

## RECENT TRENDS IN THE BILATERAL TRADE ENGAGEMENT OF INDIA AND CANADA

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***Abstract:** India–Canada trade is growing, but the relationship is still well below its potential relative to both the growth of the Indian economy and the performance of other nations' trade with India. The trade between India and Canada is growing in services; manufacturing trade is still very much below its potential. The present study makes an attempt to study the recent changes in the Indo-Canadian trade in the new economic environment. The broad objective of the paper is to understand the structure, composition and direction of India's Exports to and import from Canada. Compounded Annual growth rates and instability index of Indo-Canada trade are calculated to identify the recent changes those have taken place in the bilateral trade.*

***Keywords:** Bilateral investment, Export, Growth Rate, Instability.*

### I. INTRODUCTION

Developing countries are playing a larger role in global economic growth, but the economic relations between developing countries also play a crucial role. The developing countries are contributing more to development knowledge- both through home grown academic research and practical experience that has been gained over the years (Lin and Resenblatt, 2012). Canada's interest in strengthening its economic and business ties with Asia has grown over the past decade, especially since the 2008 global financial crisis. One of the reasons behind Canada's trade participation with India is based on current trends, it is set to become one of the four largest economies in the world within the next four decades. While many experts had predicted a slump in Indian growth as a result of the global financial crisis, India came out of the crisis relatively strong. Its GDP grew by nearly 10 per cent in 2010 (Canadian Chamber of Commerce Report, 2012). The economic reforms of Finance Minister Manmohan Singh during the government of Narasimha Rao also made India attractive to the Liberal government of Jean Chretien when it swept to power in a 1993 landslide. In October of 1994, during a major trade mission to India, Minister for International Trade Roy MacLaren proclaimed India to be "one of the most promising markets in the Asia-Pacific region for Canadian business

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(Louis, 1998). The study of bilateral trade flows has been at the centre of research on international trade flows for almost four decades (Harrigan, 2001). Cooperation between India and Canada has been thriving for the past several decades. Both countries have been engaged in deepening the economic cooperation by engaging in a comprehensive economic partnership agreement. In recent years, both countries have been working together to enhance bilateral cooperation in a number of areas including trade, investment, education, energy, science & technology and agriculture among others. Both India and Canada have been working in a number of areas and still there are many opportunities exist for mutual cooperation. The major areas where the bilateral relationship can move forward include cooperation in trade and investment, energy, food security, fertilizer, finance, agriculture, etc. Canada can contribute to the ongoing development initiatives that India has in an array of areas in which India is looking for partnership like the areas of food security, skills formation, energy cooperation, migration, remittances, innovation and scientific cooperation, etc., among others. In 1998, Canada's exports to India were just 0.1% of its world exports, while Canada's imports from India were a mere 0.3% of its world imports. Canada ranked 17<sup>th</sup> among foreign investors in India, with only a 1.4% share. By the same token, India's exports to Canada were only 1.6% of its total exports, and its imports from Canada were only 0.8% of its total imports. Economic ties were, thus, unable to provide an underpinning of stability to bilateral political and strategic relations and prevent their deterioration (Rubinoff, 2002). India's exports to Canada are largely concentrated on the textiles and jewellery. Though the trade between India and Canada is growing in services, manufacturing trade is still very much below its potential. India exports traditional medicine and other products to Canada and imports a number of such products from Canada. Besides China, India is a top collaborator for Canadian firms. In the recent years, Indian multinationals have established collaborations with Canadian firms with the objective of expanding market access in Canada and to learn from the Canadian firms. From Canada's perspective, both India and China appear to be attractive for promoting bilateral cooperation in S&T. India and China are both high-volume and low-value markets. The motivation for Canadian firms behind choosing these two markets is basically due to cost advantages (Research and Information System, 2013).

India-Canada trade is growing, but the relationship is still well below its potential relative to both the growth of the Indian economy and the performance of other nations' trade with India. The current federal government has voiced its recognition of the need to expand

Canada's presence throughout all parts of India, enhance the trade relationship, and encourage Canadians of South Asian background to become more involved

in Ottawa (Vaidyanath, 2008). During the early to mid-2000s, Canada lagged behind in the growth of exports to India compared with other industrial nations. For example, while Australia moved up from India's eleventh largest importer in 1998–99 to eighth in 2008–09, Canada dropped from twenty-sixth to twenty-eighth position over the same period (India Department of Commerce 2009). The policy makers must encourage exporters with export promotion schemes such as providing different export awards, marketing facilities, organizing buyer and seller interactions between Indian exporters and overseas buyers in the key markets (Sharma & Dhiman, 2015). As India's economy continues to expand and Canada's relative detachment from this emerging economic powerhouse becomes increasingly apparent, greater attention is being directed at enhancing the flagging relationship. Ministerial visits to India in 2009 resulted in high-level discussions and a commitment from both countries to launch a study group to examine the development of a Comprehensive Economic Cooperation Agreement (CEPA) (Roberts, 2011). In the Indian textile and clothing industry, it is found that more than 60% of export value was affected by the Nontariff Measures (NTMs) in USA, EU-25 and Canada at various points in time (Dhiman & Sharma, 2016).

Since 1991, a series of economic reforms and restructuring has led to India's impressive economic rise, and it remains a stable democracy in an otherwise troubled region. This has prompted successive governments in Ottawa to re-evaluate and adjust past attitudes and policies towards New Delhi. The common refrain in Ottawa these days is that India is a "priority nation" and that the Canadian government wants to broaden the overall bilateral relationship. New Delhi has signalled restrained optimism at Canada's interest (Touhey, 2007). In terms of Canada's composition of trade, its exports to India are dominated by chemicals, followed by vegetables, fruits and nuts (mostly pulses including dried peas and lentils), pulp and paper products, and machinery and equipment. Other important export sectors include metals, transportation equipment and minerals. As Indian consumption moves up in sophistication, there will be room for robust export growth in knowledge and technology industries. Most of Canada's imports from India consist of chemical products, textiles and apparel, miscellaneous manufactured products as well as machinery and equipment. Ferrous and non-ferrous metals, food products and minerals are also important imports (Canadian Chamber of Commerce, 2012).

There are several similarities and differences between Canada and India. While most of them are well-known, we begin by highlighting some of the relevant ones. Both Canada and India are geographically large countries. In terms of area, Canada is the second largest country and India is the seventh largest country in the world, while India is the second most populous country in the world. Canada is one of

the eight developed nations and one of the soundest economies with skilled work force in the world. India is just opposite. In terms of education, health care, environment, low crime and violence rate, clean environment, etc., Canada is considered as the best place to live in. Since World War II, the impressive growth of the manufacturing, mining and services sector has transformed Canada from a largely rural economy into one primarily industrial and urban. The Indian economy, on the other hand, is still based on agriculture. Unlike India, Canada is an active foreign investor on the global front. In addition, it receives a high degree of foreign investment from all over the world.

The international environment has witnessed numerous changes in the nineties. These are collapse of communism in East Europe and in the Soviet Union, withering away of communist bloc, end of cold war, end of military alliances, coming closer of old rivals, disintegration of the Soviet Union, unification of Germany, integration of Europe, revival of market economy at global level and rise of new centres of power, especially economic powers, growing importance of economic factor, emerging of new trade blocs etc. All these changes in international environment have their own implications of India-Canada relationship. These changes in global politics have promoted Canada to reconsider its position vis-à-vis India. Emerging market, growing business and investment opportunities in India served as green pastures in Canada's eyes. On the other hand for India's sustainable economic development, infrastructural and technological development and environmental protection, Indo-Canadian partnership holds out great promise.

Cordial relations between Canada and India would very much seem to depend more on the changing world situation than on any factors in Indo-Canadian relations (Rajan, 1962). In the emerging globalization, the economic factors and market forces play a dominant role and these forces may provide an important basis for strengthening the Indo-Canadian relations. From missed opportunity in the past, India-Canada economic relations have found new opportunities to grow. The process of wide-ranging economic reforms in India was initiated in the year 1991 and at the time it was christened as the New Economic Policy. The process got consolidated in the subsequent years and in fact, there are quite a few of its components which are still hanging fire because of continuing slanging match between its proponents and opponents. During the last decade there has been a major shift in economic policies in our country. It is not only because several policy measures aimed at liberalization and globalization were initiated during this period, but the trends towards deregulation and 'opening up' of the economy were already set in the 1980's. The real difference between the current reform process and earlier measures is that the former challenges the very basis of planning and policy making which guided Indian economic development since independence. The Path of

globalization and economic reforms introduced by India has led to a broadening of Indo-Canadian economic and commercial relations. India now offers significant opportunities for Canadian trade, investment and tourism. Previous studies (Oskoe, 1991; Chan *et al.*, 2008; Wang, 2013; Yoganandan, 2014; Sharma & Dhiman, 2016) conducted on identifying the significant variables that are playing a vital role in affecting the exports include a) Exchange rate b) GDP c) Population growth rate of the importers d) Labour costs e) Supply side factors.

The recent foreign trade policies have been useful in facilitating free and flexible trade with many of the barriers for a number of exportable and importable items have gone and the cut in import duties being continued. The new policy has paved the way for setting up free trade and warehousing zones. These are aimed at making India a global trading-hub. In these zones foreign direct investment would be permitted up to 100 percent of the development and establishment costs. The new thrust on service exports in the form of “Served from India” would add the new thrust on services exports and broaden the country from the dominance of IT and software services exports.

The objective of this paper is to examine the trends in bilateral trade between the two nations in recent years and to draw possible implications for future trade and economic cooperation between the two economies. This paper thus adds to the growing literature on the comparison of the Canada and Indian economies.

## **II. THE CANADA-INDIA COMPREHENSIVE ECONOMIC PARTNERSHIP AGREEMENT (CEPA)**

In 2009 and 2010, the Canadian Chamber of Commerce called upon the federal government to undertake free trade negotiations with India. That call was heard. On November 12, 2010, Prime Minister Harper and his Indian counterpart, Prime Minister Singh, announced the beginning of negotiations for a Comprehensive Economic Partnership Agreement (CEPA) between the two countries. This important milestone concludes a cycle of work begun with the Canadian prime minister’s visit to India in November 2009, where the two governments set up a Joint Study Group to examine the feasibility of a CEPA. The negotiation of a CEPA with India is set to be a lengthy process, taking India’s trade negotiations with the European Union and Australia as benchmarks or comparison. It will be a challenging process given the size and complexity of the Indian market and its stakeholders.

## **III. PROBLEM STATEMENT**

Trading activities between two nations can definitely act as a catalyst towards output growth of both nations. The present study makes an attempt to study the

recent changes in the Indo-Canadian trade in the new economic environment. The broad objective of the study is to understand the composition and direction of India's Exports and to identify the recent changes those have taken place in the bilateral trade of India and Canada.

#### **IV. OBJECTIVES OF THE STUDY**

The objectives of the study are as follows:

- a) To study the structure, composition and direction of Indian exports and imports.
- b) To study the recent changes in Export & Import that has taken place in the bilateral trade between India and Canada.
- c) To find out the compounded annual growth rates and instability of India's export to and import from Canada.

#### **V. RESEARCH METHODS**

##### **(a) Nature and Sources of data**

The one of the important prerequisite for the analysis part of the study is the availability of the consistent and easily assessable database. The present study is based upon the time series secondary data collected from various published sources of Government agencies such as Economic Survey, Government of India, Ministry of Finance, New Delhi, Handbook of Statistics on Indian Economy, Reserve Bank of India, Mumbai, official websites of Government of India and Canada.

##### **(b) Period of Analysis**

The study broadly covers the period of 20 years from 1995-96 to 2013-14.

##### **(c) Techniques of Analysis**

**1. Compounded Annual Growth Rates (CAGR):** The compounded growth rates indexes will be calculated using following exponential function,

$$Y_i = a (b_i)^t$$

$$\text{Log } Y_i = \text{log } a + t \text{ log } (b_i)$$

Where,

$Y_i$  = export value/ volume/ unit price of  $i$ th item,

$t$  = time variable.

The Annual Growth rate ( $r$ ) can thus be computed using the formula,

$$r = [\text{antilog} (\log b_i) - 1] \times 100$$

or

$$r = (b-1) \times 100$$

where, b = Slope of semi-logarithmic trend

**2. Export - Instability Index (EII):** Instability in various commodities will be examined by calculating Export Instability Index (EII). Export instability index is defined as the standard deviation of the observed deviation from the estimated exponential trend. The instability index has two major advantages. First, this is scale independent and can be used for cross comparisons. Secondly, it estimates the coefficient of variation corrected for exponential trend which is useful in policy decisions, on long term basis, as these are taken in terms of growth rates.

$$\text{Export Instability Index (EII)} = \frac{100}{\bar{X}} \cdot \sqrt{\sum_{i=0}^n \frac{e_{it}^2}{n-k}}$$

$$\text{Where } e_{it} = X_{it} - \hat{X}_{it}$$

$$\text{i.e. } \hat{X}_{it} = \hat{a}_{it} e^{\hat{b}_{it}} + u_i$$

Where,

- $\bar{X}$  = mean of the export earnings/volume/unit value
- $X_{it}$  = Actual values of export earnings/volume/unit value
- $\hat{X}_{it}$  = Estimated values of export earnings/volume/unit value
- $e_{it}$  = observed deviation from the exponential trend i.e. difference between actual and estimated values of export earnings/volume/unit value
- $u_i$  = Random term

## VI. ANALYSIS OF INDO-CANADIAN TRADE

Since the liberalization, India's exports and imports have made cumulative progress both qualitatively and quantitatively. Though the size of foreign trade and its value, both have increased during post-independence era, this increase in foreign trade can't be said to be satisfactory because Indian Share in total foreign trade of world has remained remarkable. In view of the current wave of worldwide globalization, India has taken major initiatives to diversify its exports as also their destinations, Indian exports cover over 7500 commodities to about 190 countries while import from about 140 countries account for over 6000 commodities.

Canada and India have longstanding bilateral relations, built upon shared traditions of democracy, pluralism and strong interpersonal connections with an Indian diaspora of more than one million in Canada. This expanding bilateral relationship is supported by a wide range of agreements and by PM Singh and PM Harper's commitment to increase annual bilateral trade to \$15 billion by 2015. Canada's priorities in India include infrastructure, energy, food, education, science and technology. India is an important source country for immigration to Canada. Top Canadian exports to India include vegetables (mostly peas and lentils), fertilisers, paper and paperboard, machinery, wood pulp, precious stones, and iron and steel. Canadian imports from India include organic chemicals, precious stones and metals, knit apparel, woven apparel, machinery, and iron and steel.

## **VII. EXPORT STRUCTURE OF INDIA**

Indian exports structure comprises of different sectors such as Agricultural and Allied products, Ores and Minerals, Manufactured Goods and Mineral Fuels and Lubricants (including coal). Table1(See Appendix) reveals that the value of total agriculture and allied products in the year 1995-96 was US \$ 6081.9 and has increased to US \$ 42570.4 million in 2013-14. If we take in consideration Ores and Minerals, the value of exports was very less in the beginning and was around US \$ 1174.9 million in 1995-96 and has touched the highest value of US \$ 9119.8 in 2007-08. Exports of Ores and Mineral again declined to US \$ 5602.7 Million in 2013-14. Moving on to the Manufactured Goods table shows the increasing trend in the export of manufactured goods and was about US \$ 192123.4 Million in the year 2013-14. Fluctuating trend has been noticed in case of Mineral Fuels and Lubricants exports. In 1999-00, it reached to lowest value US \$ 38.9 million, after then it again paced up and reached to US \$ 62687.2 in 2013-14.

Also it gets very clear from figures 1(a), 1(b) and 1(c) that share of manufactured goods in Total exports have also declined from 1995-96 to 2013-14. In 1995-96 manufactured goods had share of 75.5 per cent in total exports and declined to 72.1 per cent in 2005-06 and in 2013-14 it was 63.4 per cent only. However agriculture and allied products have shown volatile trend from 1995-96 to 2013-14. In 1995-96 share of agriculture and allied products in total exports was 19.3 per cent and in 2005-06 it was 10.2 per cent and in 2013-14 it accounted to 14.1 per cent. Fuels and lubricants including coal has shown tremendous growth in terms of percentage share in total exports. Fuels and lubricants including coal had percentage share of 1.4 per cent in 1995-96 which rose to 11.6 per cent in 2005-06 and finally it accounted to 20.7 per cent in 2013-14.



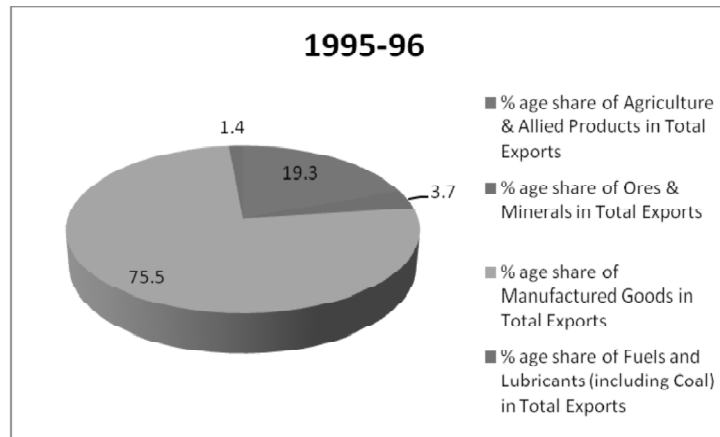


Figure 1(a)

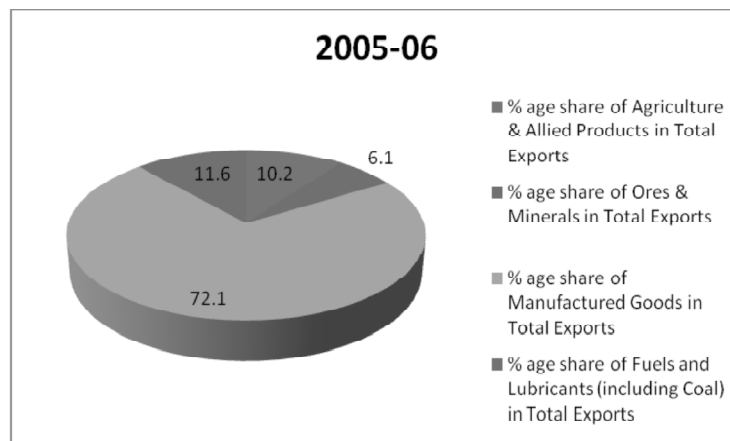


Figure 1(b)

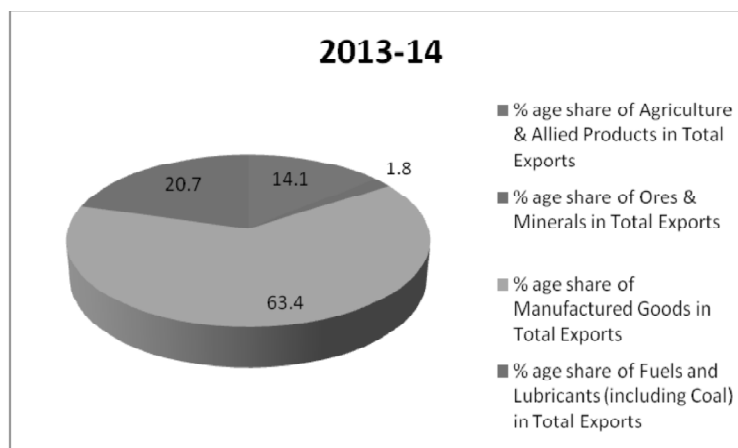


Figure 1(c)

### **VIII. IMPORT STRUCTURE OF INDIA**

Indian imports comprises of various commodities and are classified in different categories like Petroleum crude and products, Bulk consumption goods, Other bulk items, Capital goods, mainly export related items and other goods and product.

Table 2 (See Appendix) depicts that the value of imports of petroleum, crude and products in 1995-96 was US\$ 7525.8million and has increased to US\$ 165153.7 million in 2013-14. In addition, major growth was noticed in bulk consumption goods, which was US\$ 969.7 million in 1995-96 and was US\$ 11547.6 Million in 2013-14. If we move on to the capital goods, the value of the imports was US\$ 10330.2 Million in 1995-96 and was US\$ 85177.9 Million in 2013-14..

### **IX. DIRECTION OF INDIA EXPORTS**

Table 3 (See Appendix) shows India's major trading partners and their share in total India's exports. Figures 2(a), 2(b) and 2(c) also reveals that during 1995-96 out of total major trading partners in terms of exports, USA has the highest share in India's exports with US \$ 5520.4 million followed by Japan with US \$ 2215.6 million and United Kingdom with US \$ 2010.8 million. USA remained highest trading partner in terms of India's exports till 2013-14. In the year 2013-14 USA has the largest share of India's exports, that is, US \$ 39131.1 million, followed by UAE with US \$ 30535.1 million and China with US \$ 15009.3 million. Trends depicts that the India's export with major trading partners, especially with Hong Kong, and Singapore has increased tremendously. If we see the exports with China, it is found that in the year 1995-96 the total exports was US \$ 332.7 million which increased to US \$ 15009.3 million in the year 2013-14. It generates lot of opportunity for the development of India's economic sectors as well as other sectors.

### **X. DIRECTION OF INDIA IMPORTS**

India has taken a number of initiatives to enhance trade in other parts of the world through various trade promotion programmes, which aim to promote trade by giving market access initiatives, establishing institutional mechanisms such as Joint Trade Committees, holding fairs & exhibitions and by granting assistance to exporters to promote trade. Imports to India are governed by the Foreign Trade Act of 1992, which controls India's exports and imports trade. Its goal is to facilitate imports into and exports out of India. These rules and regulations were further simplified by the EXIM policy of 2002-2007.

Country-wise share from 1995-96 to 2013-14 of major trading partner in India's Imports has been given in Table 4 (See appendix) and Figure 3(a), 3(b) & 3(c), Out of total imports during the year 1995-96, USA had the major share with US \$ 3861.4

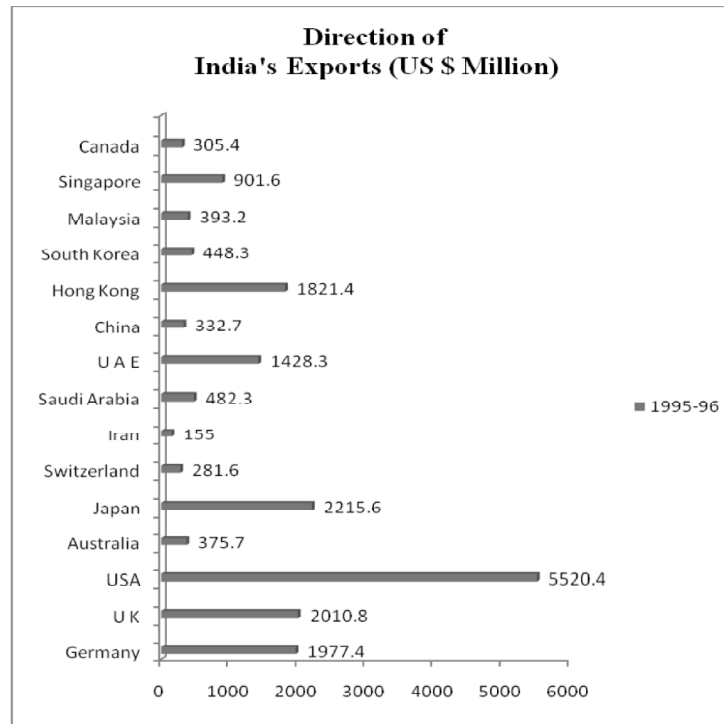


Figure 2(a)

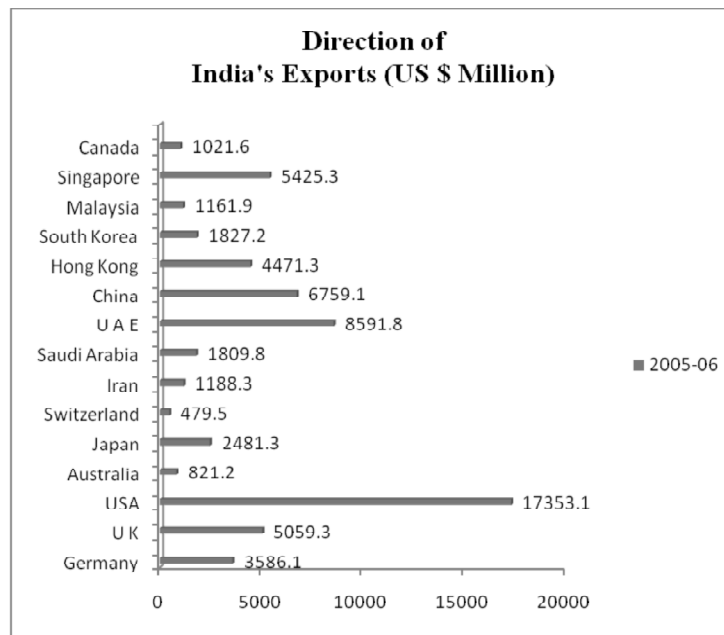


Figure 2(b)

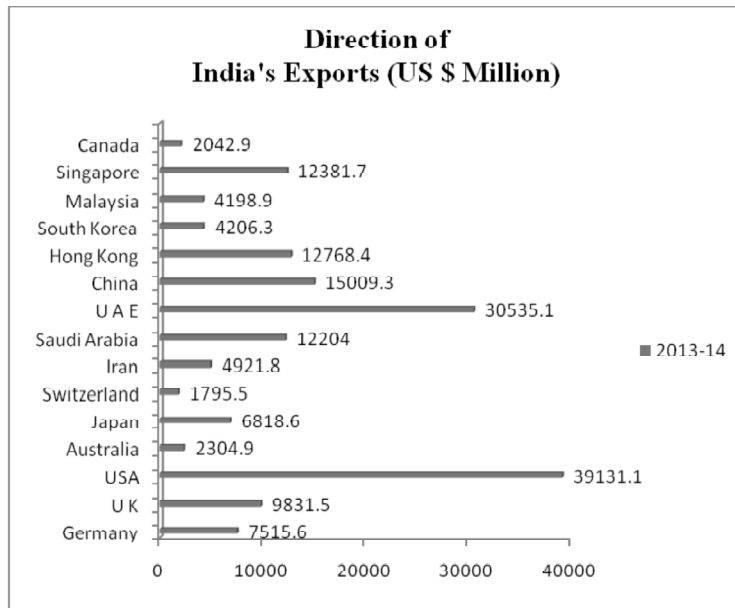


Figure 2(c)

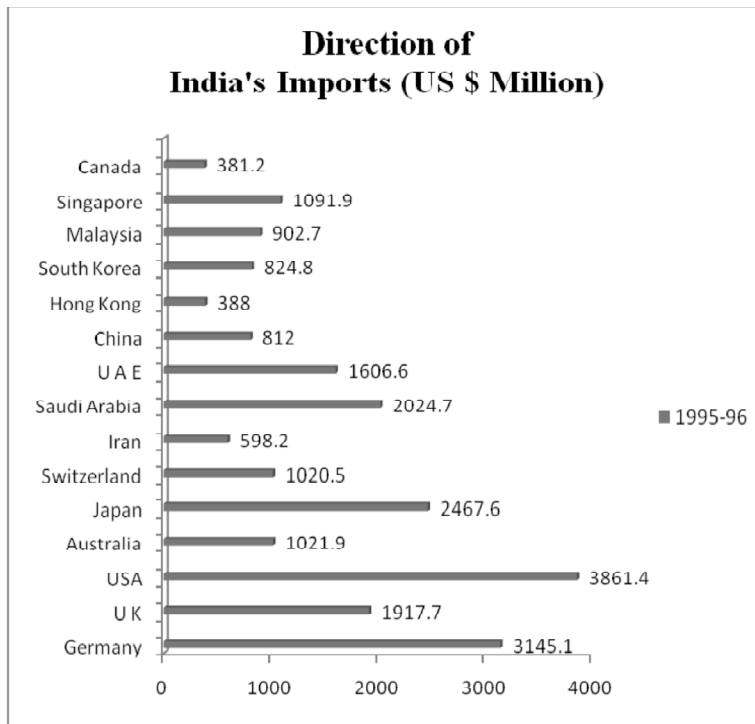


Figure 3(a)

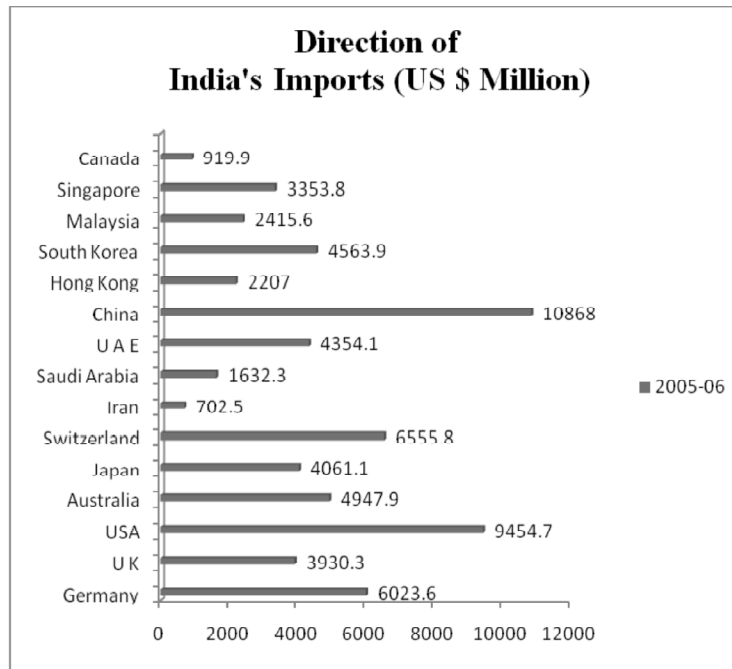


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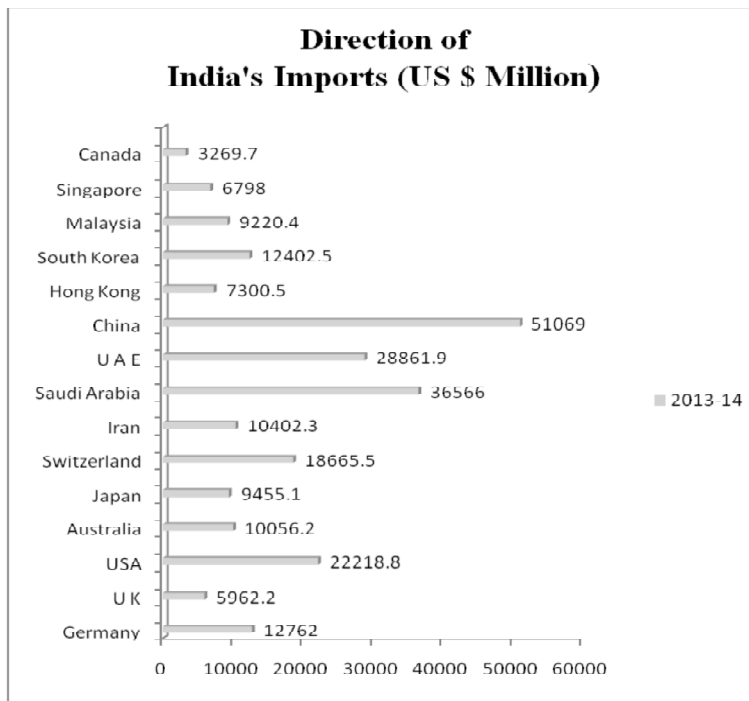


Figure 3(c)

million followed by Germany with US \$ 3145.1 million and Japan with US \$ 2467.6 million. During the year 1998-99, again USA had the major share but followed by Switzerland with US \$2942.4 million and United Kingdom with US \$2621.4 million. USA remained at the top till 2005-06 with US \$ 9454.7 million followed by Switzerland with 6555.8 million and Germany with US \$ 6023.6 million in the same year. In 2006-07 China got the top position with US \$ 17460.6 million and remained at the top till 2008-09. During 2006-07, China is followed by Saudi Arabia with US \$13383.9 million and USA with 11736.1 million. In the year 2013-14 total share of China's imports to India was US \$ 51069.0 million followed by Saudi Arabia with US \$ 36566 and UAE with US \$ 28861.9 million.

## **XI. INDO-CANADIAN ECONOMIC RELATIONS**

India and Canada share many of the same values and friendly relations between two countries started even before India attained independence and they further flourished in post-independence era. Canada was the first to come with the development program under Colombo Plan. During 1950's and 1960's, Canada was one of the top three suppliers of India. Both these countries took a leading role in bringing democracy in South Africa. The most important link between two countries is that more than 5 lakh Canadian citizens are of Indian origin.

Various agreements further cemented the ties between two countries. Since opening up of the Indian economy from 1991 onwards, these have been a tremendous expansion in indo-Canadian commercial relations. In 1997 Canada was the fifth largest investor in India. Canada has identified energy (including power, oil and gas), telecommunications environmental products and services as priority sector in India for Canadian business.

## **XII. CHANGING SCENARIO OF INDO- CANADIAN TRADE**

Export-Import relations between India and Canada have steadily increased over the years. India presents a good business opportunity for Canadian companies. Canada can leverage on the growth of infrastructure related sectors in India. In South Asia, India is the largest trading partner for Canada. India is capitalizing on its large numbers of well-educated people skilled in the English language to become major exporters of software services and software workers. Software services exports have led to creation of knowledge intensive jobs in India. Indian exports to Canada include readymade garments, textiles, cotton yarn, carpets, gems and jewellery and precious stones, organic chemicals, coffee, spices, light engineering goods, iron and steel articles, footwear and leather products. Jobs in Canada rely heavily on the export business. Canada has favourable trade policies for exports and export oriented production generates jobs. The jobs are many and the export

businesses have a good web presence. For job seekers and young entrepreneurs this could be a good starting point. As already been pointed out that during 1950's and 60's Canada was amongst the three largest suppliers, but its share has declined considerably which special needs attention of policy makers.

### **XIII. INDIAN EXPORTS TO CANADA**

Table 5 (See Appendix) and figure 5(a), 5(b), 5 (c) shows India's total exports and exports to Canada. The figure shows India's exports' are increasing. In 1995-96, the total India's exports were US \$ 31794.9 million which increased to US \$ 314415.7 million in the year 2013-14. But on the other hand the share of Export to Canada shows both increasing and decreasing trend. Out of total Exports, the percentage of Export to Canada in the year 1995-96 was 0.96 per cent, which increased to 1.57 per cent in the year 1999-2000. After this it shows decreasing trend and it decreased to 0.65per cent in the year 2013-14.

### **XIV. INDIA'S IMPORTS FROM CANADA**

Some major Imports from Canada include newsprint, wood pulp, asbestos, potash, peas, iron scrap, copper, minerals, and industrial chemicals. Overseas investment ceiling of US \$100 million has been removed, favouring Indian software companies to increase FDI in Canada. These Indian companies have expanded their operations in Canada by setting up software development centers and providing jobs. Table 6 explained India's Imports from Canada. Table 6 (See Appendix) & Figure 6(a), 6(b) & 6(c) reveals that India's total imports show an increasing trend. In 1995-96 India's total imports was US \$ 36675.3 million which increased to US \$ 450082.2 million in the year 2013-14. Out of this total Imports the share of Imports from Canada shows an uneven trend. In the year 1995-96 the percentage share of India's Imports from Canada was 1.04 per cent which decreased to 0.80 per cent in the year 1996-97. Again it increased to 1.01 per cent in the year 1997-98. Then it decreased to 0.91 per cent in the year 1998-99. After this it shows increasing trend and it increased to 1.03 per cent in the year 2001-02. Then again with some fluctuation, it decreased to 0.73 per cent in the year 2013-14. It can be concluded that the share of India's Imports from Canada remained under 1 per cent.

### **XV. COMPOUNDED ANNUAL GROWTH RATES AND INSTABILITY OF INDIA'S EXPORT TO AND IMPORT FROM CANADA**

It is quite clear (see table 7) that annual growth rate of India's Export to Canada from 2005-06 to 2013- 14 declined to 9.72 per cent as compared to 11.48 per cent from 1995-96 to 2004-05. High growth rate of imports from Canada is also seen as import growth increased to 12.43 per cent in 2005-06 to 2013- 14 as compared to

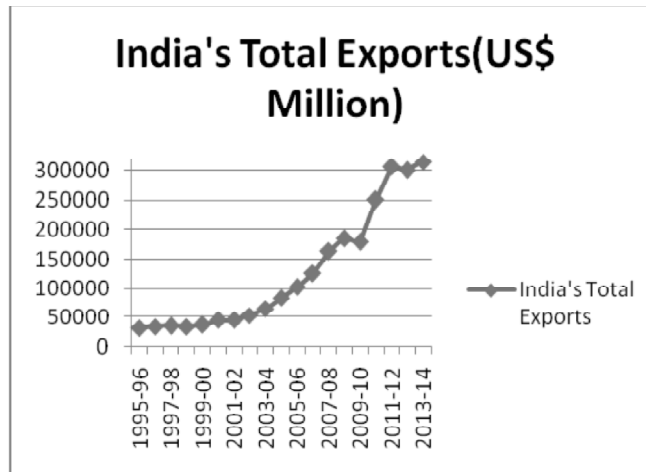


Figure 5(a)

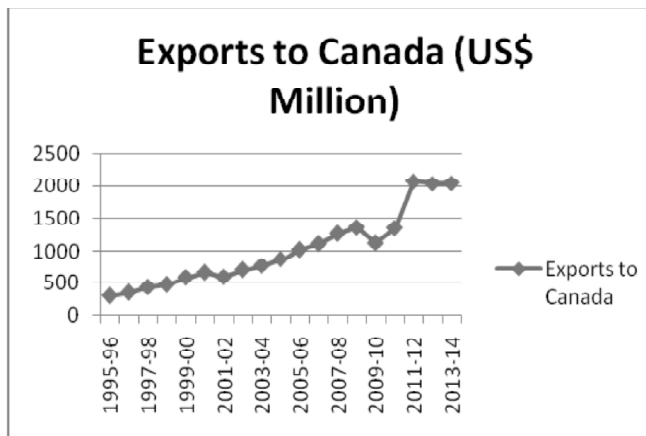


Figure 5(b)

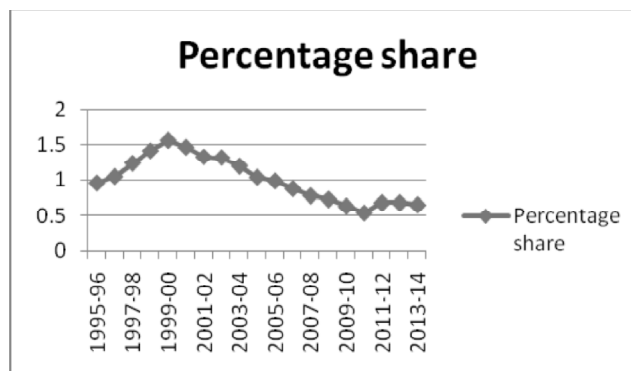


Figure 5(c)





Figure 6(a)

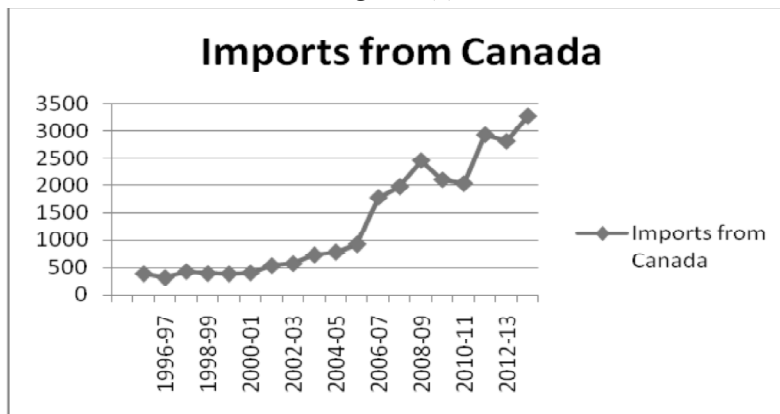


Figure 6(b)

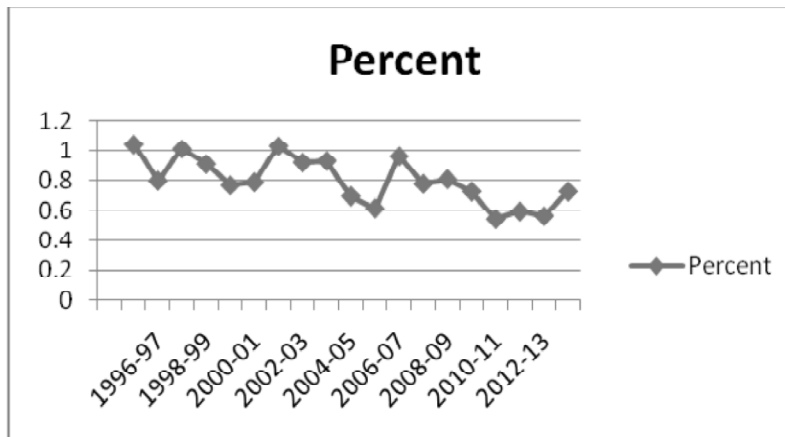


Figure 6(c)

9.35 per cent from 1995-96 to 2004-05. Similarly annual growth rate of import for the whole period i.e. 1995-96 to 2013-14 also increased to 15.61 per cent which proves that our import growth is still higher as compared to export growth rate from Canada.

Instability in case of Indian exports was low as compared to the import instability from Canada. Instability accounted to 1.57 per cent for the whole period i.e. 1995-96 to 2013-14 in case of Indian exports to Canada. But in case of imports from Canada instability was found to be 3.26 per cent for the same period. Export instability was found to be 1.31 per cent, 1.81 per cent and 1.57 per cent y for the years 1995-96 to 2004-05, 2005-06 to 2013-14 and 1995-96 to 2013-14 respectively.

**Table 7**  
**Compounded Annual Growth Rate & Instability Index for Exports & Imports**

<i>Growth &amp; Instability</i>	<i>1995-96 to 2004-05</i>	<i>2005-06 to 2013-14</i>	<i>1995-96 to 2013-14</i>
Export Growth	11.48	9.72	10.73
Export Instability	1.31	1.87	1.57
Import Growth	9.35	12.45	15.61
Import Instability	2.31	2.70	3.26

## **XVI . BILATERAL INVESTMENT BETWEEN INDIA AND CANADA**

Table 8 reveals that in Indo-Canadian bilateral investment India's investment has shown increasing trend i.e. in 2005, in which the India's investment was C \$ 171 million which increase to C \$ 3776 million in 2013. But in case of Canada's investment it also shows fluctuating trend .i.e. increased from C \$ 319 million in 2005 to C \$ 677 million in 2006, then decrease to C \$ 520 million in 2009, and again increase to C \$ 667 million in year 2008, finally it accounted to C \$ 613 million in 2013.. The total indo-Canadian bilateral investment shows increasing trend from C\$ 490 million in 2005 to C \$ 4389 in 2013.

**Table 8**  
**India-Canada Bilateral Direct Investment**

<i>Details</i>	<i>(Value in million Canadian dollars)</i>									
	<i>2005</i>	<i>2006</i>	<i>2007</i>	<i>2008</i>	<i>2009</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	
India's Investment in Canada	171	211	1,988	6,514	6,217	4,364	3,730	3,814	3,776	
Canada's Investment in India	319	677	506	667	520	676	655	641	613	
Total	490	888	2494	7181	6737	5040	4385	4455	4389	

*Source: Statistics Canada.*

## **XVII. CONCLUSION**

From the above discussion we can conclude that India's exports consists of different sector and from which agriculture and allied products have shown a fluctuating trend. In year 2013-14 this sector has shown maximum increase. But in case of mineral fuel and lubricants (including coal) it has offered fluctuating trend from 1991-92 to 1999-2000, thereafter increasing trend has been observed till 2013-14. The import structure comprises of various commodities. The major growth was shown in case of bulk consumption goods, which was US \$ 969.7 million in 1995-96 and was US \$ 11547.6 million in 2013-14. In case of India's exports major trading partner was USA from 1995-96 to 2013-14. In the year 2013-14 USA has the largest share of India's exports, that is, US \$ 39131.1 million, followed by UAE with US \$ 30535.1 million and China with US \$ 15009.3 million. But in imports UAE held the position of major trading partner in import till 2013-14, then USA with US\$ 22218.8 million, followed by Switzerland with US \$ 18665.5 million. Import-Export relation between India and Canada has steadily increased over the years. India s exports have shown an increasing trend since 1995-96. In 1995-96 the total exports of India was US \$ 31794.9 million which increased to US \$ 314416 million in the year 2013-14. Out of total exports the percentage of exports to Canada in the year 1995-96 was 0.96. After this it showed decreasing trend and it decreased to 0.65 per cent in the year 2013-14 India's total imports show an increasing trend. In 1995-96 India's total imports were US \$ 36675.3 million, which increased to US \$ 450082 million in the year 2013-14. Out of this total Imports the share of Imports from Canada has shown an uneven trend. Indo-Canadian bilateral investment India's investment shows increasing trend form year 2005 to 2013. But, in case of Canada's investment has shown fluctuating trend. The global recession in the world economy could be cited as one of the major reasons behind the fluctuations.

Indian exports to Canada has not grown that much for the period 2005-06 to 2013-14 as compared to 1995-96 to 2004-05. However an alarming situation is in case of Indian imports from Canada which has increased in the same period. Import growth rose to 12.45 per cent in 2005-06 to 2013-14 as compared to 9.35 per cent in 1995-96 to 2004-05. It simply indicates that our receipts are less as compared to the payments which is causing the balance of trade in Indian context. Export instability has not increased that much as compared to import instability for different periods. Export instability was only 1.57 per cent for the whole period i.e. 1995-96 to 2013-14, however import instability for the same period was 3.26 per cent which is quite high.

## **XVIII. SCOPE FOR FUTURE RESEARCH**

The present study focussed on the structure, composition and direction of bilateral trade between India and Canada. Compounded annual growth rates and instability

index has been calculated to identify the recent changes that has taken place. Instability can occur from several reasons such as demand side and supply side factors. Now there are several factors such as increase or decrease in demand, procedural delays etc. which are sub dimensions of both demand and supply side factors. So, future researchers are encouraged to find out these determinants which are the significant contributors towards causing instability in the export and import of bilateral trade between India and Canada.

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**Appendix****Table 1**  
**Export Structure of India***(Value in US \$ million)*

<i>Year</i>	<i>Agriculture and Allied Products</i>	<i>Ores and Minerals</i>	<i>Manufactured Goods</i>	<i>Mineral Fuels and Lubricants (including Coal)</i>
1995-96	6081.9	1174.9	23747	453.7
1996-97	6862.7	1172.4	24613.4	481.8
1997-98	6626.2	1061.1	26546.6	352.8
1998-99	6034.5	893.4	25791.5	89.4
1999-00	5608	916.1	29714.4	38.9
2000-01	5973.2	1153	34335.2	1869.7
2001-02	5901.2	1262.4	33369.7	2119.1
2002-03	6710	1996	40244.5	2576.5
2003-04	7533.1	2368.7	48492.1	3568.4
2004-05	8474.7	5078.6	60730.7	6989.3
2005-06	10213.8	6163.6	72562.8	11639.6
2006-07	12683.4	7002.5	84920.4	18634.6
2007-08	18432.1	9119.8	102978.8	28363.1
2008-09	17534.9	7800.5	123148.9	27547
2009-10	17734.1	8662.5	115180.7	28192.0
2010-11	24207.6	8636.6	157994.3	41480.0
2011-12	37473.3	8450.3	185422.6	56038.6
2012-13	40937.7	5623.4	182952.4	60859.8
2013-14	42570.4	5602.7	192123.4	62687.2

*Source:* Handbook of Statistics on Indian Economy, Reserve Bank of India.

**Table 2**  
**Imports Structure of India**

(Value in US \$ million)

<i>Year</i>	<i>Petroleum, Crude, and Products</i>	<i>Bulk Consumption Good</i>	<i>Other Bulk Items</i>	<i>Capital Goods</i>	<i>Mainly Export Related Items</i>	<i>Others</i>
1995-96	7525.8	969.7	5818.9	10330.2	5257.5	6773.3
1996-97	10036.2	1214	5114.8	9922	6138	6707.4
1997-98	8164	1483.4	5142.8	9796.1	6913.3	9984.9
1998-99	6398.6	2524.2	4307.3	10064.4	7131.1	11963.2
1999-00	12611.4	2416.9	4617.8	8965.5	9117.3	11941.8
2000-01	15650.1	1443.2	3722.4	8941.1	8058.6	12721.1
2001-02	14000.3	2043.2	4219.6	9882.2	8260	13008
2002-03	17639.5	2411	4249	13498.2	10313.7	13300.7
2003-04	20569.5	3072.8	5819.2	18278.9	12716.8	17691.9
2004-05	29844.1	3104.6	9452	25135	17095.5	26886.2
2005-06	43963.1	2766.6	14356.5	37666.2	18641	31772.4
2006-07	56945.3	4294.1	22996.4	47069.1	17871.7	36558.5
2007-08	79644.6	4600.3	28499.9	70110.5	20768.3	47815.9
2008-09	93671.7	4975.3	40144	71833.1	31930.8	61141.4
2009-10	87135.9	9012.7	29166.5	65865.0	31270.0	65922.8
2010-11	105964.4	8854.8	36347.9	78546.1	53608.3	86447.7
2011-12	154967.6	11654.7	48310.7	99223.3	51892.9	123270.3
2012-13	164040.6	14225.7	46031.9	94854.5	46912.1	124671.9
2013-14	165153.7	11547.6	39283.1	85177.9	48928.0	99991.8

Source: Handbook of Statistics on Indian Economy, Reserve Bank of India.

**Table 3**  
**Directions of India's Exports in US \$ Million (Major Trading Partners)**

Country	1995-96	1998-99	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Germany	1977.4	1851.9	1788.4	2826.2	3586.1	3979.5	5116.4	6347.6	5402.9	6745.3	7925.6	7250.0	7515.6
UK	2010.8	1855.4	2160.9	3681.1	5059.3	5618	6698.2	6597.6	6213.0	7307.8	8623.0	8652.5	9831.5
USA	5520.4	7199.6	8513.3	13765.7	17353.1	18866.1	20712	20972.3	19479.4	25286.6	34737.9	36164.6	39131.1
Australia	375.7	387.4	418	720.2	821.2	924.8	1150	1429.9	1382.5	1712.6	2502.0	2351.4	2304.9
Japan	2215.6	1652	1510.4	2127.9	2481.3	2862.7	3853.8	3002.1	3613.3	5088.2	6368.5	6105.6	6818.6
Switzerland	281.6	319.1	409.1	540.9	479.5	466.5	615	766.5	586.9	689.5	1102.1	1118.2	1795.5
Iran	155	159.1	253	1231.4	1188.3	1450.8	1948.5	2514.5	1856.4	2488.3	2402.2	3355.2	4921.8
Saudi Arabia	482.3	774.3	826.4	1412.1	1809.8	2588.2	3706.5	4987.7	3910.4	4674.1	5677.5	9785.9	12204.0
U A E	1428.3	1867.6	2491.8	7347.9	8591.8	12032.1	15626.9	23966.3	23891.2	33770.3	35947.0	36359.6	30535.1
China	332.7	427.2	952	5615.9	6759.1	8293.9	10828.8	9275.6	11532.5	15454.3	18293.8	13558.7	15009.3
Hong Kong	1821.4	1880.6	2366.4	3691.8	4471.3	4680.6	6305.2	6607.6	7862.1	10323.9	12911.8	12295.2	12768.4
South Korea	448.3	307.9	471.4	1041.7	1827.2	2514.7	2851.8	3990.5	3399.2	3723.4	4336.4	4206.8	4206.3
Malaysia	393.2	321.7	773.7	1084.1	1161.9	1304.3	2567.6	3431	2846.3	3879.8	3986.2	4437.4	4198.9
Singapore	901.6	517.5	972.3	4000.6	5425.3	6068.9	7367.5	8209.2	7577.1	9817.6	16769.3	13599.6	12381.7
Canada	305.4	473	584.8	866.8	1021.6	1110.4	1265.3	1358.2	1121.5	1347.6	2070.8	2036.9	2042.9

Source: Reserve Bank of India, Mumbai.



**Table 4**  
**Directions of India's Imports in US \$ Million (Major Trading Partners)**

Country	1995-96	1998-99	2001-02	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14
Germany	3145.1	2140.7	2028.1	4015.3	6023.6	7546.3	9869.7	11941.4	10304.0	11881.7	16296.0	14323.4	12762.0
UK	1917.7	2621.4	2563.2	3566.2	3930.3	4174.5	4953.1	5819.9	4452.8	5390.8	7642.1	6291.4	5962.2
USA	3861.4	3640.2	3149.6	7001.4	9454.7	11736.1	21019.3	18441.5	16985.4	20051.2	24475.4	25223.1	22218.8
Australia	1021.9	1445	1306.1	3824.5	4947.9	7008	7836.9	10979.1	12364.7	10795.6	14878.9	13089.0	10056.2
Japan	2467.6	2465.7	2146.4	3235.1	4061.1	4595.6	6323.2	7790.9	6722.5	8627.5	12132.6	12414.5	9455.1
Switzerland	1020.5	2942.4	2870.7	5939.9	6555.8	9123.4	9828.6	11458.9	14592.6	24743.9	32370.0	32073.6	18665.5
Iran	598.2	473.7	283.8	410.2	702.5	7627.8	10915.3	12137	11516.0	10913.5	13657.0	11583.5	10402.3
Saudi Arabia	2024.7	1831.5	464	1301.2	1632.3	13383.9	19401.1	19513.1	17002.2	20379.6	31164.6	33943.3	36566.0
U A E	1606.6	1721.2	915.1	4641.1	4354.1	8657.5	13470.5	23030.8	19349.2	32729.3	35708.7	39133.2	28861.9
China	812	1096.7	2036.4	7098	10868	17460.6	27102.4	32092.9	30783.8	43474.1	57592.2	52267.1	51069.0
Hong Kong	388	449.3	728.9	1730.1	2207	2483.8	2699.2	6464.5	4703.9	9399.2	10583.2	7908.5	7300.5
South Korea	824.8	1394.4	1141.4	3508.8	4563.9	4806	6037.6	8622.6	8547.2	10471.9	13125.9	13111.1	12402.5
Malaysia	902.7	1608.4	1133.5	2299	2415.6	5294.8	6004.9	7086.2	5162.8	6528.6	9554.2	9961.2	9220.4
Singapore	1091.9	1384.2	1304.1	2651.4	3353.8	5489.5	8117.7	7514.4	6454.7	7143.1	8499.5	7492.0	6798.0
Canada	381.2	385.6	529.4	775.7	919.9	1777.4	1972.2	2456.2	2098.1	2028.7	2926.2	2807.8	3269.7

Source: Reserve Bank of India, Mumbai.

**Table 5**  
**India's Exports to Canada**

*(Values in US \$ million)*

<i>Year</i>	<i>India's Total Exports</i>	<i>Exports to Canada</i>	<i>Percent</i>
1995-96	31794.9	305.4	0.96
1996-97	33469.7	353	1.05
1997-98	35006.4	433.2	1.24
1998-99	33218.7	473	1.42
1999-00	36822.4	578.3	1.57
2000-01	44560.3	656.5	1.47
2001-02	43826.7	584.8	1.33
2002-03	52719.4	698.3	1.32
2003-04	63842.6	763.2	1.20
2004-05	83535.9	866.8	1.04
2005-06	103090.5	1021.6	0.99
2006-07	126414.1	1110.4	0.88
2007-08	162904.2	1265.3	0.78
2008-09	185295.0	1358.2	0.73
2009-10	178662.2	1121.5	0.63
2010-11	251136.2	1347.6	0.54
2011-12	305963.9	2070.8	0.68
2012-13	300400.7	2036.9	0.68
2013-14	314415.7	2042.9	0.65

*Source:* Reserve Bank of India, Mumbai.

**Table 6**  
**India's Imports from Canada**

*(Values in US \$ million)*

<i>Year</i>	<i>India's Total Imports</i>	<i>Imports from Canada</i>	<i>Percent</i>
1995-96	36675.3	381.2	1.04
1996-97	39132.4	313.4	0.80
1997-98	41484.5	420.9	1.01
1998-99	42388.7	385.6	0.91
1999-00	49670.7	380.5	0.77
2000-01	50536.5	397.1	0.79
2001-02	51413.3	529.4	1.03
2002-03	61412.1	566.3	0.92
2003-04	78149.1	725.9	0.93
2004-05	111517.4	775.7	0.70
2005-06	149165.7	919.9	0.62
2006-07	185735.2	1777.4	0.96
2007-08	251439.2	1972.2	0.78
2008-09	303696.3	2456.2	0.81
2009-10	288372.9	2098.1	0.73
2010-11	369769.1	2028.7	0.55
2011-12	489319.5	2926.2	0.6
2012-13	490736.6	2807.8	0.57
2013-14	450082.2	3269.7	0.73

*Source:* Reserve Bank of India, Mumbai, 2013.