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Chair

The Honourable Rob Merrifield

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● (1535)

[*English*]

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

I want to thank our witnesses for coming forward for our continuing study of a comprehensive economic partnership agreement with India.

Mr. Pinto, can you hear us okay?

Mr. Mervyn Pinto (President and Chief Executive Officer, Minaean International Corporation): I hear you fine and loud and clear, sir.

The Chair: Very good.

Mr. Pinto is with us from Minaean International Corporation.

Before we hear from him, we have with us Gordon Bacon, chief executive officer from Pulse Canada. He's no stranger to the committee.

The floor is yours, Mr. Bacon. Go ahead.

Mr. Gordon Bacon (Chief Executive Officer, Pulse Canada): Thank you, Mr. Chairman and members of the committee.

Thank you for the opportunity to speak to you today on your discussions around the comprehensive economic partnership agreement between Canada and India.

Pulse Canada is the national industry association representing pulse growers as well as the processors and exporters of pulse crops that are exported to 160 countries around the world.

Pulse Canada has, for more than 15 years, been focused on market access as one of the members' top priorities. Access to markets in a predictable and stable trading environment is a prerequisite to building an export-oriented resource economy for Canada. For this reason it may be that no market in the world is more appropriate than is India when Pulse Canada speaks about the issue of market access and the importance of pursuing more formal agreements.

It will come as a surprise to some Canadians and to some citizens of India that Canada's biggest export to India is pulses. In 2011 Canadian pulse exports to India were valued at $633 million, or 24% of the value of Canada's total commodity exports to India. In 2012, pulse exports from Canada to India were valued at $504 million, or 21.5% of Canada's export trade.

India is Canada's single largest market for pulses, and the single largest crop that Canada sells to India is yellow peas. The range of pulse crops grown and consumed in India is wide and diverse. Yellow peas from Canada compete with peas originating in Australia, France, and the United States, but more importantly, they compete with other pulse crops like desi chickpeas, which may be grown in India or imported from Australia, or pigeon peas, which may be grown in India or imported from countries in Africa.

India is a very complex market. Some of the market demand for pulses reflects religious beliefs of the citizens who consume only vegetarian food. But a great deal of demand is economically driven. Plant protein, like that from a range of pulse crops grown and imported into India, is more affordable than is higher-priced protein from dairy and meat. Canada became the biggest supplier of pulses to India primarily because yellow peas offer the most economical source of plant protein. Price is key. One of the reasons for a drop in exports of pulses from Canada to India in 2012 was that the Australians had a big chickpea crop and moved a large quantity of the crop right after harvest, at the end of 2012.

India is also predicting a big winter season crop of pulses, perhaps as much as a million tonnes more than last year, all of which combines to mean a change in demand for Canadian peas. But while tonnage may change from year to year, what we cannot change is our focus on competitiveness, which means we must ensure that Canadian farmers and Canadian companies are in a position to be competitive. The role of government can be to assist industry to be competitive by creating an enabling environment.

The Canadian pulse industry is very supportive of the development of comprehensive economic partnership agreements at the government-to-government level, because they provide the opportunity to create a more permanent and lasting trade policy framework that puts Canada on a level playing field with other exporting nations. They also ensure that yearly fluctuations in domestic production are not met with yearly fluctuations in import or access policy.

India would like to be self-sufficient in pulse production and has recently increased support to Indian farmers to grow more pulses. But India also needs to import pulses to meet demands. Even with a rise in Indian imports in recent years, the per capita consumption of pulses has dropped significantly in the past 40 years. Malnutrition is a problem in India, and food imports are part of how India will provide adequate and balanced nutrition. Predictable trade policy is a vital component of food security, and equally important, a vital component of affordable food.

Here is a list of things that the Canadian pulse industry has faced in trade with India that would be on our list to be discussed and resolved in an agreement between Canada and India.

While India has not applied an import duty to pulses in many years, an agreement between Canada and India should remove that existing policy option from the table. Partnerships need predictability. Food security needs predictability. A permanently open market would remove that potential restriction from ever re-emerging.

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

For many years Canada has been the beneficiary of a succession of derogations of Indian policy on fumigation as it applies to Canada. But some of these derogations have come at the last moment for a business that has a six-to-eight week lead time to get peas moved from farms in western Canada to Vancouver, and ultimately to ports in India.

The market access issue is not over. Pulse Canada recognizes that an economic partnership can't anticipate and address this level of detail but an agreement can address the timeliness and process that will be used bilaterally when issues emerge. That we are nine years and counting speaks to the challenges that have been faced with SPS issues. Partnerships need predictability, and processes with timelines to address SPS issues need to be part of that partnership agreement.

A bilateral comprehensive economic partnership also allows us the opportunity to sit down with India to discuss solutions to challenges that arise from underperforming third-party processes. India defers to Codex Alimentarius to establish tolerances for levels of chemical residues that, through extensive testing and with high safety margins, establish acceptable levels that are indicative of proper use of crop protection products and at levels that are proven to be safe.

Yet because Codex is chronically underfunded and mired in a process that ensures it is always behind in providing approvals, we're left with a situation where Canada's PMRA will approve crop protection products for use in Canada, but both Canada and India are reliant upon an international body to provide timely responses in order to make that partnership work well. There are alternatives that we need to address and perhaps consider including in the CEPA.

The precedent already exists with another UN body, the World Food Programme, where residue tolerances established in the country from which they purchase a commodity could be the guideline. This could be suggested to India: recognition that a standard developed in Canada for Canadians be acceptable to the Indian government when an international standard does not exist. Perhaps India will ask Canada to consider a reciprocal agreement, where Canada would be asked to accept tolerances established by an Indian regulatory authority for a product like tea.

Partnerships need predictability, and while it may be challenging for Canada and India to address food safety tolerance issues, it's even more challenging to think that this can be left to Codex, which has shown us that it is simply not up to the task of fixing multilateral trade issues on a timely basis.

I want to be clear to all committee members who may not be familiar with the policy and processes around the establishment of crop protection product tolerance levels. Canada is among the toughest regulators in the world when it comes to establishing safety margins. Canada currently works closely with other regulators, such as the EPA, in the United States, and the European Food Safety Authority.

Asking India to consider accepting Canadian standards is not asking India to compromise food safety—far from it. In fact, a recent Codex decision, which followed a decision by the European Food Safety Authority, set a tolerance level for a product used in Canada at two and a half times higher than what had been set by Canadian regulators. This is an issue of regulatory harmonization and not about deciding what is safe. The safety margins are in place, and this is about harmonizing the timing and methodology of policies used to establish tolerances.

Mr. Chairman, it is important for me to note that trade agreements are only the starting point to being a competitive exporting nation. Everything that impacts our ability to be competitive at destination while still providing a high rate of return to the Canadian manufacturer or farmer has to be part of the holistic approach to ensuring competitiveness.

We need trade agreements that eliminate tariffs and quota restrictions. We need a logistics system that is performing at a level that is the envy of the world and not held out as an example of one of the things that limits our ability to get products to market. We need to proactively address market access issues that arise from an asynchrony in approaches and timelines to establish maximum residue limits. The key point I'm trying to make is that addressing one essential element without this holistic approach to tackling all of the impediments to trade is akin to building an eight-lane highway that is served by a single-lane on-ramp.

Yesterday a coalition of rail shippers representing lumber, mining, agriculture, and more—products that account for 80% of rail traffic—presented a united position on amendments to Bill C-52. Trade agreements that provide market access and an efficient logistics system in Canada are all essential elements of building a competitive Canadian economy. Access and transportation are the building blocks for growing a strong Canadian export sector.

Thank you, Mr. Chairman.

● (1540)

The Chair: Thank you very much.

Now we have, from Minaean International Corporation, Mr. Mervyn Pinto.

Mr. Pinto, the floor is yours, sir.

Mr. Mervyn Pinto: My background, just for a minute, has been in shipping and trading since the year 1985. I moved to Canada in 1994. In terms of past exports, I did some trading in commodities, exporting yellow peas to India from here, tying in with the farmers and exporters out of Saskatchewan. I had two successful years until, of course, we could not match the pricing because of the increase in exports out of Australia. We opted out of pulse trading and got into the construction sector.

Having said that, I am very much experienced in doing business with India, having moved to Dubai in 1990. Our offices in India were functioning then. We even have offices in Bombay today, but are more involved in construction systems and the export of our construction business into India. Having established in India in 2001 after the earthquake in Gujarat, we joined the Canadian delegation to introduce light gauge steel construction systems, which were earthquake resistant. The country had a shortfall of in excess of 26 million homes and was in dire need of such a system.

From 2001 to today, we have had sort of an uphill battle there to establish ourselves the way we want to. It's been quite tough, but at the same time, the market is so huge and inviting, we know that one day or another, and sooner rather than later, we will be able to make a breakthrough. Of course the experience that we've carried with us for the last 10 years will play a major role in doing so.

I am ready to answer questions, but when it comes to the CEPA, yes, we definitely are of the opinion that this is a very important trade agreement that primarily Canada would like to benefit from, and so would India. But of course India has an advantage, being such a hugely populated country. As one of the largest growing economies in the world, it has many nations fighting to take a primary step forward in tying in with the country.

Having said that, I think the latest efforts from our Prime Minister Harper and of course Prime Minister Manmohan Singh to negotiate a trade agreement is primarily to the benefit of Canadian companies and also the Indian companies that want to trade with Canada—primarily in the mining sector, as I've been told.

Coming back to our primary business, yes, it's the export of construction systems. We are exporting light gauge steel systems, modular buildings, and prefabricated systems.

India comes with a background of bricks and mortar. For centuries the population has only experienced living in systems of bricks and mortar, which is nothing but bricks and concrete. In rural India there are more mud houses than even brick houses.

Having said that, the country had a shortfall of about 20 million homes when we entered the Indian market in 2001. The shortfall has now grown to 26 million homes, with urban and rural India combined. Urban India alone has a requirement for 18.6 million homes, of which 15.2 million homes are for the economically weaker section of the society—that is, the population living below the poverty line. This encompasses the slum rehabilitation sectors of the country and of urban India.

● (1545)

When we entered India in 2001, it was primarily to provide earthquake-resistant homes for states like Gujurat, where there had been a major earthquake, and other states that were in zone 4 and 5 earthquake regions. Gradually from there we diverted into the needs of India's slum rehabilitation business, where slum rehabilitation in Bombay alone was a major challenge for the MHADA, which is Maharashtra Housing and Area Development Authority. Bombay alone, which has an unofficially declared population of over 21 million, has about 8 million officially declared people living in slums, which are known countrywide as shanties.

It is a challenge, because when we tied up with an NGO, a non-government organization, headed by an Austrian citizen in Bombay in 2004, we took the challenge of rehabilitating about 1,800 families living in a place called Wadala in Bombay. This was in 2004. I even invited CIDA, which had supported many an international group entering the Indian market. The Canadian International Development Agency supported us for market entry in 2002 and then the implementation process in 2004, which enabled us to tie up with a group called Tata Steel, a subsidiary of the Tata group, India's largest steel producer.

When we had a strategic alliance partnership signed in 2004, our focus was mainly to see how we could best involve the light gauge steel system—a quick-build prefabricated system—in the slum rehabilitation requirements of Bombay. We did model homes. We even had CIDA look at the land we were planning to redevelop, which was, as I said, slum rehabilitation. It was not a real estate business, it was more of a government-initiated program where, based on the rates in our proposal, they would give us that particular land where *x* number of families needed to be rehabilitated in the overall designs. The floor area meant for a family of two was 320 square feet, and a family of four had a minimum requirement of 450 square feet, which we had to provide.

When we did the survey in 2004, there were about 1,850 families living in this particular 20.2 acre lot in Wadala, Bombay. By the time we had the proposal moving forward in 2006, we were ordered to take a new survey, which showed that 600 more families had come in. The families would prove that they had been there before 1995 by forging a certificate through government sources to get approval from the authorities that they had been inhabitants there.

These were the challenges that we were facing. Though it would be quite an attractive project, it was capital intensive. We had financial support from some institutions—India's institutions as well as foreign institutions through support of this type of a venture—but the challenges we had to face were to get the approval, which was a lengthy process, and then when we did get those approval processes in the pipeline, there would be a re-survey ordered, and that would change the complete scenario.

This is a brief background of Minaean's efforts until 2006 in the housing sector of India, primarily in the state of Maharashtra and Bombay.

Many of you must be aware that practically half of Bombay is occupied by slum dwellers.

● (1550)

So that was 2006. In 2007 we introduced our modular buildings. We got involved with Shell Petroleum to construct retail shop buildings for their gas stations. They had a licence to put up 2,000 gas stations; we were exclusive suppliers of modular buildings for them. We put up three plants, two in Bombay and one in Bangalore, to produce these modular buildings and supply these buildings to Shell for their various locations.

This was a novelty for India then, because prefabricated modular buildings had not yet entered the market. Though they're widely used here in North America as well as in Australia, in India they were a novelty. That would have been a change even for the government authorities in accepting a new system, which was light gauge steel covered with the drywalling that we use here in North America.

Again, then came the recession. Shell had to cut back on the country's needs. We are now getting back on track by tying up, with a memorandum of understanding, with the Gujarat government and the National Thermal Power Corporation plant.

These are Minaean's achievements as of date. But, as I stated, the whole process is an uphill battle. We need support from the Canadian government. We are of a strong belief that the CEPA will enable that, because export of designs and architecture, as well as the export of certain materials from Canada to India, which attract duties and tariffs.... It will provide a benefit to us to be more competitive in the country.

● (1555)

The Chair: Thank you very much.

We will now move to the question and answer portion of our meeting.

We will start with Mr. Sandhu.

You have seven minutes. Go ahead.

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

I want to thank both of the witnesses, Mr. Bacon and Mr. Pinto, for being here with us today.

Mr. Pinto, I have to start with you.

India is not one of the major trading partners with Canada, considering its population, size, and the large, rapid economic growth that's taking place there. You talked about challenges that your company faced, as well as some quite tough uphill battles that you've had. Can you elaborate on those obstacles your company has faced? Can you be more specific?

Mr. Mervyn Pinto: Primarily, Mr. Sandhu, what we have faced is that although the government and quite a few state governments have announced a single-window system for getting an approval process through, it takes its own time in getting these processes through. Quite often, more importantly, the pricing threshold in the country is of a level far below what Canada can dictate or Canada can manage with.

For example, on the construction front, for low-cost housing, which is the requirement for the country to house the majority of the population struggling to find a roof over their head, the government is still offering around 600 rupees a square foot. This has, of course, been brought up from 400 rupees a square foot when we first started doing construction in India, in Bombay, or in the outskirts of Bombay. Bombay is all high-rises, so the single-family or double-family or apartment buildings up to four floors.... The pricing the government was offering was 400 rupees at that time when the rupee was at close to 35 rupees per U.S. dollar, so it was still about $12 to $14 a square foot.

We were given this challenge to see how best we could match this particular pricing in India. We had to more or less, apart from exporting the design and supervision from Canada, purchase all the materials locally to avoid any duties or tariffs that could burden the cost structure.

Having done that, the first tough challenge that was offered to us was by the Andhra Pradesh State Housing Corporation, from Hyderabad. Mr. Nara Chandrababu Naidu was quite an aggressive, dynamic chief minister of the state. Gujarat state went into the earthquake and lost practically 30,000 people in that earthquake in 2001. Our first trial project to construct 50 homes was given by the Andhra Pradesh State Housing Corporation. We also proved that we could construct these houses, within 380 square feet. But—

Mr. Jasbir Sandhu: Mr. Pinto, I only have seven minutes.

I just want you to be more specific. We've heard on this committee that the Indian market presents a challenge to Canadians, including the highly bureaucratic nature of the Indian government, the lack of infrastructure, and the inconsistent application of rules and regulations.

Does your company have any experience in regard to these issues? Please be brief.

● (1600)

Mr. Mervyn Pinto: I would say yes, and basically it was the approval process. Getting the approval from the state government of that particular section—MHADA in Bombay—was a tiring process. Something we should have had within 30 days would take us practically 90 days. That was one of the major problems.

In transportation, it was the octroi problem. Crossing Bombay City to the outside of Bombay City would attract another 11% of octroi. These are the burdens we faced as we moved along.

Mr. Jasbir Sandhu: Thank you.

Mr. Bacon, we've heard over and over on this committee that there have been issues with the railway companies getting goods and products out to Vancouver. What have your experiences been with the railway companies over the last number of years, and what does the government need to do to get our products out to the ports?

Mr. Gordon Bacon: The experience really varies from period to period. The experience of all exporters in the last month or two has been that there is a deterioration in service, and this impacts every exporter's ability to be seen to be a reliable supplier. There is testimony that was given at a standing committee yesterday that cited some of the numbers.

In a market like India, which is very price sensitive, what is our strategy to drive costs down and efficiencies up? That is really something we have to tackle to be a long-term supplier to India, and then to many other markets as well.

The testimony that was given yesterday by the Coalition of Rail Shippers really presented the united position of the forestry industry, the mining industry, the fertilizer industry, the agriculture industry, and on through, as to what should be done. If you would like, I could certainly share that position of the Coalition of Rail Shippers with this committee, because we do believe it is part of that holistic approach to the competitiveness of Canadian exporters.

Mr. Jasbir Sandhu: I have one short question here.

You talked about phytosanitary standards in Canada being very high. What are they like in India?

Mr. Gordon Bacon: Well, India doesn't have the same capacity to establish its own, so they rely on Codex Alimentarius, the United Nations' established body.

The challenge we have is that the UN does not provide adequate funding to ensure that these food safety standard-setting bodies are up to date. So we have a lack of synchronization between what we have as rules in Canada and what India would accept.

That leaves us in the position where Canadian farmers can use products for which there is no legal tolerance level in India. It is safe. It's not a question of safety. It really is a question of needing to harmonize the timing of the establishment of these standards. If we can't get it done through Codex, our suggestion is that we look to mutual recognition between India and Canada to be an intermediary until we have a UN functioning system.

The Chair: Thank you very much.

Mr. Holder, you have seven minutes.

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

I would like to thank both of our guests for attending today.

We understand the rationale for wanting to put this CEPA together when we look at how merchandise trade has increased, effectively tripled in recent years, and that's significant.

So to the extent, Mr. Bacon, that you already have a considerable portion of the market in India, I'm trying to get a sense from you, if you don't mind.... You talked about your market share and you mentioned that India wants to be more independent in its own pulse crops growth.

I'm trying to understand, then, if you anticipate that is a potential impediment to the CEPA we are working toward. Do you see any challenges with your industry relating to their plans?

Mr. Gordon Bacon: Yes, potentially there are. As I said, India has had the ability to impose an import duty on pulses, which had been done in the past. That's a protectionist measure to—

Mr. Ed Holder: How long has it not been on?

Mr. Gordon Bacon: It's been more than 10 years since India has applied it, because India's demand for pulses has continued to grow, and its domestic production has basically been flat to slightly down.

Mr. Ed Holder: But you're not anticipating, unless this protectionist mindset comes into play.... I presume you've conveyed to trade officials, on behalf of your association, the concerns relating to a potential tariff.

Mr. Gordon Bacon: Yes. We don't see, in the immediate term, any likelihood of it being imposed.

We are trying to inject some long-term stability into the regulatory environment, and removing it takes it off the table at some point. India is investing in biotechnology to enhance its pulse production, they are protein-deficit. So it's a big priority domestically.

There is obvious conflict between encouraging import of product and at the same time wanting to encourage domestic production. The easiest way to encourage domestic production is to boost the price levels that farmers are receiving, which then would be hurt by the import of product. It's hard to be both, both encouraging local production and being a net importer of product.

● (1605)

Mr. Ed Holder: It's interesting. Agriculture always tends to be that issue with trade deals, certainly that I've been involved with since joining this committee several years ago. And as we are experienced with the CETA, the one between Canada and the European Union, we're now into the crunchy bits, those emotional arguments—I'm going to speculate for just a moment—such as French cheeses or hams from Italy and the like. And other questions come as they relate to agriculture.

You made reference to significant increases in growth in production in Canada. Help me to understand. Is this because in the pulse crop industry more pulse crops have been grown to take advantage of greater trade around the world? Or is there a better growing cycle now?

Mr. Gordon Bacon: Two things happened.

If we go back 15 or 20 years, the Canadian pea industry took off as a feed ingredient source to Europe. That was in response to high domestic price supports for cereal grains in Europe, which made the price of animal feed high. That, then, allowed us to come in to address not only the high support prices being paid for cereal but the ongoing protein deficit in the European feed market.

If we go back probably 25 years, we started an industry in Canada in response to U.S. farm bill price support that barely drove down the price of cereal grain production in Canada, and farmers were looking for some alternatives. I think our industry's origins were really part of a production distortion, which we have addressed in large part over the years through bilateral and multilateral agreements and a general trend to higher commodity prices.

But in the process we became a technology leader in our production processes, in our varietal development. We can get into a very detailed explanation, such as yields of pulses relative to yields of cereal wheat, cereal grains in Canada versus other producing regions, but the bottom line is that we've become very competitive. We are the world's biggest producer and exporter of peas and lentils, and we're among the top five bean and chickpea producers. So we are a major force, accounting for one third of global trade originating out of Canada.

We've become big, and now we just want to make sure that we remain stable and competitive. As an association, we've shifted our focus to look at what we can do to add additional value to the crops we're already growing and to ensure that we remain competitive.

Mr. Ed Holder: I suppose you and the Heart and Stroke Foundation should get T-shirts that say, “I love pulses”.

You talked about standards relating to Codex. You said that Canada has one of the toughest standards in the world. When we make these arrangements, how do we set the standard for the purpose of India, which as you indicated doesn't have our level of technology, or at least our level of standard? Are we working, in your sense, with your experience...?

I did not ask this of your colleague the executive director of Pulse Canada when I saw him at Transport yesterday because we talked about other issues.

Is the standard that's set in trade negotiations one that is consistent country to country in your experience? How has that been set for your dealings, let's say, with Europe versus your dealings with CEPA, CETA, or for that matter NAFTA?

Mr. Gordon Bacon: One of the very positive changes that has occurred in the last five to eight years with Health Canada's regulatory agency is it's working much more closely with EPA and with European authorities.

We are working to harmonize regulatory approaches. The standard only goes one way in terms of food safety, and that is higher. But we need to have harmonized approaches. Ultimately, that is something we're trying to do at the UN level as well—working to one global standard that reflects safety for all.

Mr. Ed Holder: I appreciate that, thank you.

Mr. Pinto, I understand from what you said and what I've reviewed in terms of your business, you focus on construction technologies and systems, and small buildings and components of various buildings, and affordable housing—

● (1610)

The Chair: Very quickly....

Mr. Ed Holder: With earthquakes in India, which you made reference to, do you anticipate there would be any challenge between the standards that you would set for buildings that you would construct, housing that you would construct, versus what would be done by the Indians themselves?

The Chair: I'll allow a very quick answer.

Go ahead, Mr. Pinto.

Mr. Mervyn Pinto: I don't as such, because the standards that are being followed locally there are very similar to those being followed here. They are all governed by the international codes, which Canada follows, as does India. India, being a Commonwealth country, is very much following the British standards set forth.

There are of course some departments that take some shortcuts, but that's secondary. As a Canadian company, as long as we go by the rules and have the drawings endorsed by the architects who are licensed, then I think we are on the safe side.

The Chair: Okay. Thank you very much.

We'll now welcome Mr. Regan to our committee.

The floor is yours for seven minutes.

Hon. Geoff Regan (Halifax West, Lib.): Thank you very much, Mr. Chairman.

Thank you to the witnesses for joining us.

Let me ask you first, Mr. Pinto. You talked about the difficulty with the length of approval processes to get projects approved in India. How would you see a trade agreement helping you overcome that long process? It seems to me that's the sort of non-tariff barrier, or internal issue, that is often not addressed in a trade agreement.

Do you think it's likely that it could be? If so, how would you go about convincing the Indian government to agree to that?

Mr. Mervyn Pinto: I suppose that's a tough question to answer.

When Minaean first entered the Indian market during the earthquake in Gujarat in 2001, one of the delegates was from the Canada Mortgage and Housing Corporation, which had already signed an MOU with the housing board in New Delhi to introduce a mortgage system. That was signed in 1999. They had to cancel the MOU in 2006, 2007, because nothing really happened.

It all depends on how aggressive the offices or the departments that are controlling or managing are, or how willing they are to get the agreement signed and put in place in the interests of both countries.

Hon. Geoff Regan: All right.

It sounds to me like you're saying that when you consider that it's how aggressive offices are, it's awfully hard to address that in an agreement, right?

Mr. Mervyn Pinto: We are talking here about how quickly an agreement would be put in place and then followed thereafter. Unfortunately, in India it all depends, state to state.

In early 2000, Maharashtra state was considered to be the most aggressive state. Today it is one of the last ones, whereas Gujarat has taken over. Gujarat, I'm sure you must be aware, conducted a trade fair in mid-January, where close to 200 Canadian companies were present, and Canada played a major role, thanks to the Department of Foreign Affairs and International Trade. They did a good job there of putting Canada in the front, or it could have been behind Japan, but again, it was a well-noted effort.

Today we are pushing that forward with an MOU, which is being put together by DFAIT through a committee of Canadian members so we can participate in the contracts that are required by Gujarat in developing Gujarat.

So that's the difference, and the difference is because the chief minister of Gujarat is an aggressive, forward-looking personality who has cut down quite a few barriers and given open licence to people to move forward to develop the state.

That is the difference we're talking about here in the CEPA, where again it is a federal government that has to push it forward in the interest of the country. Again, it all depends on who is driving it, who is looking at making it happen within the next few weeks, months, or I would even say years.

● (1615)

Hon. Geoff Regan: Thank you very much.

Just to be clear, I am not opposed to the idea of an agreement. I'm trying to understand what the parameters might be and what we might and might not expect to achieve in an agreement.

Let me turn to you, Mr. Bacon. You talked about the ways you could add additional value to the pulses that are now exported. If there were a CEPA, what would you envisage in terms of the additional value that could be added and the new jobs that could be created in Canada?

The first thing that comes to mind, of course, is that in a lower-wage environment there would perhaps be a greater opportunity for India to do that with the pulses and other agricultural products we might sell to them, and then they would sell them back to us processed or use them themselves. What are your thoughts on that?

Mr. Gordon Bacon: I think it's a great question. I would agree with you that India has competitively priced labour and is a supplier of split pulses to the region. But we have also seen the development of a pulse-splitting industry in Canada that has for many years been exporting to South Asia and the Middle East as well. So I think we can be competitive in many areas.

One thing I want to highlight very quickly is that we're also doing a lot of work with the food industry. On recent visits we've met with some people in the food industry there to focus on some of the health and nutrition components. There are cookie companies that are selling individually packaged biscuits at bus and train stations in India to people who are at the lower end of the economic scale.

In India there is a lot of interest in and focus on health and nutrition. Even though India has a very large population of undernourished people, like Canada, India is addressing issues of obesity, cardiovascular disease, and diabetes. We're actually working with major food companies—international ones like PepsiCo but also local Indian companies—to look at reformulating food products.

I think that just strengthening these ties and expanding the potential uses gives us more opportunity to market product. Whether we can process them more economically here in Canada or in India is something the market is going to decide. But clearly for yellow peas, since we are the biggest producer and exporter, we're going to be the beneficiary of additional demand.

Hon. Geoff Regan: I was reading today, of course, about the increased consumption of beef and other meats in India, which obviously suggests a change in diet to some degree. That kind of reinforces what you're saying about the openings for different kinds of products in the future and the way that market is changing.

What issues do you find in terms of transport and storage within India, and what obstacles do you find in getting products to market?

Mr. Gordon Bacon: Our biggest issues have been phytosanitary ones. The policy environment is a bit difficult in India. There are different interpretations from port to port, and primarily just a difficulty in making progress. It is interesting that it has been going on for nine years and we still don't have a long-term policy decision with India.

We have very good commercial relationships, but we need to strengthen some of those plant protection issues.

The Chair: Thank you very much.

Mr. Shipley.

Mr. Bev Shipley (Lambton—Kent—Middlesex, CPC): Thank you, witnesses, for being with us today.

I just want to quickly follow up on a couple of things.

Mr. Bacon, are you seeing the phytosanitary issues being used as a non-trade tariff barrier or is it just that there is a lack of coordination between ports or between containers and companies?

Mr. Gordon Bacon: With India I haven't seen such glaring examples of them being used as a way to frustrate trade as I have in other cases. I think there's just a lack of clarity and a need to make sure we have a harmonized approach.

I would use the example of chemical residues. The big concern is that we have trade in pulse crops valued at nearly $1 billion a year going to markets that don't have up-to-date MRL policies, with India being one example that relies on Codex.

If we add oilseeds and cereals, on an annual basis we have $3 billion of trade from Canada going out into a bit of a regulatory void. The issue then becomes that if you do detect a residue of a chemical—which could be one-tenth of what the acceptable level is in Canada—but you are going into a country that doesn't have any stated policy, what guidance do courts or traders use in case of arbitration?

Mr. Bev Shipley: But isn't that clearly something that is.... You're saying that it isn't a trade barrier. If they don't have the minimum residue levels, then it really becomes quite open and very risky in terms of those types of markets.

● (1620)

Mr. Gordon Bacon: It's a huge risk. That's what we were saying. If we can't fix Codex quickly—and we can't—then one of the options we're suggesting as viable is to do it on a bilateral basis so there is a mutual recognition.

Mr. Bev Shipley: That would be one of the driving points of this agreement.

Mr. Gordon Bacon: Yes.

Mr. Bev Shipley: Okay.

Secondly, I forget now whether it was 21% or 24% to India as your largest export.... But 21% or 24% of Canada's production in pulses is going to India. I think that—

Mr. Gordon Bacon: No. Actually, of the total Canadian exports to India in 2012, 21.5% of them were pulses.

Mr. Bev Shipley: Okay. So then—

Mr. Gordon Bacon: A bigger percentage—

Mr. Bev Shipley: Do you see that as a large...? It's 21.5%. Is there an opportunity, then, considering some of the issues that are in front of you? Do you see much growth? What do you see in terms of opportunity for growth?

Mr. Gordon Bacon: I think the biggest limitation to growth in India is the level of poverty. The lowest levels of per capita pulse consumption in India are among the poorest people; the people who most need the pulses most can't afford them.

Economic growth in India will create economic growth in the pulse trade to India. That's our biggest opportunity, and it is our biggest market. I don't have the number off the top of my head, but probably over 40% of our yellow peas go to India.

Mr. Bev Shipley: When you see trade agreements that are developed among countries.... You've been involved in all of the nine that we have done and have some experience to monitor that. I guess the thought has always been that if you open trade both ways, it gives opportunities to, in this case, India, and the benefit comes back to Canada also. Is it the lifting of that whole economic value chain higher in a country that will actually help, then, to improve your export opportunities?

Mr. Gordon Bacon: It's both ends of the spectrum. Yes, absolutely. Again, the number is.... When consumption is lowest among the poor people, creating opportunities that will create some additional wealth will be helpful, but as I've pointed out, we also have the opportunity to grow demand, based on food being part of a solution to health challenges.

I think it's very interesting that some of these global food companies we're working with are targeting South Asia specifically, because they too see growth opportunities at the other end of the market spectrum.

Mr. Bev Shipley: I have a quick question. I don't have much time left.

Mr. Pinto, on what you talked about, we recognize that the earthquake caused devastation. Those numbers in terms of the need for housing are staggering to someone in Canada. Did it change the building standards for housing in India? If that is the case, how does that affect the ability of those at the lower end to afford housing?

Mr. Mervyn Pinto: It did change. It was brought to the awareness of the public and the media. As you all know, India has the strongest media, being the largest democracy in the world. It did become more stringent. For the buildings that collapsed during that earthquake, the developers were put behind bars. The authorities were taken to task, so we had the awareness.

To answer your question, yes, the affordability became tighter, but again, that was something the government had to go by. There could be.... As I said, there was an increase, rather than a decrease, in the requirement from 2001 to today, from $19.2 million to $26.8 million today. That's the irony of it.

But you're right: that's the answer.

Mr. Bev Shipley: Would that allow Canadian lumber to be part of the solution?

Mr. Mervyn Pinto: Unfortunately, no. India only allows lumber used for furniture. Lumber, because as I addressed the cost structure, if using.... BC Wood did put up their showroom in Bombay. We were a part of the inauguration. They tried their best for a good four years to enter the market, but apart from the flooring and apart from the furniture, there was no way that BC Wood could use the lumber for construction.

In India, forestry is banned. India is more used to hardwood. It is being imported from Malaysia and Indonesia. Softwood is slowly penetrating the market, but again, more for furniture systems. It will be years and years before anything could be considered. Too, the pricing threshold will have to be far higher for Canadian lumber to afford entry into the Indian market.

● (1625)

The Chair: Thank you very much.

We have about five minutes left, or a little more. We'll split that time between Madame Papillon and Mr. Keddy.

Go ahead.

[*Translation*]

Ms. Annick Papillon (Québec, NDP): Thank you to the witnesses for being here with us.

Over the past few years, 35,000 jobs were transferred from Canada to emerging countries, and 2 million IT jobs were outsourced from Europe and North America to emerging countries. It is a complete shift.

Do you think this situation could get worse for Canada following an agreement with India, for example?

Mr. Pinto, what do you think?

[*English*]

Mr. Mervyn Pinto: India is a major service provider to the world as far as the IT sector is concerned. I would say the CEPA would bring both countries closer. There would be more exchanges of services both ways because Indian companies are now looking at investing in Canada on a large scale, apart from mining, even into IT, as well as the consumer product business.

We all know Essar Steel has taken a stake in Dofasco, and many Indian companies, large conglomerates, are trying to enter the Canadian market.

I am of the opinion it will benefit both countries.

[*Translation*]

Ms. Annick Papillon: I see, thank you.

[*English*]

The Chair: You have one minute, if you want one. Please don't feel compelled.

Mr. Marc-André Morin (Laurentides—Labelle, NDP): Currency in trade is a very important issue. We have a very strong currency, and sometimes we deal with countries that manipulate their currency downward to be more competitive.

Could you tell me, Mr. Pinto, if you have had problems with our currency compared to other countries we're competing with?

Mr. Mervyn Pinto: Minaean has set up a base in India, and has invested in excess of $5 million in setting up these plants for production of modular buildings and prefabricated structures.

When we entered the Indian market in 2001, there were 32 rupees to a Canadian dollar. Today there are 52 rupees, so you can imagine the pain the devalued Indian rupee is creating for Canadian investors who have invested money in the country.

To bring it back means we have to have that much appreciation in our returns, while transferring the dividends back in future.

Having said that, India is typically a consumer market driven economy. It is unlike other countries we have known. This country does not manipulate its currency, it has an open book policy. The Reserve Bank of India is very strong; it follows very strict guidelines that were laid out by the British when they left, and will use the same policies moving forward.

The Chair: Okay.

Mr. Mervyn Pinto: The Indian currency is very tightly controlled but a very open currency that is tied to the inflation governing the country at present.

The Chair: Okay, thank you very much.

Mr. Keddy, you have a couple of minutes. Go ahead.

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

Welcome to our witnesses.

Mr. Bacon, it's nice to see you again. I'm trying to get a little clarity on a few of the statements that were made and dovetail them a little better.

You said 21.5% of our pulse crop goes to India?

Mr. Gordon Bacon: If you take a look at total exports from Canada to India in 2012, 21.5% of those were pulses. I will provide clarification to the clerk as to the percentage of our total production that goes to India.

Mr. Gerald Keddy: Thank you for that.

Do you know what portion of the Indian market that 21.5% represents? Is it 8% or is it 10% or is it—

● (1630)

Mr. Gordon Bacon: Again, I will provide the clerk with the most recent statistics from 2012, but in past years 50% of India's total pulse imports came from Canada.

I will provide the most updated statistics. I don't have them at my fingertips.

Mr. Gerald Keddy: There was a statement made—I think it was by you early in your presentation—that the per capita consumption of pulses has actually gone down. Is that because the population has increased dramatically? When we're looking at India, we always hear about the potential for the growing middle class and the requirement for more consumer items and more expensive items. Could you connect the dots on that a little bit?

Mr. Gordon Bacon: The reason is, again, the poorest people in the country have the lowest per capita consumption. This is one reason the Indian government is trying to increase production. The price is out of reach of many of the poorest people in India. And simply, you've had an enormous population increase, and the supply just simply isn't there. The potential market is enormous; the actual market is limited by the economics of the buyer.

Mr. Gerald Keddy: Thank you.

The Chair: Thank you very much.

Our time has gone.

Next we have Mr. John Harriss, coming to us from Singapore. So we will suspend as we do that.

I want to thank the witnesses for their input into our study.

● (1630)

(Pause)

● (1635)

The Chair: We have with us Mr. John Harriss, from Simon Fraser University, who is in Singapore.

Mr. Harriss, I understand it's 5:30 in the morning there. Is that right?

Dr. John Harriss (Professor and Director, School for International Studies, Simon Fraser University): It is, indeed. So good afternoon to you, and good morning from here.

The Chair: I would feel sorry for you, having to get up so early, except that we're in a massive snowstorm here. The planes have been shut down, and you're probably going out to a beautiful day. But we want to thank you for taking the time and getting up so early to be with us.

Dr. John Harriss: I hope I can be helpful.

The Chair: We will yield the floor to you now.

We look forward to your presentation. Then we'll follow up with questions and answers.

Go ahead, sir.

Dr. John Harriss: I am sorry; I wasn't clear whether you wanted a presentation from me to begin with or not. I was rather expecting questions first.

But what I have to say, really, is as follows. It's pretty obvious that there should be terrific benefits to both Canada and India from increased trade. The level of trade between two such very big economies is very small at the moment and has been historically. The extent of Canadian investment in India is very small. Indian investment in Canada is a bit more significant and has been increasing. I think we start from the basic position that there must be tremendous benefits from increasing trade connections.

I think it's important to remember that, though the Indian economy is big, the Indian economy historically has not been really a major trading economy. Although India's share of trade and the share of trade in the Indian economy has increased very considerably over the last decade, the country is still rather feeling its way in trade negotiations.

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

In this context, what are Canada's biggest chips? What is it that we really have most to offer?

It seems to me—and this is what I'm hearing from colleagues and friends in Delhi—that what would really make a big difference, because India has such strong interests in diversifying sources of oil and gas, is if Canada can use our oil and gas resources to help the Indians to diversify their oil and gas sources. The fact that India has had important connections with Iran in regard to supplies of oil and gas is a part of that picture at the moment, of course, given the American concern with limiting contact with companies in countries that have those kind of trading connections with Iran.

It seems to me that is the biggest sort of chip that Canada has to put on the table.

Where are there strong mutual interests? It seems to me they are in the area of energy. There are mutual interests in building trade in agriculture. There are important opportunities, perhaps, for Canadian companies in regard to infrastructure. I'm really not sure about our capacities in this regard, but I know there are tremendous needs in India in regard to power transmission and distribution.

● (1640)

The big problems of the electricity sector in India are not to do with power generation so much as with transmission and distribution.

There are mutual interests in education.

An area like financial services is probably a bit problematic. I think there are opportunities in financial services—and India certainly respects the quality of the Canadian banking sector—but of course this is an important area in which non-tariff barriers will come into play. Canada will have to confront problems relating to domestic regulation of financial services in India.

From the Indian side, there will also be, I think, a very strong interest in the movement of people, the movement of professionals, access for Indian professionals into Canada.

There are opportunities, perhaps, for Canada in some areas of retail, given the commitment of the government to opening up the retail sector. A friend, a former finance secretary of the Government of India, said to me yesterday, “If only Canada could come up with a kind of an IKEA, you know, use some of that timber to provide good furniture and materials for construction”. Given the tremendous boom, of course, in construction in India, there could be a deal, perhaps, with a major real estate company in India.

I think that, in general, it's probably going to be non-tariff barriers rather than tariff barriers that are going to be the sticky areas.

Lastly, what I might say by way of introduction—Mr. Cardegna included in an e-mail to me the possibility of a question about India's business environment—I'm sure that I don't need to tell the members of the committee that India, of course, ranks pretty low on the World Bank's index of the ease of doing business, and very low, indeed, in the area of contract enforcement. Those are facts that are probably pretty well known.

What I think also needs to be recognized is what the same friend I was talking to yesterday, the former finance secretary, describes as the stranglehold that is exercised by a small number of very big companies in India, companies like Reliance, SR, indeed Tata, as very powerful companies that actually do exercise a great deal of influence on the actions of government as importantly as on policy. The advice that my friend was suggesting to me yesterday was that it would be important to avoid areas where powerful vested interests are involved, to avoid areas such as telecom and pharmaceuticals, where the big boys have very strong interests.

● (1645)

The last point, and it really follows from that one, is with specific regard to SMEs, small and medium-sized enterprises. As I understand from what I have read, the Canada-India Business Council, which represents quite a lot of small and medium-sized enterprises, is looking for very significant opportunities through a comprehensive economic partnership agreement.

I think this is a somewhat contradictory kind of situation, if you will, because following from what I said about the importance of recognizing what was described to me as the stranglehold exercised by a small number of very big companies, that means there may well be significant opportunities for small and medium-sized enterprises that are operating in sectors of the economy, areas of the economy, in which the big boys in India don't have very powerful interests.

But as it seems to me, small and medium-sized enterprises in the two countries—last point and I really will shut up then, okay?

● (1650)

The Chair: Okay.

Dr. John Harriss: It seems to me we don't really have complementarity between small and medium-sized enterprises. The sectors in which small and medium-sized enterprises are operating in the two countries overlap, rather than being complementary. For example, there may be opportunities for small Canadian firms in automotive to open up businesses in India, but they've got to compete with some pretty good Indian companies.

The Chair: No, I think that's right.

Dr. John Harriss: Sorry, I went on too long.

The Chair: You went over a little bit, but that's okay, we're in that kind of mood today.

I do want to thank you for that presentation. Perhaps one of the things you stumbled upon there was maybe we need some BluWood coming out of British Columbia as a new market for India.

But we're going to start with question and answer with Mr. Davies.

Mr. Don Davies (Vancouver Kingsway, NDP): Thank you, Dr. Harriss, for appearing before our committee and in such challenging circumstances.

I have seven minutes and I have about three questions I want to get to.

I know, Dr. Harriss, that you've written extensively about globalization and about development. We know that there are pros and cons to increased liberalized trade. There could be increased opportunities but it could be, as stated in your book, that globalization can have dislocating and unequalizing effects. I'm wondering if you have any advice as to how an EPA could be crafted to help include marginalized classes in development. Is this something that can be addressed in an EPA?

Dr. John Harriss: That's a very good question. I wish that I thought there would be a way through an EPA of addressing marginalized classes. The great problem of the Indian economy in the context of globalization, as you well know, is the epithet, jobless growth. There has been very little development at all of the numbers of good jobs in India. Of course, that's not to say there aren't good jobs outside in big, big companies, but India has not been developing productive jobs in the way that it needs to.

I think the best way, through an EPA, of trying to address problems of marginalized groups is through looking for opportunities for investment that will give rise to the sorts of enterprises that are going to employ labour. But then India also confronts the tremendous problems of skill development. You may or may not be aware that the evidence is that even lots of kids who have gone through primary education in India can't do a simple subtraction or actually write a simple sentence in their own language. In that context, there are terrific problems of the lack of basic skills.

One of the areas in which I think it is possible that Canada could do things of mutual advantage in the context of an EPA is through investment in India in skill development. I believe the Australians have started doing this with skill development centres.

Sorry, again I've talked too long, but I think that's the main—

Mr. Don Davies: No, that's fine.

I was talking to Dr. John Curtis in Ottawa a couple of days ago, and he stated that the best trade policy is education infrastructure and investment in skills in domestic populations. It sounds like something that you're touching on.

I want to move a bit to labour because I know you've also studied labour quite a bit. We know that India has not yet ratified the ILO convention on child labour. We understand they're being watched by the International Programme on the Eradication of Child Labour. While India has ratified that convention on children's rights, it has placed a declaration or reserve on article 3.(2) concerning minimum age for work. In addition, I know that labour groups are asking the Indian government to ratify the ILO conventions on trade union rights. I'm just wondering if you can give us a brief description of the state of labour rights in India right now. Are they improving? Are they not improving? What would you tell us about that?

● (1655)

Dr. John Harriss: Organized labour has been on the back foot for a long time, of course. Organized labour is subject to terrific problems of political fragmentation. Nonetheless, it has been sufficiently powerful to have prevented government, over the last decade and more, from acting on the advice given by so many economists that India should liberalize labour markets, and the labour movement has been able to hold back changes in the legislation. It's a sign that it's not a completely toothless body. But in spite of that, the big development of the last decade is the tremendous increase in the employment of contract labour—in organized, formal sector companies—contract labour that is often employed through guys who are effectively like Mafia bosses. People employed in that way have virtually no rights at all.

Labour rights are certainly always in question. The courts have sometimes judged very strongly in favour of labour rights. I'm talking of the Supreme Court and of the high courts in the states, but sometimes they have made judgments that have really infringed upon labour rights, so it's a very contested field.

Mr. Don Davies: You have thirty seconds, I think.

The Chair: He has about three seconds.

Mr. Don Davies: Can I just get to child labour briefly? What can you tell us about child labour in India?

The Chair: I will allow a very short answer.

Dr. John Harriss: It's extraordinarily difficult to control child labour, extraordinarily difficult.

The Chair: Mr. Shory, go ahead for seven minutes.

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

Professor Harriss, thank you very much, and thank you for appearing in a half-sleeved shirt. It boosts our morale here in the snowstorm.

Dr. John Harriss: Thank you.

Mr. Devinder Shory: What I gather from your testimony is that there are tremendous opportunities in India. There is potential for all kinds of opportunities. We all know it's a fast-growing country.

You made some comments about the synergy, I guess, about energy security: they need it and we have it. You talked about education, you talked about infrastructure opportunities, because India has an ambitious plan on infrastructure and definitely our businesses, our companies can benefit from that. But you made one comment about Canadian investments in India being lower than Indian investments in India. I want you to expand on that. Are there any specific areas that stop Canadian companies from investing in India and can they be overcome?

On the other side, I want you to make a comment on whether Indian companies' investment in Canada is a good thing. If that is a good thing, how can we facilitate more Indian investments in Canada?

● (1700)

Dr. John Harriss: On the last point I have to say that I've been out of Canada now for, I think it's getting on to three months, and I'm not as well in touch with news from Canada as I would like to be. I don't know what has been finally decided about the rather controversial Chinese bid to buy up one of the Canadian oil and gas companies. I recall the controversy about that in the latter part of last year.

I believe that Indian companies like Reliance and ONGC are very interested in having a piece of the action in Canada.

This is a profoundly ideological kind of question, it seems to me. I know that politicians are very strongly divided upon it. I think that if a company like Reliance can really do a good job in Canada, why not?

On the other side, Canadian investment in India, I think the big problem—and I've heard the high commissioner in Delhi talking of this quite forcefully as well.... I think there ain't no substitute for, metaphorically, wearing out shoe leather. To do business in India requires a lot of work in building personal contacts. Family is still a very powerful element in Indian business. It's still the case that some of the biggest companies are still very much family businesses. Building personal relationships—there ain't no substitute for that. That, it seems to me, is really what Canadian companies need to do—to get in there, and as I say, wear out the shoe leather.

Mr. Devinder Shory: What about the banking and insurance sectors? I believe there are restrictions on foreign direct investments in those sectors in India. Are you aware of the restrictions and if they should be negotiated in the FIPAs?

Dr. John Harriss: I've had interestingly different advice on this from the colleagues with whom I've spoken. They include, as I mentioned, a former finance secretary in the Government of India, and somebody who was also a senior official in finance.

The former finance secretary points out that banks like Lloyds and the infamous Royal Bank of Scotland do actually have very good business in India in the area of commercial services. Although the banking sector is very highly regulated in India and there are barriers to the participation of foreign banks, there are openings there. I believe that Singapore banks have also been able to enter into the areas of supplying commercial services in India, but there are a lot of detailed issues there about which I'm really not at all remotely expert.

Mr. Devinder Shory: We talked about all this. Are you aware of some non-tariff barriers culture-wise, on how we deal with those barriers and if there are any specifics, in your mind, we should be looking into?

● (1705)

The Chair: Please give just a very short answer.

Dr. John Harriss: Okay. There are clearly very sensitive areas for India, such as pharmaceuticals and generics. I think it will be extremely important that there is absolute clarity about the protocols and procedures that will be followed in processes of certification and regulation in areas of that kind. Simplicity and clarity are going to be extremely important in those sorts of areas.

The Chair: Thank you very much.

Mr. Regan, go ahead.

Hon. Geoff Regan: Thank you, Mr. Chairman.

Thank you, Dr. Harriss, for rising so early and allowing us to benefit from your insights.

I want to call on a question that Mr. Shory started because you raised the issue of the domestic regulation of financial services. On Monday of this week, the committee actually heard from Mr. Suresh Madan, who talked about the limit on foreign borrowing, the deferential tax treatment for portfolio investments, and the inability of Indian companies to tap Canadian markets. We think of Canada, obviously, as a market particularly for things like mining as well as oil and gas, but mining would be a key one internationally.

What can you tell us about the ills that the Indian government—or governments, it is a federal country, of course—is wanting to address in creating these measures? As Canada is negotiating with India trying to deal with these things, how do you view the problems that they're trying to address, and what's the motivation behind these measures?

Dr. John Harriss: I really can't give you a detailed answer to that question because I have so little expert knowledge in this field. But I know that the officials who have run the ministry of finance in India have always been a very conservative bunch. It is greatly to their credit historically that India did not suffer from the debt crisis that so many countries, erstwhile third world countries, suffered from in the 1980s.

There's an account of that period by two very distinguished Oxford economists, who try to answer the question of why India did not suffer from those sorts of problems. It concluded that the answer was actually in the quality of the officials in the ministry of finance and their extremely cautious kinds of attitudes. There's a real tradition of caution, and that tradition was confirmed. Certainly that's what the governor of the Reserve Bank of India talked of when I heard him speak here three years ago on their observation of the crisis of 2008.

Sorry, that's a very general and a rather woolly kind of an answer, but I think that's what you have to bear in mind.

Hon. Geoff Regan: It's all right. It was probably a woolly question, too. Let me ask you another. Which of the challenges faced by Canadian exporters and investors in dealing with India do you think an agreement is likely to succeed in addressing, and which kinds of challenges do you think it could not address?

Dr. John Harriss: We shouldn't expect too much from an agreement of this kind. I mentioned in my presentation the problems of capacity in India, in actually conducting these kinds of negotiations. I believe that the Indian ministry of commerce website lists 34 sets of trade negotiations of this kind going on at the moment. I believe there are about 10 people who are seriously involved on the Indian side in conducting these negotiations.

We mustn't think that even a very good agreement is going to really tackle all the problems. I believe a lot of the agreements India has entered into are relatively shallow. I guess I come back to the point that there's really no substitute for Canadian companies and investors getting in there and getting themselves informed.

As you well know, there are really no meaningful general answers to the kinds of questions you are all rightly raising about barriers and difficulties. There are different barriers and different difficulties in different areas of business.

● (1710)

Hon. Geoff Regan: If you were to imagine yourself a medical doctor for a moment, doctor, and you were examining the patient—India, let's say—and looking at the opportunities and challenges, strengths and weaknesses it faces, what do you think the prognosis is for the next 10 to 20 years?

Dr. John Harriss: I think India is not likely, actually, to sustain the sorts of rates of growth it hopes for. As I'm sure you're aware, for Indians the competition with China is immensely important. There's a tremendous concern that the Indian economy should be growing at about the same sort of rate as the Chinese economy. The Chinese, of course, aren't remotely bothered about the Indian economy, but the Indians certainly are. It's really unlikely that those sorts of rates of growth are going to be sustained.

It will be interesting to see later today, when Mr. Chidambaram makes his budget speech, whether there are clear signs of the tackling of tax reform and of how he's proposing to deal with the long-running problem of the level of subsidies that are paid out by the Government of India, which mainly benefit somewhat wealthier people rather than poorer people.

He's made commitments already to cash transfer programs that should be attractive in terms of getting the Congress government re-elected in the elections next year. I don't personally think it's likely that the long-running problem of fiscal deficits in India is going to be tackled any time soon. I think that is always going to be a serious constraint upon sustaining high levels of growth.

The Chair: Thank you very much.

We'll now move to Mr. Cannan.

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

It's good to have Mr. Regan. Welcome to the committee, and those were good questions.

Thank you and good morning, Dr. Harriss.

I'm from Kelowna—Lake Country in British Columbia. So as one British Columbian to another, it's good to welcome you to the committee. Thank you for sharing your wisdom and experience. I understand from looking at your bio that you've published extensively on the politics and political economy of south Asia and it says of India in particular.

With your experience, do you think there's the political will in India to move this trade agreement forward—taking the fact there's a budget to be tabled tomorrow in India and an election next year?

Dr. John Harriss: As I said in my presentation, and in answer to other questions, my understanding and my perception are that India's person-power resources for concluding an agreement of this kind are very limited. I think that if Canada is to bring this really onto, if you will, the front burner in India, then being able to do a really convincing deal in regard to oil and gas could be the game changer.

● (1715)

Hon. Ron Cannan: We've heard from some witnesses from British Columbia that there are economic opportunities in the forest sector as well; as you mentioned, the housing markets—

Dr. John Harriss: Yes.

Hon. Ron Cannan: —have great potential.

Specifically following up on my colleague Mr. Davies' question about labour, we believe in free and fair trade, and labour agreements have been part of our trade agreements in the past. With this economic partnership agreement, we've signed on with the international labour cooperation agreements. Do you think with these, we'll be able to resolve some of the issues with child labour?

Dr. John Harriss: I'm a great believer in the overall ILO agenda of decent work. Whether there's any chance of these protocols being really effective in addressing the problem of child labour, I'm rather doubtful. The studies that we have of child labour—I'm thinking more of ethnographic studies that have been conducted—I'm sure there are such strong incentives for kids themselves, never mind for their parents, to be getting into work. So long as the whole structure of the economy isn't transformed, I think that those incentives for kids, as well as for their parents, are going to remain very powerful. I'm sorry, it's rather a depressing kind of answer, but that's what I think.

Hon. Ron Cannan: But the reality is when we were in Colombia outside Bogotá, I saw some of the shantytowns. We talked to the people there and that's their hope. We want to obviously make life better for them. Giving them an opportunity, we feel that hopefully that's a step in the right direction. That's my belief.

Going with your academic perspective, at SFU, and we have UBC Okanagan in my riding and the college. Technology is a big...there are some very sharp techie minds in India. Do you see some of that collaboration from the academic world as well? Have you been able to experience some of that from your first-hand professorship? Canada and India?

Dr. John Harriss: We, in Canadian universities, have really woken up in a big way to those potentials within the last five years. My own university has become very active in trying to build these connections.

There remain lots of problems. We have problems with resources to actually get people here and there. In spite of the growth of the Indian economy, there is still not a lot of money for building these kinds of links on their side, but there is a terrific potential starting to be opened up. We, in Canada, are getting better as well at opening up possibilities for Indian students in Canada.

It's been very striking to me, having come to Canada seven years ago from the U.K., just how few Indian students there are. It's getting better, but given that fee levels—the cost of doing a Ph.D. in Canada—are so much lower than they are in the United States or the U.K., it's extraordinary to me that there haven't been very much larger numbers of Indian students coming to study in Canada. The situation is changing, but I think we can still do more to facilitate the movement of students.

● (1720)

Hon. Ron Cannan: People and capital: we'll bring them together.

Thank you very much. I look forward to hearing how you can help facilitate bringing this agreement to fruition.

The Chair: Very good.

Madam Papillon, go ahead. I think you're sharing your time with Mr. Davies.

[*Translation*]

Ms. Annick Papillon: Thank you very much.

Thank you for being with us, Mr. Harriss.

The NDP believes that free trade agreements can be used to strengthen cooperation on sustainable development between two countries, and that including a section on the environment in the final agreement is important. In fact, that is what was usually done until not so long ago. However, so far India has been against the idea of including an environmental accord in a potential free trade agreement.

Why do you think India is so reluctant? Is it because of the difficulty, and even the impossibility, of enforcing existing regulations?

[*English*]

Dr. John Harriss: It's difficult to do what with regulations? What was the word?

Ms. Annick Papillon: Do you think it is difficult, almost impossible, to apply the law that is in effect?

Dr. John Harriss: Again, we have to recognize that there has been a very strong feeling among Indian policy-makers and politicians that we, on our side, in countries like Canada, are using environmental regulations as a means of protecting ourselves. India's approach, in talks on climate change, has reflected this rather deep-seated sense of being subject to imperialist kinds of pressures.

There is a historic sort of resistance to environmental regulation, and certainly the implementation of environmental regulations is extremely difficult. It's one thing for the central government in India to enact legislation, but whether or not that legislation is actually implemented by state governments is another question.

On the other hand, there is increasing recognition within India of the importance of environmental questions, and I think there are actually opportunities for Canadian companies that have to do with the development of clean technologies and so on to enter into, for example, joint ventures with Indian firms. I've actually had two students from my department at SFU work with a British Columbian company in Mumbai along with Indian companies on clean technology.

So I have a two-sided answer. There are opportunities, but recognize that there are severe constraints.

[*Translation*]

Ms. Annick Papillon: I see.

According to the Centre of Indian Trade Unions, 94% of the jobs in India are in small enterprises and it is difficult to impose standards.

Do you think India has the ability to enforce strict labour and environmental standards?

I could take the example of regulations on the use of asbestos, since not so long ago, Canada was the second largest exporter of asbestos to India.

● (1725)

[*English*]

Dr. John Harriss: Of the Indian labour force, 93% are employed in the informal sector. So people in informal sector jobs have no protection, they have very little job security. In that context the other 7% who are in good jobs where they do have protection are under quite a lot of pressure. So I think there are huge difficulties in the implementation of labour law.

India has a whole panoply of labour laws but their implementation is of course extremely problematic. The fact that it has been possible for employers to greatly increase the use of contract labour precisely to avoid protective labour legislation over the last decade is an indication of that.

The Chair: Thank you very much.

On behalf of the committee I'm going to ask a couple of questions. Our time has just about gone, and I want to thank you for being here.

Last year the two-way trade with India was $5.3 billion. The two Prime Ministers indicated that by 2015 they wanted to move that up to $15 billion. Is that achievable?

Dr. John Harriss: Yes.

The Chair: We had testimony earlier this week saying that perhaps a fast, shallow deal would be better than a more comprehensive deal that takes a lot longer. What's your opinion on that?

Dr. John Harriss: I think $15 billion by 2015 is extremely optimistic for all the reasons I've touched on in different points.

On fast and shallow rather than protracted and deep, I think it's going to be very difficult for us to conclude anything other than a shallow agreement. So maybe recognize that and get on with it and do it and build from there rather than saying let's work this out in detail at this point.

The Chair: Very good. Thank you very much.

Thank you for your contribution to the committee. I appreciate that very much. I also want to thank you for getting up so early in the morning to be part of our work here. I hope you have a great day.

This meeting is adjourned.