

India-Canada trade and financial flows

Escalation/prolonging of tensions between India and Canada may lead to commercial and economic implications for both countries

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Though Canada does not form a major part in India's merchandise and services trade, India's import dependency on Canada is for newsprint, pulses, and fertilisers.

ICRA has analysed the trade, financial flows and bilateral agreements between India and Canada. The two countries do not form a major part in each other's overall trade flows. However, a considerable portion of India's imports of newsprint, pulses, and fertilisers are sourced from Canada. Indian exports of textiles, agricultural/marine products and paper products to Canada are significant. In terms of financial flows, Canada contributes marginally in the overall pie of FDI equity inflows, FPI and remittances to India. However, for the Canadian Pension Plan Investment Board, India is the 5th largest foreign investment destination. According to the Ministry of External Affairs, the Canadian Pension Funds have cumulatively invested around USD 55 billion in India. Escalation/prolonging of tensions between India and Canada may lead to some commercial and economic implications for both the countries.



Merchandise trade

- Canada's share in the total Indian merchandise imports (FY2023) stands at a mere 0.6%. However, India is dependent on imports from Canada of newsprint, waste-paper, pulp, pulses and fertilisers.
- On the other hand, India's share stands at ~1% in Canada's total imports and exports. Indian textile, agricultural/marine product imports and paper products exports are significant for Canada.



Services trade

- Canada's share in India's total services exports remains low at ~1% in the past five years.
- However, the share of services imported from Canada has steadily increased to 3.5% in 2022.

Canada contributes marginally in the overall pie of FDI equity inflows, FPI and remittances to India.

However, for the CPPIB, India is the 5th largest foreign investment destination. Canadian Pension Funds (including CPPIB) have USD 55 billion of investments in India.

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FDI, FPI and remittances

- Canada is the 17th largest country for Foreign Direct Investment (FDI) inflows into India, contributing less than 1% to the total pie.
- It remains the 8th largest country for India for Foreign Portfolio Investors (FPI) with 3% share in total FPI inflow.
- It accounts for ~4% of India's migrant stock and remittances to India.



Canadian Pension Plan Investment Board (CPPIB)

- The CPPIB has made investments in ~70 entities in India as on March 2023.
- Canadian Pension Funds (including CPPIB) have cumulatively invested around USD 55 billion in India.



Bilateral agreements and Memorandum of Understanding (MoU)

- There have been agreements and MoUs between the two countries to improve trade, collaboration for science, technology, innovation etc and bilateral investment.



Corporate presence

- According to the Ministry of External Affairs, more than 600 Canadian companies have their presence in India and more than 1,000 Canadian companies are actively pursuing business in the Indian market.
- Major Indian IT companies are present in the Canadian market. On the other hand, significant investments have been made by the Canadian entities in the Indian market.



- The recent diplomatic tensions between India and Canada have not yet impacted their trade and investment relations. However, any escalation in/prolonging of tensions between countries may lead to economic and commercial implications.



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