Canada and India:

Trade and Investment Opportunities in the Services Sector

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Prepared by the Canadian Services Coalition
www.canadianservicescoalition.com

The Canadian Services Coalition would like to thank the many organizations and individuals who contributed their time and ideas to the development of this paper on Canada and India. The assistance of the Canadian Chamber of Commerce was especially helpful in the research phase. The Canadian Chamber will also be releasing a document on India relating to the two-way trade and investment opportunities between Canada and India.

Finally, we would like to express our gratitude to the staff at the Canadian High Commission to New Delhi, India for their tireless efforts in organizing meetings in India. The information gathered in these discussions contributed significantly to the document.

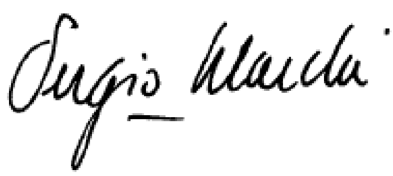
Forward

The emergence of India onto the international scene is compelling all countries to re-think their economic and political engagements. Barriers to trade and investment in India are slowly declining with more competition being introduced into the Indian marketplace, resulting in a growing economy and numerous Indian firms investing abroad. Countries such as Australia, South Korea, and the United States are aggressively developing strategies for taking advantage of the growing opportunities in India. Canada needs to do the same.

The services sector is Canada’s largest and fastest growing economic component. Canadian services providers are continuing to look abroad in order to take advantage of expanding opportunities in the global marketplace. Opportunities exist in India’s financial, education, transportation, telecommunications, energy, and computer and related services sectors, all of which are pivotal for India to sustain its impressive economic growth. For example, as barriers decrease in the financial services sector and as the Indian government continues to look for private investment in infrastructure projects, it is imperative that both large and small and medium-sized enterprises invest and take advantage of these opportunities. Currently, two-way trade and investment between Canada and India is below potential.

The goal of this paper is to identify areas for further services trade and investment between Canada and India. Barriers standing in the way of further trade and investment have been identified, followed by specific recommendations for addressing these impediments. We hope that this discussion paper will assist both public and private sector decision makers, and in the long-run contribute to our two countries reaching their full bilateral potential.

We would welcome your comments and views.



Hon. Sergio Marchi
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Executive Summary

This document was created by the Canadian Services Coalition, funded in part through a contract with Foreign Affairs and International Trade Canada. The paper examines the two-way services trade and investment opportunities between Canada and India, and gives concrete examples of Canadian and Indian regulatory barriers, lack of regulation, and/or domestic practices that impede the growth of bilateral services trade flows. Policy recommendations, addressing the two-way trade and investment structural barriers, are provided to aid the government's development of trade policy and its ongoing international trade negotiations.

The services sector is Canada's largest and fastest growing economic component. In India, the services sector is largely responsible for the economic growth it has experienced over the last decade and a half. The combined strengths of Canada's and India's respective services sectors largely complement one-another instead of threaten domestic industries with opportunities existing for further trade and investment in financial services, education, transportation services, telecommunications, energy, environmental and water services, computer and related services, and courier services.

Examples of these economic complementarities can be seen through Canadian strengths in engineering services, energy services, environmental services, and telecommunications that can be used to develop the infrastructure within India. Canadian knowledge-based information technology firms can collaborate with those in India in order to harness each others strengths in developing innovative products and services. Indian R&D intensive companies can take advantage of Canada's favourable R&D concessions. Canadian food processing firms can provide storage facilities for the large Indian agriculture market. Canadian companies seeking to enhance their own competitiveness can become integrated in the global supply chain by taking advantage of India's low-cost skilled labour.

This paper provides a brief overview of India's economic, political, and social scenarios; followed by an illustration of Canada and India's current trade relationship; a discussion on the two-way services trade and investment opportunities and the barriers standing in their way. Finally, specific policy recommendations will be presented to address these barriers and ensure that both nations can enjoy a mutually beneficial and growing economic relationship.

Overview of the Canadian Services Sector

Canada is one of the most trade dependent nations amongst the G7 countries with international trade representing approximately 72 percent of Canadian gross domestic product (GDP). Canada's prosperity and competitiveness depend on its international linkages with the United States, which are and should continue to be Canada's principal trade focus. However, Canada cannot ignore the emergence of growing international economic players such as India. This is especially true for the Canadian services sector where trade in services is more internationally diversified than that of goods.

The Canadian services sector represents approximately two-thirds of Canada's GDP, up from just over half in the 1980s, and 3 out of 4 new employment opportunities generated within Canada (Statistics Canada). Part of the strength of this growing sector is generated from the expansion of services exports. According to the World Bank, commercial services exports originating in Canada increased from approximately $7 billion USD in 1980 to about $50 billion USD in 2005 with an annual growth rate of approximately 7.7 percent.

With world leading companies such as Manulife Financial, Sun Life Financial, Scotiabank, SNC Lavalin, Nortel, Bombardier Inc, RIM, and Cognos, it is no surprise why Canada is a global competitor in financial services, energy, environmental services, infrastructure development, telecommunication services, transportation services, information technology, and software development. Besides these large global competitors, numerous small-medium sized enterprises (SME) are also excelling and account for approximately 86 percent of Canadian services providers.

With the structure of the business world changing rapidly through technology and fewer non-tariff barriers, services trade is now growing through the four modes of services supply: (1) cross-border supply, (2) consumption abroad, (3) commercial presence, and (4) the temporary movement of natural persons. As trade barriers continue to fall around the world, Canadian services providers also face fierce competition at home from companies originating from the four corners of the world. This is increasing the need for Canadian firms to become integrated within the global supply chain and take advantage of the growing opportunities available in foreign services markets.

Despite these growing opportunities available abroad and its economic importance in the Canadian economy, Canada's services trade represents only 12 percent of its total trade and ranks behind the G-7 average in services share of trade (Statistics Canada). With services exports in the form of investment representing three times that in the form of cross-border trade, Canada has also witnessed its global market share in outward foreign direct investment (FDI) decline over the last two decades. According to the Conference Board of Canada, Canada's market share of outward FDI declined from 5.8 percent in 1985 to approximately 3.7 percent in 2002. A similar trend has occurred for investment entering into Canada, decreasing from 7.7 percent in 1980 to 3.1 percent in 2002.

It is essential for the Canadian services sector to continue to grow internationally in order to leverage further employment and wealth creation within Canada. Canadian services trade is already more diversified than that of Canadian goods with less than 60 percent being destined for the United States, 18 percent to the European Union, and 24 percent to other international markets (Statistics Canada). In this new international environment, the growing role of India and other countries like China on the international economic stage is re-shaping traditional trade and investment patterns.

How Canada takes advantage of the opportunities available within these new emerging markets is of vital importance to its long-term economic growth. The services sector in India represented 54 percent of its economy in 2005 in comparison to 41 percent in 1990. China also realized strong growth in its services sector with services representing 41 percent of GDP, up from 31 percent in 1990. These economic powerhouses also began participating in the trade in services with imports of commercial services increasing from $19 billion USD to $67 billion USD between 2000 and 2005 in India and from $36 billion USD to $72 billion USD in China during the same timeframe (World Bank 2006).

Economic Overview - India

In 1991, India started to dismantle through reforms its import substitution industrialization model and began to introduce and implement many market-based reforms. Since then, India has rapidly developed into an emerging economic power. Currently the 10th largest economy in the world, and 4th in purchasing power parity terms (US Commercial Services 2006), the Indian economy is forecast to surpass Italy's by 2016, France's by 2019, UK's by 2022, Germany's by 2023, and Japan's by 2032 (Asia-Pacific Foundation of Canada).

With a population of approximately 1.1 billion people, India is the largest democracy in the world (World Bank 2006). Although government flexibility is constrained by its coalition government system, since 1991 numerous bold reform measures have been introduced and the government continues to introduce new plans for liberalization. Despite what seems at times a slow, frustrating, and incremental policy reforms adoption and implementation process, India is on the path to further economic reforms and there is little concern that the already enacted market-based economic policies will be reversed. However, the cause and pace of policy change will not always be smooth or happen overnight, and the process of adopting these market-based reforms is a still a work in progress.

Since the 1991 reform process began, India's economy has more than doubled, with GDP increasing from $317 billion USD in 1990 to approximately $785 billion USD in 2005. Since economic reforms had been adopted, India has also realized a dramatic increase in real GDP per capita, from $318 USD in 1990 to approximately $586 USD in 2005, illustrating productivity gains and the bolstering of the nation's standard of living (World Bank 2006). In 2005, approximately 170 – 200 million people had growing purchasing power, creating a larger middle-class and expanding consumer base (US Commercial Services 2006).

One of the principal drivers of India's economic growth has been its services sector. India's exports of commercial services surged from approximately $5 billion USD in 1990, to about $68 billion USD in 2005 (World Bank 2006). This growth has been led by the computer and communications services sectors such as information technology (IT). The value-added output of the services sector increased from 41 percent of GDP in 1990 to 49 percent in 2005, while agriculture, and industry and manufacturing realized decreases and negligible increases respectively (World Bank 2006).

India's growth provides Canadian companies with opportunities to sell their goods and services and to enhance their global competitiveness by outsourcing components of their operations and becoming more integrated into the global supply chain.

Despite numerous improvements in India's social conditions, this diverse country is still characterized with large areas of inequality and poor infrastructure. Approximately 60 percent of the population is illiterate and about 39 percent live on less than one dollar a day (US Commercial Services 2006). Despite recent trends of migration to the urban centres, it is estimated that 60 percent of the population live in rural areas, some of which are without even the basics of electricity and roads (Economist Intelligence Unit 2005). Also, the growing rate of migration to the major cities coupled with decades of under investment has created infrastructure constraints in the major economic cities.

The Indian government is very aware of these challenges and is actively attempting to address them. This provides an opportunity for Canadian services companies in many sectors including the provision of private education, telecommunications, energy, and transportation services as subcontractors to the large infrastructure development projects that are currently being proposed in India.

A critical component of India's continued economic and social growth is foreign investment, especially in infrastructure. This coupled with the growing middle class is generating massive opportunities for services companies. For example opening up the financial services sector leads to the availability of more capital to be used by entrepreneurs and increased tax revenues for government to invest in education and infrastructure projects. Liberalization of the energy, mining, telecommunications, and transportation sectors for example, will lead to foreign companies entering into the Indian marketplace with their technological and management expertise and joining forces with local companies and government officials to develop the country's infrastructure.

With both Canada and India having economic strengths in the services sector, the key to achieving a mutually-beneficial economic relationship is harnessing each country's respective complementary strengths. The following section will illustrate Canada and India's current economic relationship.

Current Economic Relationship

Even with the opportunities afforded by an average annual growth rate of approximately 8 percent in India, Canada is not well represented in this expanding economy. Currently, India represents less than 0.5 percent of Canadian exports and less than 1 percent of Canadian imports (Foreign Affairs and International Trade Canada). Moreover, India, as a destination, represents less than half a percent of Canada's total FDI outflows.

It should be noted however that services are notoriously difficult to measure and that these statistics may not be truly representative of Canada's involvement in the India economy. The Asia-Pacific Foundation of Canada (APFC) estimated in 2002 that Canadian firms sold $336 million in commercial services to the Indian market, which is about 2.5 times greater than the value reported by Statistics Canada. Also, in a limited sample of 43 Canadian companies, the APFC reported that investment into India from Canadian firms represented $284 million, which is about twice Statistics Canada's reported value.

The discrepancy in these statistics could be due to investment originating from Canada flowing through a third-party country prior to entering India and to the difficulty in reporting the trade in services. An example of this would be the case of Mauritius, which recorded 12 times more investment in India as Canada. However, the majority of investment originating from Mauritius is global firms taking advantage of the India-Mauritius tax treaty, which results in Canadian investment being under-recorded in India. Another example of underreporting is between $600 million and $1 billion in diamonds that flow to India via Antwerp. Regardless of which values are correct, the importance here is for Canada to expand on its current presence in the Indian marketplace and venture into new sectors of opportunity.

Recently, Canadian services exports to India have been dominated by financial services, energy, and ICT representing 31 percent, 28 percent, and 13 percent respectively according to the APFC's 2002 report. Also, financial services, power, and information & communications technology represented 85 percent of Canadian investment in India, valued at $150 million, $64 million, and $30 million respectively. The dominance of these sectors in trade and investment to India are no surprise as they represent some of the strongest Canadian sectors.

Finding data on Canadian services imports and investment from India is also a difficult task. Indian investment in Canada has increased from $18 million in 1999 to approximately $145 million in 2005 (Foreign Affairs and International Trade Canada 2006). India's main trade success lays in information technology (IT) exports. India's IT and business-process outsourcing services grew at over 17 percent annually since the early 1990s. Canadian companies are beginning to take advantage of the fact that importing knowledge-based services from India hold the estimated potential of annual cost reductions as high as 50 percent to 70 percent (PricewaterhouseCoopers 2004).

The idea of an industrialized country outsourcing services components to India could bring with it fears of job losses and the hollowing out of the domestic economy. However, in Canada's case, we are proven beneficiaries of this trend and are a destination for outsourcing operations based on our proximity to the United States, our skilled and less expensive labour in comparison to other industrialized nations. According to a study by Deloitte, Canada remains one of the top outsourcing destinations.

The Canada - India economic relationship is in the unique position of being largely complementary economies. Instead of viewing each other as a threat, both countries can complement the other. For example, Canadian strengths in engineering services, energy services, environmental services, and telecommunications can be used to develop the infrastructure within India. Canadian knowledge-based information technology firms can collaborate with those in India in order to harness each others strengths in developing innovative products and services. Indian R&D intensive companies can take advantage of Canada's favourable R&D concessions. Canadian food processing firms can provide storage facilities for the large Indian agriculture market. Canadian companies seeking to enhance their own competitiveness can become integrated in the global supply chain by taking advantage of India's low-cost skilled labour.

Besides the mutually beneficial trade opportunities, the presence of English as the language of business and similar parliamentary and legal systems used in both nations, create an environment of familiarity over other emerging nations and a favourable environment for trade and investment.

Issues and Policy Responses

A review of India will delve further into these areas of strengths while identifying other opportunity sectors and the policy barriers that are impeding further growth. This will facilitate policy recommendations designed to eliminate these barriers and allow both countries to enjoy the fruits of increased two-way trade and investment.

Financial Services

An efficient financial services sector is essential for a strong national economy. Liberalizing a country's financial services sector improves capital market efficiency, bolsters financial sector stability, and supports economic growth and job creation. The terms and conditions governing the Indian insurance and banking sectors have changed since the 1990s. Since the passage of the *Insurance Regulation and Development Authority Act* of 1999, the monopolies enjoyed by the state-owned General Insurance Corporation and Life Insurance Corporation have been opened up to foreign competition by allowing private participation with a 26 percent limit on foreign equity. Liberalization reforms have also intensified in the banking sector since new guidelines were issued in 1993. The Reserve Bank of India (RBI) has granted approval to 25 new foreign banks or bank branches and as of September 2004, 35 foreign banks and 217 branches were operating in India (United States Trade Representative 2005).

Since adopting liberal reforms, India's financial sector has developed and has become much more effective than its Chinese counterpart at allocating capital. India's financial system has gotten bad debts largely under control and the market share of efficient private and foreign banks is creeping up. Despite recent growth in its financial services sector, foreign participation in India's insurance and banking sectors is still relatively small and heavily regulated. The table below is a summary of some of the barriers impeding foreign participation in the financial services sector.

Barriers	Current Situation
Insurance Sector FDI up to 26 percent is allowed on the automatic route subject to obtaining licence from the Insurance Regulatory and Development Authority (IRDA) * There is a reinsurance monopoly in the non-life sector * Indian citizens and enterprises need permission from the Reserve Banks of India (RBI) to purchase insurance from a vendor abroad *	**Insurance Sector** The government of India announced that it would increase the cap to 49 percent however political opposition has delayed the passage of such legislation. This opposition is seen to be coming from the state-owned insurance companies which have 100,000 employees in every corner of India pushing the government to slow the reform process
Banking Sector 74 percent from all sources on the automatic route subject to guidelines issued by RBI from time to time * Must receive a licence of approval from the RBI to open new branches (only 8 per year are issued) * RBI restrictions on the amount of overseas borrowing by banks FDI in state-owned banks is capped at 20 percent Any transaction from India to a foreign country needs approval from the Ministry of Finance or the RBI Foreign intermediaries are not allowed to post personnel in the Indian market Discriminatory tax treatment of foreign banks: tax rate of 48 percent for foreign banks and 35.7 percent on domestic banks * Banks are not allowed to participate on the commodity exchanges in India, which is the fastest growing in the world. Banks are not allowed to hold more than 10 percent of the paid up equity capital of a deposit-taking Non-Banking Financial Company	**Banking Sector** 80 percent is state owned with 2009 set as a banking liberalization deadline About 27 banks representing three-quarters of bank assets are at least 51 percent state-owned

* Financial Leaders Working Group

The RBI recently introduced the *Road Map for presence of foreign banks in India* to further enhance the banking sectors efficiency and stability to the best global standards. The plan is broken down into two phases. Phase I (March 2005 – March 2009) deals with the gradual consolidation of the domestic banking system in both the private and public sectors. Phase II, which begins in April 2009, deals with the gradual enhancement of the presence of foreign banks in the Indian banking sector. Based on the Road Map, acquisitions of 5 percent or less should be automatically approved. However, the RBI is applying the same strict approval policies as if the transaction was worth more than 5 percent. In such a situation, the RBI assesses the standing and reputation of the foreign banks and the desired level of presence in India. If the RBI determines the investment meets the long-term interests of all stakeholders then the RBI may make the investor increase the investment to at least 15 percent or more.

Inefficiencies caused by foreign ownership restrictions in the financial services sector trickle-down into the rest of the economy through higher capital and borrowing costs, which decrease the availability of funds available to investors, entrepreneurs, and small-medium sized enterprises. In 2003 the high government public debt reached approximately 95 percent of GDP with domestic financial institutions (which are generally state-owned) holding the majority of this debt (Dobson 2006). Despite the stabilization of its public debt, this higher percentage results in higher interest rates for SMEs, the crowding out of private sector borrowing, and a lack of funds available for domestic infrastructure projects.

Further liberalization in the banking sector would enable the top foreign banks to enter the Indian marketplace with numerous innovative services such as mortgage, credit card, and consumer loan programmes. Foreign banks bring with them a combination of strong corporate governance, leading-edge technological expertise, and experience in providing retail banking services to other developing countries and the global economy as a whole. This would provide the Indian economy with the necessary capital and financial services programmes to sustain its economic growth and entrepreneurial ambitions.

Continued liberalization in the financial services sector in India provides opportunities for Canadian financial services providers to invest in this growing market and for India to continue strengthening its financial sector. For example, large insurance companies, such as Sun Life Financial, who are currently well established in India's insurance sector, are developing new high quality and innovative products for the Indian marketplace.

The Indian economy would also benefit from such liberalization. India's insurance sector has realized remarkable growth since adopting liberal reforms in 2000 and as a result over 1 million jobs have been created. The Coalition of Services Industries (CSI) reported that further liberalization in the financial services sector could lead to a 50 percent increase in employment within 2-3 years. Also, CSI predicts that incremental FDI from existing foreign investors will be at least $500 billion USD, with new investors bringing in additional FDI, if the foreign investment cap is raised and further liberalization occurs. Finally, reforms to the allocation of capital generated from financial sector reforms could boost GDP by approximately $48 billion USD annually, raise GDP growth to 9.4 percent, and increase household per capita income by 30 percent within the next 10 years, therefore lifting millions of households out of poverty.

Recommendations

- **Canada must continue to seek to remove Indian trade/regulatory barriers for our financial services providers within the WTO, bilateral agreements, and on a unilateral basis.**
- **The federal government of Canada must ensure that the Government of India remains committed to relaxing its foreign ownership rules for private sector financial institutions.**
- **There must be continued, high-level and sustained effort to promote Canada's financial services expertise in India and advocate on behalf of the sector in India in a strategic way.**

Education Services

Having an efficient and high-quality education system is necessary to generate the human capital to promote entrepreneurship, attract investment, and develop into a knowledge-based economy. According to Foreign Affairs magazine (July/August 2006), one of the Government of India's largest challenges is access to high quality public education. Within the public school system, one quarter of all teachers in the elementary school system are absent and half of those present aren't even teaching at a given moment. This has resulted in less than half of the students in fourth-level classes being able to do first-level arithmetic.

The low-quality of state-level elementary education has led to significant growth in private elementary schools. Even in small towns or villages, about 16 percent of children are now in private elementary schools. Canadian education facilities have an opportunity to participate in the delivery of elementary and secondary education. This would entail Canadian education providers working with local affiliations due to the 51 percent ownership restriction and approval requirements from the Foreign Investment Promotion Board (FIPB) for higher equity investments.

The opportunity for Canadians also exists in the higher education services sector. Only 8 percent of those in the relevant age group for higher education attend universities in comparison to the developing country average of about 20 percent to 25 percent (Planning Commission 2006). The need for expanding enrolment combined with the growing middle-class with discretionary income is driving the demand for high-quality education – a demand that Canadian colleges and universities are very capable of delivering on given their recognized quality and lower fees than comparable US institutions. Many Canadian universities are starting to recognize this opportunity. Approximately one-third of the participants on Ontario Premier Dalton McGuinty's mission to India in January of 2007 were from the education sector.

This recognition is slower compared to our competitors. In 2003, 79,736 Indian students went abroad to study in the United States and approximately 17,870 went to study in Australia (Asia-Pacific Foundation of Canada). While American universities are the most highly respected for post-secondary education, Canada has a similar reputation but has not capitalized on the opportunities. In 2003, only 2,565 Indian students studied in Canada (Asia-Pacific Foundation of Canada). A core contributor to this low number is believed to be the Canadian student visa regime. According to the Asia-Pacific Foundation of Canada, only 37 percent of visa applicants from New Delhi were granted approval. In the Punjab region only 10 percent were approved for student visas. According to the Association of Universities and Colleges of Canada (AUCC), the study refusal permit rate has increased over the last couple of years. While fraudulent applications are a recognized issue, more must be done to quickly process qualified applicants.

Another main contributor to Canada's poor performance is with the lack of Canadian branding as a location for high quality post-secondary education. Countries such as the United States and Australia, which have had success in attracting university-level students from India, have a national marketing strategy and an internationally recognized excellence-based scholarship such as the Fulbright scholarship in the United States and the Australian Scholarships from Australia. Canada must build a brand around being a welcoming country and its high quality and innovation-based education system. Providing an international-based scholarship such as those from Australia and the United States would provide more incentive for foreign students to consider studying in Canada as well as attract students that may not be able to afford Canadian fees.

Recommendations

- **Canadian education institutions should increase their efforts in both attracting Indian students and in setting up satellite campuses to deliver Canadian recognized diplomas and degrees.**
- **The Federal government of Canada should provide funding to establish an excellence-based scholarship program specific to international students.**
- **The Federal government must work with the universities and their associations to develop and market a Canadian education brand.**
- **The government of Canada must work within its goal set out in Advantage Canada of making it easier for foreign students to enter Canada and stay in Canada to work once their studies are complete.**

- **Student visa procedures should ensure synchronous college/university acceptance and visa issuance timing.**

Infrastructure Development in India

Infrastructure inadequacies in the form of roads, rail, ports, airports, telecommunications, energy, and water/sewage services are major hindrances to India's economic development. Companies and citizens in India currently deal with long shipping times, severe traffic jams, regular power outages, and lack of high-speed Internet and wireless technology in certain regions of the country. The Indian government understands the extent of this massive challenge. India's required investment in these key infrastructure sectors over the next ten years will be around $420 billion USD with the public sector only able to finance about two-thirds of this amount. This leaves a $140 billion USD opportunity for private investors (Australian Chamber of Commerce and Industry 2006) - an opportunity not to be missed by Canada's world class engineering, environmental, telecommunications equipment and software, and energy companies.

The lack of National Treatment and transparency in India's government procurement practices and procedures provide less opportunity for competition and drives up prices. India has not signed onto the WTO Agreement on Government Procurement and according to the United States Trade Representative (USTR), foreign companies rarely win government contracts. The preferred winner of these contracts is generally state-owned enterprises courtesy of the Purchase Preference Policy, which has been renewed until March 31, 2008. This policy gives preference to any government enterprise that makes an offer that is within 10 percent of the lowest bid.

While work must continue in reducing these procurement barriers, within the infrastructure umbrella, a focused sectoral approach in (1) transportation services, (2) telecommunications, (3) energy and (4) other infrastructure opportunities should also be taken.

Transportation Services

The continued growth of the Indian economy can only be sustained through adequate transportation infrastructure such as roads, railways, ports, and airports that can handle the increasing movement of people and goods. Currently, it can take up to 2 hours during rush hour to go the 30 km from Mumbai's international airport to the heart of the city (Economist 2006). Most of India's national highways are one lane and there is a lack of highways connecting rural areas to the economic hubs of the country. If the national trends continue, by 2012, the national ports will need to handle cargo traffic totalling 800 MT in comparison to 520 MT in 2004/05 (Planning Commission). Significant capacity augmentation at major and minor ports is required in order for Indian ports to be able to handle the increasing volume of cargo that accompanies its economic growth. Finally, India's airports have been unable to efficiently handle the 25 percent annual increase in air traffic as flights arriving in New Delhi, for example, have to circle for at least 30 minutes in a queue to land (Economist 2006). Limited landing slots, inadequate parking bays, and congestion during peak hours are issues that need to be addressed. Even domestic travel has been suppressed since many domestic airports have not been upgraded to deal with the increased demand.

There is plenty of opportunity for private investment in this sector. The *National Highway Development Project*, which started in 1998, is designed to expand and upgrade the quality of the national highway system. For instance, 6,000 km upgrade will be done to connect the major urban centres of Delhi, Mumbai, Kolkata, and Chennai. Other major centres will be connected through the North-South and East-West corridors project, which will span about 7,700 km. Other smaller projects will include 1,000 km additions generating an overall cost of approximately $10 billion USD. The government of India has also developed similar upgrade projects for seaborne shipping and air transport (Planning Commission).

While more open than other sectors, more work is required in opening up foreign investment in transportation. The barriers are summarized below.

Transport Sector Information
Airports FDI up to 100 percent is allowed with FDI beyond 74 percent requiring government approval. **Roads** FDI up to 100 percent is allowed with automatic approval for constructions and maintenance with a ceiling of $345 million. **Railways** FDI is not allowed. **Ports** FDI up to 100 percent with automatic approval is allowed in construction and manufacturing of ports and harbours with a ceiling of $345 million. **Construction** FDI is limited to 74 percent with automatic approval for the construction and maintenance of waterways, rail beds, hydroelectric projects, power plants, and industrial plants.

Telecommunications

India's telecommunications sector has experienced rapid growth in recent years, becoming the 5th largest in the world with the second highest growth rate in the world. Teledensity increased sevenfold between 1995 and 2005 and the amount of cell phone users increased from 3 million in 2001 to approximately 80 million in January 2006, courtesy of lower prices, more reliability, and the availability of wireless technology (Coalition of Service Industries 2006). The wireless subsector has been the fastest growing telecommunications service with the number of wireless subscribers almost doubling from 33 million in 2004 to about 62 million in 2005. This trend is expected to continue an average new subscriber rate of 2.5 million per month in 2007 (Export Development Canada 2006). In order to keep up with the booming demand, it has been estimated that telecommunications will need $25 billion of investment over the next five years (Economist 2006).

Much of this success is due to reforms in the *Telecom Policy* of 1999, amendments to the *Telecom Regulatory Authority Act* of India, the *Convergence Communications Bill* of 2001, which all resulted in opening up the telecommunications sector to domestic and foreign competition. In November 2005, foreign equity caps were raised from 49 percent to 74 percent. Other liberalizations included legalizing Internet telephony, meaning all types of telecommunications providers can provide Internet telephony, Internet services, and broadband services. Also, entry fees for new Domestic Long Distance licences and International Long Distance licences were decreased, making it easier for new carriers to enter the market (United States Trade Representative 2004 & 2005).

Despite improvements in India's regulatory framework, numerous barriers still exist, which impede further trade and investment. The table below summarizes the barriers that currently restrict trade and investment in telecommunication services.

Telecommunications Sector Information
FDI is limited to 74 percent in Basic, Cellular, Value-Added Services and Global Mobile Personal Communications by Satellite. These sectors are also subjected to licensing and security requirements, licence conditions for foreign equity cap, and a lock in period for transfer and addition of equity and other licence provisions. (FICCI)
FDI is limited to 74 percent in ISPs with Gateways, Radio-Paging, and End-to-End Bandwidth, with FDI beyond 49 percent subject to government approval. These sectors are also subject to licensing and security requirements. (FICCI)
FDI up to 100 percent is allowed in ISPs not providing gateways, infrastructure providers providing dark fibre, electronic mail, and voice mail. However, 26 percent of each company's equity must be divested in favour of the Indian public in 5 years if these companies are listed in other parts of the world. These services are also subject to licensing and security requirements and proposals of FDI beyond 49 percent must be considered by the Foreign Investment Promotion Board (FIPB) on a case by case basis. (FICCI)
The government of India has financial stake in all of the major telecommunications firms, each of which enjoys monopoly power in their respective region. The government holds a 26 percent interest in VSNL, an international carrier; 56 percent in MTNL, which provides domestic services to the Delhi and Mumbai regions; and a 100 percent interest in BSNL, which is the domestic carrier for the rest of the country. (USTR)
Foreign investors have complained about the restrictive and discriminatory policies adopted by VSNL regarding international submarine cable access and landing stations in India. Also, artificially high prices continue to exist in the market. (USTR)

Discriminatory market access provisions and FDI ownership restrictions impede further development of an efficient telecommunications sector. Despite past regulatory changes, more reforms in the telecommunications sector can still be made. This will provide opportunity for Canadian telecommunications services providers to enter the Indian marketplace or expand current operations. It is important to note that while the two large telephony service providers are domestically focused, telephony hardware and software providers benefit both directly and indirectly from liberalization of telecommunications.

Energy Services

Approximately half of the Indian population is without electricity and even the urban areas are plagued with blackouts. For instance, Indian manufacturers suffer, on average, 17 significant power outages per month in comparison to 5 and 2 per month in China and Malaysia respectively. These outages in terms of lost production cost the manufacturers in India about 9 percent of output (Australian Chamber of Commerce and Industry 2006). According to the World Bank, providing reliable and affordable energy would increase manufacturing productivity by about 80 percent and that the current lack of such energy is the biggest constraint on business and requires about $45 billion USD during the next 3 years.

Urbanization, increased industrial activity, and government initiatives for rural electrification has led to a growing demand for electrical power technology. To meet this growing demand, it has been estimated that the country will have to add about 100,000 megawatts of electrical generation capacity every year for the next 10 years and the transmission and distribution needs are expected to bring at least $200 billion USD in investment. The federal government budget for 2006 and 2007 includes initiatives for a 40,000 megawatt increase in generating capacity over the next 3 years and an initiative to bring electricity to nearly 40,000 villages (Export Development Canada 2006).

In 2003, the Government of India introduced the *Electricity Act*, which was designed to open up the energy sector to ensure that the supply of power will meet the needs of the country. Any company can now be granted a licence to transmit, distribute, or trade electricity. The Government of India is also contracting out mega energy projects. These projects tend to be awarded to Indian companies, who are looking for subcontractors to work on the projects. The opportunity exists for Canadian engineering and environmental services firms to participate as sub-contractors to these mega energy projects.

Regarding environmental services, the power sector is becoming more aware of environmental issues. Co-generation technologies to produce both electricity and heat energy that can be used for various purposes, is one option being explored (Export Development Canada 2006).

Another trend is for manufacturers to build their own on-site power plants in order to reduce their dependence on the public power grid. This provides an opportunity for companies operating in this market niche. Currently, there are approximately 1,700 such plants, with more on the way (Export Development Canada 2006).

Opportunity also exists in nuclear technology. In 2005, Canada's then Minister of Foreign Affairs made an agreement with India to welcome India's support of international nuclear non-proliferation norms and stated Canada's interest in international cooperation in civilian nuclear energy. Both governments agreed to pursue further opportunities for the development of peaceful uses of nuclear energy both bilaterally and through the appropriate international forums, consistent with their international obligations.

Since then however, little has happened and the Canadian government's current position appears to be to monitor and await the full implementation of the *US-India Peaceful Atomic Energy Cooperation Act* before it will tackle Canada's own export restrictions. The US-India agreement will enable American companies to pursue nuclear energy opportunities in India and American firms are already scoping out opportunities in India. Currently Canadian firms can only pursue nuclear activities that relate to the maintenance, security and safety aspects of CANDU installations, while looking into new business opportunities is strictly prohibited. The Canadian government must ensure it doesn't inhibit its business community taking advantage of growing nuclear energy opportunities in India.

Other Infrastructure Opportunities

As previously mentioned, there is growing demand and opportunity for environmental services. In fact, the Indian market for environmental technology is valued at $15 billion USD per year and has been growing at a rate of 15 percent per year over the last 15 years. The energy sector is looking to environmental services providers for renewable energy technology in response to India's tight energy supply and environmental problems that accompany industrial development. (Export Development Canada 2006)

Environmental services are also needed in remedying India's water supply problems. According to the government of India's Planning Commission, improved water purification services and technologies are needed in both the urban and rural areas to counteract waterborne diseases and malnutrition. Such services coupled with water conservation technologies will ensure that water is available to the agriculture sector, providing economic growth and employment opportunities to the rural communities of India. According to the government of India proper water management is critical for 60 percent of the cultivable land that is un-irrigated and rain-fed. While opportunities exists for Canadian services providers in the environmental services sector, similar barriers to those that impede competition in the other infrastructure sectors are prevalent.

Recommendations

- **Canada must work to remove Indian trade/regulatory barriers for our infrastructure services providers within WTO / bilateral agreements and by encouraging unilateral Indian action.**
- **Government of Canada should encourage India to join the WTO Agreement on Government Procurement.**
- **Infrastructure development opportunities should be high on the radar screen of Canadian government representatives in India and processes put in place to ensure potential Canadian suppliers are kept abreast of the opportunities.**
- **Government of Canada and the High Commission in India must develop a strategy with key Canadian players in the infrastructure sector on how to best ensure visibility and access to key government and prime contractor decision makers.**
- **Canadian policy should be amended to allow firms with nuclear business opportunities to get positioned now in anticipation of international policy changes.**

Computer and Related Services

The information technology (IT), software development, and business process-outsourcing sectors have been considered the drivers of India's economic development. The IT sector grew 31 percent to reach $29.6 billion USD in 2005/06, while exports of IT software and services grew by 33 percent to $17.3 billion USD. Exports from the business process-outsourcing sector reached $6.3 billion USD, a 37 percent increase from the previous year (Economist Intelligence Unit 2005).

Much of the growth in these sectors has been attributed to the fact that to a large extent, they have not been constrained by the restrictions (i.e. labour laws and FDI) that constrain other sectors of the economy. In fact, in 2002, foreign investment in these sectors represented 15 percent of the total foreign investment in India (Farrell 2006).

Despite being relatively free from the barriers that constrain business in the other services sectors, the lack of intellectual property rights enforcement acts as a non-tariff barrier to trade and growth within India. In fact, US industry estimates that in 2004, piracy in India of U.S. motion pictures, sound recordings and musical compositions, computer programs and books totalled approximately $500 million USD (United States Trade Representative 2004).

India has been strengthening its laws by signing onto international agreements and by addressing shortcomings in its own legal system. India has signed on to the WTO agreement on Trade-Related Aspects of International Property Rights (TRIPS), is a party to the Geneva Convention for the Protection of Rights of Producers of Phonograms and the Universal Copyright Convention, and is a member of the World Intellectual Property Organization (WIPO). Government officials are also currently looking to strengthen India's intellectual property regime by addressing the lack of regulations dealing with optical media piracy and the lack of protection given to the pharmaceutical and agricultural chemical products against unfair commercial use of test or other data that companies submit to the government in order to get marketing approval.

Penalties are also strong for violating any of these international obligations or India's laws governing intellectual property. For instance, penalties up to $240,000 can be applied under the *Information Technology Act* of 2000 to anyone who copies computer software without proper authorization (United States Trade Representative 2004). Copyright and trademark infringements have been classified as "cognizable offences", which gives law enforcement expanded search and seizure authority. The optical media piracy law that is being explored by the Indian government would provide minimum criminal penalties including mandatory jail terms. The laws and regulations governing intellectual property in

India are constantly evolving and improving as is its enforcement practices but this process must continue.

Despite intellectual property protection in India improving as a result of the expanded patent coverage of 2005 and constant evolution of India’s intellectual property regime, large-scale copyright infringement has plagued the software, optical media, and publishing industries. The problem lies in the enforcement of Indian laws and these international obligations. Copyright laws are created by India’s national government, but enforcement is charged to the state and municipal levels, whose law enforcement is generally characterized as untrained and having little focus on this crime. Border protection against counterfeit products is also weak leaving almost an open door for pirated goods to enter the country. Finally, there have only been a few convictions relating to copyright infringements.

Intellectual property protection is important for all sectors and countries. It is important for not only software development and IT sectors, but also for the expansion of a strong national digital infrastructure, the development of pharmaceutical products and any innovative good. Virtually every sector relies on innovations and IP protection is designed to encourage such developments.

It is important to note that a critical component of IP protection is having Canada deal with its own intellectual property issues. Canada has faced criticism for also not taking the problem seriously enough and that our legal and enforcement tools need improvements. There have been calls for changes to the *Customs Act*, the *Criminal Code*, the *Copyright Act*, and the *Trademark Act* to provide a clearer definition of the prohibited activity, ensure adequate penalties and provide additional enforcement resources. Finally, there must be better power to search, seize, and destroy counterfeited and pirated products.

Recommendations

- **Canadian authorities must be vigilant in protecting private sector IP interests in India, and strongly encourage Indian authorities to crack down hard on abuses.**
- **The Canadian Intellectual Property Office (CIPO) and Canada’s business and legal community should offer to work with India to ensure better and more effective enforcement of IP laws.**
- **Canada must develop a better legal and enforcement regime in Canada to counteract the importation and marketing of counterfeit/pirated goods, and the counterfeiting of Canadian goods abroad.**

Courier Services

The Indian courier industry comprises over 2,000 companies, the top 10 of which have nationwide operations accounting for a significant share of the market. With the boom in India's manufacturing and services sector over the past five years, India's courier industry has also witnessed strong growth trends with India's express delivery and logistics service sector growing 7.3 percent from 2004-2005 (Coalition of Service Industries 2006). The growth has been both on the international and domestic fronts. Riding on the strong past growth trends, the industry has passed through a phase of transformation and consolidation and has been successful in attracting considerable investments in technology, network and ground infrastructure. With predictions of a strong economic outlook and expected improvements in India's road and airport infrastructure, the Indian courier industry is expected to play an even bigger role in the country's economic development.

In the last five years, one of the major issues that had potential to dampen the growth of this industry was the proposed *Postal Amendment Bill*. The foreign courier industry's concern is that the Bill, in its present form, would severely impact their current operations and growth potential. Some of the proposed provisions would lead to: (1) precluding foreign express transport providers from owning their Indian operations; (2) granting a pure monopoly to the Department of Posts for the carriage of items under 300 grams in weight; and (3) imposing a 10% levy on all Indian revenues in support of a Universal Service Obligation.

Foreign investment is directly proportional to the attractiveness of the host country as an investment destination. The proposed Bill would radically deteriorate foreign express carriers' efficiencies in investing and doing business in India. This would not only inevitably translate into reduced foreign direct investment, it would also severely impede the daily operations of India's growing manufacturing and services sectors.

Recommendations

- **The Canadian government must urge India's government not to pass the Postal Amendment Bill.**

India's Tax Regime

India's tax regime is another policy area characterized by complexity and lack of transparency. It contains many layers that leave room for a variety of interpretations resulting in expensive and lengthy retroactive court challenges. Even India's value-added tax (VAT) is faced with inconsistencies since it has not been adopted by all the state-level governments.

Perhaps most alarmingly, foreign companies are reportedly being unfairly targeted by tax laws and tax collectors. For instance, in the financial services sector, foreign companies are in a higher tax bracket then their domestic competitors and it was stated that quota bearing tax collectors are unfairly targeting foreign firms. Although tax complexities having several layers is found in many countries, the significant lack of transparency and high complexity for the varying Indian regional tax policies impede industry from realizing economies of scale and scope and may discourage foreign investors, SMEs, or entrepreneurs from entering the Indian market. It was also suggested that the tax system encourages participation in the informal economy contributing to the federal and state governments falling short of the needed revenues to reinvest in infrastructure, education, health, and poverty reduction programmes.

Recommendations

- **Canadian authorities must strongly encourage their Indian counterparts to develop a more transparent and predictable tax regime at both the national and state levels.**
- **The government of Canada should provide information on India's tax complexities to Canadian businesses.**

Facilitating Trade in Services Through Investment and Labour Mobility

While the WTO will provide a multilateral framework to govern trade, both the Canadian and Indian governments can also play a role in facilitating trade in services through the establishment of bilateral agreements.

In 2005, Canada and India concluded a Science and Technology (S&T) Agreement designed to bring together the innovative resources in both Canada and India in order to foster collaboration, R&D, and commercialization. Based on this agreement both countries agree to facilitate the movement of scientists and personnel as well as effectively protect intellectual property. Implementation of this agreement has been occurring slowly as the first meeting of the Joint Science and Technology Cooperation Committee only took place in February 2007. It is time to turn the agreement into concrete activity.

Canada and India are also negotiating a Foreign Investment Protection and Promotion Agreement (FIPA) to provide a post-establishment framework where foreign investors in each country will be treated no differently than domestic firms and will lay out in a transparent manner the regulations governing investment. The agreement must be substantive in nature and provide needed investment assurance in order to foster further two-way investment.

Once the FIPA is concluded, both countries must continue to further the strategic bilateral relationship by targeting additional agreements that will benefit trade in services. While we are encouraged by the forward thinking of the Canadian government, it may be premature to immediately seek a formal Free Trade Agreement. Targeted sectoral agreements could be negotiated for the benefit of both nations. Examples include tax treaties and enhanced financial services market access.

While the sectors of concern to Canada have already been discussed and policy responses suggested, Canada could also offer to improve its immigration and Mode 4 provisions in exchange for concessions on important sectors in India. For example, while Canada's Mode 4 offer to the WTO was characterized as generous, Canada's business visa application process for temporary business travel can be slow and frustrating. Increasing the resources available for processing business visa's would decrease transaction costs and illustrate Canada has a business partner continually looking to engage the global marketplace.

Canada's immigration policies have also proven to be prohibitive when dealing with the movement of highly-skilled labour. According to Citizenship and Immigration Canada for "business class" applicants, 30 percent of cases are finalized in 36 months, 50 percent are finalized in 67 months, 70 percent are finalized in 69 months, and 80 percent are finalized in 70 months. For skilled workers, the figures are similar at 64, 66, 67, and 69 months respectively in comparison to spouses and partners where the processing timelines are 2, 3, 4, and 5 months respectively. Getting permission to emigrate to Canada could take anywhere from 2 – 6 years for a highly-skilled individual and upon arrival their foreign credentials that helped get them into Canada may not even be recognized.

Recommendations

- **Canada and India must conclude a high standard FIPA as soon as possible, so that the rights and obligations of each country are clear to investors.**
- **Canadian authorities should make the processing of high skilled economic migrants a higher priority and reduce the average application process, ideally to no more than a year.**
- **Business class visitors' visa applications should be processed within three business days.**

Canada's Image and Presence in India

While bilateral agreements will facilitate trade in services, they will not create trade and investment. India, like Canada, is an immense and diversified country. Achieving visibility and presence is a huge task for business and governments, especially those from a middle-economic power like Canada. However, with so many businesses and governments from around the world marketing themselves to India, is Canada doing a sufficiently good job in differentiating itself?

Trade and investment with India had been gaining momentum when the nuclear crisis of 1998 caused political disagreement resulting in economic ramifications. However, in 2001, a delegation led by then Minister of International Trade, Pierre Pettigrew, re-opened the political and economic doors between Canada and India. This led to Canada and India signing a Science & Technology Cooperation Agreement in 2005. Also, the Information Technology Association of Canada (ITAC) and India's leading information-technology services association, NASSCOM, signed a Memorandum of Understanding (MOU) to facilitate further trade and business in the information-technology and communications sectors. While these are positive steps in the right direction, more work is needed for Canada and India to fully exploit the opportunities involved in furthering their economic relationship.

The Canadian identity and image within India is that of a nation with an abundance of natural resources, especially oil and gas. There is a lack of understanding of the significant Canadian knowledge-based services sector capabilities in financial services, infrastructure services, and professional services. There is potential for large, medium, and smaller Canadian firms that may be able to find niche markets and the government can play a key role in disseminating information to both Canadian and Indian businesses.

Canada has a dedicated group of individuals in the High Commission (New Delhi) and consulates throughout India (Mumbai, Bangalore, Chandigarh, Chennai, and Kolkata). Export Development Canada (EDC) also has a full time representative in India.

These individuals do an excellent job with the resources they have. But considering the importance of India, its size and diversity, and the decentralized manner in which its federal, state, and municipal governments are organized, it is clear that there is not enough emphasis and resources on the ground in India.

Government presence in a foreign country plays a key role in promoting relations, opening doors and disseminating information to the necessary national companies and foreign government and business representatives.

India has already been described as a massive and diverse nation consisting of numerous and culturally diverse states that are granted high levels of decision-making autonomy. Increasing Canada's presence in Delhi, Mumbai, Bangalore, Kolkata, Chennai, and other targeted regions, will increase the knowledge of these foreign markets, which can increase both Canadian and Indian understanding of each other as well as create contacts between the necessary business and government officials. This can benefit both nations as a means of increasing Canadian services trade and investment in India as well as increase Indian services trade and investment in Canada by marketing Canada's competitive R&D concessions.

A suggestion made during consultations on this paper was consideration for increasing the time Canadian trade commissioners are posted in India. Canadian government representatives generally spend 2 – 3 years within India, and increasing such stays to 4 - 5 years, would allow Canada's representatives to further develop their knowledge and contacts, which are essential for growing Canada's economic presence in India.

While an increased ground presence will have numerous benefits, the marketing of the Canadian services economy has begun at the provincial level. Over the last couple of years, two delegations led by the government of Quebec, and one recent delegation led by the Premier of Ontario have illustrated Canada's growing interest in India.

While the recent provincial-level missions to India may be required first steps, such large shotgun missions are not as useful as targeted, well researched sectoral missions.

Numerous Canada-Indo business associations also have links in India and can connect business in Canada with potential partners in India. The funding to some of these groups has been cut over the last few years. Such associations represent a wealth of knowledge and could provide a key gateway to increasing Canada's presence in India.

Canada must continue to learn the Indian market, understand it, and then create the necessary business and government contacts on both ends to see this economic relationship reach its full potential. While this up front process is costly, the large potential rewards are significant. Realizing them will require many years of staying power to bear fruit.

Recommendations

- **The federal government must increase Canada's presence in India in all the targeted economic hubs. Consideration should be given to increasing the postings of Canadian trade commissioners to 5 years.**
- **The federal government should do a holistic strategic review of Canada's strategic approaches to India, with the involvement of the provinces, private sector, and the Canada-Indo business associations. Included in the strategy must be better coordination of visits and missions to India with an emphasis on targeted sectoral missions. The resulting strategy must not try to deliver all things to all companies, rather a sectoral and regional focus based on Canadian strengths and Indian needs is essential.**

- **The federal government must work with the Canada-Indo associations to leverage their contacts and influence.**
- **The provision of intelligence information from Canadian trade representatives in India in a timely and effective manner must be a continuing priority.**
- **Governments and business must continue to demonstrate to India's business and government decision-makers the full range of Canada's trade and investment potential in targeted services sectors.**

Conclusion

This document has highlighted some of the key policy issues for services industries that need to be addressed in order for Canada and India to fully maximize their economic relationship. Based on the analysis, there are complementarities between the Canadian and Indian economies, providing the necessary base for increasing two-way services trade and investment. The recommendations to the Canadian federal government are designed to increase the economic relationship between Canada and one of the fastest growing and most lucrative economies in the world. Below is a summary of the recommendations.

Financial Services

- Canada must continue to seek to remove Indian trade/regulatory barriers for our financial services providers within the WTO, bilateral agreements, and on a unilateral basis.

- The federal government of Canada must ensure that the Government of India remains committed to relaxing its foreign ownership rules for private sector financial institutions.

- There must be continued, high-level and sustained effort to promote Canada's financial services expertise in India and advocate on behalf of the sector in India in a strategic way.

Education Services

- Canadian education institutions should increase their efforts in both attracting Indian students and in setting up satellite campuses to deliver Canadian recognized diplomas and degrees.

- The Federal government of Canada should provide funding to establish an excellence-based scholarship program specific to international students.

- The Federal government must work with the universities and their associations to develop and market a Canadian education brand.

- The government of Canada must work within its goal set out in Advantage Canada of making it easier for foreign students to enter Canada and stay in Canada to work once their studies are complete.

- Student visa procedures should ensure synchronous college/university acceptance and visa issuance timing.

Infrastructure Development in India

- Canada must work to remove Indian trade/regulatory barriers for our infrastructure services providers within WTO / bilateral agreements and by encouraging unilateral Indian action.

- Government of Canada should encourage India to join the WTO Agreement on Government Procurement.

- Infrastructure development opportunities should be high on the radar screen of Canadian government representatives in India and processes put in place to ensure potential Canadian suppliers are kept abreast of the opportunities.

- Government of Canada and the High Commission in India must develop a strategy with key Canadian players in the infrastructure sector on how to best ensure visibility and access to key government and prime contractor decision makers.

- Canadian policy should be amended to allow firms with nuclear business opportunities to get positioned now in anticipation of international policy changes.

Computer and Related Services

- Canadian authorities must be vigilant in protecting private sector IP interests in India, and strongly encourage Indian authorities to crack down hard on abuses.

- The Canadian Intellectual Property Office (CIPO) and Canada’s business and legal community should offer to work with India to ensure better and more effective enforcement of IP laws.

- Canada must develop a better legal and enforcement regime in Canada to counteract the importation and marketing of counterfeit/pirated goods, and the counterfeiting of Canadian goods abroad.

Courier Services

- The Canadian government must urge India's government not to pass the Postal Amendment Bill.

India's Tax Regime

- Canadian authorities must strongly encourage their Indian counterparts to develop a more transparent and predictable tax regime at both the national and state levels.

- The government of Canada should provide information on India's tax complexities to Canadian businesses.

Facilitating Trade in Services Through Investment and Labour Mobility

- Canada and India must conclude a high standard FIPA as soon as possible, so that the rights and obligations of each country are clear to investors.

- Canadian authorities should make the processing of high skilled economic migrants a higher priority and reduce the average application process, ideally to no more than a year.

- Business class visitors' visa applications should be processed within three business days.

Canada's image and presence in India

- The federal government must increase Canada's presence in India in all the targeted economic hubs. Consideration should be given to increasing the postings of Canadian trade commissioners to 5 years.

- The federal government should do a holistic strategic review of Canada's strategic approaches to India, with the involvement of the provinces, private sector, and the Canada-Indo business associations. Included in the strategy must be better coordination of visits and missions to India with an emphasis on targeted sectoral missions. The resulting strategy must not try to deliver all things to all companies, rather a sectoral and regional focus based on Canadian strengths and Indian needs is essential.

- The federal government must work with the Canada-Indo associations to leverage their contacts and influence.

- The provision of intelligence information from Canadian trade representatives in India in a timely and effective manner must be a continuing priority.

- Governments and business must continue to demonstrate to India’s business and government decision-makers the full range of Canada’s trade and investment potential in targeted services sectors.

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Appendix – Organizations Consulted

Association of Universities and Colleges of Canada
AZB Partners
Bell Helicopter
Blake Cassels & Graydon LLP
Canada-India Business Council
Canadian Chamber of Commerce

- India Business Forum
    - Sandra Pupatello, Minister of Economic Development and Trade and Minister for Women's Issues, Government of Ontario
    - Gary Comerford, Vice-President, International and General Manager, India Sun Life Financial
    - Stephen Poloz, Vice-President, Corporate Affairs Chief Economist, Export Development Canada
    - Yuen Pau Woo, President and Co-CEO, Asia Pacific Foundation of Canada
    - David Good, Chief Representative, North America, The TATA Group
    - Karen Oldfield, President and CEO, Halifax Port Authority
    - Murray Jans, President, M.A. Jans & Associates

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Certified General Accountants Association of Canada
Confederation of Indian Industry (CII)
Ernst & Young
Export Development Canada
Federal Express
Federation of Indian Chambers of Commerce and Industry (FICCI)
Foreign Affairs and International Trade Canada
GE Canada
Heenan Blaikie
High Commission of Canada to India
High Commission of India to Canada
Indian Council for Research on International Economic Relations (ICRIER) http://www.icrier.org/
Industry Canada
Information Technology Association of Canada (ITAC)
LEA Group Holdings Inc.
M.A. Jans & Associates
National Council of Applied Economic Research http://www.ncaer.org/
Nicholas Piramal
Purolator
Royal Bank of Canada
Scotiabank
SNC-Lavalin
Sun Life Financial
UPS