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Canadian Trade and Investment Activity: Canada–India

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The Library of Parliament ***Trade and Investment*** series provides information on Canada's trade and investment relationship with selected countries. Particular attention is paid to bilateral merchandise trade, trade in services, and foreign investment. These publications are prepared by the Parliamentary Information and Research Service, which carries out research for and provides information and analysis to parliamentarians and Senate and House of Commons committees and parliamentary associations.

Merchandise Trade

Although India ranks as one of Canada's leading export destinations, it is not a major trading partner for Canada considering its population size and rapid rate of economic growth. Canada's bilateral merchandise trade with India totalled \$4.1 billion in 2009, consisting of \$2.1 billion in Canadian exports to, and \$2.0 billion in imports from, India.

India was Canada's 10th-largest export destination in 2009 and the fourth-largest in Asia. It was also Canada's seventh-largest source of imports from Asia and the 19th-largest worldwide.

Trade with India is growing rapidly relative to Canada's overall trade growth, especially in respect of exports. Even considering the decline in exports in 2009, Canadian exports to India have averaged 20% growth per year since 2004.

Saskatchewan is by far Canada's largest provincial exporter to India. Total exports from that province were valued at \$976 million in 2009. The next-largest provincial exporter, Ontario, sold \$423 million in goods to India in that year.

Saskatchewan, Ontario and Alberta are Canada's fastest-growing provincial exporters to India. In particular, exports from Saskatchewan have averaged 39% growth per year since 2004.

Figure 1

Merchandise Trade

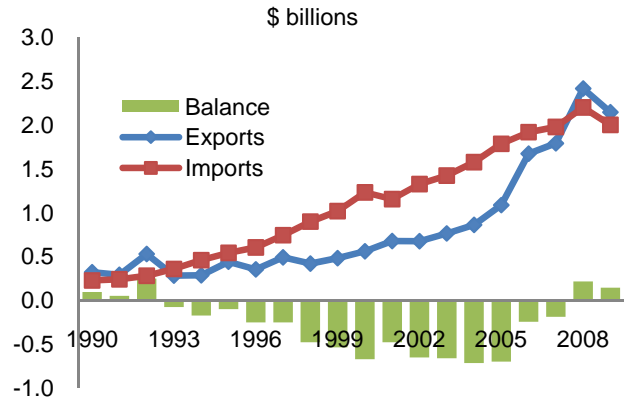


Figure 2

Importance to Canada

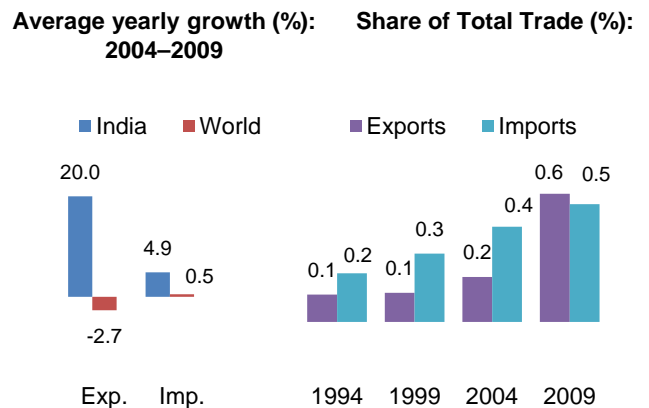
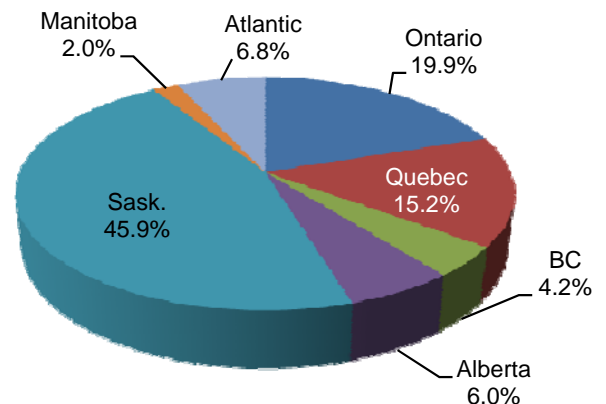


Figure 3

Exports by Province – 2009



All figures were prepared by the author using annual data from Statistics Canada. The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.

Products

Canadian exports to India in 2009 were approximately evenly divided between resource-based products and manufactured goods. Resource-based goods accounted for 53% of Canadian exports to India that year, down from 58% in 2004.

Although manufactured products make up a growing share of total exports to India, Canada's largest, and fastest-growing, major export product is pulse crops, specifically – peas and lentils. Exports of those goods grew from \$107 million in 2004 to \$536 million in 2009 and now account for one-quarter of all exports to India. Potash exports also expanded rapidly over that period; potash has become Canada's second-largest export to India by value. Wood pulp and gold are also among Canada's leading exports to India.

For its part, India's main exports to Canada are manufactured products, especially clothing, linens and other textiles, and organic chemicals. Diamonds are also an important Canadian import from India.

Canada had balanced trade with India, or was a net exporter, in most product categories in 2009. The one exception was in clothing and textiles (included in the "Other" category in Figure 6), where Canada was a significant net importer.

Figure 4

Major Export Products

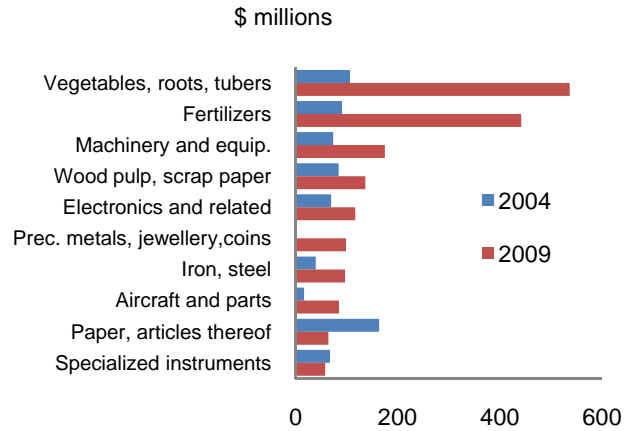


Figure 5

Major Import Products

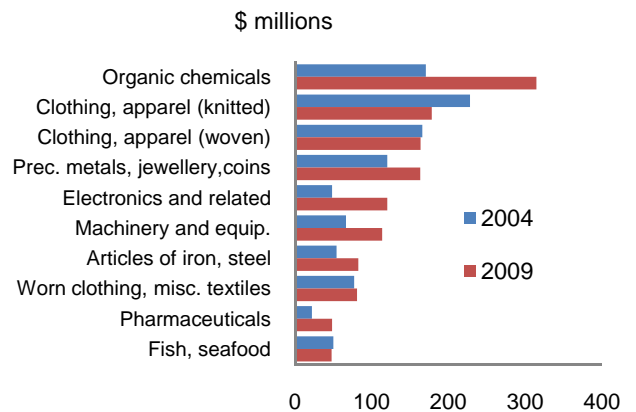
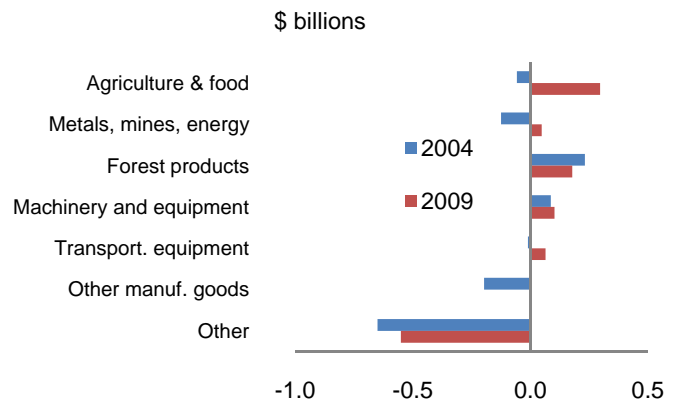


Figure 6

Balance by Category



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Services and Investment

Canada does not have a well-developed services trade relationship with India. In 2007, the most recent year for which data are available, Canadian services exports to India totalled \$324 million, while services imports were valued at \$421 million.

Services trade between Canada and India has grown rapidly in recent years, however, more than doubling from 1997 to 2007. Canada has seen strong growth in exports of travel services as well as transportation and government services over that period. By contrast, commercial services have accounted for much of the growth in services imports from India, as an increasing number of companies outsource business services operations to that country.

Until recently, Canada and India were not major mutual sources of foreign direct investment (FDI). However, the 2007 purchase of Algoma Steel by an Indian interest made India an important investment presence in Canada. Combined with other Indian acquisitions since that time, the total stock of Indian FDI in Canada reached \$3.0 billion in 2009, making India the 13th-largest source of FDI in Canada in that year.

Canadian investment in India is also growing, but is well below the level of Indian FDI in Canada. Canadian investment in India was valued at \$601 million in 2009.

Figure 7

Services Trade

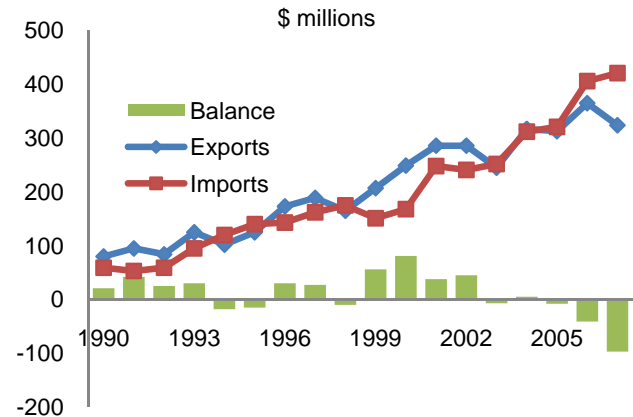


Figure 8

Services Trade by Type – 2007

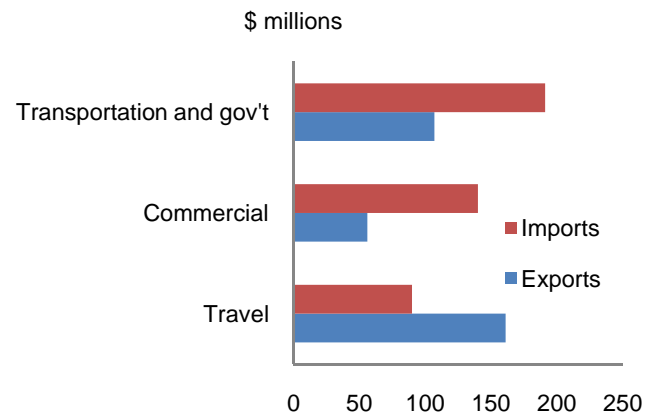
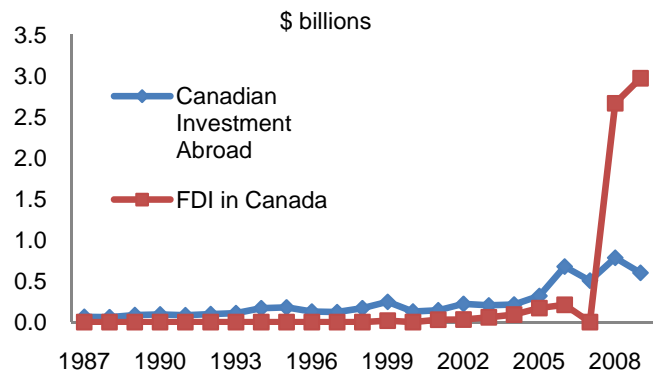


Figure 9

Foreign Direct Investment



All figures were prepared by the author using annual data from Statistics Canada.

The merchandise trade data are customs-based; the services trade and foreign direct investment data are balance of payments-based.