
Centre for International
Governance Innovation



Conference Report – Toronto, Ontario, June 26, 2019

Canada-India Business Council Partnership Summit



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Our research initiatives focus on governance of the global economy, global security and politics, and international law in collaboration with a range of strategic partners and have received support from the Government of Canada, the Government of Ontario, as well as founder Jim Balsillie.

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About the Canada-India Business Council

The Canada-India Business Council is a leading voice, champion, and facilitator for business relations between Canada and India. We are a not-for-profit, member-driven organization committed to advancing opportunities in this sector for over 30 years.

www.canada-indiabusiness.com

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Acronyms and Abbreviations

CEPA	Canada-India Comprehensive Economic Partnership Agreement
C-IBC	Canada-India Business Council
CIGI	Centre for International Governance Innovation
EDC	Export Development Canada
G20	Group of Twenty
ICBC	Indo-Canadian Business Chamber
IT	information technology
SMEs	small and medium enterprises
TCS	Trade Commissioner Services

Introduction

Over the last decade, and particularly in the last five years, bilateral economic relations between Canada and India have witnessed tremendous growth and sustained momentum. The metrics show that the progress is widespread, ranging from bilateral trade and investment to people-to-people relations.¹ For instance, in the past five years, two-way trade has increased by about 60 percent to approximately CDN\$9.4 billion in 2018 while investment stock was estimated at over CDN\$30 billion in 2018, rising from CDN\$4.5 billion in 2013.² During the same period, the Canadian embassy and consulates in India witnessed a near five-fold increase in visitor and business visa applications. From 2017 to 2018, Canada had the largest Indian tourist growth in the world, and as of 2018, students from India made up the largest international student group in Canada with approximately 172,000 students. There is also evidence of growing Canadian private sector interests in India. There are more than 1,000 Canadian private firms and organizations now active in India, nearly half of which have a physical presence in the country. This growing relationship is better appreciated when viewed beyond bilateral trade and investment, and the economic and social impacts from all other channels of the bilateral interaction are also considered.

However, in order to optimize the potential gains from this relationship, further opportunities must be explored. The most effective way to actualize this potential, apart from government policies and reforms, is through the business communities in both countries. Sustaining the growth momentum requires the strengthening of linkages between Canadian and Indian corporations and facilitating the sharing of knowledge, experiences and other resources to engender mutually beneficial partnerships. The Canada-India Business Council (C-IBC) aims to achieve these objectives, through its periodic partnership summits and business round tables, by creating platforms

1 Most of the metrics provided in this report have been verified with official sources. Otherwise, they are reliable to the extent that they come from relevant government officials who made presentations at the Toronto summit in June 2019.

2 In fact, from 2017 to 2018, two-way trade increased by more than 10 percent despite significant decline in one of Canada's major exports (pulses) to India. Not only is trade growing, it is also becoming more diversified.

for stakeholders to network and participate in inclusive, open and robust discussions.

The 2019 Canada-India Partnership Summit, held in Toronto on June 26, focused on the role of corporate exemplars in accessing business opportunities in the binational space and on building sectoral linkages, especially in the infrastructure, services, manufacturing and innovation sectors. The summit also included discussions related to overcoming challenges in the two-way business-to-business relations, and the role of Canada and India in the global economy, particularly in light of recent pressures and opportunities. This report summarizes eight key issues and recommendations raised during the summit's interactive panel sessions.

Key Issues and Recommendations

India's economic fundamentals, demographics, and social and political conditions depict a country with growing opportunities and enormous future market potential.

While being the fastest-growing large market economy in the past decade, with more than seven percent average output growth, India has also recently made many strides in implementing social and economic reforms, seeking to address some of its stubborn structural challenges in order to improve its ease of doing business.³ Some of these transformative reforms include:

- the harmonization of the goods and services tax across states;
- the enactment of a consolidated Insolvency and Bankruptcy Code;
- the establishment of a national biometrics system; and
- the mass electrification of rural areas and the Digital India e-governance project.

3 India's ranking on the World Bank Ease of Doing Business Index increased from 142 to 77 in the last five years. Such significant change in position is more likely a reflection of domestic reforms than third-party effects in the rankings.

Similarly, the success of recent elections — the largest ever in the democratic world — provides stability, especially with a majority government led by Prime Minister Narendra Modi.

However, participants agreed that a source of even greater optimism is the current structure of India's population and the implications of its future population dynamics. Unlike many developed and emerging economies, India has a very young population with about 65 percent of its more than 1.3 billion populace under the age of 35. More importantly, it has a large and growing middle class, which is projected to reach about 44 percent of its population by 2025. Without a doubt, a young, populous, fast-growing economy with a stable democratic polity and expanding consuming class deserves the attention of Canadian small and medium enterprises (SMEs), corporations and investors. On this point, all summit participants expressed a consensus.

Urbanization, demographic dividends and rising domestic consumption present challenges for India, but there are also existing and emerging opportunities tied up to addressing these challenges.

As expected, increasing urbanization, economic growth and structural transformation in India is accompanied by higher pressure on public goods, particularly transportation, communication and energy infrastructure. Therefore, in addition to the Indian government's infrastructure drive, there is renewed focus on the need for more commercial or private sector capital to fill the infrastructure investment gaps in the aforementioned sectors.⁴ Participants acknowledged that there are opportunities for Canadian companies and investors in filling this gap. For instance, Bombardier Inc. is a good example of a Canada-based multinational company with significant interest in Indian infrastructure development. Similarly, investment opportunities abound in meeting the demand for social services, such as housing and health care, as well as growing lifestyle, entertainment and creative industries. Other identified areas of potential investment in India include residential and commercial real estate, retail and e-commerce, agriculture, energy- and water-efficient technologies, biotechnology,

pharmaceuticals, waste management, defence and security trade and services.

Participants opined that while there are many Indian firms with significant presence in these sectors, most of them are open to global partners with adequate capital, technical and operational expertise to engender more discipline and efficiency in the industries. One common area identified as having greater promise for Canadian firms and businesses in India is the innovation and information technology (IT) ecosystem. India is one of the world's fastest-growing bases for technology start-ups in the world, with IT hubs spread across different parts of the country.⁵ There are specific opportunities in creating IT solutions in financial services, environmental management, software development, infrastructure, education and health sectors. Furthermore, as a stable emerging market economy, there are opportunities for institutional investors and investment funds in Canada to invest in the Indian financial market. A leading example of this is Fairfax Financial Holdings Limited.

Despite economic progress and reforms in India, major structural challenges remain that require attention to make the market more competitive and attractive to Canadian investors.

Most participants at the summit agreed that India remains a relatively protected market economy — not all sectors are equal in terms of market access and foreign investment. Although participants acknowledged that the Indian government opened up more sectors of the economy to foreign investment in 2017, they would like to see quicker implementation of the new foreign direct investment policy. In terms of increasing market access and relaxing import restrictions, arguably less progress has been made; the Canada-India Comprehensive Economic Partnership Agreement (CEPA) remains virtually stalled since the ninth round of negotiations were held in March 2015 in New Delhi.⁶ Further discussions also examined the perennial challenges associated with land acquisition and labour laws

⁴ For example, it is projected that India will require about US\$1.6 trillion in the next five years.

⁵ Some of the notable hubs are in Bangalore, Hyderabad, Chennai, Mumbai, Pune and Kolkata, among others.

⁶ However, participants agree that pending the finalization of CEPA, significant progress can be made in terms of market access for Canadian goods by focusing on issues where there is common ground.

in India, issues which remain largely unresolved.⁷ In particular, acquiring sufficient land and obtaining property titles is still a major problem for foreign investors due to the fragmented system, and restrictive labour laws make it difficult for businesses to adjust their business models to changes in the business environment and/or fluctuations in the business cycle.

Another challenge that received attention at the summit is the inconsistency in the content of some policies or their implementation across India. This is largely associated with differences across the autonomous Indian states and lack of harmonization on certain policies. The example of local content laws for the manufacturing sector was cited. For Canadian institutional investors, variation in corporate governance practices by their Indian partners poses some challenges, as it takes time to understand and/or assist with improving governance practices in India to meet required standards. Finally, like many other countries, some sectors in India are prone to corruption risks, especially when they involve more bureaucratic and discretionary processes.

The Canadian government has been implementing programs and initiatives to address some challenges, diversify the economy and support Canadian businesses with interests in India.

Assisting Canadian businesses to explore opportunities in India not only makes economic sense, but is also in the strategic interest of the Canadian government. In fact, recent unpleasant experiences with both the United States and China reiterate the need to diversify the highly international-trade-dependent Canadian economy and to place emerging countries such as India on the radar. After all, India is Canada's largest trading partner in South Asia, sharing with it many similarities, including political systems.

Participants highlighted the role of some Canadian government programs and institutions, such as CanExport, which provides financial assistance and supports to Canadian SMEs to explore export marketing opportunities, especially in high-growth emerging economies such as India. The program covers many sectors of the economy

and most SMEs are eligible. The advantages of the Canadian Trade Commissioner Services (TCS) were also highlighted. With more than 120 years of experience and a presence in 116 cities around the world, TCS has developed the expertise to help Canadian firms understand, adapt and do business in the TCS' host countries or markets. Similarly, the importance of Export Development Canada (EDC) in facilitating financing and networking for Canadian businesses in India was emphasized. In the 15 years since it was established in India, the EDC has provided about CDN\$5 billion in financing and commercial loans to Canadian and Indian corporates with connections to both markets. Participants at the summit agreed that there is great value in taking advantage of these and many other programs put in place for Canadian businesses to trade and invest abroad.

Participants also noted the problem of skilled talent gaps faced in the specific local geographical location of some businesses in Canada. Such businesses are mostly in the manufacturing and mining sectors. In response, recent developments in the government's skilled immigrant programs and upcoming investment in international student education aimed at addressing this problem were discussed.

Creating and improving awareness is critical to the success of the binational relationship, and this requires concerted efforts from key stakeholders, including governments, industries and civil society.

Moving the binational relationship from having islands of resilient exemplars to having more companies willing and able to engage is salient to both countries. Participants at the summit offered some suggestions and recommendations on how to achieve this objective. Relating the value of international trade to the populace is critical for gaining sustained support, as is extending the scope of awareness to more areas. Some participants highlighted current efforts to take the "Indian market story" beyond the Greater Toronto Area, Montreal and Vancouver, and the need to use Canadian trade commissioners to engender the process. For example, more engagement between the trade commissioners, SMEs and local chambers of commerce at the provincial and municipal levels in Canada can play a major role in advancing trade. Another suggestion was to have an informal advisory council to the Canadian government on the countries' relationship, made up of CEOs

⁷ It is important to note that attempts by the Modi government to push land and labour reforms in the earlier stages of his administration were met with strong resistance, especially from India's labour unions.

and captains of industries with experience in the Indian market. Apart from the direct advantage of giving pragmatic advice to the government, this would also serve to popularize the Canada-India relationship and its potential benefits within those industries. These recommendations would also apply to the Indian government.

Given the multi-level governance structure and autonomy of states and provinces in both countries, the need for an all-country relationship must be emphasized. Lower levels of government in both countries have as much responsibility as their federal governments to promote trade and investments in their domain. Therefore, participants at the summit encouraged sustained interaction between states in India and provinces and municipalities in Canada. Here, the expertise of industry bodies such as the C-IBC and the Indo-Canadian Business Chamber (ICBC) in providing information, resources and networking to facilitate the process was reiterated. Civil and knowledge societies in both countries also have important roles to play in raising awareness and enhancing the relationship. This can be done by creating platforms for professional partnerships and collaboration on areas of common interest to both countries. A good example is IC-IMPACTS Vancouver, a Canadian-Indian research centre dedicated to the development of research collaboration between key partners and researchers from both countries. Another example is the ongoing collaboration between the Centre for International Governance Innovation (CIGI) and Gateway House India on the Canada-India Track 1.5 Dialogue.

Business survival and market entry into India requires presence, patience, partnerships and adequate resources. However, once established in India, Canadian businesses can also internationalize and develop supply chains in Asia.

Participants at the summit agreed that for Canadian businesses to be successful in India, they need to have a long-term outlook on the market and plan accordingly. To enjoy the benefits of current growth and future market potentials in India, businesses need to have staying power, which includes having adequate capital or initial outlays and developing a business model that fits the specificities of the Indian market. However, since all Indian sectors are not equally accessible or adaptable for foreign investors, it is useful to

establish partnerships and networks within the country to understand the inherent challenges and opportunities. In other words, knowing how to navigate the Indian market is critical to the success and sustainability of Canadian businesses. In this regard, both industry-based organizations such as C-IBC, ICBC and Canadian institutions such as EDC and TCS provide resources, networks and information to make the process more rewarding.

Furthermore, many participants emphasized the need to prioritize certain states as entry points into the Indian market. States differ in their regulatory frameworks, sectorial priorities, openness, demographics and market opportunities. It is therefore critical for Canadian businesses to identify states where they can create a niche and learn and adapt to the Indian market before contemplating expansion across the country. After all, most states in India are, in themselves, relatively large markets. Similarly, once established in India, those businesses will have gained valuable experience required to internationalize to other fast-growing emerging economies and develop better access to the Asian supply chain.

With the world approaching a low point in multilateralism and international rule of law and policy coordination, Canada and India (together with like-minded countries) should make deliberate efforts to collaborate and initiate new discussions on how to make progress.

There was consensus on the need to reform the existing multilateral system, both as a reaction to recent events, and in response to the changing structure of the global economy and pattern of interactions between countries.⁸ While there are many reasons for this to take place, including in response to ongoing trade conflicts, the striking changes in the current structure of most economies present a more compelling and sustainable justification. These changes have turned conventional thinking on multilateralism and international trade on its head. Economies have moved from depending on tangibles to being dominated by data-driven intangibles. Even though both Canada and India seem to be locked out of the present data governance

⁸ Recent events here refers to the pullback of the United States, which had previously been a major supporter of multilateralism and the international rule of law.

models (i.e., the American, European and Chinese models), some opportunities remain to work together to harness mutual benefits. For example, both countries can work together in areas of common interest to turn the technical expertise of Canada and India into commercial values and sustainable technologies. Furthermore, both countries can lead the discussions on new issues, such as a Bretton Woods system that deals with a data-driven economy, intangibles, intellectual property and new models of value creation.

One important avenue for propagating such discussions will be during India's leadership of the Group of Twenty (G20) in 2022. However, even before then there is a need to prioritize these discussions and to involve all stakeholders, especially businesses and government officials. For example, the CIGI and Gateway House Canada-India Track 1.5 Dialogue will continue to explore collaboration on energy, artificial intelligence and new technologies, trade and services and Canada-India cooperation in the G20.

“The Canadian Advantage”

In a world witnessing the rise of protectionism, it was observed that Canada continues to be an open economy with multiple access points to Europe, Asia and North America. Increasingly, Canada is being recognized as a hub of talent and technology and Indian companies have taken note of these developments. The bilateral increase in the services sector is yet another growth opportunity. The rise in tourism and students choosing Canadian post-secondary institutions points to the vibrancy and growth potential of this opportunity.

Concluding Observations

It is generally acknowledged that the potential to increase bilateral activity across a range of sectors exists and the importance of a Canadian diversification strategy has never been more critical. Business councils have an important role to play in advocating for diversification and the Indian market offers a compelling case for Canadian companies. As well, with the increase of competitive federalism in India, Canada can pursue distinctive strategies at the subnational level. The presence at this summit of all three levels of government, corporate Canada and India, SMEs, think tanks and business chambers augurs well to deepen and broaden the Canada-India relationship.

Agenda

June 26, 2019

BMO Financial Group, 100 King Street West, 68th Floor, Toronto, Ontario

- 7:30–8:30 a.m.** **Breakfast and Registration**
- 8:30–8:40 a.m.** **Welcome Remarks — Ed Legzdins**, SVP and Managing Director, International, BMO Financial Group
- 8:40–8:45 a.m.** **Introduction of Consul General of India (Toronto), Dinesh Bhatia**
- 8:45–9:00 a.m.** **Remarks — Consul General Bhatia**
- 9:00–9:05 a.m.** **Introduction of the Canadian Minister of International Trade Diversification, The Honourable Jim Carr**
- 9:05–9:15 a.m.** **Remarks — Minister Carr**
- 9:15–10:15 a.m.** **Remarks — H.E. Nadir Patel**, High Commissioner for Canada to India
Q&A to follow
- 10:15–11:10 a.m.** **Panel 1 — Corporate Exemplars: How Can They Help in Accessing Business Opportunities?**

Moderator: **Kasi Rao**, President and CEO, Canada-India Business Council (C-IBC)

Panellists: **Rita-Rose Gagné**, President, Emerging Markets, Ivanhoe Cambridge; **P.K. Ghose**, CEO and Managing Director, Tata Steel Minerals Canada; **Sriram Iyer**, President and CEO, ICICI Bank Canada
- 11:10 a.m.–12:00 p.m.** **Panel 2 — Infrastructure, Services and Innovation: Building the Linkages**

Moderator: **Patricia Koval**, Chair, C-IBC

Panellists: **Raghav Kanoria**, Managing Director, India Power Corp. Ltd.; **Pierre Pyun**, Vice-President, Government Affairs, Bombardier; **Michael McCabe**, Resident Director, Tata Sons (North America); **David Waugh**, Senior Director, International Affairs and Facilitation, Air Canada
- 12:10–1:55 p.m.** **Lunch**
- 2:00–3:00 p.m.** **Panel 3 — Two-way Business-to-Business Relations: Overcoming Hurdles**

Moderator: **Kasi Rao**, President and CEO, C-IBC

Panellists: **Hon. Todd Smith**, Ontario Minister of Children, Community and Social Services; **Nadira Hamid**, CEO, Indo-Canadian Business Chamber; **Bambina Marcello**, Chief Commercial Officer, Toronto Region Board of Trade; **Nigel Selig**, Chief Representative (India), Export Development Canada

3:00-3:45 p.m.

Panel 4 — India and Canada in the Global Economy: Pressures and Opportunities

Remarks by **H.E. Vikas Swarup**, India's High Commissioner to Canada, followed by a discussion

Moderator: **Sukesh Kumar**, Partner, KPMG (Canada) and National Leader, India Practice in Canada

Panellists: **Laura Dawson**, Director of Canadian Institute, Woodrow Wilson Center, Washington, DC; **Rohinton Medhora**, President, Centre for International Governance Innovation, Waterloo, ON; **Vikas Swarup**, High Commissioner of India to Canada

3:45-3:55 p.m.

Closing Remarks

4:00-5:30 p.m.

Networking Reception

Special Guests: **John Tory**, Mayor of Toronto; **Nadir Patel**, High Commissioner for Canada to India; **Vikas Swarup**, High Commissioner of India to Canada

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