

India-Canada trade and financial flows

Rising tensions between India and Canada could result in commercial and economic consequences for both nations

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Although Canada does not form a major part of India's merchandise and services trade, India depends on Canada for the import of 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 of each other's overall trade flows. However, India imports a considerable quantity of newsprint, pulses and fertilisers from Canada. Indian export of textiles, agricultural/marine products and paper products to Canada is also significant. In terms of financial flows, Canada contributes marginally to the overall pie of FDI equity inflows, FPI and remittances to India. However, Canadian Pension Funds and several Canadian investment entities have made notable contributions in renewable energy (RE), real estate, Infrastructure Investment Trusts (InvITs) etc. 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 (FY2024) stands at a mere 0.7%. However, India depends on Canada for its import of newsprint, waste paper, pulp, pulses and fertilisers. Canada's share in the total Indian merchandise exports was also less than 1% in FY2024. Imports of textile and agri/marine products from Canada form a significant share of the total imports of those products.
- Similarly, India's share in Canada's total imports and exports stands at ~1%. The import of Indian textile, agricultural/marine product and exports of agri/paper products to India is significant for Canada.



Services trade

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

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FDI, FPI and remittances

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



Canadian investments

- Canadian Pension Funds have cumulatively invested around USD 55 billion in India.
- Apart from pension funds, several Canadian investment entities - Brookfield Asset Management, Fairfax Financial Holdings, British Columbia Investment Management Corporation - have made notable contributions to RE, InvITs and real estate.



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 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 Canadian entities in the Indian market.



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



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