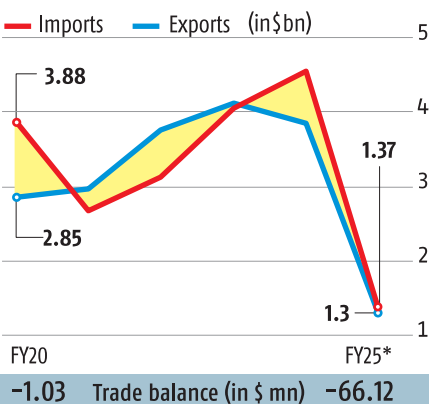


# Impact on trade, investment not likely amid row



\*Figure for Apr-Jul  
Source: Department of Commerce

## TRADE TIES



**SHREYA NANDI & SANJEEB MUKHERJEE**  
New Delhi, 15 October

**T**he dramatic escalation of diplomatic tensions between India and Canada is unlikely to hurt trade and investment ties between the two nations, a senior government official said.

“The situation isn’t worrying so far. Bilateral trade isn’t big enough to impact India’s overall trade basket. Canadian pension funds will continue to invest in India, even if they have to route it through countries such as Singapore and the United Arab Emirates, among others,” the official said.

With a share of less than 1 per cent in India’s total trade, Canada is India’s 33rd largest trading partner, with total trade amounting to \$2.68 billion during the first seven months of the financial year (April-October). However, the recent imbroglio could cast a shadow over the import of *matar* (peas) and *masur* (lentils) from Canada, which is a major source of these two vital pulses consumed in India. India has increasingly looked to diversify its *matar* and *masur* procurement centres away from Canada over the past few years. Favourable currency trade with Russia and a diplomatic tussle with Canada are being cited as reasons for this shift.

In 2023-24 (FY24), India imported a record roughly 1.67 million tonnes (mt) of *masur*, of which Canada contributed around 46 per cent, while Australia contributed around 49 per cent. Similarly, in the case of *matar*, India imported around 1.16 mt in FY24, with Canada accounting for about 52 per cent and Russia for around 30 per cent.

Experts say that the possibility of

a trade deal between India and Canada will remain on the back burner at least while the Justin Trudeau government is in power.

Biswajit Dhar, a distinguished professor at the Council for Social Development, said that Canada is not a large partner, and its share in India’s overall trade is small. However, the opportunity for expanding market presence has now virtually disappeared.

“The escalation we are seeing now will impact the resumption of free trade agreement (FTA) negotiations, given that there is a full-fledged diplomatic row. The FTA will be in cold storage at least until the Trudeau government is out of power,” he added.

India’s exports to Canada stood at \$3.84 billion during FY24, down from \$4.11 billion in 2022-23. Major items of Indian exports include medicines, garments, diamonds, chemicals, gems and jewellery, seafood, engineering goods, rice, and electrical equipment, among others.

Imports from Canada stood at \$4.55 billion in FY24, up from \$4 billion a year ago. India’s import dependency on Canada is mainly dominated by items such as pulses, crude oil, fertilisers, aircraft and aviation equipment, diamonds, and bituminous coal, among others.

Delhi-based think tank Global Trade Research Initiative (GTRI) said that despite major political friction, the on-ground impact on trade between the two countries has been minimal so far.

“This is largely because trade occurs at the private sector level, and neither India nor Canada has introduced regulations that restrict the flow of goods or services,” GTRI noted in a report.