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By Kr. Aditya



India, Canada relationship getting tense: Can it impact trade relations?

3 min read • 19 Sep 2023, 02:48 PM IST

Livemint, Edited By [Nishant Kumar](#)

The India-Canada relationship hits new lows as both countries expel diplomats over accusations related to a Khalistani terrorist Hardeep Singh Nijjar. Trade may not be impacted.



WHAT'S HAPPENING?



Trade talks between India and Canada have taken a hit as tension rises after Prime Minister Justin Trudeau said authorities were investigating "credible allegations" **linking New Delhi's agents to the murder of Sikh separatist leader, Hardeep Singh Nijjar.**

On Tuesday, New Delhi dismissed the allegations as "absurd", and asked Canada instead **to crack down on anti-India elements operating in its territory.**

KEY ITEMS OF TRADE?



Steady growth has seen goods trade rising to \$8 billion in 2022, with Indian exports to Canada touching **\$4 billion** and imports from Canada also worth **\$4 billion**.

Major imports from Canada include **energy products such as coal, coke, besides fertilizers,**

While India exports consumer goods, garments, engineering products such as auto parts, **aircraft equipment and electronic items.**



Canada's top export to India in 2022 were fossil fuels and related products worth nearly \$1 billion, followed by fertilizers worth nearly \$748 million, and wood pulp and plant fibres worth about \$384 million.

Canada's Canpotex is also among the biggest suppliers of fertilizer ingredient potash.

Three companies from India, which relies solely on the import of the fertilizer, signed an MoU with Canpotex in September 2022 to import about 1.5 million metric tonnes annually for three years.



Pharmaceutical products, worth about \$418 million, made up the bulk of Indian exports last year, followed by iron and steel products worth about \$328 million and **machinery, nuclear reactors and boilers worth about \$287 million.**

India's growing demand for imported lentils has benefited Canadian farmers, while Indian **pharmaceutical and software** companies **have expanded their presence in the Canadian market.**

HOW ARE TRADE TALKS AFFECTED?



Canada said this month it had paused talks on the proposed treaty with India, **just three months after both said they aimed to seal an initial pact this year.**

Industry estimates show the Comprehensive Economic Partnership Agreement (CEPA) between Canada and India **could boost two-way trade by as much as \$6.5 billion,**

Yielding a GDP gain of \$3.8 billion to \$5.9 billion for Canada by 2035.

WHAT'S THE INVESTMENT POSITION?



India was Canada's **ninth-largest trading partner in 2022.**

Canada is India's 17th largest foreign investor, pouring in more than \$3.6 billion since 2000, while Canadian **portfolio investors** have invested billions of dollars **in Indian stock and debt** markets.

The Canadian pension fund, CPP, had increased its investment in Indian markets to about \$15 billion, in areas **such as real estate, renewables and the financial sector** by the end of **last fiscal year in March 2023.**



Other big pension funds with sizeable exposure to India include Caisse de dépôt et placement du Québec (CDPQ), which has investments worth C\$8 billion (**\$6 billion**) as of Dec. 31, 2022,

And Ontario Teachers' Pension Plan (OTPP), which had investments of more than **\$3 billion** as of last year.

HOW HAVE CORPORATES BENEFITTED?



More than 600 Canadian companies, including Bombardier and SNC Lavalin, **have a strong presence in India,**

While more than 30 Indian companies, such as infotech majors TCS, Infosys, Wipro have invested **billion of dollars in Canada, creating thousands of jobs.**



Company	CPPIB take	Stake value
Delhivery	6%	Rs 1,878 crore
Kotak Mahindra Bank	2.68%	Rs 9,582 crore
Zomato	2.37%	Rs 2,078 crore
Paytm	1.76%	Rs 973 crore
Indus Towers	2.18%	Rs 1,085 crore
Nykaa	1.47%	Rs 625 crore
Wipro	Not disclosed	\$11.92 million
Infosys	Not disclosed	\$21.7 million
ICICI Bank	Not disclosed	\$10 million









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Mahindra's Canada-based associate firm Resson Aerospace shuts down

Mahindra & Mahindra held an 11.18 per cent stake in Resson, which had initiated voluntary winding-up procedures.

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SO WILL THE TRADE BE IMPACTED?



Experts believe the fresh tensions between India and Canada are unlikely to impact trade and investments between the two countries as economic ties are driven by commercial considerations.

Experts point out that India and Canada do not compete on similar products but trade in complementary products so trade relationships may not be affected by these events.

ROLE OF INDIAN STUDENTS IN CANADA?



Since 2018, India has been the largest source **country** for **international students in Canada.**

In 2022, their number rose 47% to nearly 320,000, accounting for about 40% of total overseas students, **the Canadian Bureau of International Education** says,

Which also helps universities and colleges **provide a subsidised education to domestic students.**

IMPLICATIONS FOR SIKHS?



Many analysts say the worsening ties could affect the economic interests of thousands of Sikh families **in India's Sikh-majority state of Punjab in the north,**

Since they have relatives in Canada, who remit millions of dollars back home.

The share of Canada's Sikh population has **more than doubled in 20 years to 2.1%**, according to the country's 2021 census, as large number of Sikhs migrated from India in search of higher education and jobs.

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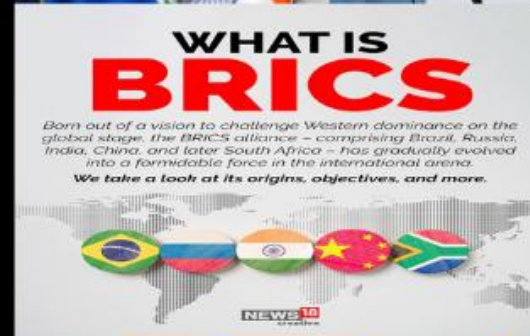


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