

1. INTRODUCTION

Indo-Canadian trade relations are governed by the General Agreement on Tariffs and Trade (GATT). India is also a beneficiary of Canada's Generalized Preference Scheme (GSP), a system of tariff levels which gives India preferential access to the Canadian market.

The development of Indo-Canadian trade relations dates back to the early days of Indian Independence. Since then, bilateral trade has grown rapidly at least ten-fold, from a mere \$68 million in 1950 to about \$600 million in 1988. This declined to about \$528 million in 1989. The range of goods has expanded to include hydraulic turbines, asbestos, potash, pre-fabricated structures, wood pulp, petroleum products, coffee, gemstones, spices, oriental carpets and generator parts. In the recent years, some major projects calling for expertise and equipment supply in the fields of energy and mining development, telecommunications, oil and gas and automotive components, among others, have contributed to a stronger economic relationship.

Some of the organizations involved in the trade include the Government of India (GOI)-owned State Trading Corporation (STC), Minerals and Metals Trading Corporation (MMTC), Oil and Natural Gas Commission (ONGC), Oil India Limited (OIL) and the Coal India Ltd (CIL).

Also, there are several Indo-Canadian joint ventures in India encompassing such range of manufactures as farm tractors, footwear, non-ferrous metals, water and waste treatment systems, poultry breeding, non-woven fabrics and hard gelatine capsules. The joint venture trend received a boost following the 1987 Memorandum of Understanding (MOU) on industrial and technological collaboration. The growth of Indo-Canadian trade relations is signified in the setting up of the Canada India Business Council (CIBC) in Ottawa in 1983 and the reciprocal Indo-Canadian Joint Business Council (ICJBC) in New Delhi by the Federation of Indian Chambers of Commerce & Industry (FICCI). Similarly, the Confederation of Engineering Industry (CEI) and the Indian Electrical & Electronic Manufacturers' Association (IEEMA) have signed protocols with their respective counterpart organizations in Canada for collaborative endeavours.

In order to service the increasing trade relations and recognizing the growth potential, the Government of Canada recently upgraded its trade office in Bombay to the level of a Consulate. Also, the Government of Ontario opened its own trade office in New Delhi in July 1988.

1.1 Evolution of Countertrade

India has conducted its trade relations with other countries in a wide variety of ways including through the traditional bilateral relationship such as with Canada. With East European countries, especially with the Soviet Union, such trade has been carried on through bilateral agreements extending over a three-to-five year periods envisaging import of goods against export of Indian products on non-convertible, rupee-payment basis. Nearly 20% of India's world exports have been to these East European countries on this basis. Over the years, however, with the balance of trade unaccomplished for a variety of reasons, Indian rupees in favour of the East European countries have accumulated to a significant degree. Also, these countries have very little to offer to India by way of technology or capital equipment to meet its requirements for modernization.

At the same time, in recent years, India's exports to hard currency and other convertible currency areas had tended to peak. Imports of high technology equipment and accessories as well as oil have however received significant boost, consistent with the GOI's rapid industrialization programme, particularly after 1984. This has naturally resulted in a serious foreign exchange crunch, accentuated further by the frequent increases in oil prices and the falling remittances from Non-Resident Indians (NRIs), particularly as a result of the 1990 Gulf crisis, and earnings from tourist traffic caused by political uncertainties in India. The situation got worse by the constant erosion of the rupee value vis-a-vis hard currencies, the rising debt now totalling to about \$45 billion and the debt service ratio at 20%. Table 1 provides the statistics on India's foreign trade from 1986-87 to 1989-90.