

Multi-billion economic deals at risk if diplomatic rift widens

But, experts say there may not be an immediate impact

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The heightened diplomatic tensions between India and Canada could adversely impact economic relations if the rift widens, although experts believe there may not be an immediate impact.

Negotiations for an early harvest trade deal between the two countries were put on hold earlier this month because of “political” reasons, even as talks were at an advanced stage and both sides hoped to finalise the agreement by the end of this year. Jayant Dasgupta, former World Trade Organisation (WTO) ambassador of India, said putting off free-trade agreement (FTA) talks would affect both sides adversely.

“If there had been an FTA (which was on the cards), it could have helped some sectors get enhanced market access. That opportunity would now be delayed. It’s a loss to that extent. However, if tensions continue and there are further retaliatory actions, trade may get affected,” Dasgupta said.

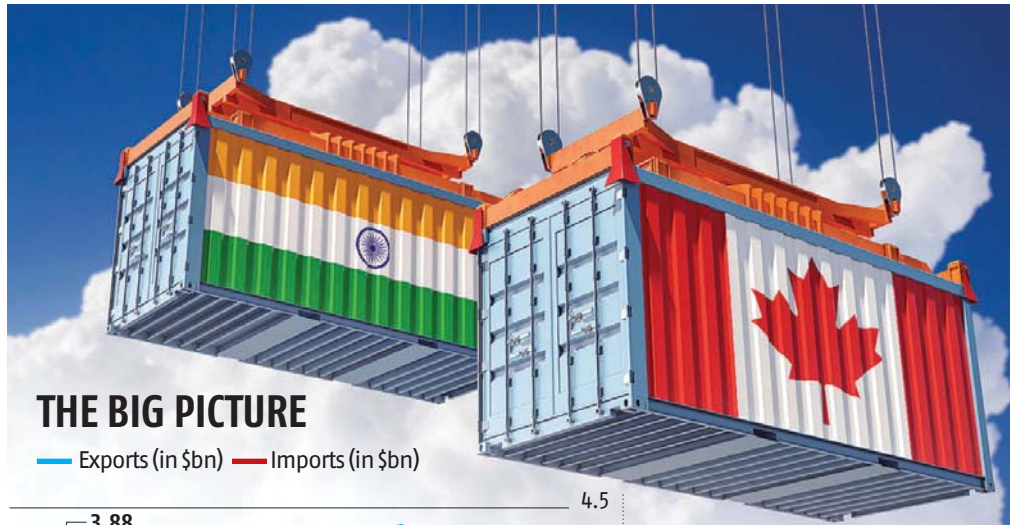
With a share of total trade less than even 1 per cent, Canada was India’s 35th largest trading partner during FY23, with total trade amounting to \$8.16 billion.

India’s exports to Canada stood at \$4.11 billion during FY23, against \$3.76 billion in FY22. This means that the share of exports to Canada vis à vis the rest of the world is only about 1 per cent.

Major items of Indian exports include medicines, garments, diamonds, chemicals, gems and jewellery, sea food, engineering goods, rice, and electrical equipment.

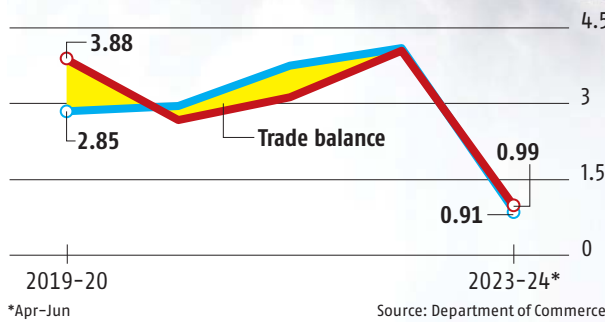
Exporters, however, said that exports of engineering goods, such as iron and steel products, and machinery, may get impacted.

“There may not be an immediate, significant impact on trade. Even if there is an impact, trade should take a secondary position in such a vital issue of national importance,” said Ajay Sahai, director-general (DG) and chief executive officer (CEO),

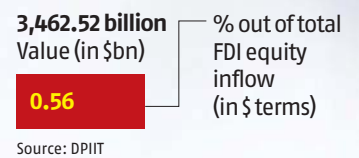


THE BIG PICTURE

Exports (in \$bn) Imports (in \$bn)



FDI EQUITY INFLOWS FROM CANADA (April 2000- June 2023)



Federation of Indian Export Organisations (FIEO).

Imports from Canada stood at \$4.05 billion, up 29.3 per cent. India’s import dependency on Canada vis à vis the rest of the world is only 0.56 per cent and is mainly dominated by items, such as pulses, crude oil, fertilisers, aircraft and aviation equipment, diamonds, and bituminous coal.

According to think tank Global Trade Research Initiative (GTRI), the trade relationship would continue to grow and not be affected by day-to-day events.

Canadian pension funds would continue investing in India because of its large market and good return on money invested, GTRI said in a note.

Canadian pension funds invested over \$45 billion in India, making it the fourth-largest recipient of Canadian FDI in the world by the end of 2022.

The top sectors for Canadian pension fund investment in India include infrastructure, renewable energy, technology, and financial services.

The largest investment by Canadian pension funds in India was made in 2022, when the Canada Pension Plan Investment Board (CPPIB) invested \$1.1 billion in India Grid Trust, a power transmission company. In addition, in 2021, the Ontario Teachers’ Pension Plan (OTPP) invested \$370 million in Greenko Energy, a renewable energy company, it said.



(Above) A security person patrols outside the Canadian High Commission in New Delhi on Tuesday.

(Right) Canada Prime Minister Justin Trudeau delivers a statement in the House of Commons in Ottawa

