

Canada-India Free Trade: Time to Re-engage

Free trade agreements (FTA) 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. There have been a number of FTAs launched in the past including the newly ratified The Canada-European Union Comprehensive Economic and Trade Agreement (CETA) and The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP).

Canada-India Comprehensive Economic Partnership Agreement

In 2010 Canada undertook formal negotiations with India to achieve an FTA. In 2016, with nine rounds of negotiations completed, the process 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 **put** 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 India 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 2016-2017, Canada exported \$3.297 billion (USD) to India, and imported **\$3.204** billion (USD). There is significant potential for growth in this regard with the advent of an FTA. Foreign Direct Investment (FDI) from Canada to India from April 2000 to September 2015 was \$586 million (CAD), a mere 0.22 per cent of the \$265 billion in total FDI India received in those 15 years. The last time the Canadian government's international trade website detailing the FTA with India was updated in 2015.

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, 31 million Indians have no access to electrical energy.

Along with pressure to increase renewable energy resources, India will require increases in domestic oil and gas production to fuel growth. 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. At the same time, Indian investment in Canada is necessary; we are drastically behind in the internet revolution (industrial revolution 4.0). The Indian government and corporations are able to utilize blockchain technology in a drastically more sophisticated way than Canadians can at this point in time.

Recommendation:

That the federal government apply political direction and resources to reinvigorate the stalled negotiations between Canada and India to achieve a **mutually-beneficial** Free Trade Agreement.