

India-Canada diplomatic row unlikely to affect businesses or students much



EXIM MATTERS

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Last week, the India-Canada relations hit a new low when both the countries expelled six diplomats based on allegations that are difficult to verify at this point of time. The interests of the businesses or our students are, however, unlikely to be affected much.

There are mild concerns in both the countries on how the worsening relations will impact the trade and economic relations. At about \$16 billion of imports plus exports, the overall impact in both the countries is quite insignificant. Both countries have alternate sources from where their requirements can be met even if

the bilateral trade is disrupted in any way. India does not have much investment in Canada but about 600 companies from Canada have invested in India. Many institutional investors from Canada, including the Canadian Pension Fund, have invested in our equity markets. They are unlikely to feel jittery and pull out their funds because of the recent deterioration in political relations. So, it is the potential to expand the trade and economic relations that may cause some anxieties. Here again the concerns are mild because the businesses do not see any threats to their trade or investment prospects. The businesses in Canada are also looking to outsource many services from India, especially those relating to artificial intelligence.

Canada has more trade with China and is trying to move away from dependence on China since the supply chain vulnerabilities came under strain during the Covid-19 pandemic. Thereafter, the arrest of a top Chinese executive in Canada and a tit-for-tat

action by China worsened the relations. The investigations regarding allegations of China interfering in the internal affairs of Canada have thrown up some uncomfortable facts. Recently, Canada imposed higher tariffs on some imports from China provoking retaliatory action from China. So, some Canadian companies are considering shifting their sources for goods and investments from China to more friendly countries, including India. Most businesses in Canada have positive perceptions of the growth prospects and safety of investments in India. That is unlikely to be much affected by the recent diplomatic spat between the two countries.

The major worry is for many students who have gone to Canada for higher studies in the hope of getting jobs there and eventually settling down. Their future hangs in balance because they are not sure whether they will have to come back to India after their studies. At present, there is a slight backlash against immigration in Canada due to higher

demand for homes that have pushed up the prices. But, this backlash is not India specific. There are no indications that the government in Canada will target the Indian students or persons of Indian origin on 'permanent resident' visa, hoping to become Canadian citizens. Most persons of Indian origin in Canada have conducted themselves impeccably and contributed to the economy of Canada.

India and Canada have shared democratic values. The broader geopolitical considerations require India and Canada to cooperate and deepen their engagement. The United States and its allies consider India to be an important strategic partner in resisting any possible misadventure by an expansionist China. So, hopefully, the present crisis will pass. It is for the seasoned diplomats in both the countries to activate the back channels and sort out the issues that have surfaced recently.

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