

# INDIA - CANADA RELATIONS



STRENGTHENING AND STREAMLINING  
THE TRADE DYNAMICS



**PHD RESEARCH BUREAU**  
**PHD CHAMBER OF COMMERCE AND INDUSTRY**

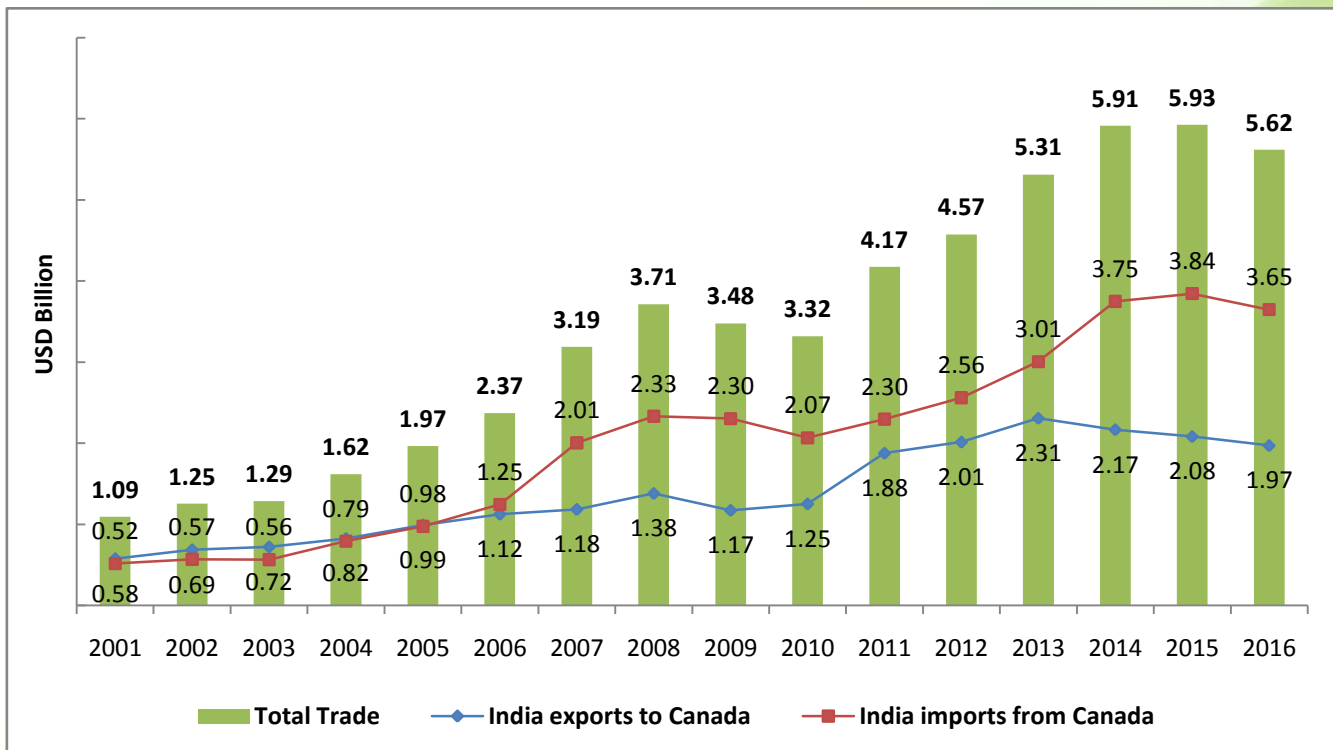
## India-Canada Relations: Strengthening and Streamlining the Trade Dynamics

### 1. Introduction

India and Canada<sup>1</sup> has established their rapport based on shared values of democracy, growing economic involvement, high level conferences and meetings, and pluralism. In retrospect, ties go back to late 19<sup>th</sup> century when many Indians migrated to British Columbia. Canada homes to 1.2 million Persons of Indian Origin (PIO), i.e. nearly 3% of the Canada’s population. Both the nations are members of various multilateral forms such as Group of 20 (G-20), ASEAN Regional Forum (ARF), and Commonwealth Heads of Government Meeting (CHOGM) among other. Both the nations are eyeing to evolve the current bilateral relationship to a comprehensive and strategic partnership.

### 2. India Canada Trade Dynamics

**India – Canada Trade at a Glance (USD Billion)**



Source: PHD Research Bureau; Compiled from TradeMap Database

India-Canada bilateral trade has expanded significantly over the years. India’s bilateral trade with Canada grew from USD 1.09 billion in 2001 to USD 5.62 billion in 2016. India’s imports

<sup>1</sup> [http://www.mea.gov.in/Portal/ForeignRelation/Canada\\_October\\_2017.pdf](http://www.mea.gov.in/Portal/ForeignRelation/Canada_October_2017.pdf)

from Canada stood at USD 3.65 billion in 2016 whereas India's exports to Canada stood at USD 1.97 billion in 2016. However, India's trade deficit with Canada grew from USD 0.12 billion in 2006 to USD 1.68 billion in 2016, which needs to be addressed at the earliest.

#### India's top ten imports from Canada in 2016

HS Code	Description	India's imports from Canada	Share in Overall imports from World
		(USD Billion)	(%)
'07	Edible vegetables and certain roots and tubers	1.13	28.09%
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	0.77	1.59%
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	0.27	0.30%
'31	Fertilisers	0.24	5.13%
'48	Paper and paperboard; articles of paper pulp, of paper or of paperboard	0.18	6.60%
'26	Ores, slag and ash	0.17	4.65%
'47	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or ...	0.17	10.36%
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	0.15	0.47%
'88	Aircraft, spacecraft, and parts thereof	0.11	3.64%
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	0.07	0.19%
<b>Total Imports from Canada</b>		<b>3.65</b>	<b>1.02%</b>

Source: PHD Research Bureau; Compiled from TradeMap Database

Of the total imports from Canada, edible vegetables and certain roots held the maximum share (36.10%) in India's import basket, followed by pearls and precious stones (19.43%); fertilizers (8.20%); ores, slag and ash (5.29%); machinery, nuclear reactors and boilers (5.14%); mineral fuels and oils (4.55%); paper, paperboard and articles thereof (4.52%); pulp of wood, recovered paper (3.72%); electrical machinery and equipment (1.80%); and aircraft, spacecraft and parts thereof (1.60%). It can be fairly interpreted that imports from Canada are highly concentrated and lop-sided.

### India's top ten exports to Canada in 2016

HS Code	Description	India's exports to Canada	Share in Overall exports to World
		(USD Billion)	(%)
'29	Organic chemicals	0.17	1.48%
'30	Pharmaceutical products	0.14	1.10%
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	0.13	0.97%
'62	Articles of apparel and clothing accessories, not knitted or crocheted	0.13	1.43%
'73	Articles of iron or steel	0.13	2.20%
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	0.12	0.29%
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	0.12	2.63%
'61	Articles of apparel and clothing accessories, knitted or crocheted	0.10	1.27%
'03	Fish and crustaceans, molluscs and other aquatic invertebrates	0.08	1.55%
'39	Plastics and articles thereof	0.06	1.11%
<b>Total exports to Canada</b>		1.97	0.76%

Source: PHD Research Bureau; Compiled from TradeMap Database

Of the total exports to Canada, silk products held the majority share (8.53%) in Canada's import basket, followed by rubber and articles thereof (7.89%); knitted and crocheted fabrics (7.20%); copper and articles thereof (6.78%); raw hides, skin and leather (6.63%); preparations of vegetables, fruits and nuts (6.02%); articles of apparels and clothing accessories (5.46%); musical instruments (5.03%); pearls and precious stones (4.59%); and man-made filaments and strip (2.60%). Compared to the products imported from Canada, India's basket of exports to Canada is relatively diverse and evenly distributed thereby making the future prospects less susceptible to volatility.

### Significance of India in Canada's top ten Imports in 2016

HS Code	Description	Canada Imports from World	Share in total Imports	India's share in Canada's imports	India's share in Canada's imports	India's exports to world
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	67.49	16.7%	0.149	0.22%	14.98

'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	61.90	15.4%	0.223	0.36%	13.56
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	39.66	9.8%	0.108	0.27%	8.21
'27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral ...	25.32	6.3%	0.294	1.16%	27.72
'39	Plastics and articles thereof	14.75	3.7%	0.061	0.41%	5.21
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	11.96	3.0%	0.017	0.14%	2.65
'30	Pharmaceutical products	11.41	2.8%	0.16	1.40%	13.04
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	10.50	2.6%	0.239	2.28%	42.29
'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	8.78	2.2%	0.062	0.71%	1.35
'73	Articles of iron or steel	8.44	2.1%	0.131	1.55%	5.82
<b>Total imports of top 10 products</b>		260.22	64.6%	1.444	0.55%	134.83
<b>Total imports by Canada</b>		402.97	100.0%	3.051	0.76%	260.26

Source: PHD Research Bureau; Compiled from Trade Map

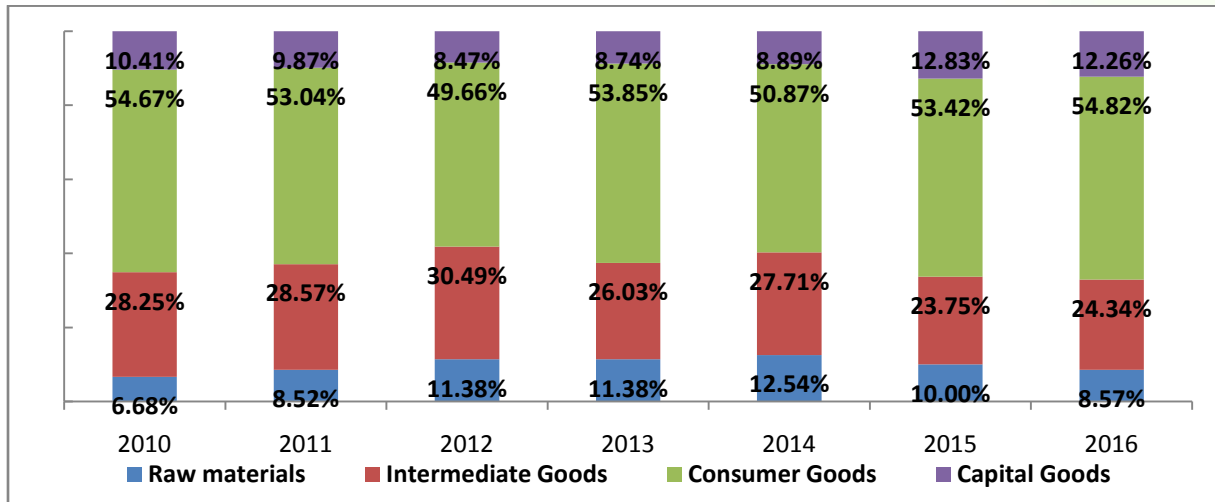
India has an insignificant share in Canada's top ten imports, which comprises of 65% of the total imports by Canada. India has a share of 0.55% in Canada's top ten imports from World during 2016. This indicates a significant potentiality of Indian products to enhance their footprint in Canada's market in the coming times. India has all the strength to increase its potentiality in Canada for products like Pharmaceutical products (HS 30); Furniture (HS 94); Natural pearls and semi precious stones (HS 71); Plastic articles (HS 39) among others.

India has growing production possibilities and an intensive global presence in the aforementioned products. India has a favourable trade complementarities scenario with Canada, indicating that India's export pattern is more aligned with the import pattern of Canada. India has the potential to increase the exports to the level of USD 4 billion in the next three years.

### 3. India Canada Trade Pattern

The trade pattern between India and Canada reveals highly concentrated results. Majority of the Indian exports to Canada are in Consumer goods, viz. around 55% of the total exports; followed by Intermediate goods (25%); Capital goods (12%) and Raw materials (8%).

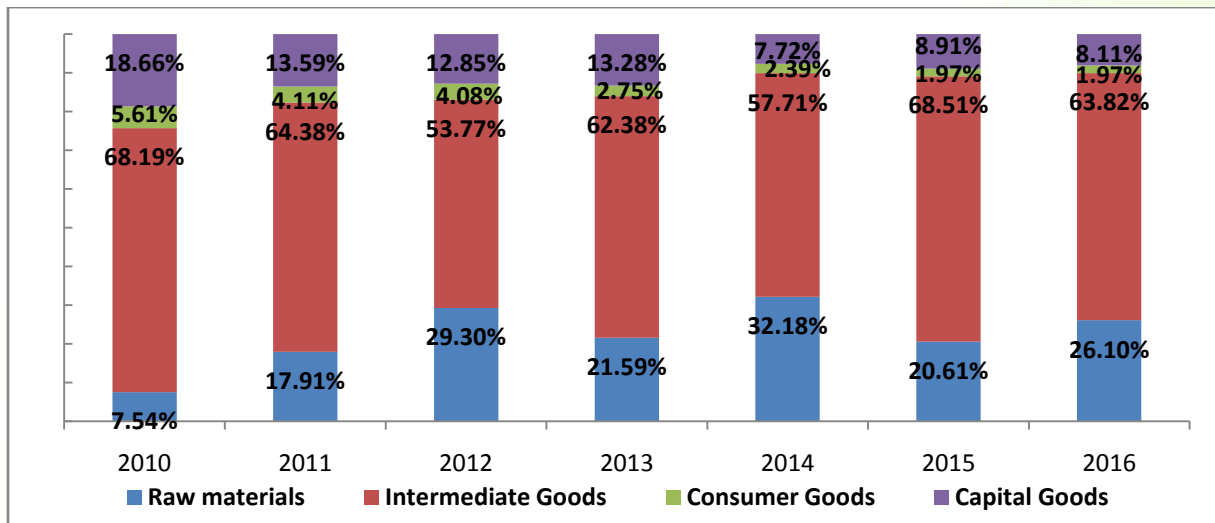
**India's export pattern with Canada (Based on Level of Processing)**



Source: PHD Research Bureau; Compiled from TradeMap Database

Conversely, majority of the India's imports from Canada were Intermediate goods, viz. around 64% of the total imports, followed by raw materials (26%); capital goods (8%) and consumer goods (2%).

**India's import pattern with Canada (Based on Level of Processing)**



Source: PHD Research Bureau; Compiled from TradeMap Database

#### 4. Tariff Scenario

Simple Average Tariff Rates imposed by Canada on India (%)

Tariffs imposed by Canada	Raw Materials	Intermediate Goods	Consumer Goods	Capital Goods
2014	0.58	0.33	5.32	0.23
2015	0.66	0.46	6.69	0.54
2016	0.56	0.23	5.3	0.25

Source: PHD Research Bureau; Compiled from WITS Database

The simple average tariffs imposed by Canada on Indian products are the highest in Consumer goods domain. The tariff rates hover around 5.3% during 2014-16; followed by raw materials (0.56%); capital goods (0.25%) and intermediate goods (0.23%) during 2016. The overall tariff scenario is lowered compared to India's average tariff rates.

Simple Average Tariff Rates imposed by India on Canada (%)

Tariffs imposed by India	Raw Materials	Intermediate Goods	Consumer Goods	Capital Goods
2015	12.23	9.13	12.35	6.84
2016	11.37	9.55	11.81	7.37

Source: PHD Research Bureau; Compiled from WITS Database

On the other hand, India recorded the highest simple average tariff on consumer goods (11.81%); followed by raw materials (11.37%); intermediate goods (9.55%) and capital goods (7.37%).

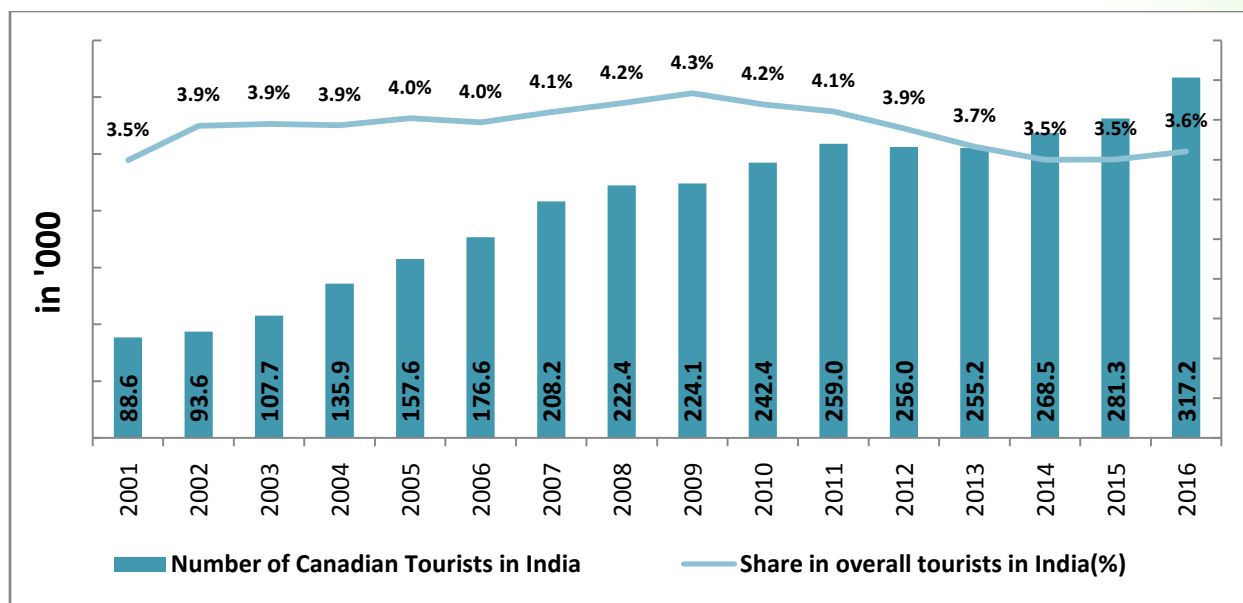
#### 5. Investment Scenario

On the investment front, Canada is the 23<sup>rd</sup> biggest investor in India. Canada fueled-in around USD 1.12 billion foreign direct investments (FDI) between April 2000 and September 2017. Canada's share in total FDI flows in India remained at a meagre 0.31%.

#### 6. Tourism Scenario

Indian tourism sector has witnessed a tremendous inflow of Canadian tourists in the recent years. The number of Canadian tourists in India grew from 89 million in 2001 to 318 million in 2016.

#### Tourist Inflow from Canada in India



Source: PHD Research Bureau; Compiled from Ministry of Tourism

However, the share of Canadians in overall tourists' arrival in India has fallen from 4.3% to 3.6% during 2009 -16.

## 7. Conclusions

India and Canada relations are moving in a positive trajectory. With the establishment of Ministerial Dialogue on Trade and Investment; Trade Policy Consultations at the level of Additional Secretary, Department of Commerce; and the Economic and Financial Sector Policy, the bilateral trade relations are expected to strengthen further in the coming times.

India and Canada have rising complementarities in each other's market, which can help in intensifying their trade relationship in the coming years. Based on strong complementarities and growth prospects going forward, the trade between two nations is expected to double at USD 10 billion in the next three years.

Both the nations need to focus on conducting constant dialogues and meets; enhance the cooperation in energy sector.

Going ahead, Canada's investments in India are expected to double to USD 3 billion in the coming times. The investments are expected to fuel-in sectors like Clean energy, Agri-machinery, Climate change, Advanced manufacturing; Agri-food; Clean technology; Digital industries; and Health and bio-sciences.

In a nutshell, Canada can benefit from investing in India due to its innovation expertise in Research and Development, funding industry, among others. Further, Canadian companies



have huge scope for development in India for sectors like Food and food systems; sustainable methods of accessing energy and mineral resources from unconventional sources; cybersecurity; machine learning and artificial intelligence; nanotechnology; bio-products; bioenergy, fuel cells and nuclear energy.

As India is moving ahead as the front runner in growth of its economy, Canada as a trading nation can truly transform into a sustainable partner for trade and economic growth. Based on the trade direction and complementarities, India and Canada holds continuously invigorating complementarities in each other's market.

Focusing on accentuating trade will further increase the intensity of both nations in each other's economy. Both the nations should focusing on the reviving the investment growth. India's inordinate and skilled human capital highly aligns with the technological capabilities of Canada whereas Canada is competent in rendering infrastructural necessities to India, especially in logistics, agriculture equipments and construction sectors.

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The Research Bureau has been instrumental in forecasting various lead economic indicators national and sub-national. Many of its research reports have been widely covered by media and leading newspapers. Recently, the Research Bureau has undertaken various policy projects of Government of India including Framework of University-Industry Linkages in Research assigned by DSIR, Ministry of Science & Technology, Study on SEZ for C&AG of India, Study on Impact of Project Imports under CTH 9801 for C&AG of India and has attracted a World Bank Project on free trade zones.

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## Studies undertaken by PHD Research Bureau

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