

CANADA-INDIA COMMERCIAL RELATIONS

By Roger Myott

Canada and India have made substantial progress in the past several years in increasing economic co-operation. India is Canada's fifth largest market in Asia, with two-way trade at \$600 million a year. Since the inception of CIDA assistance to India in 1951, Canada has provided \$1.8 billion in loans and grants to the Government of India. The Canadian Export Development Corporation is also active in India.

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

The development of Canadian-Indian trade relations dates from the early days of India's independence. Since then, bilateral trade has grown significantly - from \$68 million in 1950 to over \$600 million in 1988. Currently, Canada's major exports to India include wood pulp, sulphur, canola oil, railway rails, and asbestos, as well as generator parts, computers, earth drilling machinery, and a wide range of other manufactured goods. India is an important source of Canadian imports for oriental carpets, clothing, petroleum products, gemstones, coffee and spices. Although existing trade patterns reflect a dependence on primary and semi-processed commodities, both countries have been attempting, with considerable success, to increase the proportion of processed and finished goods in their total exports.

The Indian Government, in one form or another, is the major customer for a sizeable percentage of Canada's exports to that country. Most commodities are "canalized" through government trading agencies such as the Minerals and Metals Trading Corporation and the State Trading Corporation. Other important public sector purchasers include the Oil and Natural Gas Commission, Oil India Limited, the central and state power authorities, the Steel Authority of India Ltd., Hindustan Zinc Ltd., Hindustan Copper Ltd., and Coal India Ltd. In order to provide the assurance of a more stable market, Canada and India have concluded a number of long-term contracts for commodity supply.

The economic relations between Canada and India received a boost in August 1984 with the signing of commercial contracts and a \$650 million EDC/CIDA loan agreement for the 540 MW Chamara Hydroelectric Project located in Himachal Pradesh. Another EDC/CIDA funded \$198 million Financing Facility for the Oil and Gas Sector was signed in September 1988. Yet a further boost to our economic relations occurred with the signing of a \$166 million contract between the Canadian Commercial Corporation and Coal India Ltd. on January 12, 1989 in Calcutta. The project for expansion of the Rajmahal Open Cast Coal Mine in Bihar State will be supported by EDC. Other sectors offering excellent potential for the sale of Canadian goods and services are power distribution, telecommunications, mining, material handling, transportation, oil and gas equipment/services, electronics and defence.

Joint ventures and other forms of industrial collaborations also represent an area of increasing activity. Up until 1980 there were 40 Canada-India joint ventures in various fields such as farm tractors, non-ferrous metals, footwear, consultancy, poultry breeding, etc.

To be able to service the increasing trade and economic activities, Canada opened a trade office in Bombay in 1986. The Government of Ontario opened a trade office in New Delhi in July 1988.