

CANADA

Canada must ‘turn the page’ on ‘challenging’ relationship with India: Stephen Harper



MARK KENNEDY, POSTMEDIA NEWS | Nov 2, 2012 9:14 PM ET

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Prime Minister Stephen Harper at the BAPS Swaminarayan Akshardham Temple during a trip to India in 2009. “You know, India is in many ways a very different country. But Postmedia News files in many ways, if you look at the emerging world, the country is very similar to Canada and to the West,” he told Postmedia News.

OTTAWA — Canada must make India a strong ally for reasons of “geopolitical global security,” while also boosting trade ties with the south Asian nation that is becoming an economic powerhouse, says Prime Minister Stephen Harper.

In an exclusive interview with Postmedia News as he prepared to depart Saturday for a six-day trip to India, Harper spoke about the critical need to improve both political and economic relations with the country.

He also moved to ease fears about Canada’s own approach to foreign investment. He said that while his government reviews proposals to see if they are in the “best interest” of Canada, this country generally has a “very open” policy on the matter.

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Harper said it's time to "turn the page" on the "very challenging and guarded relationship" Canada has had with India, which stems back to when that country built its first atomic bomb in 1974 using plutonium from a Canadian-made reactor.

"We cannot be stuck in the 1970s," Harper said during the interview in his Parliament Hill office. "We're not in the 1970s any more."

"The world is different. This country's needs are different and this country can have a good, positive relationship with India — and, in my judgment, needs it."

Harper said Canada needs to improve its trade and investment in India as part of a broader economic plan to rely less in future on "traditional export markets" such as the United States. "I think India will be a significant world economic power," Harper said.

And with an Indian diaspora in Canada of one million people, it's important to build on those "social and cultural connections," he said.



Stephen Harper and Canadian MPs at the Sikh shrine Golden Temple in 2009. "I think India will be a significant world economic power," Harper told Postmedia News this week. Narinder Nanu/AFP/Getty Images

Moreover, Harper cited a "long-term" reason why strengthened ties are so important.

"I'd call it almost geopolitical global security. You know, India is in many ways a very different country. But in many ways, if you look at the emerging world, the country is very similar to Canada and to the West.

"It's a Commonwealth country. It's a country where English is one of the major languages of business and of interaction. It's a democratic country. It's a country that accepts pluralism."

Indeed, said Harper, "very few" of the world's major developing countries have as many similarities to Canada as India does.

"That's why countries like Canada and the United States and others have been working on solidifying those relationships. We will need, in the future, deeper relationships and allies in that part of the world."

I think they're a logical partner and ally of western countries ... they face many of the same security issues that we face

Harper predicted that India will welcome the “diversification of its own traditional alliances and partnerships.”

“I think they’re a logical partner and ally of western countries ... they face many of the same security issues that we face. In some ways, more imminently.”

India, home to 1.2 billion people, is the world’s largest democracy. It has experienced an economic boom, with GDP growth last year of 7.2%.

But it is also undergoing growing pains, as its economy slows down and experts question whether the country can meet the challenges of a growing middle class and a shortage of energy.

The current coalition government led by Prime Minister Manmohan Singh, who will meet Harper, is on shaky ground and could be defeated before the next election in 2014.

The 80-year-old Singh, once known as an economic reformer, has appeared paralyzed in office — seemingly unable to make consistent moves to welcome foreign investment.

As well, his government has been rocked by corruption scandals, sparking protests in which people demand an end to the graft that is widespread in Indian society.

Harper hopes to reach a free-trade deal with India next year and triple bilateral trade to \$15-billion by 2015.

Also, after eight years of negotiations, Canada hopes to eventually reach an investment treaty, similar to the controversial one recently signed with China, in which Canada’s investors in India are provided legal protections.

Meanwhile, the two countries are still haggling over the “administrative” arrangements on a 2010 nuclear deal that would see Canada ship its uranium to India for nuclear energy.

The nuclear co-operation agreement was announced with great fanfare after decades of distrust sparked by India’s use of Canadian nuclear technology for a weapons test in 1974.

However, while Canada wants to sell its uranium and build nuclear reactors in India, it also wants details on how the nuclear materials are used for peaceful purposes. India has balked at this request for information.

Harper said he’s “confident” progress will be made on the issue, adding that Canada sees “opportunities” for its nuclear industry in India. Indeed, he said Canada is a producer of “virtually all forms of energy” and should be a prime supplier for India.

We’re determined to make sure that while we welcome foreign investment that we make sure that it’s in the best interest of this country

Harper expressed patience with the slow pace of negotiations on a free trade deal and an investor protection agreement.

He said economic reform often moves slowly in India because of the democratic process.

“It’s hard to simply impose solutions and there are often a lot of barriers to getting things done at the governmental level.

“I’m one who happens to believe that democratic institutions, while they may slow things down, actually in the long term produce more robust outcomes with greater social buy-in and more secure long-term economic development.”

Also in the interview, Harper addressed questions over whether his government is presenting a mixed message — promoting an aggressive trade agenda while allowing uncertainty over Canada’s approach to foreign investment.

The government is close to announcing whether it will approve a \$15.1-billion takeover of Calgary-based Nexen by China National Offshore Oil Corporation (CNOOC).



Manmohan Singh

Saul Loeb/AFP/Getty Images files

The government will also release a new foreign investment framework to provide general guidance to all investors.

Only three proposed foreign takeovers have been rejected since the Investment Canada Act was introduced in 1985 – all by the Conservative government.

The first was the proposed takeover of satellite producer MacDonald, Dettwiler and Associates Ltd. (MDA) in 2008, and the second involved Australian giant BHP Billiton Ltd.'s attempt to buy Saskatchewan's Potash Corp. in 2010.

Last month, the government blocked the \$6-billion takeover of a Canadian natural gas producer by Petronas, of Malaysia. It is widely expected Petronas will re-submit an application.

"This government, as a general rule, welcomes foreign investment," said Harper.

"We have a generally open policy, but we're determined to make sure that while we welcome foreign investment that we make sure that it's in the best interest of this country and obviously passes the net benefit test."

"Canada is very open. The real issue is, are we going to get that reciprocal openness in other countries? And that's the real challenge. You know, we could block a whole lot more investments than we are and be still one of the most open regimes in the world."

Here is a full transcript of Postmedia News parliamentary bureau chief Mark Kennedy's interview with Prime Minister Stephen Harper:

Q: We leave Saturday for India. There are going to be Canadians who do not understand or care about why it's important to this country's future. So tell me, why should Canadians care about boosting trade in that country?

A: Well, first of all, relations with India are important for three reasons. Obviously, a big one is trade and investment. As you have heard me say before, we are in an era of great uncertainty in economic growth and certainly very slow growth in Canada's traditional export markets. The United States, in particular, and obviously western countries more generally.

Given that so much of the growth in the world is in Asia and is likely to be in Asia in years to come, it's really important that Canada increase its economic linkages to countries like India. Especially countries like India, which have in so many ways logical ties to Canada.

So that's why this is important. Maybe some Canadians don't recognize it, many Canadians do, as you know. A growing number of Canadians trace their ancestry to India.

Q: We've got a million people here.

A: Almost a million people. And so obviously they're highly engaged in building not just the economic linkages, but also the social and cultural linkages that will support the growth in that economic relationship. So really, there's two reasons. I say, trade and investment. A second one is obviously the social and cultural connections which are a very big part of this country's reality now.

And the third reason, I think, really is long-term in a sense, I don't know quite what the word is, Mark, but I'd call it almost geopolitical global security. You know, India is in many ways a very different country. But in many ways, if you look at the emerging world, the country is very similar to Canada and to the West.

It's a Commonwealth country. It's a country where English is one of the major languages of business and of interaction. It's a democratic country. It's a country that accepts pluralism. And it's a country with (an) increasing number of cultural ties with the West. And if you look at many other parts of the developing world, certainly the major developing countries, very few of them have as many similarities with us as does India. And that's why countries like Canada and the United States and others have been working on solidifying those relationships.

We will need, in the future, deeper relationships and allies in that part of the world.

India itself, as you know, is in a very challenging environment and I think will be, over time, welcoming the diversification of its own traditional alliances and partnerships.

Q: It's a country, unlike so many of us in the post-recession who were having problems. They (have) had GDP growth of upwards of 9% — 7.2 last year. They have 1.2 billion people, half of whom are under the age of 25. So

these are people who presumably will get jobs and become consumers.

A: And a growing middle class.

Q: And a growing middle class. So what are the consequences to us if we don't try for that market?

A: Well, look, as I've said. People remember in Davos last year and elsewhere. It is critical that this country — we remind Canadians and I know Canadians are very proud of the fact that Canada has performed much better than most developed countries during the problems of the past three or four years. But it is critical, if we're going to continue to have the kind of development, the kind of economic prosperity that Canadians want and need and expect. It is critical that we make the transformations necessary to do that in all kinds of areas. And one of them is in trade and investment.

And we simply have to increase our trade and investment linkages beyond the United States and to the big, growing economies of Asia.

Q: And beyond trade and investment, you mentioned the word geopolitical. What do you mean by that? Are they an emerging superpower, if you will, that we need as one of our allies?

A: Well, look, I think they're a logical partner and ally of western countries for the reasons I mentioned. They're democratic, they're pluralistic, and they face many of the same security issues that we face. In some ways, more imminently. So these are natural partnerships, I think.

Q: What's our history been? It hasn't been great, has it?

A: Well, you know, I talked about that on my previous visit to India. There is absolutely no doubt that for many decades Canada, for very specific reasons, had a very challenging and guarded relationship with India. Under our government, we have decided to turn the page on that. Prime Minister Singh and I made that very clear in 2009 and this relationship is moving forward.

And we cannot be stuck in the 1970s. We're not in the 1970s any more. There may have been bad things happen in the 1970s. Historians can argue about who was at fault. It's all irrelevant now. The world is different. This country's needs are different and this country can have a good, positive relationship with India — and, in my judgment, needs it.

Q: In 2010, at the G20 summit, you announced the Nuclear Co-operation Agreement. Your people are still working on administrative details in terms of what we ought to know about what our uranium is being used for. Is that a roadblock for you? Are we going to get things somewhere there? What I'm wondering is, if you fail on that, or they fail on that, doesn't that sour relations again?

A: We've made a significant breakthrough. We committed to turn the page and we continue to move forward. And I'm confident we'll continue to make progress.

Q: Free trade. What's your sense on that? You're confident you can get something next year?

A: We're just starting. The negotiating process has really just begun. I'll be obviously talking about some of our expectations on that during my visit. But, look, this is obviously one of the targets we have going forward.

Q: And what do you hope that accomplishes for this country?

A: All of these things. Opening up economic opportunities for Canadians. Opening up possibilities to create jobs and growth in important Canadian industries. Take the nuclear industry, what you just mentioned. You know, we're unusual in the nuclear industry. We are a player. We are a participant in every phase of the industry. Right from uranium extraction through the construction of reactors. And in fact, of course, for historical reasons the Indians used technology very similar to what we produce. These are opportunities that we have to make the most of for the sake of the jobs and growth that we want to create in this country.

Q: Natural Resources Minister Joe Oliver was over there recently. People talk about the east coast of Canada and the prospects of liquefied natural gas. What are your hopes there?

A: Well, I will say this. Without getting into specifics, I can see all kinds of areas where there is great synergy between Canada and India. Canada is, as you know, we have an abundant resource base here. And in energy, in particular, we are a producer of virtually all forms of energy. At the same time, India has this fantastically growing economy with a much bigger ratio of people to resources than exists in Canada.

The demand for resources is strong. The demand for energy. India is not a big producer of its own energy. So that's a challenge that

they have and that's an opportunity for Canadian industry. We need to diversify our energy exports. India needs energy imports. So, look, I think there are opportunities there.

Ultimately, in this country, the nature of our economy, what government does is we work, generally speaking, with the business community and with other governments to open up opportunities — through trade agreements, through investment protection agreements, through relationships, through the construction of infrastructure.

But ultimately, of course, we can only point out the opportunities. It's ultimately industry that has to identify and exploit those as particular commercial projects.

Q: Your people are also working on a FIPA (Foreign Investment Protection Agreement) presumably similar to the one that you accomplished with China. Why is that necessary? And I'm surprised that it's already eight years into the negotiations.

A: Well, eight years, it is a long process. As you know, it was longer with China. It was 18 years in the making. You know, many of these developing countries are not easy to crack in terms of investment. Developing countries often by their nature are based on the economic models a lot of them had coming out of independence. Tended to be very protective, very protectionist, often very state-directed economies.

Historically, somewhat resistant to foreign investment. The fact that our trade and investment discussions with India have progressed slowly is not unusual. It's been an experience of a lot of countries. But obviously we keep pushing that forward because having those legal frameworks is pretty critical to us.

As I've said in the context of the Chinese deal, we're happy to sign legal frameworks that protect the rule of law when it comes to investment. Because the rule of law is innate to the nature of our institutions and character that investors can often count on that one way or the other.

It helps in emerging markets that often have very different pasts for investors to know that there is that kind of legal framework.

Q: Where do you see India in 10, 15, 20 years from now?

A: I think India will be a significant world economic power. I mean, it already is but I think it will be a bigger one. I would say this about India: I take the view, there's many others who have this view, I think it's the view of The Economist (magazine) if you look at that.

A lot of the times, economic reform in India moves very slowly because of the democratic process. It's hard to simply impose solutions and there are often a lot of barriers to getting things done at the governmental level.

Nevertheless, India has moved forward. And I'm one who happens to believe that democratic institutions, while they may slow things down, actually in the long term produce more robust outcomes with greater social buy-in and more secure long-term economic development.

So I think that sometimes what people see is the roadblocks of the Indian system is what will actually assure that going forward India continues to grow and prosper.

Q: As you go over there boosting trade, there are those who argue that are mixed messages coming. In that we also don't know the foreign investment framework yet. We don't know what's going to happen on Nexen. Does that muddy the waters in any way whatsoever?

A: No. First of all, the foreign investment framework actually in Canada is very largely known. This government, as a general rule, welcomes foreign investment. We do review it and there are occasions on which — two, to be precise — on which we have turned down foreign investments. But obviously we have a generally open policy, but we're determined to make sure that while we welcome foreign investment that we make sure that it's in the best interest of this country and obviously passes the net benefit test.

The real issue, as we go to places like India, and I think that Canadians recognize what the real issue is — not the openness of Canada in foreign investment, because Canada is very open.

The real issue is, are we going to get that reciprocal openness in other countries? And that's the real challenge. You know, we could block a whole lot more investments than we are and be still one of the most open regimes in the world.