

56. Canada-India Free Trade: Time to Re-Engage

Free trade agreements are meant to decrease or remove costly and time-consuming trade barriers in order to accelerate the trading of goods and services thereby generating more profits for those engaged in the agreement. In other words, by opening up to new foreign markets, you allow for increases to sales and profits for domestic companies. It has been argued that this, in turn, creates a domestic middle class with higher wage jobs over the longer term. Developing countries on the other hand gain access to cheaper goods and services, which provides for a wider market for Canada's own domestically produced goods and services. The Canadian government has increased its focus on expanding Canada's trade agenda. In the past number of years FTAs have been launched with key markets such as India, the European Union and the Trans-Pacific-Partnership.

Canada India – Comprehensive Economic Partnership Agreement

In 2010 Canada undertook formal negotiations with India to achieve a Free Trade Agreement (FTA). In 2016, with nine rounds of negotiations completed, the process appears to have stalled. Round nine occurred in March 2015 and no new negotiations have been scheduled despite both governments' public statements of support for the FTA.¹

Officially called the Comprehensive Economic Partnership Agreement (CEPA), Canada appears to have refocused energy and resources towards the Foreign Investment Promotion and Protection Agreement (FIPA) seeking to ensure it is ratified and brought into force, before proceeding with the FTA talks. The FIPA talks were reported to be successfully concluded in 2007 but neither country has ratified or made the agreement operational without public explanation.

The large Indian diaspora in Canada and our Commonwealth heritage make the Indian trade relationship one of the more logical targets for Canada. Unfortunately, despite current and former governments supporting an FTA, the target remains elusive.

Current Trade

In 2014-15 India-Canada trade was \$6 billion, India's exports totaled \$2.2 billion and imports from Canada, \$3.8 billion, an amount with significant potential for growth. Foreign Direct Investment (FDI) from Canada to India from April 2000 to September 2015 was \$586 million, a mere 0.22 per cent of the \$265 billion in total FDI India received in those 15 years.²

Significant Areas of Growth – Energy, Education and Professional Services

Over the next 25 years India will make up 25 percent of the Global energy demand growth as it seeks to ensure electrical energy for all of its citizens. Currently 240 million Indians have no access to electrical energy.³

Along with pressure to increase renewable energy resources India will require increases in domestic oil and gas production to fuel growth and Canadian companies are well positioned to provide the expertise that India requires to become self sufficient in various forms of energy.

Canada is also well placed to provide professional and educational services to India in a variety of other industries and areas.

¹ Global Affairs Canada, Canada India Free Trade Agreement Negotiations, March 2015

² Arun S, The Hindu, January 13, 2016

³ International Energy Agency, World Energy Outlook 2015 India

Emphasis on the Trans Pacific Partnership

While both governments state they are committed to achieving a successful bilateral FTA, there is public speculation that Canada is more committed to achieving a successful Trans Pacific Partnership and that India is hesitant to move forward on areas where they want to retain policy space, such as environmental and labour issues that Canada would like added into the CEPA.

Recommendation

That the federal government apply political direction and resources to reinvigorate the stalled negotiations between Canada and India to achieve a Free Trade Agreement. It is understood that negotiations will not be compromised on concerns regarding fair and tripartite dispute settlement mechanisms.