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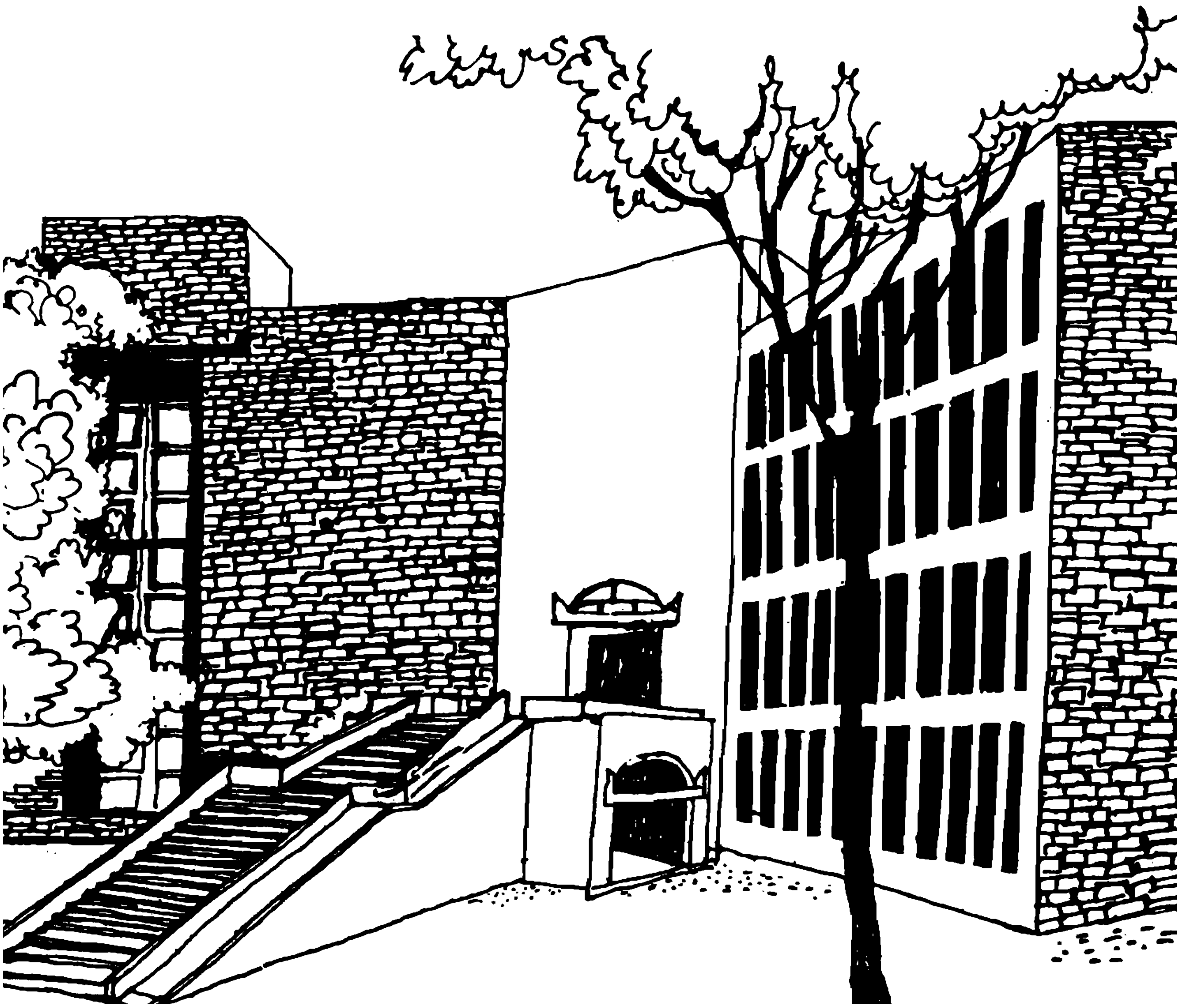

IMPLICATIONS OF NAFTA ON INDO-CANADIAN TRADE

By

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Abstract

The changes in the global trading scenario, particularly the emergence of regional trading blocks have far reaching effects on world trade. The proposed North American Free Trade Agreement (NAFTA) comprising of Canada, Mexico and the U.S.A. is the latest one in this regard. It is feared that when NAFTA is in place it can adversely affect India's exports to the NAFTA countries. In this paper we examine the implications of NAFTA on the Indo-Canadian trade. We also critically evaluate the option of joining NAFTA for India.

Implications of NAFTA on Indo-Canadian Trade

by

Ravindra H.Dholakia*
and
Ganesh Kumar N.

1. Indo-Canadian Trade: Changing Perspective

Canada has a limited domestic market of only about 26 million people and hence depends on trade to a considerable extent. Exports account for about 30 per cent of GDP there. India on the contrary has a population of over 800 million. International trade has not been a very significant proportion of GDP in spite of recent emphasis. During 1991/92, for instance, the export-GDP ratio was only 6.2%. As of now, Canada and India are insignificant trade partners of each other. India accounts for less than 1% of Canada's exports and imports. Canada too accounts for about 1% of India's total exports. But the prospects of stronger economic cooperation between India and Canada with enhanced trade and direct investment appear brighter than ever before because of the ongoing reforms and consequent outward orientation taking place in India. In Canada too, concerns are being expressed about the high costs of production in certain

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* I am grateful to the USIS and the U.S. Government for inviting me to interact with numerous persons in different walks of life in U.S.A. on the broad theme of 'U.S.International Trade Policy' during Nov-Dec. 1992. It has helped me considerably to gain some insights very relevant to the present paper. I am grateful to all the individuals who exchanged their views with me during my visit. They are, however, too numerous to mention individually here.

industries[1] consequent to the protection enjoyed by them upto 1989.

The changes in the global trading scenario, particularly in the 1980s, in the form of regional trading blocs, have far reaching effects on GATT as well as bilateral trade arrangements. The strong influence of the EC on the world trade has prompted the US, Canada and Mexico to propose NAFTA, which if formed will be the largest single market in the world. Though it is argued that such regional trading blocs can result in larger volume of world trade through 'trade creation' and consequent increase in income of the member countries, the countries outside the bloc fear that protectionism will rise with the formation such blocs. Well-known trade theorists (see Bhagwati, 1992) argue that the regional trading blocs are inferior solutions to the GATT. The desirability or otherwise apart, the trading blocs are here to stay. One has to accept the reality and adopt strategies accordingly.

The North American Free Trade Agreement (NAFTA) assumes great importance as far as Canada is concerned. For Canada, the US is the major trading partner accounting for over 70% of her exports (refer Table-1). So is the case with Mexico. However, for the USA, Canada accounts for only about 20 per cent of her total exports and Mexico about 6 per cent. It has been argued that about 13% of the total jobs have been lost in Canada, after

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[1] Such industries include leather goods, textiles, furniture, wood based, food processing, etc.

the FTA was signed between the USA and Canada in 1989. The main industries hit were the protected ones including leather goods, furniture, textiles, wood and food processing [Strozier (1992, p.16)]. It is a general fear in Canada that NAFTA can result in stagnation or further loss of jobs at least in the short run because a part of the US foreign direct investment will now be diverted to Mexico. Canada now receives about $5 billion direct investment from the US. Besides, Canadian producers themselves may look for investment in Mexico. There is a hope, however, among the Canadians that in the long run NAFTA will benefit Canada through market enlargement and better deals from the U.S. [See Houten, 1993].

The NAFTA has got implications for Indo-Canadian trade, too. India fears loss of her exports and also of inflow of foreign direct investment once NAFTA is in place. This assumes significance for India particularly because India has recently launched economic reforms with a major thrust on outward orientation. If the rest of the world starts looking inward when India is opening up, the economic reforms and consequent painful adjustment process may not deliver the desired results. Hence there is a need to reconsider seriously its strategy in international trade in general and with individual trade partners in particular. With such perspective, we may examine the implications of NAFTA on Indo-Canadian trade. In the remaining part of this paper we look at the reactions to NAFTA in India and NAFTA countries (section 2), review the Indo-Canadian trade and examine the prospects (section 3), critically examine some options available for India (section 4) and finally give a few recommendations for providing a boost to Indo-Canadian trade (section 5).

2 Reactions to NAFTA

The effects of customs unions can be of two types: (i) trade diversion effect i.e. trade shifts from countries outside the union to the union, and (ii) trade creation effect i.e. due to reduced barriers, volume of trade increases within the customs union (not at the cost of trade with countries outside the union). Trade diversion is considered unfavourable while trade creation is considered favourable for world welfare. This is because, trade diversion implies shifting of the production point from more efficient to the less efficient country, whereas trade creation involves a shift of production point from less efficient to more efficient producer. Jacob Viner argued that trade diversion will become less important as size of the union increases. Some empirical studies [see for example Wonnacott and Lutz (1989)] also supported Viner's argument. There has already been an FTA in force between U.S.A. and Canada since 1989. NAFTA implies increasing the size of the union with Mexico. Moreover, NAFTA does not preclude others from joining it provided they accept the terms and conditions stipulated in the Agreement [See, *Description of the Proposed NAFTA* (1992)]. It is also important to note that NAFTA does not contradict GATT in the sense that the

GATT discipline will be binding on NAFTA too. The tariff and the measurable non-tariff barriers will not be increased by the NAFTA members on their trade with the non-members. It is, however, the non-measurable non-tariff barriers which may increase. Very stringent and detailed rules of origin are an important component of NAFTA.

Reactions to customs unions from countries outside the customs union have always been based on the trade 'diversion effects'. The fear has been reinforced in the 1980s with the increasing protectionism and emergence of various forms of non-tariff barriers (NTBs). In what follows we shall examine reactions to NAFTA from India and NAFTA countries.

2.1 India's Reaction

The Indian High Commission in Ottawa in a brochure brought out for the benefit of Indian exporters feared that there might be serious injuries to the Indian exports on account of NAFTA. Krishnan (1993, p.24 & p.32) provides some specific examples. Steel Wire rope which is one of our important engineering goods export to U.S. and Canada is currently facing anti-dumping duties in these countries. Thus, our exports are seen as inflicting injuries to the domestic industry in the two countries. On the other hand, Mexico is experiencing a rapid growth of this industry in excess of 9% p.a. With NAFTA, Mexico is most likely to replace the Indian exports in this product. Similarly, NAFTA stipulations regarding utilization of supplies from member countries for government procurements may adversely affect India's chances of obtaining such contracts in these countries in future.

There are also certain other areas where the Mexican policy changes may have considerable adverse effects on Indian exports. For instance, Mexican liberalization of control over petrochemical goods may increase competition for Indian exports of chemicals in the North American countries. Similarly, Mexican government's policy changes with regard to the trade related investment measures (TRIMs), intellectual property rights (IPRs) protection and trade in services would seriously affect our exports of computer peripherals. These measures, moreover, also attract foreign investments in Mexico to take advantage of the U.S.-Canada markets through NAFTA. Since Mexico has identified computer peripheral industry for development through 100% export oriented units, several Japanese, Korean and Taiwanese companies have already set up units in Mexico.

Thus, apart from the increased competition or loss of export markets in specific products, the main disadvantage for India from the NAFTA is the increased competition and loss of potential foreign direct investment. For the American and the Canadian business, Mexico, of course, becomes most preferred location as compared to the outside developing countries like India. But even for others, Mexico will get preference over India after NAFTA. Even some Indian companies may find it more profitable to invest in Mexico or Canada than in India once NAFTA is in place.

Flow of investment is thus a more serious concern in India over NAFTA than mere export of goods.

2.2 Views from Canada

NAFTA invoked mixed reaction in Canada. It was originally not a Canadian initiative though it was welcomed by the Canadian government. A lot of public debate took place in Canada on NAFTA. There is a popular fear of the flight of both jobs and investments to Mexico. One gets a feeling that less than 50% support exists in Canada for NAFTA as well as FTA. On the other hand, the Canadian Manufactures Association fully supports NAFTA. (See Houten, 1993). Various other business groups also find NAFTA beneficial for Canada.

As Strozier (1992, p.17) observes, eighty per cent of 2600-member Canadian Manufacturers' Association endorse the agreement and favour NAFTA. Similarly, a survey of 300 top executives in major private and public enterprises in Canada revealed the following -

> Eight-nine per cent of the respondents favoured Canada participating in NAFTA talks, 3 per cent opposed, and 8 per cent are undecided. Thirty five per cent believe their business will be positively affected by a NAFTA, 56 per cent don't expect that it will play a significant role, while 9 per cent think that it will have a negative impact. All those in the first two categories (91 per cent) believe that Canadian economy will benefit in the long run, particularly through increased exports, growth in GDP, and greater competitiveness [Strozier (1992, p.17)].

In terms of provinces not supporting NAFTA, Ontario, British

Columbia and Saskatchewan can be mentioned.[2] Apart from the increased competition, loss of jobs and investments, the main concern in Canada about NAFTA is the environmental issue. NAFTA has specifically dealt with environment as an issue and has stipulated certain conditions which would ensure that environmental standards are not allowed to be lowered. However, this part is not legally binding on the members and ultimately it depends on the commitment of individual countries. Both Canada and U.S.A. would like to open up these aspects of NAFTA again. The cost of environmental control in Canada is only 1% of the total cost. Moreover, Canada is farther away than U.S.A. from Mexico. It is thus more a problem for the U.S.A. than Canada.

The main advantages of NAFTA seen in Canada are:

(a) The existing FTA between Canada and U.S.A. required improvement in many areas since need for fine-tuning was felt.

(b) Trade in services which is an important and novel element in NAFTA will prove to be highly beneficial to Canada since after NAFTA, Canada will be eligible for about $60 billion of contracts in U.S.A. which it was not prior to NAFTA.

(c) Access to Mexican market is important for Canadian business. Although the direct access is limited, the indirect access through inputs in American exports to Mexico is considerable for Canada. (Myers, 1993).

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[2] As per responses I got during my in-depth discussion on the subject with Mr.Robin O.MacNab and his colleagues at the Canadian Consulate General, Seattle, USA on 1st December, 1992.

(d) NAFTA has a unique dispute settlement mechanism which would promote efficiency in trade. And

(e) More players in the game are always advantageous to smaller players - in this case Canada and Mexico, who together can exercise some control on U.S.A.

2.3 <u>Reactions from Mexico</u>:

NAFTA is largely a Mexican initiative. There is a total commitment of the Mexican government to NAFTA. The political system in Mexico gives only one term of 6 years to its President. The question of his re-election does not arise. President Salinas has set certain targets for his country and has proceeded with utmost speed to achieve them during his tenure. Apart from NAFTA, there have been a series of economic policy reforms that Mexico has undergone recently. As a result, the country has turned into a heaven for certain category of foreign investors. In the areas of TRIMs, IPRs, Trade in services and environmental regulations, Mexico's laws and policies have been considered the best model which the developing world can emulate. In certain areas of environmental regulations, the Mexican laws and standards are better and stricter than U.S.A. and Canada. It is only the implementation of these that the administration has to ensure. The reforms are so rapidly made that by now, it is possible for anybody including a foreigner to buy or lease land in Mexico. Tulane University in New Orleans (U.S.A.) has already signed an agreement with the Mexican government to teach English as a second language to 1000 government officials per year and the Mexican government would pay for it. All these have not waited for the NAFTA to go through. Rather, Mexico has started preparing for NAFTA in a big way. As a result, the Mexican economy has already started reaping the benefits. In the words of Mr.C.D.Gonzalez, special advisor on foreign investment to President Salinas,

> Economic momentum is picking up even faster than we expected. When President Salinas took office, the total stock of foreign investment in the country was $24 billion. We set an objective of doubling that over his six-years term. In just three years we have added a total of $18 billion. Areas particularly promising for investment include communications, consumer electronics, autoparts, chemicals and services (Gonzalez, 1992, p.32).

2.4 Views from the US

The major challenge before the Clinton administration is to revive the American economy. Given their various constraints and options, the best strategy is to expand their markets through increased exports. EEC and Japan are themselves in deep trouble. American exports are not likely to substantially increase there. Russians lack purchasing power. Mexican market, however small it may be as compared to the U.S., can provide significant opportunity to the American business in the near future. Moreover, incrementally the Mexican economy with NAFTA is likely to grow phenomenally further expanding its market for the American business. If Mexico has already accepted all the conditions of the American business regarding TRIMs, IPRs, Trade in services environmental standards, etc., NAFTA is seen to be extremely positive development by the American business in general. There are, however, some obvious areas and industries in U.S. which may be adversely affected by NAFTA. Sensitive sectors and industries like textiles, agriculture and automotives are most likely to suffer because they would lose the protection enjoyed hitherto by them [Lomoriello, 1992]. However, these are the industries which would be hurt in any case if the Uruguay round of GATT concludes successfully.

The main opposition to NAFTA in U.S. is coming from the labour unions and labour groups who argue in terms of imperfect product and labour markets. In their opinion, consumers will not gain by low wage Mexican labour because the saving in the cost will only inflate profit and will not affect prices. As a result of higher profits in Mexico, the U.S. capital would fly to Mexico along with jobs. Thus, in several industries including food and food-processing U.S. would face a huge job loss. [See UFCWIU, (1991a and 1991b)]. On the other hand, the main consideration of the U.S. government is that NAFTA may transform the Mexican economy into a rapidly growing modern economy which would halt the unauthorized immigration of the Mexicans in U.S. who in any case are distorting the labour market right now and are also adding to the ethnic problems of the Hispanics. Proper enforcement of the environmental regulations in Mexico has also been a major concern of the U.S. as a close neighbour which it hopes to tackle through NAFTA. Painful restructuring and loss of jobs are seen to be only short run problems. In the long run, everyone in U.S. hopes to gain through NAFTA.

3. Indo-Canadian Trade: Review and Prospects

The main items of trade between Canada and India are reported in Tables 2 and 3. The major items of imports into India from Canada are: asbestos, sulphur, potassium chloride, resins, wood pulp, newsprint, iron and steel products, and machinery and equipment. The main imports into Canada from India are: engineering goods, gems and jewellery, minerals, petrochemical products, chemical and allied products, garments, leather goods, food/fruits/vegetables, and carpets. If we compare these products, we can see that there exists a perfect complementarity in the trade structure between the two countries. Thus, there is a case to strengthen trade ties between the two countries through appropriate policy changes and negotiations.

The question really is: whether NAFTA will come in way of Indo-Canadian trade. This concern arises because Mexico has got similar wage conditions when compared to India. If we look at the export basket of Mexico and India (Table 4), we find that the main difference between the export basket of India and Mexico (at single digit level) is in terms of the following: Mexico has got greater share of her total exports in mineral fuels and machinery and transport equipment whereas basic manufactures constitute a large proportion of India's exports. Within the basic manufactures, Mexico has got larger share of its total exports of basic manufactures in case of iron and steel and non-ferrous metals whereas in India's case leather, textiles and non-metal manufactures (mainly gems and jewellery) constitute most of her exports of basic manufactures.

Thus it is likely that India loses out to Mexico in textiles, and iron and steel when the US and Canadian capital weds Mexican labour and trade barriers within NAFTA are eliminated. Furthermore, the concern in case of textiles arises mainly because MFA will be applicable to India whereas for Mexico it will not be applicable. India is still likely to continue its dominance in leather products for two reasons: (i) supply of raw hides and skins are better, and (ii) environment regulations in Mexico after NAFTA might discourage this industry. Similarly in case of gems and jewellery, India can still retain its comparative advantage because it is essentially a skill-intensive activity.

The other concerns as we have seen in section 2 are regarding chemical and related products, computer software and peripherals and engineering goods. In the past few years India's exports of chemicals, particularly pharmaceutical products has increased at a high rate. The pharmaceutical exports from India was Rs.150.46 Cr.(1.2% of total exports) and it increased to Rs.767.51 Cr. (2.4%) during 1990-91 (See CMIE, 1992, p.8). The provisions of NAFTA include intellectual property rights (IPRs) in case of chemicals. This combined with the relaxed investment rules will enable the US companies to produce at lower cost in

Mexico without sacriicing future profits.

4 Options for India

In the changing global scenario, India will have to, sooner or later, contemplate in terms of entering into some regional trading arrangements. One option is to join NAFTA itself. It may be argued that it is not feasible for India to join NAFTA because of geographical considerations. However, empirical evidence shows no clear association between physical proximity and development of internal trade [Wonnacott and Lutz (1989, p.32)]. In what follows we shall examine the pros and cons of India's joining and not joining NAFTA.

4.1 Join NAFTA

Even though India is currently going through economic reforms, she will have to make some compromises on the pace and content of the reforms if she chooses to join NAFTA. Although the present budget (1993-94) in India shows firm determination to accelerate the pace of reforms, she needs to move much faster if she intends to join NAFTA. The provisions of NAFTA which are likely to come in the way of India joining NAFTA are discussed below.

i) Services

India's financial sector is yet to undergo major reforms. The government has been slow in initiating financial sector reforms. The current budget (1993-94) proposes some measures in this direction, but they will take time and are not sufficient. Under the NAFTA's 'national treatment' rule, each NAFTA country must treat service providers of the other NAFTA countries no less favourably than it treats its own service providers in like circumstances. After the recent scam there is a second opinion regarding the role the multinational banks, finance, and insurance companies can play in the Indian economy. Was the problem really due to the reforms initiated by the government? or was it because we didn't have control and monitoring mechanisms, and strong anti-trust laws? Some serious thinking has to go in these lines before the option of joining NAFTA be considered.

ii) Investment

NAFTA requires removal of significant investment barriers, no performance requirements regarding exports, minimum domestic content, preferences for domestic sourcing, trade balancing, technology transfer or product mandating. Further, NAFTA requires free convertibility at market rate for export earnings, proceeds of sales, loan repayments or other transfers associated with investment.

With the present budget (1993-94), the Indian rupee is made convertible but only on current account. There are restrictions on foreign investment, though some relaxation has been made in the FERA Act. Given the current BOP scenario, it may be difficult for the government to relax all the restrictions on forex outflows, during the next few years. Furthermore, even with significant slashing down of the custom duties on several items in the present budget (1993-94), there are still high barriers on imports particularly on consumer good imports. The BOP considerations will not allow India to dismantle the protective barriers at a very fast pace. Furthermore, we should recognise that political economy and commitment to developmental expenditures play a crucial role in India because of her democratic set up. It is however, important to note that in the present budget (1993-94), the Finance Minister has explicitly stated the Indian government's commitment to fulfil all requirements to become a member of the Multilateral Investment Guarantee Agency (MIGA) which in itself is a significant step to attract foreign capital in the country.

iii) Intellectual Property Rights (IPRs)

The NAFTA envisages product and process patents in case of pharmaceuticals and agricultural chemicals. In India, public opinion is getting built up against the IPR changes. The pharmaceutical industry has thrived and emerged as one of the major exports in absence of product patents. This industry is opposed to any move to introduce product patents. The Patent Act of India (1970) excludes methods of agriculture, horticulture, medicine/drugs from product patenting on humanitarian grounds. Introduction of patents in these field would imply high cost to the vast majority of the poor. From the farm lobby in India, there is a strong opposition to agricultural patents. Recently an office of a multinational seed company was ransacked by angry peasants in Bangalore and the movement is gaining national level proportions. However, since the NAFTA provisions on IPRs are already a part of the proposed Dunkel Draft, if India decides to accept these provision of Dunkel Draft within GATT, there is no reason why it cannot accept NAFTA.

The major benefit of joining NAFTA for India will be in textiles and apparel sector. Currently the Multifibre Agreement (MFA) is outside GATT. The NAFTA textiles and apparel provisions take precedence over other MFA. These provisions are: [see *Description of the Proposed NAFTA* (1992)]

Eliminate immediately/phase out over a maximum of 10 years customs duties on textile and apparel goods produced in North America that meet NAFTA rules of origin. In addition the US will immediately remove quotas on such goods produced in Mexico, and will gradually phase out import quotas on Mexico's textile and apparel goods which do not meet such rules of origin.

Rules of Origin:

Yarn forward: For most of the products this rule will be followed. It means that textile and apparel goods must be produced from the yarn made in a NAFTA country to benefit from such treatment.

Fibre forward: For certain products, goods must be produced from fiber made in a NAFTA country.

In other cases, where NAFTA countries agree that the goods are in short supply, apparel cut and sewn from certain imported fabrics such as silk, linen and certain shirting fabrics, can qualify for preferential treatment.

Given that India has comparative advantage in production of textiles and apparel the rules of origin provision of NAFTA can be fully exploited by joining NAFTA. Under the GATT, even if Dunkel Draft is accepted, it will take much longer time to dismantle barriers, by which time Mexico might emerge as a major supplier of textiles and apparel to the entire North American market.

Do not Join NAFTA

* If India does not join NAFTA, for the reasons explained in sections 2 and 3, the exports from India to Canada and USA are likely to suffer seriously once NAFTA goes through.

  The agricultural trade provision of NAFTA includes two separate agreements: trade between Mexico and the USA and trade between Canada and Mexico.

  The provisions for Mexico-US trade include:

  i)Elimination of all non-tariff barriers (NTBs) to agricultural trade, either through conversion to tariff rate quotas (TRQs) or ordinary tariffs. The TRQs will make the transition smoother in the import-sensitive products. No tariffs are to imposed on the imports within the quotas whereas the imports in excess of the quota will attract tariffs. The over quota duty initially established will be progressively reduced to zero over 10-15 years.

ii)Half of the agricultural trade to be duty free with immediate effect after NAFTA comes into place. All the tariff barriers to be eliminated within 10 years after the agreement.

Similarly the provisions on agricultural trade between Canada and Mexico include the following: (i) Canada and Mexico will eliminate all tariffs and NTBs on their agricultural trade, with the exceptions of dairy, poultry, eggs and sugar, (ii) Canada and Mexico will eliminate tariffs immediately or phase out within 5 years on many fruits and vegetable products, while tariffs on remaining fruits and vegetable products will be phased out over 10 years.

If India does not join NAFTA, it is likely that it will lose out on some of its agricultural exports (particularly fruits and vegetables). Because of the strong resistance from the EC, it is unlikely that much headway will be made in the Uruguay round of GATT talks as far as agricultural trade liberalisation is concerned.

There is no guarantee that more NTBs will not be erected against India's exports to North America after NAFTA.

* Another important aspect is that the USA's Generalized System of Preferences (GSP) for Indian exports is expiring in 1993. The US is most likely to impose fresh conditions including IPR and Services issues for further extension of GSP. It is necessary to examine to what extent these additional conditions are different from the provisions of NAFTA. If they are not much different, it might make better sense to join NAFTA than accept the additional conditions for marginal preference under GSP.

* Given that some amount of trade diversion is likely to take place particularly in textiles in favour of Mexico after NAFTA, the rest of the world[3] including the Caribbean countries are likely to suffer. This might force the Caribbean countries to think in terms of forging trading arrangements with NAFTA, including joining them to a FTA. In such case, India's textile exports will get further jolt.

* India is currently going through BOP crisis and is looking forward to substantial FDI to overcome the BOP crisis. The US is one of the major sources of FDI in the world and it is likely that after NAFTA the US and Canada will prefer Mexico over India and many other countries. Even other potential investor countries like Japan, EC, Korea, Taiwan, etc. may

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[3] Some recent simulation studies have shown that large increases are likely to occur in Mexican textile and apparel output consequent to NAFTA. It was also found that NAFTA will create trade diversion against rest of the world (Waverman, 1992).

also find Mexico more lucrative than India for locating their business. In such a case India will have to put in greater efforts to attract FDI from other countries.

China, South East Asian countries (Malaysia, Thailand etc.) and Sri Lanka have emerged as major attractors of FDI. There is growing discomfort among the western developed countries about the high growth rate in spite of lack of democratic values in China. It is argued that China will surpass US GNP in a short span of time at the current rate of growth. Currently, China receives very favourable treatment from both U.S.A. and Canada for various reasons. The day is, however, not very far when both these countries realize the need to subject the imports from China to the Counterveiling and Anti-dumping duties. With the change of guard in the US, it is possible that US policy towards China may change. In such an event, India could be a beneficiary, even if it remains outside NAFTA.

5 Suggestions for Giving a Boost to Indo-Canadian Trade

Even if India cannot, for various concerns expressed in our paper or for other reasons, join NAFTA there is scope for expansion of trade between Canada and India. Our analysis in section 3 showed that there is considerable complementarity in trade between Canada and India. Given that the current trade volume between the two countries is very low there is scope for substantial increase to the benefit of both the countries. While after NAFTA, in some of the commodities Mexico may gain competitive edge over India, there will be many other commodities in which India will still be able to supply at competitive prices (eg. leather products, gems and jewellery). Even in commodities where India is likely to lose out to Mexico, there is a need for India and Canada to enter into an understanding to avoid erection of non-tariff barriers.

Furthermore, in certain areas there could be collaborations which will enable Indian entrepreneurs to take advantage of the NAFTA provisions. India too is looking for substantial FDI. Canada can invest in India in telecommunications, power and other sectors where it has technological strengths. The liberalised regime in India and its membership in MIGA will make the process of investment and business operations smoother for Canadian business by removing their fears and systemic risks. Thus, there is a need for greater understanding than ever before.

More often than not, business opportunities go abegging for want of adequate information. Frequent business tours by both the parties in each other's territories, trade fairs, etc. will help solve some of these problems.

Table-1 Trade Among Canada, Mexico, USA and India

A. Country-wise Exports and Imports of Canada(1989)

Country	Imports US$ m	Share(%)	Exports US$ m	Share(%)
USA	74064	65.44	84580	74.15
Mexico	1277	1.13	1113	0.98
India	189	0.17	136	0.12
Rest of the World	37657	33.27	28237	24.75
Total	113187	100.00	114066	100.00

B. Country-wise Exports and Imports of Mexico(1989)

Country	Imports US$ m	Share(%)	Exports US$ m	Share(%)
USA	15553	70.43	16092	70.04
Canada	359	1.63	272	1.18
India	13	0.06	36	0.16
Rest of the World	6159	27.89	6575	25.62
Total	22084	100.00	22975	100.00

C. Country-wise Exports and Imports of USA(1989)

Country	Imports US$ m	Share(%)	Exports US$ m	Share(%)
Canada	97107	19.76	77894	21.56
Mexico	27442	5.58	24844	6.88
India	3551	0.72	2462	0.68
Rest of the World	363412	73.94	256007	70.88
Total	491512	100.00	361207	100.00

D. Country-wise Exports and Imports of India(1989/90)

Country	Imports Rs.Cr.	Share(%)	Exports Rs.Cr.	Share(%)
	4263	12.04	4467	17.14
	454	1.28	264	1.01
Mexico	102	0.29	..	..
Rest of the World	30597	86.39	21329	81.84
Total	35416	100.00	26060	100.00

Note: ..implies negligible trade

Source: UN, *International Trade Statistics Year Book*, 1989.
CMIE, *Foreign Trade Statistics*, May, 1992.

Table-2 India's Imports From Canada

Value in Canadian Dollars '000s

	1989 Value	1989 Per Cent to total	1990 Value	1990 Per Cent to total	1991 Value	1991 Per Cent to total
1.Peas	747	0.25	627	0.20	2011	0.75
2.Wheat	-		6406	2.08	-	
3.Oil Seeds	-		-		-	
4.Rapeseed/Veg. Oil	15	0.01	1715	0.56	7016	2.60
5.Asbestos	29096	9.75	29489	9.55	28104	10.42
6.Sulphur	31667	10.61	20677	6.70	41948	15.55
7.Naphthalene	4314	1.45	3262	1.06	734	0.27
8.Safety/Detonating Fuses	720	0.24	-		96	0.04
9.Potassium Chloride	34107	11.43	20492	6.64	29869	11.07
10.Resins(Polythene/Polypropelene)	8826	2.96	13856	4.49	19065	7.06
11.Wood Pulp	49390	16.55	44682	14.48	25943	9.62
12.Newsprint	10571	3.54	20942	6.78	19825	7.35
13.Coins	-		-		-	
14.Iron & Steel Products (incl. Stainless Steel)	30931	10.36	21162	6.86	20380	7.56
15.Copper	4612	1.55	6222	2.02	3990	1.48
16.Aluminium Products	418	0.14	126	0.04	311	0.12
17.Lead	2755	0.92	923	0.30	501	0.19
18.Zinc	218	0.07	1093	0.35	2758	1.02
19.Machinery & Equipment	37590	12.59	54225	17.57	33243	12.33
20.Electrical Goods & Equipment	12503	4.19	13181	4.27	9816	3.64
21.Locomotive Parts	2357	0.79	595	0.19	80	0.03
22.Motor Vehicles & Parts	2702	0.91	27285	8.84	5355	1.99
23.Aircraft Parts	13433	4.50	1599	0.52	6	0.00
24.Instruments	5721	1.92	4806	1.56	3390	1.26
25.Misc. Items	15793	5.29	15304	4.96	14903	5.53
Total	298486	100.00	308671	100.00	269719	100.00

Source : The Economic Times, (Ahmedabad), Feb.9, 1993, p.27

Table-3 India's Exports to Canada

Value in Canadian Dollars '000s

	1989		1990		1991	
	Value	Per Cent to total	Value	Per Cent to total	Value	Per Cent to total
1.Engineering Goods	14339	6.40	15173	6.69	15710	6.55
2.Gems & Jewellery	16233	7.24	12490	5.51	10533	4.39
3.Minerals,Petroleum Product Chemical & Allied Products	10007	4.47	7861	3.47	15966	6.65
4.Rubber Goods	1860	0.83	597	0.26	389	0.16
5.Sports Goods	300	0.13	288	0.13	508	0.21
6.Silk Fabric	4082	1.82	5113	2.26	6632	2.76
7.Woollen Fabric	2465	1.10	839	0.37	1489	0.62
8.Cotton Fabric	5087	2.27	4891	2.16	7840	3.27
9.Synthetic/Mixed Fabric	2560	1.14	2793	1.23	3124	1.30
10.Garments	67642	30.19	84722	37.37	82921	34.56
11.Home Furnishings	3675	1.64	5089	2.24	8676	3.62
12.Spices	5019	2.24	5781	2.55	4425	1.84
13.Leather Goods	25313	11.30	27950	12.33	22605	9.42
14.Tobacco	24	0.01	15	0.01	386	0.16
15.Jute Manufactures	2165	0.97	1892	0.83	2847	1.19
16.Coffee	2041	0.91	2373	1.05	1793	0.75
17.Tea	3399	1.52	3433	1.51	2527	1.05
18.Handicrafts	6349	2.83	7591	3.35	6176	2.57
19.Food/Fruits/Vegetables/	10117	4.51	10416	4.59	10951	4.56
20.Nuts	8567	3.82	6828	3.01	8054	3.36
21.Plastic Products	173	0.08	352	0.16	250	0.10
22.Carpets	23465	10.47	15253	6.73	17036	7.10
23.Marine Products	3033	1.35	1866	0.82	5759	2.40
24.Misc. Items	6176	2.76	3070	1.35	3416	1.42
Total	224091	100.00	226683	100.00	239917	100.00

Source : The Economic Times, (Ahmedabad), Feb.9, 1993, p.27

Table-4. Export Basket of Mexico and India (1987)

ITC Code/Item	Mexico Value in m. US $	Mexico Share in Total Exports	India Value in m. US $	India Share in Total Exports
0.Food & Live Animals	2380	12.30	2245	18.57
1.Beverages & Tobacco	282	1.46	105	0.87
2.Crude Material Except Fuel	822	4.25	940	7.78
3.Mineral Fuels Etc.	8565	44.25	507	4.19
4.Animal Veg. Oil Fats			14	0.12
5.Chemicals	963	4.98	563	4.66
6.Basic Manufactures	2245	11.60	4768	39.44
7.Machinery & Transport Equip.	3602	18.61	818	6.77
8.Misc. Manufactures	479	2.47	1894	15.67
Total	19354	100.00	12088	100.00

Break up of Exports of Basic Manufactures

ITC Code/Item	Mexico Value in m. US $	Mexico Share in Total Exports	India Value in m. US $	India Share in Total Exports
61.Leather	-	-	724	15.18
62.Rubber	42	1.87	65	1.36
63.Wood,Cork Manufactures n.e.c	85	3.79	-	-
64.Paper & Paper Board	163	7.26	-	-
65.Textile Yarn, Fabrics	284	12.65	1686	35.36
66.Non-Metal Mineral Manufactures	380	16.93	1983	41.59
67.Iron & Steel	444	19.78	96	2.01
68.Non-Ferrous Metals	617	27.48	18	0.38
69.Metal Manufactures n.e.c	202	9.00	176	3.69
6.Total of Basic Manufactures	2245	100.00	4768	100.00

Source: UN, *International Trade Statistics Year Book*. 1989.

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