

Mr. Sood.

Mr. Pradeep Sood: That is a great question, because every time we talk about India, Australia always seems to be the country that comes up in the discussion because of its population, the size, and all the rest.

I think a couple of things are very important when we raise a question like this. Obviously everyone will tell you about their proximity, which is true. Australia is very close to India and it is able to get things going in the Pacific, especially with Japan and all those countries over there, far better than Canada can because of our location.

More importantly, to do justice to the question I think we need to know what is in that \$14 billion. That's critical. As you're aware, in 2010 the Prime Minister said that we would do \$15 billion in trade by 2015 and yet we are only at \$5.2 billion, as you correctly said. There is no road map, there is no blueprint, so it becomes very difficult for anyone to know what led to the \$15 billion number being mentioned in the first place. With a road map, you would at least know where you went wrong and learn some of what we need to do next to make it happen.

From the same point of view, Australia's biggest advantage is that it started early in terms of real trade and because of their proximity, they are able to get much more trade with India.

Again, of the \$14 billion I'd like to know how much is going which way, because that's also critical. I think Australia must be sending more to India than India is sending to it, because India is buying a lot of large stuff from Australia.

Mr. Don Davies: If I may interrupt, Mr. Sood, my information is that the \$14.9 billion is exports from Australia to India alone.

If I could refer to Switzerland, though, it's exporting \$32.4 billion, roughly six times what Canada is sending. It's a smaller economy and is just as far away from India as Canada is, in many respects.

So I'm more interested in getting something productive. What barriers do you think exist, or where can we improve those numbers? Do you have any positive suggestions in that regard?

Mr. Pradeep Sood: For example, we tried to examine a product like sulphur, which Canada is very strong in and has a great product. But the sulphur from the Middle East to India is so much cheaper than ours that we tend not to get the contract.

I feel very strongly that the greatest disadvantage we have is more geographic than anything else.

The positive spin to this would be that if we can build a strong relationship, we might be able to get something better, but as you know, economics says that demand and supply are cost-based, which, unfortunately, doesn't work in our favour.

Mr. Don Davies: Mr. Madan, or Mr. McDonald, do you have anything you'd like to add?

Mr. Suresh Madan: The services sector comprises 70 per cent of Canada's GDP and about 55 per cent of India's GDP. There would be a growth in merchandise exports but I believe a much larger opportunity for both countries is in the services sector, as it comprises a significant portion of our and India's GDPs.

There are so many opportunities in the service sector that have not been tried. Merchandise exports are only \$5 billion, and those in the service sector are hardly anything. We do not have any portfolio investment directly in India, and none of the Indian companies have invested in Canadian capital markets. Indian entrepreneurs are not able to tap the entrepreneurial ecosystem we have built in Canada. Thus Indian companies as well as Canadian companies are not able to tap each other's venture capital industry.

I believe there are much larger opportunities to enhance trade in financial and legal services, and in various types of professional services, which would generate a significant increase in export revenue for both India and Canada.

● (1600)

Mr. Don Davies: Our figures are that total services trade between Canada and India was \$1.2 billion in 2010, so I agree with you that there seems to be a great deal of room for growth.

Mr. McDonald, I don't want to keep you out of this. Do you have something you'd like to add about the barriers that you think we could be addressing, which might get our trade numbers up?

Mr. Suresh Madan: Because of my own experience in the service sector, I can definitely point to a number of barriers in the service sector that are hindrances to our trade.

The Chair: Excuse me for a second, but I think the question was for Mr. McDonald. He has a few short minutes left, so go ahead.

Mr. Rick McDonald: In terms of increasing Canada's trade with India, dairy genetics is not going to add billions but it will add millions and it's new. So it's trade that hasn't happened, and I suggest that Australia and Switzerland aren't participating in that either because it's a new market for everyone.

But as I noted, we need to have science-based, technical market access to India, and we need to have smooth import processes for us to be able to get those goods in there. Getting the goods in there will provide us with some of the funding we need to help India build the infrastructure it needs to increase and be more efficient at milk production.

The Chair: Thank you very much.

Mr. Keddy, you have seven minutes.

Mr. Gerald Keddy (South Shore—St. Margaret's, CPC): Thank you, Mr. Chairman.

Welcome to our witnesses.

Since I get to be the first questioner, and although I know that our chairman is a dairy farmer and my colleague Mr. Shipley is a former dairy farmer, I'm going to ask the dairy question, before they beat me to it.

An. hon. member: And milk it for all it's worth.

Mr. Gerald Keddy: Yes, and we'll milk it for all it's worth. Exactly.

My question is simple, and I think you partially answered it in your summary, Mr. McDonald. You stated earlier that the Indian dairy industry and market is the largest dairy consumer in the world. I can understand that genetics would play an important role in that but I think we're missing an opportunity here in infrastructure building and actually facilitating the movement of raw milk from the farm to the dairy, as well as on the genetic end of it.

Mr. Rick McDonald: Oh, sure, I totally agree with you. That's part of the work that the Saskatchewan Research Council did in looking at the broad issue of the dairy industry in India. So there are opportunities there for more than genetics, and from our point of view we look at providing the genetics and making sure that the dairy producer has all the skills needed for those genetics to perform to their maximum.

But yes, the dairy industry is more than that. It's about getting a quality product on the farm to the processor and eventually to the consumer, and that's certainly what India is looking at. I think there are lots of opportunities for Canadians to build in India outside the genetics industry but still in the dairy and dairy processing industry.

• (1605)

Mr. Gerald Keddy: Both Mr. Sood and Mr. Madan have mentioned capacity-building and access to the Indian market. The deregulated market, I think you mentioned, Mr. Sood, has good access. Lots of foreign investment and lots of SMEs from Canada are working there.

The regulated market is another issue entirely. How much of the Indian economy is regulated? I don't have that number.

I'd like an answer from both of you, but just before you answer I would say that I think it's dangerous to make assumptions. I know that my colleague from the NDP talked about the distance between Switzerland and Canada, but Switzerland is half again as close to India as Canada is. However distance shouldn't prevent us from trading, and we can overcome that distance with deregulation.

I'd like you to expound on that a little.

The Chair: We'll go with Mr. Madan and then Mr. Sood.

Mr. Suresh Madan: Thank you.

The financial services, the legal services, and professional services segments of the market are essentially regulated. There are lots of hindrances to Canadian companies entering those markets in a bigger way. Therefore CEPA and FIPA and other agreements would definitely help.

Within the services sector, India, as well as Canada, both have similar strength in ICT, information and communications technology. India, in terms of its services sector, has made huge progress and is able to create and provide software for companies globally. Similarly, Canada has a good track record in growing and nurturing a number of small companies that have produced very high quality software that is used in the global market.

These segments are not necessarily regulated, but both of these segments require their own unique support. Both countries realize that they have to build an entrepreneurial ecosystem and grow and nurture entrepreneurial ecosystems where companies with ideas in that innovative segment of the economy can thrive. Even though they are not regulated, there needs to be a much higher degree of cooperation between India and Canada in this sector.

The Chair: Mr. Sood.

Mr. Pradeep Sood: Most of the area, other than services, to a large extent is directly and/or indirectly regulated. Where it is not, where ownership is not with the government, certainly the rules and

regulations are such that we'll still have to go through that situation to make something happen.

We have some phenomenal industries here, say in mining, and they can go and sell a lot of their knowledge and technical know-how to India, but mining is such a sensitive issue in India that even when our companies want to go and work with the private sector there, it is difficult because of the way the process works over there.

Mr. Gerald Keddy: Could I just drill into that, because you brought it up? The state level in India is more than a bit protective, especially in the mining sector, and of course that is one area where Canada has a great deal of expertise. That's a great example, but what are the other issues where we bump up against that wall at the state level? What other sectors face this?

Mr. Pradeep Sood: The important sector to look at is agriculture. That's extremely sensitive. I would not be surprised if at any time India decided to just stop the import of something, because it controls the situation quite closely.

If you look at infrastructure, it's regulated to a large extent. There are some private sector opportunities there, but infrastructure also has a lot of regulation.

Then there is energy, which to a large extent is also regulated.

Then you look at education. You know that our universities are doing a lot of work. It's not that they are not in private sector, but giving a local degree over there has its own rules and regulations, so again you are held up there.

Defence is totally regulated, and has a huge budget in India right now. They are spending a lot of money on defence, but it is totally regulated.

Mining I just mentioned.

Typically, if you look at where our expertise is, we do run into that little problem. However, notwithstanding the point Suresh made that services is a great area for us to grow, how much will we grow? We can grow, but not at the same rate as mining or something like that.

• (1610)

Mr. Gerald Keddy: Thank you.

The Chair: Thank you very much.

Madame St-Denis, the floor is yours.

[Translation]

Ms. Lise St-Denis (Saint-Maurice—Champlain, Lib.): Thank you, Mr. Chair. I would like to thank the witnesses for being here today.

I will speak in French.

I would like to come back to what Mr. Harris was saying.

Mr. Sood, you spoke at length about non-tariff barriers. Everything is regulated, which does not necessarily make for easy agreements. Do you have any suggestions for eliminating these restrictions in a context of free-trade negotiations and agreements?

[English]

Mr. Pradeep Sood: I would say that the rules and regulations are not just for Canada; they're for everybody. If you want to be a front-runner, I imagine that you have to bring something to the table that India really needs and that can create a strong bond between the two countries.

It's difficult to say what that is, because every country is pursuing India. One thing that I can say that Canada has, which is very powerful and strong for India—and this goes back to earlier points—is that employment is a big issue in India and Canada. If we can agree to certain things that India needs, only then will we maybe get preferential treatment. Other than that, I don't think any rules will change just for Canada.

[Translation]

Ms. Lise St-Denis: Would you say, as the University of Calgary report states, that to a certain extent, there is a lack of interest from India with respect to future negotiations between the two countries to expand the trade of goods and services? Do you find that India is, in fact, not really interested in this respect?

[English]

Mr. Pradeep Sood: No, I don't think that's true. I've heard that the negotiators keep on changing, and that's a little difficult when you're sitting across the table and negotiating.

India will not be able to survive without these relationships. They need energy. They need food independence. They need support in mining. They need to be supported, and they don't have that. They need infrastructure.

Are they interested? I'm sure they are very interested. The question is whether they are interested in doing that with Canada or with any other country, because they have laid out huge budgets for spending in these areas.

Through CEPA and other negotiations, we have to try to be the one they come to for these requirements.

[Translation]

Ms. Lise St-Denis: Mr. Madan, Mr. McDonald, do you have anything to add?

[English]

Mr. Suresh Madan: I think the CEPA is as important to India as it is to Canada. They do recognize their own economic issues, but Indians are known to be slow decision-makers. They are over-conscientious, and as a result they sometimes don't come to the table right away. They do have their own political realities and upcoming elections, and all those issues are also at play in the negotiations.

On the whole, I think there is a huge interest both from Canada and India to conclude these agreements and move forward, possibly within the year.

•(1615)

Mr. Rick McDonald: I certainly agree with the comments of my colleagues. I think that was reflected in my presentation about their setting up some technical market-access requirements for bovine genetics. They want to have the same requirements for all countries wanting to export to India. So I think Canada really needs to try to

get close to India and to work with the Indians on the basis of science.

They know what they need, at least at the national level. I think that in our case, they're finding that the realities on a regional level are not allowing them to move as quickly as even they would want to. It's a matter of building that capacity even to the point where they can start to move forward with the things they know they need to do as a nation. If we can be an effective partner in helping them to do that, I think that will give us an opportunity that may give us an advantage over some of our competitor countries.

[Translation]

Ms. Lise St-Denis: During the meeting on November 27, 2012, officials from the Department of Foreign Affairs and International Trade told the committee that Canada was highly interested in making it easier for Canadian businesspeople to enter India temporarily.

What could be done to make it easier for Canadian businesspeople to enter India temporarily?

[English]

Mr. Pradeep Sood: Is the question to bring Indian people to Canada?

[Translation]

Ms. Lise St-Denis: No, the opposite. What could be done so that Canadian businesspeople could go to India to familiarize themselves with the environment and do business?

[English]

Mr. Pradeep Sood: Well, obviously, there's a need. People would want anybody from whatever part of the world, because of the requirement. As Rick mentioned, he's not just talking about India but the world. If India needs to progress in the dairy area, they will have to invite someone like Rick to come and teach them, speak to them, convince them.

I think it's a very needs-based requirement. Typically, people from India go out to learn and then come back. Whichever sector it is, they've gone out, trained themselves, and then they've come back and/or stayed out. But typically it's the other way around; it's very rare that people go from here to India.

[Translation]

Ms. Lise St-Denis: It's the other way around.

Okay. Thank you.

[English]

The Chair: Thank you very much.

Mr. Cannan.

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

And to our witnesses, thank you for being here this afternoon and sharing your wisdom.

I agree that it's very important that we continue to move forward with these negotiations with India on a comprehensive economic partnership agreement. The seventh round of talks was completed earlier this month. We know that India's government tables its budget on Thursday and that there's an election next year, so they're going through some challenging times. They're talking about raising duties to 8%. The more we can level the playing field for Canadian businesses and remove those tariffs, the better for both economies.

My first question is for Mr. Madan from the Global Board of Trustees.

I was reading in the *Financial Post* on the weekend about "Billionaires [vying] to set up banks in India". When we are talking about the opportunities in the service sector for Canadian financial institutions, do you see some opportunities for Canadian banks to expand and market into India?

• (1620)

Mr. Suresh Madan: I believe many Canadian financial services companies would be interested in setting up shop in India, whether Canadian banks, Canadian mutual fund companies, Canadian asset managers, Canadian brokerage firms, or Canadian law firms. We recognize that the market opportunity in India is substantial, and we do have an interest in tapping into that market and offering better quality products and superior services to the Indian marketplace. But current regulations do restrict us from entering that market, especially in the portfolio management area. I cannot directly buy Indian securities. I can buy Indian securities listed on the American Stock Exchange or the London Stock Exchange, but if I have to buy Indian securities in Mumbai or Delhi, I cannot buy them directly. I have to open a company in Mauritius, and that company there will have to end up buying them. As a result we lose our direct connection with the invested company. I do not have a direct information flow from those companies and an ability to evaluate them. The ability to manage these investments is limited, which creates significant impediments.

Hon. Ron Cannan: That helps to clarify it.

I believe the plan is also to expand foreign equity holdings to 49%, according to the statement released on Friday. So it is trying to address some of the opportunities for the Canadian financial service sector. As well, an interesting statistic is that 35% of India's adult population has accounts with lenders and other financial institutions. According to the World Bank, the global average is 50%. If you take 15% of 1.2 billion, there's a big opportunity for financial services.

Mr. Suresh Madan: That's exactly right. We also recognize that the real estate sector in India has been booming for the last so many years. In Canada, typically, real estate operators have real estate investment trusts that pool the funds and essentially buy various properties in different geographic areas, for diversification as well as proper management.

In India, a Canadian company cannot buy real estate. Individuals are allowed to purchase real estate directly, including individuals resident abroad, but Indian regulations do not allow corporations to buy real estate and manage it collectively in a more efficient manner.

Hon. Ron Cannan: Mr. Sood, I'm very bullish on technology. My Kelowna—Lake Country riding in the Okanagan in British Columbia sees a great opportunity in that. We see the synergies of

working with post-secondary students in India and bringing them to Canada. It has been fascinating listening to *The World is Flat* on CD, including when exercising earlier. I was thinking about the people complaining about the call centres in India. There are many very bright technologically inclined students who I think would be great assets in our country.

How do you see the opportunities for such human resource transfer working bilaterally with India in Canada?

Mr. Pradeep Sood: My first reaction is that it's a very important thing. We have to be able to do it.

Concerning the great minds and all in India, the point is that when we look at India from Canada's vantage point, it's not just about having great minds at lower wages or something like that; the way to look at it is in terms of the value they contribute from the standpoint of timing. By that I mean that when we are sleeping, somebody is working there, and you can get the project done, if you have people here who can pick up the project in the morning and then send it back in the evening. We have to play to our advantage, even in this particular area, and connect this in a very strong manner.

I want to take one step to the side and then bring you back to this.

Not too long ago, a number of Indian Administrative Service officers visited Canada and had a very intensive two-week training period in Canada and then went back. Now, the Indian Administrative Service contains the bureaucrats who are going to run the whole thing in India. They're the people who are going to run the country, in a way. They went back as great friends of Canada and they will start implementing certain things they have learned here, and Canada is going to be in their mindset. Those kinds of exchanges will bring us to the other things, which have to do with trade and hard decisions.

But in this relationship and coming back to your point about the youth and intelligent minds, we have to find a way to make this happen. It could be done through exchanges, it could be done through proper visa systems, and stuff like that.

• (1625)

Hon. Ron Cannan: That's a big issue for agriculture in my community too; we're always looking for Indian agricultural workers. They're good, hard-working people.

Thank you.

The Chair: Thank you very much.

Monsieur Morin, the floor is yours for a five-minute round.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Mr. Sood, we all form a picture of India in our minds. To me, when I read about supply chains and distribution, it seems that these are somehow abstract concepts in India, because the economy there appears to be built very differently.

If you look at the Indian milk industry, for instance, you'll see that it doesn't have anything to do with our dairy industry. Am I wrong in thinking that in every other aspect of the Indian economy there is a lot of ingenuity and that there are very long traditions of trade, which have been going on for hundreds of years?

Commerce is integrated into the social fabric, and we have much to understand, and sometimes we may get into Indian people's lifestyle and culture. Do you think it is going to take a long while for us to understand what is happening in India?

Mr. Pradeep Sood: Yes. India is a complex country. It has a number of states, and they have a number of languages and many different cultures in various states.

But the point is that this is the right time. Because of the way the middle-class economy is growing and wanting to adapt certain things and certain comforts of the Western world, there would be a willingness to look at things differently. When these distribution networks, etc., were made, there was no better way, because of the mode of transport and where the product was grown and where it was being shifted to. Things were different then. But as the roads and infrastructure are being built, things are getting better.

So to address your point that they are different, I say yes they are different. Will it take time for us to understand? Yes, it will take time for us to understand.

But this brings me to a very important point, which I've always believed, concerning our failure to take advantage of the more than one million Canadians of Indian origin in Canada: this is where the diaspora would be extremely helpful. The diaspora networks could be extremely helpful in making Canadians understand how the system works, how it can be most useful and productive, and how success can be achieved in the shortest length of time. If you look at your own situation, you would see that you have a million people. Although not all of them will be in this corridor, much can be taught and learned by us right here in Canada to lessen the problems when we go to India.

• (1630)

Mr. Marc-André Morin: It's because those people know the culture, know the manners for trading, and....

Mr. Pradeep Sood: Yes, that's right.

Mr. Marc-André Morin: I say that because I think it's about time that we changed our perspective away from seeing some sort of *[Inaudible—Editor]* image of the country, because that's not what's happening there now. You have some of the sharpest minds in Indian universities and in every field of science. We're going to have to start looking at it from a realistic point of view. We could participate in putting together a real supply chain and distribution network in the country.

Mr. Pradeep Sood: That opportunity is huge for Canadian companies, because we excel at it; we are very good at it.

The Chair: Thank you very much.

We'll now move to Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, witnesses. Welcome to the committee.

Mr. Sood, let me start the questioning with this. You do market strategies; you look at trying to understand strategies for businesses to get into India. We've heard before that this is difficult to do. We obviously see that with the population of 1.3 billion people in India, we just need a fraction of the interest that is there.

We have product areas that are of interest to the Indian people. You talked about agriculture, mining, machinery and equipment, services. Then you commented that India was very regulated in a number of these areas, but that Indians need infrastructure, agriculture and food, and energy.

How do we start to break down this barriers?

Mr. Pradeep Sood: The regulated area is really where the CEPA and FIPA will be extremely helpful. Common people like me do not know what's transpiring in the CEPA area, so we really can't tell you whether you're in the right direction or not. But the fact is that that is what CEPA really is for. If these agreements can help to take taking down those barriers by our having an understanding with the Indian government, that is what we really need here in Canada. That's what CEPA and FIPA are all about in protecting investment going into that country.

On the same point, I would just like to talk to you about the small and medium-sized enterprise situation, which I was thinking about. While the federal and provincial trade commissioners are doing an exemplary job in India and we have several agents across all sectors, it appears that the big companies and the small companies are treated with the same brush. We need to ensure that more time, effort, and hand-holding are given to the SMEs than larger companies for the same services, because they need it.

Perhaps—and this is what I want to throw out to the committee—it's time to have SME-focused trade commissioner services. You have to understand that we have two aspects. One is CEPA, which will deal with what you just asked me. There's also the small and medium-sized enterprises, which are already there. These enterprises do not have the resources to just go there and try to find everything themselves.

Part of this goes to your question. In mining, for example, a small enterprise from here can take highly sophisticated technology to India, but it will need a lot more hand-holding to get there than a large company going there to lay roads, or something like that.

So I might make that suggestion.

Mr. Bev Shipley: Thank you.

From that comment, I want to go to Mr. McDonald about the complexity of getting into a country like India, particularly with genetics, which we're talking about in the livestock industry.

Are the farms over there large or are they mostly small farms? Is there diversification?

• (1635)

Mr. Rick McDonald: It varies, but most of the holdings are small, that is, part of a traditional system. I think the social aspects were mentioned a few minutes ago, that as they modernize the dairy industry there will be huge impacts on the small holders of one or two cows. What are those people going to do if they're not producing milk any more? These are huge issues that need to be dealt with.

But there are certain parts of the country where there already are some modern dairies and where they're open to modernizing even more. So as Mr. Sood, I think it was, mentioned earlier, we need to have regional strategies. That's exactly what we need.

When we get into this issue of SMEs, our three largest artificial insemination company members already have partnerships with artificial insemination companies in India. They've made those partnerships and they're trying to introduce and develop Canadian methodologies and the way we do things with semen production alone—let alone improved genetics. Of course, that's part of it as well. So that's already started and we've already brought Indians to Canada.

Part of our proposal with the National Dairy Development Board is to send experts to live in India for a period of time. That hasn't happened yet because of the issues they're encountering inside India.

I was concerned at the lack of action that we seemed to be encountering, or the momentum that perhaps we had lost, but in digging deeper into this recently we realized that these are internal Indian issues. No country is actually gaining an advantage over us in market access or being partnered with India on the building of infrastructure, because right now the whole thing is kind of on hold.

Mr. Bev Shipley: Is the network—

The Chair: Your time is gone, I'm sorry. But he may get another round yet.

Madame Papillon.

[Translation]

Ms. Annick Papillon (Québec, NDP): Thank you very much, Mr. Chair.

Mr. Sood, a little earlier, you mentioned Canada's goal of \$15 billion between now and 2015. You mainly spoke about a lack of strategy. I would like to come back to that because, according to Stewart Beck, a future free-trade agreement with India may not be sufficient to get us to that much-touted \$15 billion goal in trade with India by 2015.

Could you tell me more about this lack of strategy with respect to that goal?

[English]

Mr. Pradeep Sood: The point I was trying to make was that our Prime Ministers said in 2010 that by 2015 we should reach \$15 billion in trade. That was the target set for us and I think it was very sincere and done for a very noble reason, namely to challenge us.

However, to date I have never seen a road map for that. Typically, if there were a road map that said, for the sake of argument, that \$8 billion was to come from the nuclear industry and that trade did not occur in that industry, then that \$8 billion wouldn't happen. So at least we would know where and why we had fallen short.

My biggest point is that while numbers do have value when we hear them, it's always good to understand what constitutes those numbers. How much of the \$15 billion was India going to do, and how much were we going to do? Since both prime ministers said the same thing, their intentions were very good.

For us to challenge ourselves and to even understand if we are on the right track or if we need to do something different, we need to have some kind of a road map. We need to have some information on that. That's what I was saying.

As for your point on how we can do that, progress in the larger regulated area is going to happen with the help of CEPA and FIPA. Those are what are going to help us because they will create some strong rules and regulations under which I'm sure both countries can operate productively.

As far as services are concerned, some of which are regulated as Suresh mentioned, that has to be covered under CEPA. But other services, like the one I referred to at the beginning, concern small companies. Even when Canada was not doing anything in India, these companies were doing business there and will continue to do so. They won't be affected by the CEPA until they grow to a level where they have to start working with the regulated industry in India.

So a small IT company may be doing business right now, but tomorrow if it wants to do something with the regulated industry, that will fall under CEPA. At that time, we'll need that advantage.

So I don't think there is anything that goes to the question about what we are doing or what we can do. I think we have to get CEPA done in a reasonable time. We have to get some road map in place so that we can judge and learn from that.

● (1640)

[Translation]

Ms. Annick Papillon: It remains that more time is needed. The others also said that it takes a lot of time to establish a business relationship, especially in India, but in other countries as well.

Given that time frame, are there industry sectors where it would be better to develop a more significant strategy than others, for example?

[English]

Mr. Pradeep Sood: There are always industries that are easier to develop like the IT services, those that are not regulated. They are straight, and you go in and meet your partners and use the diaspora to connect with some of the good businesses in India.

But to give Canada the strength to meet the \$15 billion goal, we need the large industries to come into play, the mining, nuclear, and agriculture sectors. That's where the numbers will really grow, and I'm afraid that will take its course as CEPA is developed.

The Chair: Thank you very much. The time has gone.

Perhaps Mr. McDonald would like all of that \$15 billion in trade to be in dairy, but we'll find out.

Go ahead, Mr. Hiebert.

Mr. Russ Hiebert (South Surrey—White Rock—Cloverdale, CPC): Thank you.

I want to respond in part to some of the questions raised about the progress we've been making by stating that Canada's trade with India was only \$1.7 billion back in 2010. In the two years from 2010 to 2012, we've tripled our trade to \$5.2 billion.

Last year, we signed a nuclear cooperation agreement, which will open up opportunities in the nuclear sector. If the foreign investment protection agreement gets signed, that will provide the ground rules for more foreign investment, and I understand that it's very close to being completed. If the CEPA, the comprehensive economic partnership, comes along, I think we'll still be well within the ballpark of reaching our objective of \$15 billion by 2015. If we can triple in two years, then certainly we're not that far off.

I was recently reading a report by McKinsey & Company highlighting the fact that there are 500 million people under the age of 25 in India and demand for 1,000 universities and 40,000 community colleges in the next decade. It also mentioned that India has the fastest-growing middle class in the world, at 300 million. These are people with disposable income who want, in part, Canadian products and services.

There's no doubt that India's future is bright, but what we're discussing here, in part, is how to get it right, so my questions to you, Mr. Sood and Mr. Madan, relate to the comments you made earlier in your presentations.

Mr. Sood, you mentioned that a lot of Canadian companies are doing quite well in the non-regulated segments. I'd like to understand how that's possible when Mr. Madan is saying that the bulk of foreign investment in India must go through Mauritius or Cyprus, or a third country that you mentioned, because there are strict limitations on foreign investment. I'd like both of you to respond to that.

In addition, Mr. Madan, you also mentioned that Canadian companies can't buy Indian securities directly, but I have first-hand knowledge that Canadians can buy securities directly, maybe not through a corporation, and maybe just as an individual, as you said they could do for real estate.

Those are my questions. I leave you the time to answer those questions.

• (1645)

Mr. Pradeep Sood: On your first question regarding my saying that they're doing it successfully and Suresh saying that it's difficult and they have to go through Mauritius and all that, the thing is that for the small companies in the area where I belong, there is actually no problem, because repatriation of money and everything is pretty straightforward. There is no problem. You have to apply to the Reserve Bank of India. They'll look at the documents and all, and whatever part has to come to you, it comes to you. I'll let Suresh answer that.

But on the Mauritius part, there are people going through Singapore and all these places and investing in India, whether it's in equity and/or whichever. Even Sun Life, for that matter, I believe went through Mauritius for investment.

The thing is that certain advantages arise because of the agreement that India has with Mauritius. I believe some of this been changed because they want to protect certain things. Very recently, some changes have happened to this agreement between India and Mauritius, so things may change. I don't have the details of that, but yes, it is true that most of the large companies find third-country

hubs to invest in India. That is true, but I'll let Suresh elaborate on that.

Mr. Suresh Madan: Thank you for the question. I think for clarity we need to distinguish between foreign direct investment and portfolio investment in India.

If you know a single specific company and you are interested in buying 50% or 40% or 30% of, for potential strategic reasons, India permits that investment from Canada, and many companies have done that. The level of investment in these types of situations is limited. Most Canadian investors invest in companies on a portfolio basis, because a portfolio helps you mitigate risk. We, as Canadian investors, use asset management companies or funds to invest in the stock market locally as well as abroad, and these Canadian investors are very much interested in investing in India, but because of the limited amount of information available from Indian companies, they will not invest in any single company but in a diversified portfolio of a number of companies in a given sector.

That strategy is used by investors primarily to mitigate risk and to deal with the limited amount of direct information available from any single individual company.

Those portfolio investments, if done directly, are subject to significant restrictions both in terms of taxation and of approvals from the Reserve Bank of India. So many companies have used the route of Mauritius to make those portfolio investments, but because the investor in that case is a company from Mauritius and the information flow comes from that company with a significant lag back to Canada, investors become less and less interested in investing.

Many Canadian investors have invested in Indian companies listed on the New York Stock Exchange or the London Stock Exchange, but our regulations do not permit Indian companies to directly list on the Toronto Stock Exchange. If they could do that, many Canadian investors would be able to purchase those securities as well.

So we definitely need interventions to avoid these hindrances in the financial services sector.

The Chair: Thank you very much.

Mr. Shory, you have five minutes.

Mr. Devinder Shory (Calgary Northeast, CPC): Thank you to the witnesses.

Mr. Sood, I would agree with you on the trips you mentioned by those in the Indian Administrative Service. Along with that, as a matter of fact, there were 17 finance ministers of different states who joined them, and no doubt Canada is a model for India.

As a matter of fact, I was talking to a couple of those ministers lately. They're working on a model similar to what we have in Canada. They're basically following it.

My question will be for both Mr. Madan and Mr. Sood.

When we talk about opportunities, definitely on the one hand India has a consumer market of 1.3 billion people, and at the same time Canada has an opportunity there—for example, I will mention the successful launch of an Indian satellite. This shows that our technology is also working in India, that it's being used.

Being a Canadian who was born in India, I know that the Indo-Canadian community supports bilateral trade between Canada and India. What role can the Indo-Canadian community play in identifying and maximizing the market opportunities that could result from this bilateral trade?

As my second question, because the chair will not give me more time, I would like you to comment on this. When I drive in India, I see all of these highways being built by foreign countries. India has an ambitious goal to improve its infrastructure. Why can't Canadian companies get the benefit of that market? What are the obstacles? How can we overcome those obstacles?

• (1650)

Mr. Pradeep Sood: To your second question about infrastructure, the roads and all have virtually been taken over by the Malaysians. Canada has looked after the automobile side and tried to do something there. We've already looked at the opportunity there, but China is going strongly in that area. Eventually it's a cost-benefit analysis. Who can do it cheaper? I can't tell you because I'm not the guy who is placing the orders or seeing those things.

I think that we eventually have to understand what we call "Indian innovation". Indian innovation is very different from what we think of as innovation. I'll just give you two quick examples of Indian innovation. When the Nano was built, it had only one windshield wiper. They wanted to save on a second windshield wiper so they designed the first in such a way that it would cover the whole window without their having to put the second one in.

Let me give you a second example. In India the washing machine that China is supplying is only able to wash three shirts, because that's the way the water is acquired and consistent with its cost, and everything else. There, you have to be able to build a product that meets the market requirement without sacrificing quality. That Indian innovation is very critical.

Whichever way you look at it, eventually it comes to cost-benefit analysis. India is a very competitive market; they're going to go where they can get the best for their money.

So it's very important to understand—and I have actually put that point in my notes—that one of the things we probably have to do is to get people CEPA ready, so that when CEPA comes, our people are ready to move on with it because they are already prepared. They want us to know what Indian innovation is and they want us to know so many other things that are critical to your point about understanding the Indian market and to get there.

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

Mr. Madan, do you also want to make a comment as you also have some experience in Indian markets, including a comment on our trade commissioner services there?

Mr. Suresh Madan: The trade commissioner services have been excellent.

In terms of services and cooperation, the information and communication technology is low-hanging fruit. Both of our countries are very strong in that area and there are huge opportunities for working together in that particular area.

Entrepreneurs, especially in the ICT area, consider building products and services for the global market. Whether they are based in India or Canada, we are projecting to sell these products and services in the global market. These entrepreneurs should be encouraged to take advantages of India's ecosystems, which we are building here in Canada so that we can attract these Indian entrepreneurs who are highly educated and very qualified and have creative ideas to build products that can then be sold in the global market and not just in Canada.

These highly qualified Indo-Canadians have actually set up businesses and started their own enterprises in a variety of ways, and not just in ICT, but within the health care industry, and even within retailing or in food services. There have been huge businesses started by Indo-Canadians as well as newcomers to Canada.

• (1655)

The Chair: Thank you very much, Mr. Shory. I'm going to have to shut you down there, and it has nothing to do with your accent.

Some hon. members: Oh, oh!

The Chair: Mr. Davies.

Mr. Don Davies: Thank you.

There's no doubt that there is a lot of good news and bright prospects in the future, but I think it always behooves us to look as well at where some of the difficulties may lie in negotiations between our two countries. I want to turn to some of the difficult issues.

Mr. Sood, you talked about a lot of business coming down, quite properly, to cost-benefit analysis and purchasing goods and services based on what's cheapest. That's the way business works.

I want to turn to labour standards in India. I'd like to know what you can tell us about the minimum wage in India, what workers are paid, and whether businesses in India have to pay for public health insurance or unemployment insurance. I'd like to find out if you can tell us anything about the use of child labour, if that's a practice that's still being used in India in any part.

I'd also like to find out about safety enforcement. We've heard stories over the years of tragedies that have occurred in factories. There have been fires and workers have been killed in large numbers; they basically have been locked in the factories.

If we are to have a free trade agreement with India that reduces tariffs, I am wondering what you think of the playing field between Canadian businesses and Indian businesses, if there's such a wide differential between what those businesses have to contribute in meeting labour and human rights standards.

Mr. Pradeep Sood: If you had asked this question 10 years back, you would have been right on every count.

Today all I can say is that things are being regulated. They are better. Child labour has been abolished. Government-wise it's been abolished, but whether it's happening, it would be difficult for anyone to really say. But yes, it's not permitted.

Similarly, in the factory example you gave, it must have happened. I'm not going to say that it did not happen, but my point is that what we really need to look at is that India is growing and as we Canadians and other countries participate in India, we are having our own rules and regulations imposed. For example, I remember how Walmart would not buy from any factory in India that had child labour. There was a big article about it. They even stopped supplies. That factory had to stop.

These social norms come into being by working with a country and not totally because it's the onus of the country to abolish things. It's sometimes difficult; I will not for a second say that it's right, but everywhere they're trying to make progress.

So are your statements not true? No. You are absolutely right.

Mr. Don Davies: Well, it's heartening to know that they're on a trajectory. I'm glad about that.

I don't say this with any disrespect to India, but do you think that when Canada and India are negotiating, we should be putting into our agreements certain standards on labour and safety rights so that we can encourage that development between the two countries. Are you in favour of that?

Mr. Pradeep Sood: I would say yes. We stand for certain values, and I don't see why we should be compromising our values for anybody.

Mr. Don Davies: Thank you.

I want to turn quickly to another statistic we have. The World Bank in 2013 ranked India 184th in the world in terms of enforcement of contracts. I'm not sure if that's out of 185, but I think it might be.

To me, that speaks to a serious problem and concern with the judicial system in India in enforcing contracts. Of course, for many businesses that's a lifeline.

Does anybody have any comments about how they would like Canada to approach this issue? Have you had any difficulties in getting contractual terms respected in India?

Mr. Suresh Madan: I think we should recognize these issues, and perhaps educate and groom our business people to design contracts and to take steps of a preventive nature so that there would be minimal opportunities for dispute. That way, things would be much clearer and less likely to be misinterpreted by someone else.

So in promoting business, that is something our own trade commissioners should be doing. Canadian business people should be educated to design contracts in such a way that there are minimal issues and chances for misinterpretation, so that contracts can be properly enforced because they're clear, they're watertight, and they're much shorter.

Going back to your earlier question on labour standards, especially on the innovation side of the economy, in ICT, in health care, and in many other similar sectors, I didn't see any evidence of

India exploiting people in any way. I'm not aware of all the other segments of the economy there, but I think it may be prudent, from our negotiating point of view, to include clauses against the exploitation of labour.

• (1700)

The Chair: Thank you very much.

Go ahead, Mr. Holder.

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

I'd like to thank our guests for being here this afternoon and sharing their insights on how they work in Canada and with India, as we study this pending CEPA arrangement.

I guess I take some comfort in knowing that in any free trade deals Canada has put in place, we've always put in pretty detailed labour and environmental agreements as part of them. It gives me some confidence as we go forward on those kinds of issues that you made reference to, Mr. Sood. I think some pride in how India is improving its own standing will go a long way.

The case for India is pretty clear, and I say this based on the obvious facts. You're looking at the second-largest population in the world and one that's predicted to be the largest in the next decade or so, and the tenth largest economy in the world. India has undertaken major economic reforms and is part of the WTO, so a lot of things are happening. What surprises me is the fact that we haven't done that much more in terms of trade given the growth that could have been.

It's interesting, Mr. Sood—and I'll ask you for a brief comment on this—that you said we should sign a CEPA as soon as possible and negotiate on an incremental basis. That's not the history of Canada's trade deals. We're completing one with Europe right now, and it's fairly clear, as we're now into what I call the crunchy bits—the tougher part—that some of these are emotional issues and some are maybe not even large economically, but they are things that certainly matter in various aspects of the agreement. But if you don't do these now while you're signing an agreement and trying to get all the big pieces done, I would suggest to you that they'll never be done. I think the example is with Korea, where there's a partial agreement, not a completely full agreement.

I'm just wondering if you could comment briefly on that, as far as why you seem very committed to just getting any deal done. Tell me that's not just for the sake of doing a deal.

Mr. Pradeep Sood: Mr. Holder, that was not my comment. I actually was of the view that we should take our time.

The Chair: I think that was Mr. Madan.

Mr. Ed Holder: Oh, I apologize.

Mr. Pradeep Sood: I'm of the view—

Mr. Ed Holder: And here I put your name to that.

Mr. Pradeep Sood: I agree with exactly what you are saying.

Mr. Ed Holder: Thank you very much.

Mr. Madan, why are you in disagreement with Mr. Sood, then?

Some hon. members: Oh, oh!

Mr. Suresh Madan: I think negotiations have been going on for three and a half years, and I know there are some sticking points between the two countries that would take time to resolve. In the interest of goodwill, as well as of promoting and harnessing the benefits of a comprehensive trade agreement, especially for the benefit of small and medium-sized enterprises and more so, unlisted start-up companies, it is very important that we conclude the agreement as soon as possible.

Now, smaller companies and early-stage companies do not have a long runway. They cannot stay afloat for years and years without proper access to the market. They need to take advantage of the market opportunity as soon as possible; otherwise, they'll have to wind down and move somewhere else. For the entrepreneurial community, it's critical that what we started three years ago be concluded. Obviously, we cannot get everything. From the way the negotiations have been going, it seems that we will never be able to get everything we want. There has to be a compromise, but let's try to take advantage of what we have already achieved. Over these seven negotiating rounds, a number of things have already been achieved. I assume they would be beneficial, and we should conclude them.

• (1705)

Mr. Ed Holder: Mr. Madan, I appreciate that clarification. From my perspective, you're quite correct that every negotiation is a give-and-take. The challenge is that we will never get agreement on those smaller things that are emotional, that are the highly charged on both sides of any agreement, unless we have a full agreement. That's certainly just my opinion.

Mr. McDonald, you're in an interesting business with livestock genetics. One thing that Canada has always argued is that we should follow the science when it comes to GMOs, when it comes to anything associated with the science of agriculture—and certainly livestock is part of that. We have found in our dealings with Europe on CETA that there have been some concerns about GMOs and the like.

In your industry, what's your sense of genetics as they relate to trade with India? Could you help us understand how that would play out?

Mr. Rick McDonald: First of all we're not talking about GMOs but normal animal breeding, which these days includes genomics. But we haven't got into really detailed discussions with India about genomics.

The problem in India is that they really have no genetic evaluation system, so it's very basic in establishing benchmarks, animal identification, and performance recording. You set benchmarks against which you can measure progress or develop breeding programs, and then measure how successful those breeding programs are. From that standpoint they're very open.

As I said, the problem we're encountering is with tradition and regionalism. There are a number of breeds of cattle in India and there

are people who are dedicated to preserving those breeds. If they've got to improve milk production—and they've already stated they need to—they can't increase milk production to keep up with demand using the system they have. But if they have to protect every little breed that hasn't been efficient, then how are they going to do that?

Obviously, everywhere else we've increased milk production—not only us but our competitors—and it's pretty much been by the holsteinization of the dairy cattle population. If they don't want to do that then we have to take the genetic principles and apply them to the breeds they have.

In some cases they have been very open to that and in other cases not so much.

The Chair: Thank you very much.

Madame Papillon, go ahead for five minutes.

[Translation]

Ms. Annick Papillon: Thank you, Mr. Chair.

Despite the extraordinary opportunities in India, the reality is that the vast majority of Canadian businesses are small and medium enterprises. You spoke about that, Mr. Sood. You said that trade services for SMEs needed to be improved because they do not always have the resources they need to make the most of the contracts. Because of their size and their more limited resources, entering a market like India's can be intimidating, even costly.

How can we help SMEs find a niche in the Indian market? Could you please give us more detail about the trade services you told us about earlier?

[English]

Mr. Pradeep Sood: As I said, the trade services we have are phenomenal. They are very helpful; they are world class. We have a pretty good presence in India. More is always better and welcome, but we have a fairly good.... All sectors are represented there too; there are no complaints, no problems....

I'll just throw out an idea. The trade services are serving the large and small companies in the same way. Small companies require hand-holding and more time to get to the same end. They need more communication because they can't afford to fly to India every other day. So maybe it is time to look at having an SME-focused trade commission service, whether here or in India, or wherever. But maybe that's what the small and medium-sized enterprises need, because it serves two purposes. That's the area where we've been most successful in. After CEPA and FIPA, probably we'll get into bigger things but that's where we've been most successful. Why not get more SMEs in and why not help more business in that area, which is not regulated? It will help that way.

Secondly, deals eventually happen because of interdependence. I think the more we get into India and the more Indians come here, the more we will have some kind of a relationship building, which will take us very far. That is just a suggestion, and I feel that it's probably one way of doing it.

The other success I can tell you about, in which the federal government is also involved, is with the Ontario Chamber of Commerce. It manages the export market access fund, or EMA fund, which the federal government has given some money to. That fund gives up to \$30,000 to any company that qualifies, and they have to spend an equal amount of money to explore a market or to do a show in a new market, and things like that.

The exports under that program were \$130 million, and so far the chamber has spent about \$13 million. The return is 20 times the investment. If there were a way that we could have more small and medium-sized enterprises access funds like that and directly tabulate how they were performing—because they are supposed to submit their export documents for us to keep track of—I think those kinds of things would help the SMEs enter the market a little more carefully and easily.

● (1710)

[Translation]

Ms. Annick Papillon: Thank you.

[English]

The Chair: Mr. Morin, you have one minute.

Mr. Marc-André Morin: Mr. McDonald, you are proposing some changes to the Indian dairy industry. Do you think there could be a way of integrating these changes in the actual structure of the Indian dairy industry, or do you think they would have to change the size of their farms or the number of dairy farmers?

Mr. Rick McDonald: Over time the number of farms will decrease. For any country that has a developed dairy industry, including our own, as the number of farms goes down, the number of animals per farm goes up. Overall, nonetheless, the number of animals goes down, which benefits the environment. As India develops, that's going to happen, no question. It has to happen. But it's not going to happen as fast as we'd like to see. We're going to have to move at the pace that India is comfortable moving.

The Chair: Thank you very much. Time is short, I know.

Mr. Shory, you're going to try it in a Canadian accent this time. Go ahead.

Some hon. members: Oh, oh!

Mr. Devinder Shory: There you go, Mr. Chair. Thank you for your kindness, but my accent will not change.

Some hon. members: Oh, oh!

Mr. Devinder Shory: Anyway, I believe that Mr. Madan and Mr. Sood missed making a response to one of my questions. We have more than a million Indo-Canadians living here in Canada. My question is what role can the Indo-Canadian community play in identifying and maximizing market opportunities that could result from an eventual CEPA agreement?

Mr. Sood, you commented on quality being compromised in India when talking about competition with China, etc. We have heard in the committee that there are 25 million people living in India who have the capacity to buy virtually everything and anything. I believe those 25 million, or a majority of them, would not care about the cost

or the price, but they would look at quality. So perhaps you can address that as well.

Mr. Pradeep Sood: On your second question, I totally agree with you. As I told you, Indian innovation is not about sacrificing quality, but giving the right product at the lower price. That's the innovation model of India. So quality, I totally agree with you, is always there. It must always be kept in mind, whether it's for those 25 million people, or whomever, and whether it is for road building or whatever. Quality is a given, and it should be kept that way.

On the question of the diaspora, today, as a live example, you heard Suresh tell you what TiE is doing in building entrepreneurs and financing innovations, and the connectivity that his organization has. I don't think they have been tapped to the maximum potential. I can name other similar organizations.

But there's one thing missing in international trade. We used to have, I don't know how many years back, a meeting every three months, I think, in Ottawa, called Focus India to my knowledge. All the organization heads were invited to that meeting. Some used to participate by phone, some used to come from across the country. At those meetings, we used to exchange ideas with each other and everybody would go up and have two minutes to tell everyone else what their organization was doing. We came to know what was happening and what we could tap into and make connections. It was not purely based on Indo-Canadians but all organizations headed by whoever it might be, but focused on India. So that meeting was totally for India.

I would request that the committee please consider reintroducing that because it was a great meeting. In Ottawa, in a two or three hour long meeting, we used to learn so much about India, what was happening, where it was happening, and who was doing what. That way there was no duplication. If the diaspora were there, they'd know what was happening and then they'd know which role they could play, because the whole diaspora cannot play this role. There are a few organizations that can, but not all of the million Indo-Canadians. Certainly, we need that connectivity and ability to learn about India right here rather than going over there and learning. It can certainly be tapped into here.

● (1715)

Mr. Devinder Shory: Thank you, Mr. Sood. Thank you for cutting out our trip to India.

Voices: Oh, oh!

Mr. Devinder Shory: Mr. Madan, you wanted to make a comment.

Mr. Suresh Madan: Yes, Mr. Shory, I fully agree that the Indo-Canadian community has a much greater responsibility to bridge the trade and our relationship with India. To that effect, the Indus Entrepreneurs organization has three chapters in Canada, whereby we are connecting over 400 different entrepreneurs with 16 chapters in India, where we have about 3,000 entrepreneurs who are members of these chapters. We routinely provide introductions, mentor each other, and provide a forum to discuss our business ideas and how we can benefit from each other's technologies and markets, and from opportunities with each other.

We also organize an annual conference in the Silicon Valley. Entrepreneurs from Canada and from India meet and share and exchange ideas. In fact, subsequent to these conferences, we have had many trips from Indian entrepreneurs who come here to explore opportunities. Similarly, Canadian entrepreneurs have gone to India and have explored opportunities.

We recognize that to do business in India you need to have joint ventures and partnerships. The best way to enter into these partnerships is to meet like-minded people and have an exchange of ideas, and to meet them over a number of months before you get into bed with them. We are encouraging and promoting that.

The Chair: Thank you very much.

[Translation]

Ms. St-Denis, you have the floor.

Ms. Lise St-Denis: I would like to ask a question about youth.

In your country, there is a growing number of people pursuing university studies. Your population is growing at an incredible rate. Young people today must be quite different from those of previous generations.

What is the attitude of young people toward trade projects with other countries? Do they see it as an opportunity to immigrate more easily or is it the opposite, and they deny the situation and withdraw inward?

I saw a documentary that showed just how many problems youth in China have. It said that industrial growth in China was not fast enough for the number of young people looking for work or going to university.

Are you facing the same problem? With respect to exchanges with other countries, do young people have any specific or different attitude, or do they simply let the central government impose its decision on them?

● (1720)

[English]

Mr. Suresh Madan: A huge priority for India, as well as Canada, is opportunities for youth. It's important, especially when the job environment and job opportunities in many larger companies, as well as in governments and government agencies, are declining.

The opportunities for youth will come through youth starting out on their own. That gives a special impetus to the need to promote entrepreneurship: educating youth on how to start their own business ideas, how to be productive in their society, and how to be employers rather than employees. It means educating, networking, mentoring,

harnessing these ideas, and providing them initial microfinancing and seed money so their ideas see the light of day and they ultimately incorporate.

In Canada, especially in Toronto, I think we have built a system whereby we've been able to do quite well in encouraging youth to think as job creators rather than job seekers. That opportunity can be available to youth in India, who will be way more interested, both in starting a business for the Indian market and in starting a business for a global market, whether it is done by being there or by immigrating.

Mr. Pradeep Sood: On the question of attitude, it's like any youth. Yes, in watching television and in doing a lot of other things of the western world, their attitude is also changing, but being educated and being productive is still the cornerstone for Indian youth. Education remains a very high priority in India. When you see students coming overseas, it's very often because they cannot get admission to the university of their choice in India, even if they have marks of 95%. There are a lot of students who have marks of over 90% to 95%, but they cannot get admission.

So as for movement, all the youth from India I think would come to Canada. They would all come here. They love to move. I don't think Indian youth have that problem. They are fairly versatile. I can't talk for everybody, but they would like to go out and study, to go out and learn. That's very traditional in India. It's something that is looked at as a very positive thing for anybody in India, wherever they may be, so I would say that it's unlike China, and Indian youth I think are different.

The Chair: Thank you very much.

Now we'll move to Mr. Shipley, who will be the last.

Mr. Bev Shipley: I just have a couple of quick ones before we wrap up.

To Mr. McDonald, you talked about there being, I think, three artificial insemination units in India at this time that have been set up in partnership. We understand that it's by partnership that they have to work. Did you use the trade commissioner services at all when you went in?

Mr. Rick McDonald: Yes. What I said was that three members of CLGA have partnerships in India.

When we talk about the diaspora, I mentioned in my opening comments that the three big artificial insemination companies had members of the Indian diaspora as employees and they were thoroughly frustrated. But when things began to change in India and the demand was there, they've since led the way, and it's through the Indian Canadians that they've made these arrangements and actually gone in and set up partnerships with existing artificial insemination companies in India.

Yes, they do use the trade commissioner service, as the association does, and we get excellent service.

And I should say that these companies, all of the CLGA members, are SMEs by definition. So the services they have received and continue to receive through the trade commissioner service are excellent.

• (1725)

Mr. Bev Shipley: I just have two quick follow-up questions. You mentioned there really was no benchmark in terms of genetic evaluation being used or set up in India. You also mentioned that they wanted to preserve some select breeds some times. First, are there enough of those select breeds to justify the cost that would be involved in developing that genetic pool?

Second, what is the quality of animal they're looking for? Are they looking for the frozen semen or the embryos that are of commercial value, or are they actually looking to spend money on higher-end genetics that we would be able to benchmark and then provide that type of service evaluation and market to them?

Mr. Rick McDonald: In terms of the genetics they're looking for, they want to raise animals that will be profitable for them. So it's pretty much about commercial genetics; they're not interested in showing animals or anything like that.

As far as the number of breeds is concerned, or the number of animals in those breeds, those questions I guess would have to be answered by the people in India. Is the population big enough? Do they have enough data? Is the potential there that if they do invest in genetic improvement of those breeds, will they get what they need out of it in terms of increased and more efficient milk production? Those are things they will have to answer themselves, but obviously we can help them to implement a genetic improvement program regardless of the breed. But they'll have to make the decision whether those breeds are worth that investment or not, and that's probably going to be a regional decision at the beginning.

Here, of course, breeds compete and breeds come and go, and if they're not efficient, they disappear. Whether those forces will prevail in India over time, I don't know.

Mr. Bev Shipley: What breeds are they mainly marketing or selling and promoting in India?

Mr. Rick McDonald: The ones we're involved with are mainly the Holstein breeds and some Jersey [*Technical Difficulty—Editor*].

The Chair: Holstein and Jersey.

Mr. Bev Shipley: Okay, thank you.

The Chair: Thank you very much, Mr. McDonald. Thank you for coming to the committee by way of video conference.

Thank you to Mr. Madan, and Mr. Sood.

Hon. Ron Cannan: Mr. Chair, I just want to say to Mr. McDonald that I understand he is going to be stepping down and retiring soon.

I want to wish you all the best, and thank you for your years of service to your association.

The Chair: Very good.

We all wish you the same.

Mr. Rick McDonald: Thank you very much. It's four more months. Thank you.

The Chair: Yes, and thank you to all three of you for being here and contributing to our study.

With that, we will adjourn.

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