A new decade for social changes
India-Canada Relations: A View on Geopolitical, Geoeconomic Convergence and Divergence

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Abstract. The relationship between India-Canada is built upon a mutual respect for democracy, multiculturalism and people to people contact over the period of time. Despite of this, India and Canada relationship is yet to develop its full potential. The present article tries to examine and analyses the geopolitical relations and bilateral engagement between India-Canada and its geoeconomic potential in the present century. The various efforts were made to conclude a Comprehensive Economic Partnership Agreement (CEPA) between the two nations on the lines of a Free Trade Agreement (FTA) with commitments to tariff reductions and reforms in the commercial environment. Despite of few irritants, both the country started moving towards greater trade cooperation and collaboration. It is against this backdrop the research article aims to analyze the degree of convergence and divergence of geopolitical and geoeconomic issues that have affected New Delhi’s interest in seeking a broader relationship with Ottawa. Further, the paper will try to examine the other factors in cementing the multilateral collaboration and cooperation between the two nations in the present century.

Keywords. CEPA, Cold War, Convergence, Divergence, Geoeconomics, Geopolitics

Introduction
India-Canada’s bilateral relations is built upon through common understanding for democratic values towards each. Since the independence, India was considered major power in Asia for sustaining the balance of power in the region for the intellectual of statecraft in Canada. It was through Canada’s association with the British Commonwealth and its federal character as well as nature of multicultural society, that laid down the very basis for the bilateral relations among the two nations. Besides this, it is also a fact that both the states are having chequered history of relationship among them.

It was during the geopolitics of cold war, the relationship between the Nehru and his Canadian counterparts, Laurent and later Pearson, helped in nourishing some sorts of understanding between the two nations. Thus, under the auspices of Colombo Plan, Canada supported India’s economic development by the grants through in technical infrastructure in developing India’s nuclear program as well as other significant aid program. In subsequent years, India became Canada’s top aid recipient with various challenges to develop into better economic relation between the two nations (Singh,2016:56).
However, in geopolitical context the world was divided into bipolar division at global level. There was divergence of approach in Canada’s support for plebiscite during 1948 ceasefire in India’s state of Kashmir. Also, there was Canada’s expectations through its economic assistance that should form the basis for India’s adherence toward the West. As all of us know that, India’s foreign policy was driven by its policy of Non-aligned movement (NAM) without becoming party to power blocs during the cold war. This was never in consonant with Canadian approach to its foreign policy by becoming a founding member of North Atlantic Treaty Organization (NATO) (Rubinoff, 2002: 838-855). Besides this, one can argue of difference in approach at regional level, as Pakistan joining the Southeast Asia Treaty Organization-1954 (SEATO) and Central Treaty Organization-1955 (CENTO), both India-Pakistan was at war during in 1965 and 1971 that lead to dismemberment of Pakistan and creation of Bangladesh. It was during the war of 1971 United States (U.S.) sent its USS Enterprise in the Bay of Bengal in support of Pakistan. This led India to strengthen its ties with United States of Soviet Russia (USSR) during the Cold war.

Although, Canada’s geostrategic interests was driven by its alignment with the U.S. and concerned with U.S. position on global world order during the cold war (Thakur, 1984). At the same time, Ottawa was dissatisfied with New Delhi India’s approach to its foreign policy as outlined in terms of Panchsheel (five principles) and its policy of non-alignment (Singh, 2016: 56). Furthermore, Canada-India relations deteriorated and reached to its lowest ebb with the India’s 1974 nuclear testing in Pokhran resulting in disagreement over India’s entire nuclear energy program, its safeguarding and technological development. In addition to this, in 1980’s speculations were rife that India’s geopolitical significance in Canadian foreign policy will rise. It was due to the account of large number of immigrants to Canada from the India’s state of Panjab. But it soon faded with the hostile activities of separatist group Khalistan sympathizer in Canada. Not only this, in 1985 these separatist group/ extremists blew up Air India Flight-182 by killing all 329 passengers. This further aggravated the situation and India-Canada relations has reached to its lowest point. In reparation to its ties, India-Canada began keeping a check on immigrant group activities in its provinces. Following this, it was in 1987 both India-Canada signed the bilateral extradition treaty and also formed a Joint Working Group on Counter-Terrorism (JWGCT) in 1997 to coordinate against Khalistan separatist groups (Ministry of External Affairs, 2019).

However, with the end of cold war and liberalization of India’s’ economy, Canadian interests in its economic potentials has warmed up. The impact of opening of market in India lead to strengthen its trading relationship in the post-cold war era. It’s against this backdrop the article tries to analyze the geopolitical context and imagination between India and Canada that have shaped their bilateral engagement and to tap its geoeconomic potential in the present century. Although, steps were made to conclude a CEPA between the two countries on the lines of a Free Trade Agreement (FTA), with commitments to tariff reductions and reforms. With the drafting of CEPA in 2010 both the state was looking forward towards greater trade cooperation. It will further argue the diverging or converging issues that have affected New Delhi’s interest in seeking a broader relationship with Ottawa. The paper also purports to examine the possibility of geoeconomics replacing geopolitics that could bridge the gap in terms of development between the two states.
Objective of the Study
1. To study and discuss in brief the history of India-Canada Relations.
2. To analyze the geopolitical context and imagination between India and Canada that have shaped their bilateral engagement and to tap its geoeconomic potential in the present century.
3. To examine the degree of convergence and divergence among the geopolitics being replaced by geoeconomics if any, that could bridge the gap in terms of development between two nations

Methodology
The proposed research study will be based on data collected from both the primary sources especially relevant foreign policy document of the government and its archives. As well as secondary sources from the academic books, journals, debates and discussions to identify the issues pertaining to converging or diverging geopolitical, geoeconomic interest between the nations.

Theoretical Framework: Discussion and Findings
Geopolitical and Geoeconomic Dynamics: Convergence/Divergence
The end of bipolar geopolitics provided an opportunity to improve the relationship between the two countries with the India’s embracing the liberalization of its economy. There were high level exchanges between both the nations. The decade of 1990s saw the visit to India by Canadian finance minister in 1992 and then again in 1994, was part of its geoeconomic necessity. That was visible through Ottawa’s aspiration to engage New Delhi both diplomatically as well as commercially. The then Secretary of State for Asia Raymond Chan reiterated Canada’s aspiration to engross with New Delhi (Delvoie, 1998:51-64). Subsequently, the then Prime Minister Jean Chrétien visited Delhi in 1996 with a huge business delegation of Canada’s straight concern to engage along with various agreements signed between the two states. However, there was any continuation by India in its external foreign policy in this regard (Singh, 2016:54-68).

It’s very important to note here that during the conduct of India’s nuclear tests of May 1998 Canada condemned the test and even recalled its high commissioner from Delhi along with the termination of the millions of foreign non-humanitarian assistance by one of its Canadian international development agencies (Rubinoff, 2002:838-855). Hence, the geoeconomics was derailed and so does the bilateral relations between the two nations took to bottom level (Majumdar, 2017:36).

It was especially very much in the post 9/11 period and with the present century that two states started promoting its trading relationship among each other irrespective of few irritants. Further, one can argue that irrespective of irritants caused between the two nations due to nuclear testing, the bilateral trade between India and Canada increased from USD 848.73 million in 1997-98 to US $ 1256.91 million in 2002-03, registering a 48.09% increase within a period of five years. India’s exports increased by 35% and imports by 26% during this period (Ibid, 2017:36). The balance of trade remained in India’s favour for last five years. During in April 2002-March 2003, the balance of trade has been in favour of India at US $131.98 million.

In the corresponding period of the previous year, it was US $ 55.38 million. India’s position in recent years oscillated between Canada’s 23rd and 24th largest trading partner (Ibid, 2017,35). In order to substantiate further, in an interesting and detailed analysis by Malini L Tantri and Preet S. Aulakh the bilateral trade between India and Canada argued in their study. Wherein, over the years India emerged as the important trading partner for Canada in the first decade and
second decade of the present century. Despite of the trade reducing between the two countries during the period 2001-2015, the study finds favourable trade towards Canada (Tantri & Aulakh, 2019:17).

It was with change of guard in Ottawa, Martin acknowledged that Canada’s views on India’s nuclear tests had stymied the growth of bilateral relations. Resulting this, the Stephen Harper government that came to power in 2006, conceived of a drastically enhanced comprehensive approach with India. The then Canadian Prime Minister Stephen Harper (2006-2015) visited India twice, in 2009 and again in 2014 to ‘re-engage’ with India. During Harper’s tenure, there were 19 ministerial-level visits from Canada to India, including Harper’s state visits in 2009 and 2014. During Harper’s 2009 visit, both sides announced the creation of a Joint-Study Group (JSG) to probe the possibility of a Comprehensive Economic Partnership Agreement (CEPA). The two also initiated negotiations on a Foreign Investment Promotion and Protection Agreement (FIPPA) (Singh,2016:54-68). With this, bilateral Foreign Direct Investment (FDI) flows between India and Canada have grown significantly over the past few years; more strongly for India than Canada. In 2009, India was the 13th largest investor in Canada as well as New Delhi remained the 42nd largest recipient of Canadian FDI. India’s FDI in Canada is mostly concentrated in the information technology and software sectors. During in 2009, Canadian exports to India totaled Canadian $ 2.1 billion, while in the same year, Canadian imports from India totaled Canadian $2.0 billion, giving Canada a Canadian $100 million trade surplus (Wikiwand,2021). On the other hand, Canadian FDI in India is quite diversified and the sectors that have attracted substantial chunk of those inflows are infrastructure, manufacturing, oil and gas, financial services including insurance.

The Prime Minister Manmohan Singh had a bilateral dialogue during his visit to attend the Toronto G-20 summit in 2010. Moreover, there is a need to look at the whole issue of integrating trade, investment, services within the broader goals of economic growth and development. Very often, the role of investment in growth is missed out or underestimated in bilateral investment agreements. There is a dire need for proper mechanism, that should be in place to examine the host and home country motives behind investments and rules of origin, anomalies, and to create incentive structures among two countries. Accordingly, in 2010 India’s Prime Minister Manmohan Singh visited Canada to attend the G-20 summit. During this visit, India and Canada achieved a major breakthrough in the area of civil nuclear energy. On the sidelines of the G-20 summit, the two reached an unprecedented agreement on civil nuclear cooperation. The signing of the agreement was considered as ‘breaking new ground’ in the history of our cooperation in this sector. Keeping in view, the trade in mind and its favourable response in first decade of the present century. India celebrated the year 2012 as the year of India in Canada to promote business, cultural and political relations with India.

In terms of sectors, Canada could invest vigorously in India in hydropower, cold storage, distribution and processing, and other energy sectors. Likewise, India can explore new areas for investment in Canada besides IT and software services. Following this, Harper’s government instituted significant changes in Canada’s India policy, placing the latter at the heart of its Indo-Pacific outlook. Canadian Trade Minister Ed Fast described the Global Markets Action Plan (GMAP), launched in 2013, as a means to strengthen the country’s trade with traditional markets as well as emerging ones such as India. Under the GMAP, Canada expanded the Canadian Trade Commission Service (CTC) in India and sought to actively engage the diaspora population to cultivate denser economic relations, placing the Canadian High Commission in the top tier of staffed diplomatic missions. The Ministers from Harper’s government attended the Pravasi Bharatiya Divas (PBD), and both countries announced 2011
to be the ‘Year of India in Canada’. Notably, Harper was an admirer of Narendra Modi’s performance as chief minister of the state of Gujarat (Singh, 2016:54-68). Despite the warm relationship, trade between Canada and India was less than their potential. As India accounted for less than one percent of Canada’s total export and total import in 2014, with bilateral trade of C$ 5.77 billion in 2014 (compared to more than C$ 56 billion bilateral trades between China and Canada). Both the Canada and India are continuously holding negotiations on CEPA to improve the trade relations between the two countries.

With the national democratic alliance government coming into power, India’s Prime Minister Narendra Modi visited Canada in 2015. During Prime Minister Narendra Modi’s visit to Canada in April 2015, both sides agreed to elevate their bilateral relations to a strategic partnership. However, the strategic content remains wafer-thin. As of March 2015, the two countries already held their 9th round of negotiations on CEPA in New Delhi.

Besides this, the ties essentially rested on 3Es - economy, energy and education. In a reciprocal basis the high-level exchanges were topped by the week-long visit during (18-24 February 2018) by Prime Minister Justin Trudeau to India. All these visits and bilateral exchanges speaks a lot about the depth and expanse of the bilateral engagement (Nafey and Gopal, 2018:29-36). In April, India announced its long-term Foreign Trade Policy (FTP) for 2015 to 2020. The announcement had been eagerly awaited by those within and outside India for what it would reveal about Prime Minister Narendra Modi’s government’s vision of world trade. The higher exports and robust foreign trade are consistent with Modi’s emphasis and focus on geopolitical visions in terms of trade ‘Brand India and Make in India’ (Palit, 2015). The new FTP aims to increase India's share of global exports of goods and services. Doing so, will require India to join regional trade agreements (RTAs) and bilateral Free Trade Agreements (FTAs) that will give Indian exports greater access to existing markets and create greater access in new markets. It also contributed an amount of C$ 200,000 to mark the 50th anniversary of the Shastri Indo-Canadian Institute, founded in 1968 to promote cultural relations and people-to-people ties (Mehta, 2019:1-28) Both nations agreed to enhance cooperation in research activities related to agriculture and the environment. In 2019, the Indian state of Punjab sought cooperation from Canada in developing the state’s animal husbandry, dairy and fisheries sectors (Press Trust of India, 2019). During the second “India-Canada Ministerial Energy Dialogue,” the Minister of State for Petroleum and Natural Gas Dharmendra Pradhan said, “India and Canada share common values and ideals and believe in long term sustained partnerships. Our energy cooperation is steadily growing, but the potential is much higher (Mehta, 2019:1-28). Thus, energy is another area of emerging cooperation for the two countries.

Prospects and Challenges:

Despite these opportunities, however, certain challenges remain. While India–Canada economic relations have made some progress, as is reflected in the upward trajectory of the bilateral trade and the continuation of the CEPA negotiations, Canada remains an insignificant trading partner for India. However, in the midst of challenges, a few positive outcomes of Prime Minister Justin Trudeau’s trip deserve at least ephemeral reference. Finally, when the two sides held extensive official talks covering not just security and terrorism but also trade, economic, nuclear and defense cooperation, as many as six agreements were signed on areas as diverse as information technology, science, intellectual property rights, sports, education, and economic cooperation. A document on cooperation between the two countries in ‘Countering Terrorism and Violent Extremism’ was signed to dispel India’s genuine concerns. On economic front, the Canadian argument about the flow of investible surplus would occur, once the Bilateral
Investment Protection and Promotion Agreement (BIPPA) is in place. The draft agreement has been on the negotiation table for several years. India has also linked BIPPA with CEPA for a more balanced outcome. The two governments agreed, at discussions during the Trudeau visit, to intensify negotiations. They should strive hard to find a middle ground and resolve their differences in order to send out a signal to investors that the authorities fully support a bigger flow of investment into India. The Indian Diaspora in Canada is politically very active that is around 1.4 million and occupying the higher berths like ministerial berths. India is the second major source of immigration to Canada and students from India constitute the second-largest group of foreign students. The dark shadow of past, a few Khalistan extremists threatening over India’s relations with Canada needs to overcome and bridged. The role of India’s diaspora is important to overcome these challenges and create an environment of cooperation and collaboration in future. At the same time, the Covid-19 put the halt to the pace of moving the bilateral relations among the two nations.

Conclusion

Notwithstanding their chequered history, India-Canada ties are way bigger than individuals, and much too important to be allowed to slip into disrepair. They have encountered speed bumps in the past but have always managed to bounce-back, as bilateral convergences far outweigh divergences. Both sides need to start afresh, build on synergies, and address the irritants. Though, Canada and India have attempted to improve their bilateral relations with few irritants of the 1980s and 1990s, the dark shadow of Khalistan extremists hovered menacingly over India’s relations with Canada. Despite this, there is a dire need to bring and continue inhibiting them from bringing this relationship to execution on the economic front.

It is noteworthy that the Canada-India relations has changed significantly through the course of events in the present century. Both have a promising future in terms of economic collaboration. The serious concerns and efforts to conclude a CEPA between the two countries on the lines of FTA with commitments to tariff reductions and reforms have extended nearly its considerations. Over the years, India has emerged as one of the most important trading partners for Canada. At the same time, Canada’s total trade with India has increased. Significantly, it has also deteriorated its position. Despite of this, Canada enjoys favourable terms of trade. In brief, one can argue by saying that both the states have ample opportunity and a reason to build a strong relationship with a geopolitical vision of the intellectual of statecraft to take it to a higher end.

References


