



Analysis of trade between India and Canada

Aarnav Chudasama

Abstract

The Comprehensive Economic Partnership Agreement between Canada and India have been going since 2010. The agreements are on reduction on the trade barriers and changes in the business environment. Canada aims to reduce the red tape it faces in India, this would mean them having greater access to the Indian technical sector and aimed to build a base in India which could help them gain greater access to the Asian market. It is projected that the gain from the removal of barriers to real market access to both countries – around C\$6 billion and US\$ 15 billion for Canada these gains will be divided between many sectors. The export rise from the bilateral trade is estimated to be from 32% to 60 % for India and 39 % to 47% for Canada.

Keywords: Comprehensive Economic Partnership Agreement ,International Trade , India Canada

Objectives of the study

The primary objective of the study is to analyse the trade between India and Canada and examine the positive impacts of Comprehensive Economic Partnership Agreement (CEPA) on the trade link between India and Canada.

Author correspondence

Aarnav

Ahmedabad international school

aarnavchudasama@gmail.com

Introduction

Canada's position has deteriorated from 21st rank to 33rd rank in India's total trade. Accordingly, the terms of trade between India and Canada have reduced substantially over the reference period and for the same period, Canada enjoys favourable terms of trade. With respect to the sectoral composition of trade, secondary sector has the major share in the total exports of India to Canada. In the case of Canada, the trade is driven by export of primary goods, which is definitely against the national pattern. (Tantri Aulakh, 2019)

Canada can help guide and transform India , if Canada invests it can gain as India strength in research and development will lead to increase in efficiency in production or energy that will further be used by candida also.(India-Canada Relations: Strengthening and Streamlining the Trade Dynamics, 2018). We also learn from recent success with the CEPA agreement with Japen and India that how such agreements have helped both economies prosper and grow, it has helps increase the pace in technology advancement , India has also benefited from a trade creation. (Varma1 Gautam2 , 2017)

In recent times India and Canada have been involved in the activity to enhance bilateral cooperation in many areas like trade and investment, education, science, technology and innovation, environment and energy. The implication of CEPA will benefit both the countries. The sector to benefit from this the most will be textile and wearing apparel in India because of the reduction in tariffs while manufacturing and equipment will benefited for Canada. As a result in India will also experience a welfare gain. (Mukhopadhyaya, Thomassin , Chakraborty, 2013)

Notwithstanding The formalisation of CEPA has been delayed as Canada is the win-win scenario predicted by the study. Pushing India to first accept and sign the Security and Promotion of Foreign Investment from Canada-India (FIPA) Agreement, (The Hindu, 2016).

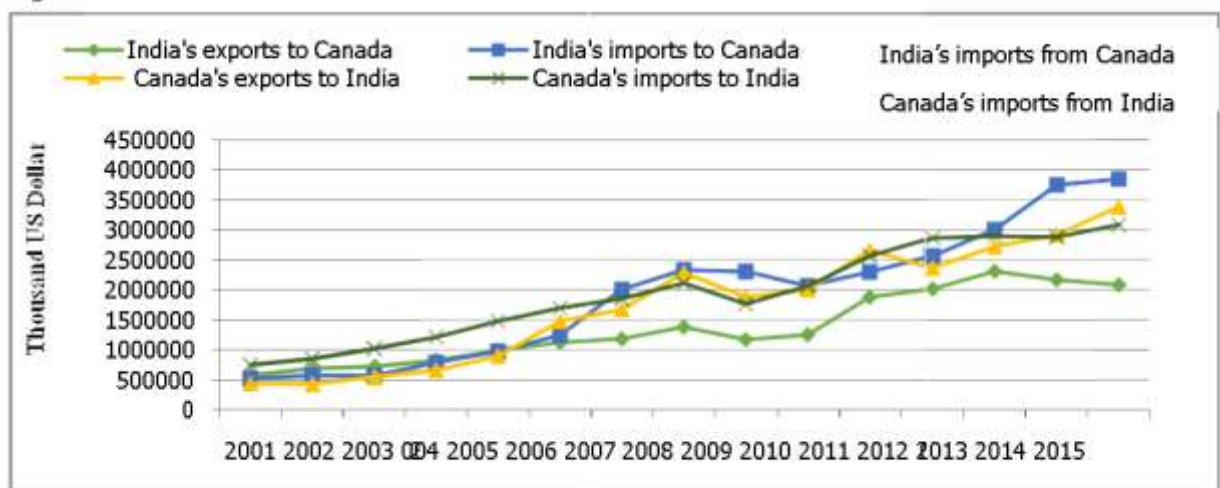
Research method

The research is descriptive in nature and is built on secondary sources of data acquired from different Newspapers, relevant websites, books and journals for further making the research more effective. The paper uses an analytical approach throughout the paper to come up with a conclusion.

Attributes of bilateral between trade India and Canada

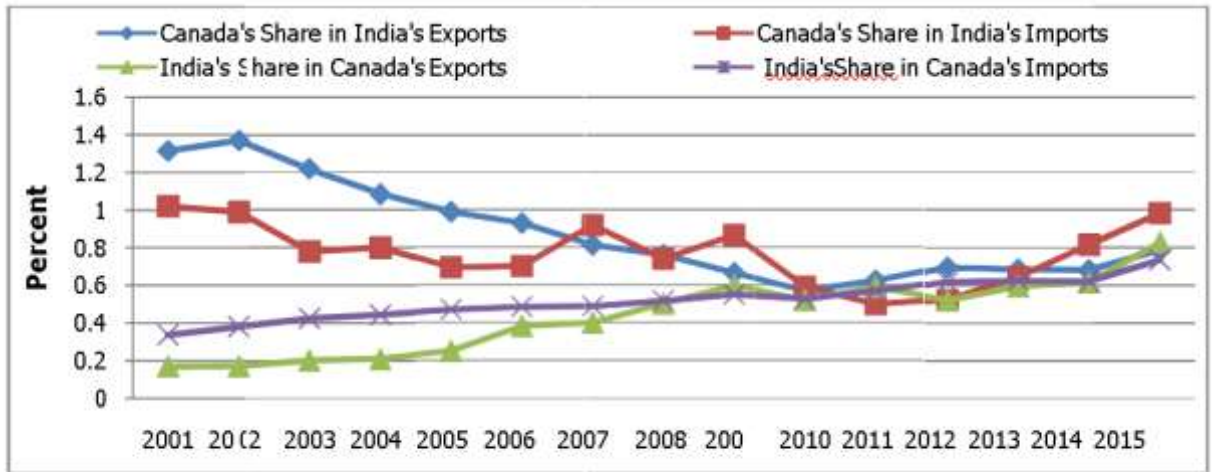
The international trading between both nations has been on a steady rise (figure 1), however the patterned growth rates of India's trade with Canada, 10.19% export and 16.8 % imports, were lower than the general growth rates of India trade with other countries of 16.3% exports and 18.41 % imports. However Canada's trade with India , 16.3% and 18.41% imports, were higher than the growth of overall trade , 4.08% exports and 5.23 % imports . Adding on Canada's share in India's trade is in grater then India's share in Canada's trade basket. (Figure 1) . Canada's rank in India's total exports and imports has reduced substantially from 21st rank in 2001 to 33rd in 2015 in contrast India's rank in Canada's exports and imports has improved from 19th in 2001 to 5th in 2015, showing a growth in India's trade relation with Canada. (Tantri Aulakh, 2019) \

Figure 1 Trends in Bilateral Trade Relation of Canada and India



Source: Calculated from the data extracted from International Trade Centre

Figure 2 Trends in Bilateral Trade Relation of Canada and India

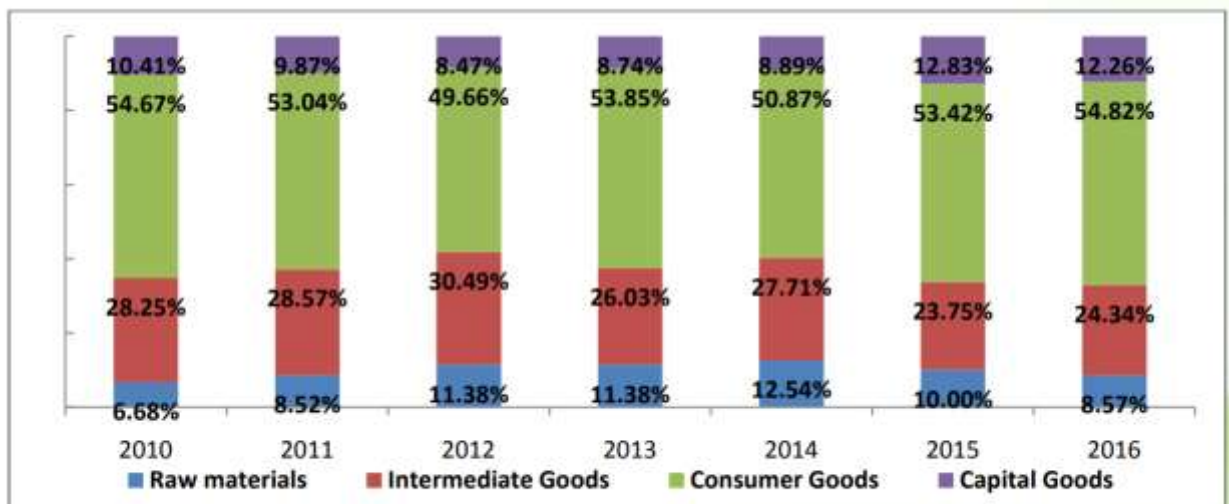


Source: Calculated from the data extracted from International Trade Centre

Sectoral Composition

The top 20 products in the total two way trade of India to Canada is 78% and Canada to India makes up for 79 % of the total exports. (Tantri Aulakh, 2019)

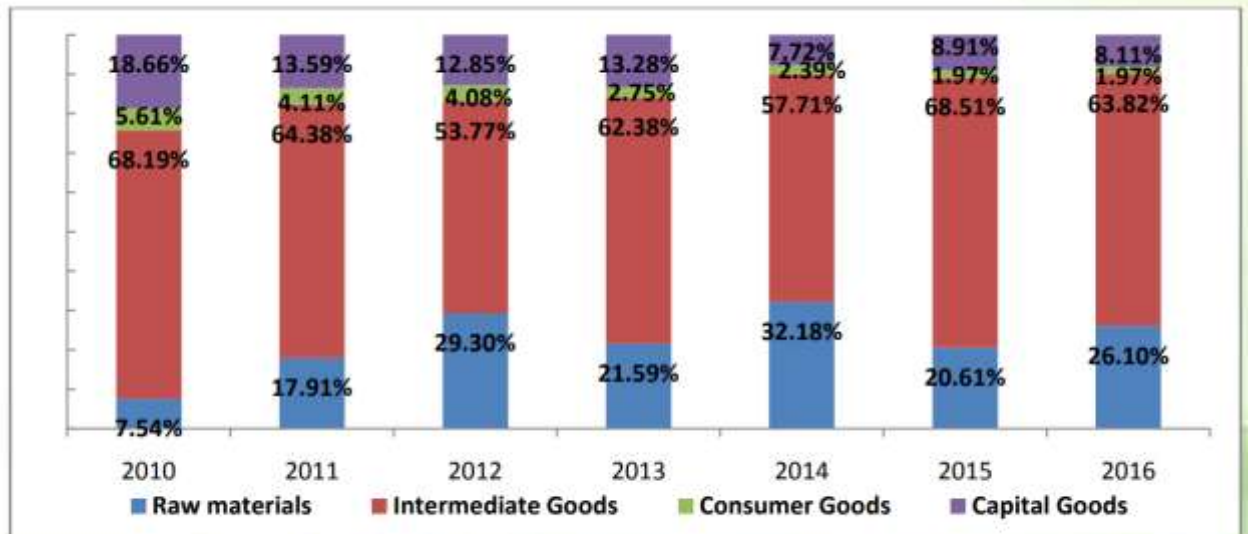
Graph 1 India’s export pattern with Canada (Based on level of Processing)



Source: PHD Research Bureau; Compiled from TradeMap Database

There has been a rise in trade in these products from 2001 to 2015. The trade trend between India and Canada shows that large part of India’s export to Canada are consumer goods , 25 % are intermediate goods , 12 % are capital goods ad 8 % are raw materials. Further the greatest proportion of India’s import from Canada were intermediate goods approximately of 64 % , raw materials 26 % and capital goods 8% and 2 % consumer goods.(India-Canada Relations: Strengthening and Streamlining the Trade Dynamics, 2018).

Graph 2 India's import pattern with Canada (Based of Level of Processing)



Source: PHD Research Bureau; Compiled from TradeMap Database

Analysis

With using the GTAP version 7 for this study we can further analyse the impact of the CEPA agreement. In BAU (business as usual) scenarios , the future economy is predicted without implanting the tariff reductions (ceпа agreement) we see the different percentage differences in the output levels of various countries till 2030. We see that the highest growth is achieved by China and the lowest growth is of the EU_27.

Table 1 Output growth of India and Canada and other regions of the world: BAU vs. Tariff reduction scenario (%)

	BAU 2010-20	BAU 2020-2030	BAU 2030-Tariff reduction scenario at 2030
Canada	35.86	21.08	3.48
Rest of OECD	27.12	13.38	2.33
USA	23.44	14.77	-2.33
Rest of Asia	59.12	51.03	0.70
China	105.97	87.65	8.01
India	69.25	80.36	6.14
EU_27	25.65	8.09	8.11
Rest of the world	73.80	51.36	-5.63
Total	40.03	30.56	2.51

India's main export gains are from manufactured products and services , for Canada the gains in export are widely spread across products from chemical to agricultural and many more. From this activity we see that there is a positive impact on the energy industry in Canada, but not a very big impact. On the other hand because of growth in pollution concentrated industries there will be a negative impact on the environment in India. In table it is explained how tariff reductions has had an effect on the welfares levels amongst other countries as well.

Table 3 Welfare implications due to proposed trade agreement between India and Canada (in million USD)

	BAU 2010-20	BAU 2020-30	Additional welfare generated due to tariff shock at 2030
Canada	356245.9	386505	524
Rest of OECD	1852800	1554068	-26.8
USA	2779716	2518322	-68.8
Rest of Asia	804398.8	1175480	-39.7
China	1914538	2891969	-79.1
India	517630.1	984688.7	460.5
EU_27	2957849	1943208	-82.1
Rest of World	3194483	5166469	2.8
Total	14377661	16620710	690.9

(Mukhopadhyaya, Thomassin, Chakraborty, 2013)

Conclusion

It is evident that the CEPA agreement will be beneficial for both economies, both countries experience a increase in welfare after the trade reduction and see a higher output growth after implementation of CEPA. India should further focus on reducing tariffs imposed on products like Bovine cuts boneless, frozen, Refined cane or beet sugar, solid, without flavouring or colouring matter, Cashew nuts, without shell, fresh or dried, Groundnuts, shelled, whether or not broken, as these are products Canada are highly imported this will give India a chance to increase its presence in the Canadian market for agricultural and food (Trade Promotional Council of India, 2016). In the future the trade between Canada and India is evident to rise, having complementary exports that will benefit both economies grow faster. India should take full advantage of the CEPA agreement which will further help increase the international competitiveness of the India, will have positive impacts on the economy.

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