

**The Canada-India Comprehensive Economic Partnership
Agreement**

**Speaking Notes for
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&
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Trade**

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Thank you Mr. Chair for this opportunity to provide comments on the Canada-India Comprehensive Economic Partnership Agreement, or CEPA.

I'm Cam Vidler, Director of International Policy at the Canadian Chamber of Commerce, Canada's most representative business organization. Many of our members are active in India, including Scotiabank, represented here today by Nav Bubber, Director of Operations at Scotia Private Client Group, who will also provide remarks.

The Canadian Chamber is a long-standing supporter of increased trade and investment with India. In 2009 and 2010, we called on the federal government to undertake bilateral trade negotiations. Last November, our President and Chief Executive Officer traveled to New Delhi to meet with leaders of the business community. Developing strategies for Canadian businesses to access new markets, such as India, is one of the Canadian Chamber's Top 10 priorities for 2013.

The Canadian Chamber has also produced a report called *Canada-India: the Way Forward*, which outlines the views of our membership, as well as policy recommendations to improve our economic relationship with India.

We believe that India is crucial to Canada's global commercial strategy. Rapid economic growth and urbanization, combined with a young population of over 1.2 billion people, are boosting consumption and investment, and creating a booming market for Canadian goods and services – right at a time when our traditional markets are slumping.

In addition to the sales opportunities, India is establishing itself as a prime location for innovation and production, based on its growing pool of talent and emerging global companies. We all know about the IT clusters in Bangalore and Hyderabad, but India's manufacturing sector is also becoming more sophisticated, with a number of local and foreign companies supplying the broader region from their bases in India.

Despite a recent slowdown in growth that has led to some skepticism by commentators, India appears to be turning the corner. A new wave of liberalization is underway, and economic confidence is returning.

Canada's capabilities in areas of extreme need for India – including energy, infrastructure, agriculture, financial services and education – make us very well-placed to succeed there. Leading Canadian companies such as Bombardier, Sun Life Financial, McCain Foods, Research in Motion, CGI, CAE and Scotiabank, to name but a few, have made significant inroads. Our SME presence in India is growing as well.

Despite these positive developments, the business relationship between Canada and India remains underdeveloped. Distance, language and cultural differences certainly play a role. But there are also a number of policy barriers in India that hold back Canadian companies.

The CEPA is an opportunity to address these. I'd like to outline four general priorities here – a more exhaustive list can be found in the report I mentioned earlier.

First, the CEPA should reduce and bind Indian tariffs on major Canadian exports, such as chemicals, wood products, manufactured goods, and especially food stuffs – where tariff rates can hover near 30 per cent.

Second, these tariff reductions need to be accompanied by strong disciplines against non-tariff barriers. Licensing requirements, technical standards and product certification procedures are often onerous and insufficiently harmonized with international best practices. Companies also report local content requirements and government procurement practices that discriminate against foreign companies.

Third, the CEPA must extend Canada's access to India's services sector. There are, for instance, significant restrictions on foreign involvement in banking and insurance. Market access should also be complemented by arrangements for the temporary entry and mutual recognition of professionals.

Finally, protections should be included for Canada's growing stock of foreign direct investment in India. A Foreign Investment Promotion and Protection Agreement, or FIPA, was signed in 2007, yet India has yet to ratify it. This leaves Canadian investments potentially exposed to discriminatory or arbitrary regulations and taxes, and without recourse to investor-state dispute settlement proceedings.

The Canadian Chamber applauds the government's intent to complete the CEPA negotiations in 2013, but it is important that Canada not sacrifice quality for speed. An ambitious and comprehensive agreement that secures real, long-term market access for Canadian companies and their Indian counterparts is an achievement worth waiting for.

With that, I'd like to pass the microphone to Nav Bubber. Thank you and I look forward to your questions.

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It's my pleasure to be here today and I'd like to thank you for the opportunity. I'm Nav Bubber, Director for Scotia Private Client Group at Scotiabank.

I would like to add to Cam's comments both in my capacity as a representative of Scotiabank and as a Board Member for the Canada-India Business Council.

There are two key points I would like to make today. Firstly I want to emphasize the importance of securing this agreement. The timing is excellent for a trade agreement with such an important market.

Secondly, Canada has several strengths that make it an ideal trade partner for India, which we believe need to be effectively communicated.

Before I go into the details, let me briefly summarize our experience in India.

Scotiabank is Canada's most international bank. With more than 81,000 employees, Scotiabank and its affiliates serve some 19 million customers in more than 55 countries around the world.

We have been in India since 1984, and are proud to be the most active Canadian bank. With more than 170 employees and five branches we offer a broad range of corporate and commercial services along with some retail banking products. ScotiaMocatta, our precious metals division, is now one of the largest precious metals dealers in India and has been recognized as the "Best Bullion Bank" for the past four years.

This is just a start. We would love to expand our operations, but the regulatory environment and market access barriers for foreign banks in India have slowed our progress. A trade deal could help remove such barriers and allow us to make a much larger contribution to the development of the Indian banking sector.

In our view, Canada has unique qualifications as a potential trade partner for India. The strength and stability of our economy, consistent and transparent policies, a multicultural and educated workforce, top-tier sectors in education, energy and services such as banking.

The mix of stability, policy orientation and sectoral expertise make Canadian institutions ideal partners with the ability to meaningfully contribute to India's economic transformation. Looking at the financial sector specifically, Canadian banks are global leaders in risk management, corporate governance and financial control. We also have a proven track record of partnering in the development of banking sectors around the world. We want to bring these strengths to India.

In light of what Canada has to offer, the CEPA agreement needs to provide increased market access and transparency for Canadian companies, access for all financial services in respect of right of establishment, and grant Canada full national and most-favoured nation treatment. In terms of market access, the two main barriers are:

- India's 5% foreign ownership limit on domestic private sector banks, which prevents Canadian banks from expanding through partnerships
- The branch authorization policy, which limits the ability of foreign banks to open new branches because of the imposition of nontransparent quotas.

In return, we encourage Canada's negotiations team to consider a strong market access offer to India, in areas of their interest, such as labour mobility. This will ensure mutual benefits and a successful agreement.

I believe that Scotiabank's history in India and Asia as a whole, and our deep commitment to the development of emerging markets, places us in a unique position to offer insight on this topic. I hope these recommendations are helpful in your deliberations.

Thank you. I look forward to your questions.