



India Canada - BIT negotiations

Why in news?

\n\n

India is planning to consider some of the demands of Canada regarding the model Bilateral Investment Treaty (BIT).

\n\n

What is BIT?

\n\n

\n

- It is an agreement establishing the terms and conditions for private investment by nationals and companies of one state in another state.

\n

- Government of India has signed BITs with 83 countries.

\n

- They are based on a model BIT formulated by India in 2016.

\n

- The model BIT provides the framework for new negotiations with its trading partners.

\n

\n\n

What are the demands of Canada?

\n\n

\n

- **ISDS** - Canada has been insisting on concessions in the inter-state dispute settlement (ISDS) mechanism.

\n

- ISDS mandates that all domestic options need to be exhausted (i.e settlement via domestic courts) before a company can go for international arbitration.

- \n
- Since there are no time-lines for settling the cases, Canada wants more options in case domestic courts take long time in settling disputes.
- \n
- **MFN** - Canada has demanded an upgrade to a 'Most Favoured Nation' (MFN) status which will provide for more economic relaxations.
- \n
- Along with this it also asked for a MFN-forward clause.
- \n
- This means that whatever concessions that India may extend in future to other trading partners will automatically extended to Canada.
- \n
- **Ratcheting** - It is also demanding a ratcheting provision.
- \n
- This is to make sure that the benefits arising from future liberalisation of India's domestic policies are automatically extended to Canada, and vice-versa.
- \n
- **CEPA** - It also wants to fasten the negotiations of 'Comprehensive Economic Partnership Agreement' (CEPA).
- \n
- CEPA is a comprehensive free trade agreement under which two trade partners significantly reduce or eliminate Customs duties, besides liberalising trade in services and investment norms.
- \n

\n\n

Why is India considering the demands?

\n\n

- \n
- Model-BIT has given flexibility for negotiations that began earlier.
- \n
- BIT with Canada was already under negotiations when the model BIT text was passed.
- \n
- Investments from Canada have also been steadily increasing and are expected to go up further once the BIT and the CEPA are in place.
- \n
- So there is a possibility for considering these demands.
- \n
- At the same time India is also cautious as it does not want to get involved in international arbitration cases with foreign companies nor to sacrifice

its domestic policy space.

\n

\n\n

\n\n

Source: Business Line

\n



IAS PARLIAMENT

Information is Empowering

A Shankar IAS Academy Initiative