

INDO-CANADIAN ERRATIC RELATIONSHIP IN TRADE: AN ANALYSIS

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Abstract

India and Canada are the two large democracies along with the common experience of British colonialism so both the countries are members of the Commonwealth of Nations (CHOGM). Not only this both have a common tradition of constitutional democracies, the federal system, pluralism and multiculturalism. Both of them share various complementarities as well and the relations between the two are multidimensional but still to date relations are bilateral not strategic. Along with the issue of Khalistan sympathizers, geographically distant locations may be a major reason behind the lack of understanding to take into consideration the India's strategic realities, this further deteriorates the relations off and on. Against this backdrop, the present research paper tries to examine the trade balance between India and Canada during the past two decades.

Keywords

Democracies, Khalistan, Multidimensional, Strategic and Trade.

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Introduction

India and Canada both are middle powers in international relations, as they hold positions in the middle of the international power spectrum. G-20 meeting in 2023 at New Delhi is marked as a successful year diplomatically for India but on the Indo-Canadian front this year is also known as a setback in relations between India and Canada over the presence of Khalistan sympathizers in Canadian politics. To date after efforts at a different level, to elevate the standard of the relationship between the two countries; still the relations between the India and Canada are strategically thin. We still do not have political-diplomatic, defense and economic cooperation to our full potential. On the contrary, we know Canada has little to offer India with core strategic objectives which include Pakistan, China, the subcontinent, the maritime security in the Indian Ocean and beyond. In a Joint statement of the 6th India-Canada ministerial dialogue on trade and investment in May 2023 Mary Ng, Minister of international trade, export promotion, small business and economic development, government of Canada said that acknowledging the critical importance of the Indo-Pacific region for Canada's prosperity and security they are rolling out of Canada's Indo-Pacific Strategy and also noted India's importance in the region. (<https://commerce.gov.in/international-trade/joint-statements-and-minutes-of-the-meetings/joint-statement-of-the-6th-india-canada-ministerial-dialogue-on-trade-investment/?hilite=%27canada%27>) Karthik Nachiappan in his article "India Canada relations remain frozen in time" said worse, is that Canada even does not appear interested in engaging on such issues. Indo-Canadian relationships have witnessed bumpy passage since the 1980's. In the whole world one of the largest Sikh diaspora communities is in Canada.

On the contrary; in the past both the countries have very good bonding in developmental cooperation especially in the field of an active and multifaceted science and technology which includes the energy sector, civil nuclear cooperation, outer space field and education.

Even during pandemic in February 2021 on the request from Canadian government for COVID-19 vaccines, India approved the export of 2 million Covishield vaccines to Canada under a commercial agreement between Serum Institute of India and Verity Pharmaceuticals of Canada. The first tranche of 500,000 doses of vaccines reached Canada on 3rd March 2021 from India. From the Canadian side to provide COVID-19 support to India, the Canadian Government donated C\$10 million to the Canadian Red Cross to assist the Indian Red Cross Society, in the form of oxygen plants, oxygen concentrators, ventilators etc. Support from other

provinces of Canada also reached India. (https://www.mea.gov.in/Portal/ForeignRelation/India-Canada_bilateral-December-2023.pdf)

The relationship has tumultuous challenges, but despite this India is a viable option for developmental and economic partnership. Now it's time to pay heed away from politically contentious issues and both the countries should focus on Comprehensive Economic Partnership Agreement and Bilateral Investment Promotion and Protection Agreement.

The present research paper mainly focuses on exploring that the India-Canada partnership in Trade and investment. Further what kind of relationship do we have with each other in the present century.

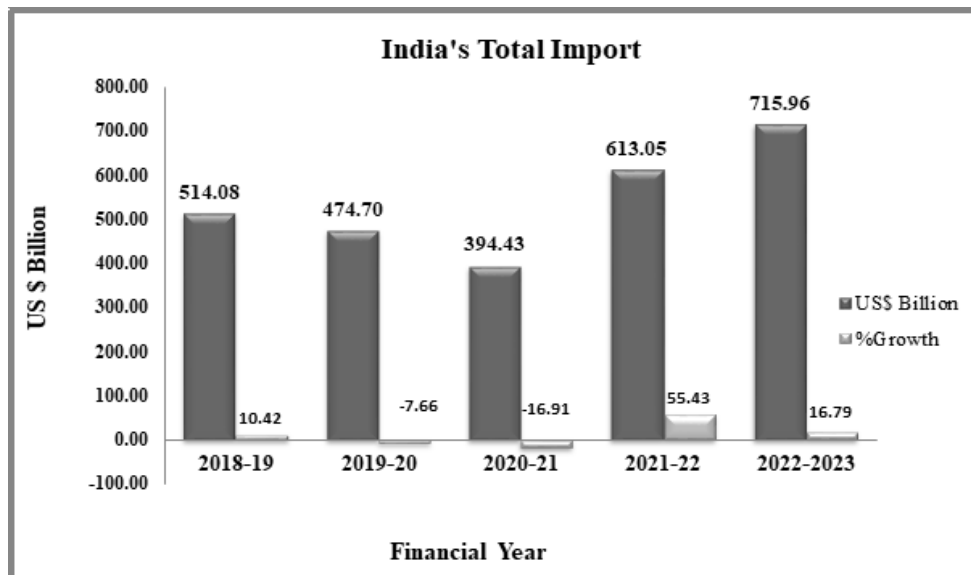
Trade and Investment

In International Politics economic relations plays a very important role. It prepares us to understand the structures, hierarchies and power dynamics that regulate finance and trade, drive globalization and economic nationalisms and impact the distribution of wealth and poverty across the world. Economics is more important today than it has ever been. Foreign policy is increasingly driven by commercial considerations. Economic strength gives incomparably more political influence than military strength. Economic interdependence, not military strategy, is today the chief guarantor of security. Economic ties are the cross-national exchanges of goods and services. This is extremely beneficial to countries, as economically isolated countries are prone to inefficiencies, stagnation, and instability. Increased international trade, and the lowering of barriers to such trade, frequently result in improved international relations, but it can also lead to trade wars and tariff disputes. Although globalization is a contested concept. But it impacted every country. Along with this the scale of interaction between societies is unprecedented. There is an emergence of global culture. The process of globalization is impacting the food we eat, the music we listen to, clothes we wear. Global trade and finance are the two spheres that are regulated by different governance institutions but the disturbances in one result in related disturbances in the other. International trade occurs when one country's citizens produce a good that another country's citizens consume.

The economic criterion is one of the of the foundational pillars of the bilateral relationship. Trade was raised between India and Canada after 1990 however, after India conducted nuclear tests again in 1998, Canada once again went on an alert as far as its trading relations with India were concerned. But in 1999, after the Indian visit of the then Secretary of State for Asia Pacific, Raymond Chan, India-Canada

Trade Relations were resumed once again and further began to grow at a new pace. Bilateral trade relations between the two nation-states grew by 60% in the last five years to USD 9 billion and are expected to triple to USD 30 billion in the next few years, and the overall target is to take this growth up to USD 50 billion. (The Hindu: 15July) At present the scenario is that, that this trade is well below the potential of the two countries' growing relations, but both the countries are keen to strengthen their relations, as per the statement of Canada's High Commissioner to India Mr. Nadir Patel. The trade and investment linkages between India and Canada form an integral component of the multi-faceted partnership between the two countries. Bilateral trade in goods amounted to USD 10.50 billion in 2022. This includes India's exports of USD 6.40 billion and India's imports of USD 4.10 billion. which is well below the business potential of the two countries. The bilateral trade in services in 2022 was of USD 8.74 billion. (https://www.mea.gov.in/Portal/ForeignRelation/India-Canada_bilateral-December-2023.pdf)

If we consider the past five- financial years India's total Import from Canada, then we find that total import is rising. There is dip in trade during Covid. At present in the last financial year India's total Import from Canada was 715.96 USD Billion.



<https://tradedstat.commerce.gov.in/eidb/icnt.asp>

The growth percentage in imports has declined during the past five years. Only there is remarkable growth in 2021.



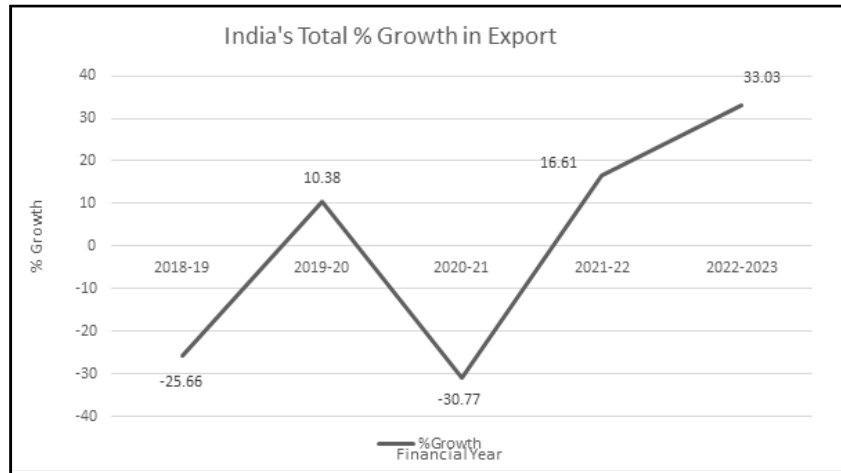
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If we consider the past five- financial years of India’s total Exports to Canada, then we find that total exports are showing huge variation. There is dip in trade during Covid. At present in the last two financial years there is a rise in export from 16.61 to 33.03 USD Billion.



<https://tradedstat.commerce.gov.in/eidb/icnt.asp>

The growth percentage in exports has also increased during the past five years. Only there is a remarkable decrease in export during the financial year 2018-19 and 2020-21.



<https://tradedstat.commerce.gov.in/eidb/icnt.asp>

More than 1,000 Canadian companies have invested in India and this Investment has gone up to over USD 25 billion from USD 4.5 billion in the last few years. Along with this the remarkable feature is that the feedback of these companies operating in the state has been very positive. More than 600 Canadian companies have a presence in India and more than 1,000 companies are actively pursuing business in the Indian market. Indian companies in Canada are active in the fields such as Information Technology, software, steel, natural resources and banking sectors.

Remarkably, Indian companies which have invested in Canada include ICICI Bank, State Bank of India, Mahindra Tractors, Tata Steel Minerals Canada, Tata Consultancy Services, Jaguar Land Rover, Tata Communications, Zee Group, Aditya Birla Group, Jubilant Life Sciences, Infosys Technologies Limited, Tech Mahindra, ESSAR Steel, Gujarat State Fertilizers and Chemicals Limited, IFFCO Canada Enterprise Ltd., Abellon Energy corporation, Wipro Technologies, Prime Focus World and Polaris Financial Technologies. (http://www.mea.gov.in/Portal/ForeignRelation/Canada_2020.pdf)

Some of the main items imported by Canada from India are: ready-made garments, textile products, cotton yarn, carpets, floor spreads, rugs, leather articles, footwear, jute, gems, Jewellery, precious stones, pharmaceutical products, , mechanical appliances, light engineering goods, handicrafts, spices, coffee, tea, fruits, nuts, organic chemicals, iron and steel articles, rice, cereals, processed foods, marine products, and software. India's imports from Canada include pulses,

newsprint, wood pulp, asbestos, potash, iron scrap, copper, minerals and industrial chemicals, etc. (https://www.mea.gov.in/Portal/ForeignRelation/India-Canada_bilateral-December-2023.pdf)

The main items exported by Canada to India are: paper, pulp board, wood pulp, minerals, machinery equipment, electronic goods, ships, resin, plastic, asbestos, vegetable oil, peas, copper, industrial chemicals, newsprint and Iron scrap. (<https://business.mapsofindia.com/trade-relations/india-canada/>)

If we compare the trade data of the past 20 years then we find that India's imports from Canada were highest during 2017 but later on it has not touched that range but the fact is that both the countries commit to the rules-based, transparent, non-discriminatory, open, and inclusive multilateral trading system embodied by the World Trade Organization both India and Canada are committed to work together to further strengthen it.



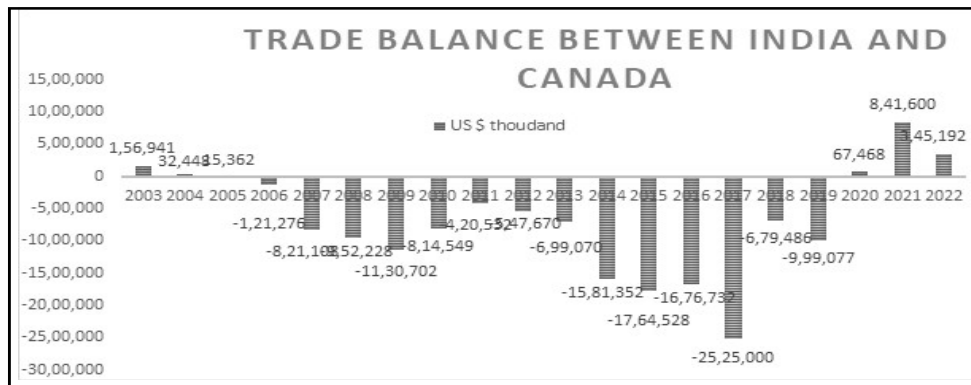
https://www.trademap.org/Bilateral_TS.aspx?nvpm=1%7c699%7c%7c124%7c%7cTOTAL%7c%7c%7c2%7c1%7c1%7c3%7c2%7c1%7c1%7c1%7c1%7c1

If we observe the trade data of the past 20 years then we find that India's export to Canada is highest during 2022. It has continuously evolved during the course of time in last two decades.



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During the past twenty years the trade balance has been in favor of Canada except during the year 2021. Again, it declines in 2022. Although the a significant number of professionals and skilled workers, students move between the two countries. There is still real potential exists for trade in both goods and services to expand significantly in both traditional and emerging sectors.



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Till 2020, Canadian Pension Funds have invested around USD 22 billion in India. Canadian Pension Funds cumulatively pledged to invest around USD 42.5 billion in India and are increasingly viewing India as an attractive destination for investments. (http://www.mea.gov.in/Portal/ForeignRelation/Canada_2020.pdf)

Canadian Pension Funds have cumulatively invested over US\$ 75 billion in India to date and are increasingly viewing India as a favorable destination for investments. (https://www.mea.gov.in/Portal/ForeignRelation/India-Canada_bilateral-December-2023.pdf) There are many Canadian firms operating in India. A few eminent ones are Bombardier, Canadian Aviation Electronics (CAE), Nova Scotia, The Royal Bank of Canada (RBC), SNC-Lavalin and McCain Foods Limited. Through, all this India and Canada want to amplify their importance and value to each other through trade and economy. Negotiations are going on to take their bilateral relations up to a higher level. As trade ties are the key between the two countries so since 2010, India and Canada launched a Comprehensive Economic Partnership Agreement (CEPA) and a Bilateral Foreign Investment Promotion and Protection Agreement. (BIPPA/FIPA). Formally relaunching of the India- Canada CEPA negotiation was done in 2022 to create vast new opportunities for boosting trade and investment. Constructive discussions are going on related different aspects between Canadian and Indian officials and they agreed to continue their engagement

over the coming months to advance the CEPA and BIPPA/FIPA negotiations. In 2006, under the leadership of Stephen Harper greater emphasis was given to foreign direct investments (FDI), technology transfers, trade agreements and leveraging diaspora links towards expanding ties with India. (Mehta2019:7)

Biswajit Dhar Professor at JNU said that we are following The General Agreement on Trade in Services (GATS) approach and the hybrid model is beneficial for us because we have given up a lot of market access in services, especially financial services in other free trade areas (FTAs). Head of Centre for Regional Trade, Ram Upendra Das said that we need to see how trade and investment linkages can be harnessed in the CEPA. This can be done if Canadian investments come in the manufacturing of goods, which ultimately India can export to Canada after getting tariff concessions. (The Economic Times:19 Feb.)

Canada is also negotiating a FIPPA with India to protect investments through legal obligations. Despite the fact that an India-Canada FIPPA was concluded in 2009, the negotiations are going on for its ratification. The issues over investor-dispute settlement mechanisms are stagnating the FIPPA. India wants that a due process of exhausting domestic judicial routes should be followed before one approaches to the tribunals at international levels, Canada is concerned about slow judicial decision-making in India, which means delays in the disposal of cases, so Canada wants to go to international tribunals without a judicial lengthy approach. In 2010, Peter Van Loan, Canadian Minister of International Trade, launched negotiations for a Free trade agreement (FTA) in India, which means an arrangement that establishes unimpeded exchange and flow of goods and services between trading partners, regardless of national borders of member countries. Further the negotiation was preceded on the results of a joint study on the potential benefits of a Comprehensive Economic Partnership Agreement (CEPA) between Canada and India. (<https://www.international.gc.ca/trade-commerce/trade-agreements-accords-commerciaux/agr-acc/india-inde/fta-ale/info.aspx?lang=eng>)

FTA is repressed on two issues. First the Ratchet issue, that if India liberalizes any policy, its benefits would apply to Canada also. India says doing so will lead to policy space being lost for the Indian government. Second issue is the Most-favoured-nation (MFN) forward issue, which means if India extends any concession to any country in the world, it be applied to Canada also, but India opposes it saying all FTAs are not the same but has some uniqueness and such MFN forward will lead to trade imbalances. (Singh2018: E- 223)

As per World Development Indicators in the year 2018, India has a growth of 6.8% in its GDP whereas Canada has a growth of 1.9% in its GDP. Further according to countryeconomy.com in the last quarter of 2019 Canada was placed 9th in the ranking of quarterly GDP of the 50 countries while India was placed 4th in the ranking of quarterly GDP of the 50 countries. However, in 2019 India has lost its spot as the world's fastest-growing economy. (<https://www.bbc.com/news/business-48478028>) But still; in 2023 India is expected to hold the position of the fastest-growing major economy in the world because of the growing digital market. India continues to attract foreign investors due to the high potential domestic market and availability of a cost-effective workforce. Investment and trade form the heart of the relationship. The bilateral relationship has become more instrumental and transactional, less saddled by political (diaspora) or security (nuclear) issues. (<https://www.opencanada.org/features/singh-new-chapter-canada-india-relations/>) When Indian PM Narendra Modi visited Canada, Minister of Finance of British Columbia Mike de Jong on 14th April 2015 said the trade opportunities for Canada in the huge Indian market are obvious, but if a new, more open and prosperous partnership is to develop, leaders in both countries will have to continue working long after the speeches and state dinner are over. Further he added, that the cultural ties between the countries are very, very strong, have been, and continue to be. The challenge we both face is to convert that incredibly strong cultural link into a more powerful economic link. (<https://www.theglobeandmail.com/news/world/indian-pm-narendra-modis-visit-to-canada-stirs-emotions-in-local-diaspora/article23963448/>)

This all, reflects that brainstorming is on to take relations to new heights but we cannot ignore the contemporary international scenario. At present Russia - Ukraine crisis, the Israel and Hama conflict, the Brexit review in 2025 over the Irish Sea border, increased nationalistic sentiments among nations, upset in global trade with the U.S.-China trade war, the future of the North American Free Trade Agreement (NAFTA) looks uncertain, at this point of time Canada looks to "diversify" and it seems desirous to strengthen its ties with India. US, experts said notwithstanding the outcome of its ongoing NAFTA negotiations with the US, the Canadian government and its business houses have decided not to put all their eggs in one basket. From health and education to renewable energy and indigenous research in infrastructure, Canada is already engaging with India for fruitful future alliances. (The economic times:20 September) At the present juncture of the global economic crisis marred by to prevailing various variants of the COVID-19 pandemic, it will be a matter of great interest to see if the cooperation in the trade and investment sector between the two countries can grow with pace and vigor in the near future.

Conclusion

A priority market for Canada, in 2022, India was Canada's 10th largest trading partner. Indo-Pacific is a new arena of collaboration. India will be a key partner as Canada strengthens its economic links to the Indo-Pacific under a new, comprehensive strategy for the region. Canada and India are working toward a Comprehensive Economic Partnership Agreement and a Foreign Investment Promotion and Protection Agreement (FIPA). Canada at present is one of the most popular education destinations among Indian students because of the huge range of courses and safe environment. As a result, Education becomes a key area of mutual interest. Since 2018, India has been the largest source country for international students in Canada. Despite, tumultuous challenges in the relations among the two countries India will remain a better viable option for trade and investment partnership. During the past twenty years the trade balance has been in favor of Canada except during the year 2021. Again, it declines in 2022. Efforts should be made in this direction. As in the Seventh Trade Policy Review of India at the WTO Anup Wadhawan former Commerce Secretary said the improvement in the economic and business environment, on account of the wide-ranging reforms, has enabled India to better its position in the World Bank's Doing Business ranking from 142 in 2015 to 63 in 2019. (<https://pib.gov.in/PressReleaseDetailm.aspx?PRID=1686692>). India at present is a preferable investment destination. the Indian economy is more efficient and inclusive. Now it's time to convert the incredibly strong cultural link between India and Canada into a more powerful economic link.

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