Negotiations on a Canada India Comprehensive Economic Partnership Agreement (CEPA) have been underway for some time now and are proceeding slowly. While the deal was never expected to be one of the larger negotiations undertaken by Canada, the ambition shown to date by the Indian side has been disappointing. Their participation has been characterized by delays, frequent change of negotiators, revised negotiating positions to the surprise of their Canadian counterparts, often during the rounds themselves and with no advance notice, undermining the efforts to move discussions forward.

The lack of Indian ambition can be attributed to:

1. Capacity - the Indians have a shortage of experienced negotiators. This is exacerbated by the fact that India has engaged in negotiations with a number partners while possessing limited resources.

2. The inability of the Indian Federal Government to bind the Indian states. This effectively means that issues such as public procurement and intellectual property either cannot be covered by an eventual agreement at the state level, or will be agreed at a low level of ambition.

3. A general lack of interest in the Canadian market due to distance and low volumes of bilateral trade and investment.

What can be done?

A more strategic approach to the CEPA should be put forward by the private sector to negotiators starting with the premise that an eventual agreement can be ambitious without being comprehensive. It is clear that a broad agreement covering investment, taking a negative list approach to services, comprehensive labour mobility and goods market access provisions, intellectual property and public procurement is highly unlikely. However, a more limited agreement of ambition targeting the following areas is achievable and would be beneficial to both sides:

1. Fairly comprehensive market access for goods, notably, for Canadian resources.

2. A comprehensive positive list approach to services. While a negative list would be more ambitious, the Indians are unlikely to agree to this approach.

3. Ambition on services mode 4 temporary entry for Indian IT workers. This is a strategic imperative for Indian negotiators in all of their negotiations and a source of tension in their negotiations with the European Union, their largest current negotiation.

4. In exchange, Canadian negotiators should target market access for insurance and financial services, including commercial banking operations. Specifically, a relaxation of the foreign ownership restrictions as they apply to Canadian firms.

In opening their insurance and FS markets to Canadian firms in exchange for IT market access, the Indian government would send a message to all its international partners that in exchange for movement on its strategic issues, the are willing to offer significant economic advantages to their negotiating partners. This could be extremely helpful in their efforts to conclude other, larger negotiations. At some point the Indians will relax ownership restrictions in any event, so Canada would do well to convince the Indians that a bilateral approach would better further their strategic aims than would a unilateral opening of the market.

CIBC can take a leadership role in making this happen through its trade policy initiative and assist negotiators in their efforts to conclude a high quality agreement in 2013/14 that offers tangible benefits to Canadian and Indian firms.