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Electronic version

URL: <http://journals.openedition.org/eccs/273>

DOI: 10.4000/eccs.273

ISSN: 2429-4667

Publisher

Association française des études canadiennes (AFEC)

Printed version

Date of publication: 1 December 2013

Number of pages: 81-95

ISSN: 0153-1700

Electronic reference

Claire Heuillard, « Enhancing Trade Relations between Commonwealth Members: the Case of Canadian and Indian bilateral trade », *Études canadiennes / Canadian Studies* [Online], 75 | 2013, Online since 01 December 2015, connection on 02 May 2019. URL : <http://journals.openedition.org/eccs/273> ; DOI : 10.4000/eccs.273

ENHANCING TRADE RELATIONS BETWEEN COMMONWEALTH MEMBERS: THE CASE OF CANADIAN AND INDIAN BILATERAL TRADE

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Cet article étudie le faible niveau du commerce bilatéral entre le Canada et l'Inde au cours de la seconde moitié du XX^{ème} siècle, et analyse la dynamique des relations actuelles. Tandis que le choix de non-alignement de la part de l'Inde engendra des tensions géopolitiques complexes à l'origine de barrières entre ces deux pays durant la Guerre Froide, l'intensification de la mondialisation au XXI^{ème} siècle les a conduits à envisager de nouveaux partenariats stratégiques. Cet article met l'accent sur la nécessité d'améliorer la compréhension mutuelle, afin d'éviter de compromettre les efforts considérables qui ont été faits ces dix dernières années pour développer le commerce bilatéral.

This article examines the surprisingly low levels of bilateral trade between Canada and India throughout the late 20th century and explores the dynamics of present-day relations. While India's choice of non-alignment created complex geo-political tensions that pulled the two countries apart throughout the Cold War, the appearance of 21st century global trade networks has been driving the two to seek strategic partnerships. The article emphasizes the need to improve mutual understanding in order to avoid jeopardizing the significant efforts that have been made to increase bilateral trade over the past ten years.

In spite of the huge trade potential on offer within an organization comprising one-third of the world population, enhancing commercial interests has never been one of the explicit aims set out by the Commonwealth. Nonetheless, trade between members has always been significant. In 1949, British trade in goods with the Commonwealth represented roughly 40% of the UK's total international trade. However, the level gradually declined as Britain turned increasingly towards its European partners. By 2011, UK exports to the Commonwealth area had been reduced to 10.6% of UK international exports, and Commonwealth merchandise only represented 8.8% of UK imports (ALLEN 2012: 8).

Britain's waning interest in her historic partners does not, however, signify a systematic erosion of Commonwealth trade; the zone continues to represent a sizeable proportion of world trade. In 2011, Commonwealth trade as a percentage of total world trade in goods stood at 18% compared with 22% in 1960 – a fairly moderate decline. Equally striking is the geographic distribution of that trade; a very small number of countries account for the vast majority of trade today. Six countries – Singapore, India, Malaysia, Australia, Britain and Canada – represent 84% of intra-Commonwealth exports and within that group,

the UK, Canada and India form a subset that makes up 36.83% of exports (SANDERS 2012: 4).

While it is true that the United Kingdom continues to act as a trade magnet for many of its former colonies, the ties between other Commonwealth members tend to be more tenuous. Trade relations between Canada and India are a case in point. Deep historic links and enormous growth potential failed to spark Canada-India bilateral trade which remained under-developed throughout the Cold War period.

However, the appearance of 21st century global trade networks has breathed new life into old friendships and Canada's historic Commonwealth partner is now driving growth at a worldwide level. With India poised to become the world's third-largest economy in GDP terms by 2030 and set to match the American economy by 2050 many admirers are seeking to rekindle relations with this emerging giant through the creation of new trade agreements. Although the UK's EU membership prohibits it from independently negotiating trade agreements, making the dream of creating a Commonwealth Free Trade Zone a legal impossibility, this obstacle in no ways precludes the adoption of bilateral agreements by other member countries. Today Canada is in the starting line-up of countries seeking new synergies with India through the adoption of a comprehensive economic partnership agreement.

Yet given the deep historic links between Canada and India and their leadership within the Commonwealth both in diplomatic and economic terms, it seems curious that these two countries have dawdled over making their bilateral trade a priority. Why has it taken Ottawa so long to recognize India as a potential source of growth for the Canadian economy? This article seeks to assess the changing landscape of Canada-India trade relations and to examine the dynamics behind the relationship. First, a brief overview of historic trade flows between Canada and India will be given in order to delineate past characteristics and the features of trade that still resonate today. Next, recent trends in the Canadian-Indian relationship in the context of Indian economic liberalization will be explored. Lastly, an attempt will be made to identify some of the forces at the heart of bilateral trade relations by shedding light on the roles of Commonwealth heritage and geo-strategic interests.

1946-2001: Strained Beginnings

Canada and India are often portrayed as sharing a special relationship. This image springs from memories of the early political support tendered by Ottawa towards the embryonic India state. As early as 1946, before India even

acceded to independence, Canada endorsed the fledgling nation by appointing a High Commissioner to India. Over the following years Ottawa worked alongside India on the international scene on numerous occasions. Yet despite countless signs of diplomatic cooperation, Canada-India trade never managed to bloom.

In 1950, the two countries' bilateral trade represented only about 1% of total Canadian trade (ASSANIE et al. 2003: 7). At this stage in their economic development, rather than stimulating bilateral trade, their Commonwealth heritage left them mired in the remains of a traditional model that was difficult to escape. Both economies exported resource-based products to the UK in exchange for manufactured products while bilateral trade between the two former dominions was limited to specialty products (pulp and paper, sulphur and edible oils exported by Canada; tea and spices exported by India).

It was during the 1950s that Canada made its first attempts to modernize the structure of bilateral trade with India. As part of its Commonwealth cooperation, in January 1950, Canada set up an aid plan for India at a meeting in Ceylon. The Colombo Plan was based around development projects that would diversify Canada's export choices by focusing attention on infrastructure development such as power, transportation, environmental technologies and agriculture. A central component of this plan was the donation of a nuclear reactor to India in 1956. By providing this material, Ottawa hoped to create a niche market for Canadian technology in India, and the sale of two CANDU nuclear reactors to India in 1963 and 1966 initially appeared to confirm the success of this aim. Unfortunately no safeguards were adopted to avoid nuclear proliferation linked to the first reactor while only limited safeguards were imposed on the two subsequent reactors. When, in 1974, India tested a nuclear device at Pokhran, New Delhi was suspected of having used plutonium extracted from the first reactor in order to manufacture this device. Suddenly the success of Ottawa's trade strategy appeared more questionable. In response to this military use of civil technology, Canada cut off all nuclear cooperation with India.

This diplomatic conflict aggravated a decline in bilateral trade throughout the 1970s alongside other contributing factors. With the general economic climate degenerating in the wake of the first OPEC oil crisis, both countries began adopting protectionist policies in areas of emerging comparative advantage of the other. For instance, in 1976 textile imports from India were hit with Canadian quotas, which had been adopted in response to EEC and US quotas on textiles. Similarly, India was pursuing its policy of import substitution, largely by means of the adoption of tariff and non-tariff barriers that were among the highest in the world. Indian tariffs on non-ferrous

metals, iron ore and agricultural raw materials – all major Canadian export products – ranged from 2.5 to 5 times developing country averages. In addition to its import substitution policy, a further break was applied to bilateral trade by India's non-alignment policy, which contributed to a growing dependence on the Soviet bloc for technological goods. Canadian exports to India fell steadily throughout the Cold War and Canadian strategic trade interests in Asia were concentrated on Japan and China.

Unsurprisingly, the consequences for bilateral trade were dismal. Canadian products as a percentage of Indian imports went from 3.4% in 1950-51 to 7.4% in 1970-7 before plummeting to 2.6% in 1980-81 (ASSANIE *et al.* 2003: 7).

During the 1980's, bilateral trade waned further with India focusing on new partners while Canada continued to deepen its relations with the United States. During the Mulroney government, Canada's trade policy became centered on developing a free trade agreement with its southern partners in order to maximize the market for its commodities and develop vertical specialization projects. Little was done on the Indian side to encourage renewed trade; although some Indian import tariffs were lowered during this period, price controls persisted in many of the sectors where the Canadian economy held a comparative advantage (e.g. coal, fertilizers, non-ferrous metals, pulp and paper). Not surprisingly, trade relations with India dwindled to an all-time low, with Canadian International Development Agency (CIDA) projects becoming the key focus of bilateral relations.

It was not until India undertook serious reforms in 1991 that Canada once again showed interest in renewing trade relations. When India's international reserves plummeted and the economy nearly ground to a halt, New Delhi was obliged to seek help from the IMF. This was a turning point in Indian government policy as it sparked the realization that the subcontinent's economy would never experience significant growth without some form of economic reform. This epiphany led to a series of tariff reductions and the liberalization of the import licensing system.

For a few years, Canada once again looked to India for new commercial opportunities. A variety of government backed trade missions to India took place between 1994 and 1998 including one led by Prime Minister Jean Chrétien in 1996. In 1998, the Canadian Department of Foreign Affairs, Investment and Trade published the *India Trade Action Plan* that aimed to define priority sectors with comparative advantages for exports and proposed to double Canada-India trade by 2003.

The renewed interest was disappointingly short-lived. In May 1998, the Pokhran-II nuclear bomb explosion tests once again strained diplomatic relations, with Canada claiming that India had contravened the Non-proliferation Treaty and the Comprehensive Test Ban Treaty¹. Ottawa recalled its high commissioner in India and withdrew all non-humanitarian development aid; a total of \$54.5 million in aid was cancelled over five years and talks on trade expansion came to a halt.

The consequences for bilateral trade were immediate. Although there was a continual upward trend in Indian imports to Canada throughout the first decade of reform, Canadian exports to India actually dropped. Canada provided 2.6% of Indian imports in 1980-81: but only 1.3% in 1990-91 and 0.8% in 2000-1 (ASSANIE *et al.* 2003: 7).

It is worth noting that Canada's trade with India was not simply disappointing, but statistically low compared with that of other emerging economies. Between 1985 and 2000, Canada's exports to its eighteen top partners in emerging markets averaged annual growth of 13.5% while growth in exports to India averaged only 6.2% annually (ASSANIE *et al.* 2003: 11).

Other data confirm the fact that the two countries performed below potential. Using a gravity model² based on 2003 data for trade in goods, (MILNER 2008) set out to study the level of bilateral trade between 42 Commonwealth countries with the aim of establishing which countries showed the greatest scope for trade creation in areas of comparative advantage. Milner's study recognizes that distance constitutes a considerable obstacle to trade among Commonwealth countries, which clearly does not play in favour of Canada-India trade. However, even when distance is factored in, bilateral Canada-India trade emerged from the study as being one of the "pairs" of Commonwealth partners with the greatest potential for significantly increased bilateral trade (with the scope for improving trade estimated at over 20%).

Milner identified several factors that may have contributed to a surprisingly low level of bilateral trade in the early years of reform. First of all, in spite of the fact that both countries are members of the World Trade Organization (WTO) and trade takes place on reciprocated Most Favoured Nation terms, there was a considerable difference in the level of tariffs applied

¹ Relations were strained even further when Pakistan reciprocated with its own series of tests later the same month.

² Gravity modeling is a frequently used tool in trade analysis, which helps to compare the level of trade predicted by the model and the actual volume of trade between two partners. The basic premise is that economic mass and geographic distance between partners are the core variables influencing the volume of trade.

by the two countries at this time. In 2005, the average tariff (all goods considered) applied by India was 19.2% while it was only 5.5% in Canada (MILNER 2008: 37)³. Secondly, a number of non-tariff barriers could be identified as obstacles to bilateral trade, such as domestic subsidies, customs clearance times (which stood at 13.6 days in India in 2006, one of the slowest in the world) or insufficient transport structures causing costly delays.

Milner's general recommendation to all Commonwealth countries suffering from under-performing bilateral trade was the creation of intra-Commonwealth bilateral free trade agreements (FTA)⁴. Another possible solution would be trade facilitation i.e. stimulating the efficiency and effectiveness of domestic institutions, improving infrastructure, improving transport services and helping producers to hurdle non-tariff barriers by learning how to meet technical standards.

These are precisely the paths that successive Canadian governments after 2001 began to explore.

2001-2013: Breathing New Life into Old Friendships

Once the Pokhran-II storm had blown over and relations began to normalize between Ottawa and New Delhi, the Canadian government started nudging Canada-India relations to the forefront of policy through a series of talks and agreements.

This new orientation was first adopted under the Liberals. In March 2001, the Minister of Foreign Affairs, John Manley, announced that Ottawa planned to "pursue the broadest political and economic relationship with India [...] including industrial co-operation." (TOUHEY 2007: 745) Further signs of partnership were given in October 2003 when prime ministers Chrétien and Atal Bihari Vajpayee met in New Delhi where they issued a joint statement expressing their commitment to raising the volume of trade and investment between the two countries. Concrete measures were taken in the form of diplomatic representation with the appointment of a trade representative to Chennai and the creation of a consulate general in Chandigarh.

A subsequent joint statement was made in 2005, by Chrétien's successor, Paul Martin, once again highlighting the two countries' desire to

³ While this level was high, it is worth remarking that it had fallen considerably since its 1994 level of 82% before India joined the WTO.

⁴ For legal reasons, a Commonwealth-wide preferential FTA would be almost impossible to put into place. The WTO encourages regional trade agreements but the Commonwealth is not a region; it has worldwide reach across all continents.

improve cooperation in areas such as security and counter-terrorism, science & technology, the environment, as well as bilateral trade and investment. The emphasis on science and technology was significant because it indicated the strategies of both the federal and provincial governments to diversify exports towards value-added products.

Under the Conservatives, the need to enhance commercial relations with emerging markets has taken on priority status, with the hitherto neglected Indian economy attracting keen attention as the strategic importance of the BRICS (Brazil, Russia, India, China, South Africa) comes into focus. In April 2008, Prime Minister Harper stated that “Canada simply cannot afford to miss out on India’s phenomenal economic growth,” (Prime Minister of Canada official website) then later that year, the Canadian Council of Chief Executives and the Confederation of Indian Industry met and issued a statement entitled “*India and Canada: A New Era of Cooperation*” calling for both private sector engagement and regular government level meetings. Emphasis was placed on the need to establish a comprehensive free trade agreement, with the elimination of non-tariff barriers and the development of areas of complementarity.

With the onset of prolonged economic slowdown following the financial crisis, the need to boost trade with the world’s fastest growing economies has become ever more urgent. A 2010 Canadian Senate Committee report recognized that the rise of China, India and Russia had significant implications for Canada and recommended the government begin taking measures to encourage bilateral trade and improve business links with the three emerging economies.

Concrete measures have been taken to hasten growth in trade. In 2009, during Prime Minister Harper’s visit to India, the two countries announced the creation of a Joint Study Group, made up of Canadian and Indian officials, to explore the possibility of a Comprehensive Economic Partnership Agreement (CEPA) for all trade in goods and services. The Joint Study group estimated the potential for trade gains between the two countries at 0.4% of GDP for Canada and 0.5% for India if trade barriers were eliminated, i.e. a \$6 billion stimulus and the creation of 40.000 new jobs in Canada. CEPA negotiations were officially launched in late 2010.

Superficially, this new prioritizing appears to have had positive effects with Canadian merchandise exports to India increasing by 117% and imports increasing by 60% between 2005 and 2012. Overall, India is now Canada’s 15th largest trade partner. However, although this is encouraging news, such a cursory reading of the data omits important details.

Statistics on total change over the period provide an exaggeratedly optimistic vision of the current dynamics of bilateral trade. Although Canadian merchandise exports to India were, effectively, more vigorous than Indian imports during the 2005-2010 period, the trend has changed since the start of the recession. Whereas for the 2005-2010 period Canadian exports to India grew by 89% while imports grew by only 19%, during the 2010-2012 period Canadian exports slowed while the trend in Indian imports picked up (15% growth in exports for the period compared with 35% growth in imports). Furthermore, Canada had a sizeable negative trade balance with India in 2010 and again in 2012 when Indian imports were 20% higher than Canadian exports.

On a more optimistic note, the global trend remains striking; it would be unwise to give an overly critical analysis of the evolution in bilateral trade. Within the wider context of Canadian trade during the global slowdown the results for trade with India are relatively encouraging. Between 2005 and 2010 Canadian exports to India grew annually by an average 14.8% while its exports to the rest of the world fell on average by 1.8% (Statistics Canada trade data).

A source of greater concern than the overall level of trade is the merchandise structure of Canadian exports to India, which comprises a large share of commodities. During the first decade of reform, there was disappointingly little evolution in the structure of Canadian exports to India, which continued to lean heavily towards raw materials, with the share of manufactured goods, machinery and transport equipment growing only marginally (cf. Table 1). The basic sector breakdown has improved slightly in recent years yet the weight of raw materials remains problematic. In 2012, the main Canadian export to India was pulse crops (i.e. peas and lentils) while the share of manufactured goods and machinery in exports had actually fallen, representing 53.4% of Canadian exports to India in 2012 compared with 58.2% in 2005⁵. This reliance on raw materials is a source of concern as commodity markets are constantly exposed to speculative forces, which means that revenues from these products can undergo extreme volatility and job creation is easily threatened.

⁵ Indian imports to Canada, on the other hand, are essentially centered on manufactured goods, representing 97% in both 2005 and 2010 (GAUTHIER AND MEREDITH 2011: 2).

Table 1: 1991-2012 Canada's exports to India by product group (%)

	1991	2001	2005	2012
Live animals, vegetables and food	3,2	30,2	16,6	23,2
Mineral products	31,5	7,7	7,9	10,9
Chemical products and assimilated	18,5	9,0	16,2	10,8
Manufactured goods	27	29,4	39,6	31,5
Machinery and vehicles	19	22,5	18,6	21,9
Share of total	99,2	98,8	98,9	98,3

Source: Statistics Canada, Canadian International Merchandise Trade Database Online, Using Harmonized System Sections (HSS), accessed October 24, 2013

In order to help Canadian exports move away from volatile markets, one of the aims of the CEPA now being negotiated is to improve bilateral trade in areas with high added value. For instance, energy production has returned to the top of the list of trade priorities and since the signing of the Nuclear Cooperation Agreement in 2012, Canadian companies have been authorized to export and import controlled nuclear materials, equipment and technology to and from India. More generally, science and technology are consistently at the center of trade negotiations between the two countries.

The focus of this paper is on merchandise trade but as India is now considered “the World’s Office”, bilateral trade in services deserves to be mentioned. Trade in services is still relatively badly developed between Canada and India. The sector is dynamic but much more so on the Indian side than on the Canadian side. During the 2005-2010 period, Canadian exports in services increased by 40% while imports increased by 148%. Canadian imports of commercial services have grown significantly with business services being outsourced to India while Canadian service export growth has remained concentrated mainly in tourism and travel services.

Yet although there is still scope for improvement, the progress made in bilateral trade over recent years is undisputable; between 1991 and 2010, total Canadian exports of goods and services to India were multiplied by seven and imports by nine. In the long term, it is hoped that the CEPA could lead to even greater economic dividends as the Indian middle-class grows and pulls the country into the top ranked global economies. According to an IHS Global Insight study quoted in the Canadian government’s *Trade and Investment*

Update 2011, India is likely to become Canada's 4th largest trade partner by 2040. Nevertheless ensuring the longevity of this new orientation enjoins a reflection on what caused the period of 30 years of neglected relations. While it is clear that steps have been taken to improve bilateral trade, those new links are tenuous. The political forces that influenced Canada-Indian trade in the past need to be assessed in order to discover how those forces still resonate today and how best to maintain constructive bilateral relations in the future.

Globalization Forces and Commonwealth Heritage

Two forces stand at the heart of Canadian trade relations with India: western geo-strategic concerns and the Commonwealth. While decolonization and the Commonwealth constituted strong forces pulling Canada and India together, geographic distance and the Cold War pulled them apart during the 20th century. In particular, India's policies of non-alignment and nuclear independence had a direct impact on the two countries' trade relations.

Political alignment and non-alignment

Prime Minister St. Laurent's leading role in negotiating the 1949 London Declaration is often considered symbolic of the Commonwealth spirit that links together peoples from across the globe through a shared heritage. His active mediation helped guide India and the UK to a compromise that ultimately allowed an independent republic to remain a member of the Commonwealth.

Yet this early demonstration of Canadian brotherhood with the nascent Indian state was the product of complex motivations and not some simple urge to safeguard the continuity of shared historic traditions. One of the core geo-strategic reasons for keeping India in the organization was to ensure a western foothold in Asia during the Cold War in order to avoid the continent slipping under Moscow's control. Western Europe and North America were working together to bridle the spread of Communism, and a strong Commonwealth, whose reach extended across Asia, was seen as a significant contribution to the construction of a defense against Moscow's tentacles. Canada expressed no doubts about the need to champion a western stronghold against encroaching Soviet power. Ottawa's interests were firmly anchored in the west with historic roots in Britain and an unflaggingly solid relationship with the United States.

India's interests were less unilaterally entrenched in the West and the independent state chose to adopt a policy of non-alignment in order to explore relations with a variety of poles. In particular, New Delhi chose to nurture trade relations with the Soviet bloc while at the same time pursuing a policy of nuclear independence. Ottawa expressed deep misgivings over these choices as

it struggled to fathom how a Commonwealth brother could betray their shared historic roots and interests. Incomprehension was reflected in Canada's vehement reactions to Indian positions, which included trade sanctions. The most obvious example of this type of visceral reaction was when Canada cut off all trade talks and non-humanitarian aid following the Pokhran 2 nuclear test. On this, and other occasions, Ottawa's diplomatic retaliation had direct consequences on bilateral trade.

Basically, Canada has repeatedly demonstrated its difficulty in accepting that Ottawa and New Delhi do not necessarily share the same political interests in the global arena. This was true throughout the 20th century and it is possible that it will continue to be true in the future. India is bound to play a growing role on the world stage in line with its economic rise and Canada is unlikely to have much influence over its partner's foreign policy. This could, once again, become the source of conflict and sanctions. For instance, how would Canada react if New Delhi decided to turn a blind eye to the human rights records of countries where India has investment interests⁶? If it does not wish to endanger recently developed trade relations, Canada will need to learn to moderate its response to diplomatic disputes. Ottawa must accept that although India is a member of the Commonwealth, it will not necessarily align itself on western positions.

A Commonwealth Effect on Trade

While conflicting geo-strategic interests may have driven Canada and India apart during the Cold War, it is probable that the Commonwealth does in fact play a very solid grounding role in trade relations, regardless of slack results throughout the last century.

Although encouraging trade has never been a stated Commonwealth objective, the 2013 Charter declares that "the special strength of the Commonwealth lies in the combination of our diversity and our shared inheritance." Under the title of "the Commonwealth Effect", these cultural and historic links have been identified as the source of cost-advantages in international trade that are linked to the use of a common language, similar laws and shared history. Studies suggest that this effect may lead to a reduction in overheads of up to 15% for intra-Commonwealth trade as opposed to trade with equivalent non-Commonwealth nations.

⁶ For example, India has invested in developing oil fields in the Sudan in spite of that country's human rights' record whereas the Canadian government chose to pressure a Canadian company to abandon a project in the Sudan.

At first glance, this potential advantage appears to have had little pull on Canada-India trade relations. While the two countries inherited a common link through English as well as Westminster style parliaments and similar legal codes, the statistically low level of bilateral trade suggests that the burden of geographic distance and cultural divergence outweighs the two partners' historic links.

Superficially the attributes separating the two countries outnumber those uniting them. From the very different forms of democracy embraced by the two countries to their socio-economic profiles, Canada and India appear to have very little in common. Indexes measuring performance in areas as varied as corruption, economic freedom or per capital GDP often place Canada and India at opposite ends of the spectrum⁷. Yet the influences of the Commonwealth are complex and although the immense cultural diversity within the organization may at times leave members feeling perplexed, the institution provides an effective forum for identifying and pursuing common goals. The shared values and interests inherited from the Commonwealth have had an impact on Canada-India trade in at least two ways: through economic assistance, which helped maintain trade relations throughout even the most fraught periods of diplomatic tensions and through the diaspora.

With regards to economic assistance, between 1951 and 2006, Canada provided India with over \$3.5 billion in Official Development Assistance, making New Delhi one of the major recipients of Canadian aid. Although aid is not trade, assistance can stimulate future business by helping emerging countries build up their trade-related infrastructures and connecting them with potential partners in developed countries. In short, aid can encourage future opportunities. In the case of India, for instance, the CANDU nuclear reactor was given to the country as part of an aid package, but this assistance was followed by the sale of two further reactors a few years later. Thus aid generated trade.

With regards to the diaspora, the human links between the two nations has played a key role in developing business links. Until the early 1960's, Indian immigration to Canada was limited by Canadian legislation that imposed quotas based on ethnic origin. However, as a member of the Commonwealth, Canada grew to respect the aspiration of non-white populations within that area

⁷ Canada ranked 5th out of 144 in the Fraser Institute's Economic Freedom in the World 2010 Index, India 111th (tied with Iran and Pakistan). Canada ranked 9th out of 157 countries on Transparency International's Corruption Perception Index 2012, while India came 94th. In 2013, Canada's per capita GDP at purchasing power parity was US\$43,597 while India's was only US\$3851.

and this may have influenced the 1962 decision to remove racial discrimination on immigration regulations. Today, the Indian diaspora in Canada represents one million people. This presence constitutes a bridge to mutual understanding and a source of enhanced trade in two ways. Firstly, many immigrants arriving from India in recent years have been highly educated professionals, skilled and technical workers as well as transnational entrepreneurs who maintain relations with companies and potential investors back in India. Secondly, the Indian diaspora enjoys a growing presence in politics. There are Indo-Canadian representatives both in Ottawa and in provincial legislatures. The diaspora is vocal about bilateral ties and Indo-Canadian stakeholders are intent on seeing a reduction in corruption in India and an acceleration of reforms. Ottawa can help make those voices heard in New Delhi, thus strengthening bilateral links.

Conclusion

This brief glance at Canada-Indian trade sketches the paradoxical image of two countries that shared a common experience but failed to find common ground. Yet, the differences that separate them are also part of the opportunity that binds them together. Emerging India, with its growing middle class and blossoming economy offers boundless promise to sophisticated Canadian investors and businesses. As Indian companies grow, they are looking westward for expertise to develop legal, insurance and accounting support. Likewise, huge resources will need to be sunk into areas such as education, transport and energy infrastructure. Canada is in a position to help provide these goods and services but it is just one of many suitors knocking at India's door. The change in Ottawa's position over the past ten years clearly indicates that Canada has understood that the stakes are high and that it is time to redefine this bilateral relationship. India is no longer an outpost of the world economy; it is at its center, alongside the other BRICS fuelling global growth. Canada must seek to harness this power but it must do so wholeheartedly. The world has changed since 1949 and the old hierarchies are being turned upside down; very soon emerging economies will outpace developed ones. It remains to be seen whether Canada will have the vision to embrace the emerging giants of the world as the true economic vanguard. If it does choose to turn more enthusiastically to Asia, releasing its hold on its traditionally western trade focus, Canada will be able to draw on its Commonwealth history to help bind it to the new emerging India.

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