



Prime Minister Mark Carney, left, greets Indian Prime Minister Narendra Modi at the G7 summit in Kananaskis, Alta., last June. Mr. Carney's first trip to India is expected to take place in late February to early March. DARRYL DYCK/ASSOCIATED PRESS

Indian investors watching USMCA talks

Foreign investment in Canada might hinge on country's preferential access to U.S. market

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The chief executive of the Indo-Canadian Business Chamber says its members' growing interest in investing in Canada is tempered by caution about the future of the USMCA pact, which grants this country preferential access to the U.S. market.

Nadira Hamid, based in New Delhi, said Prime Minister Mark Carney's first trip to India, expected to take place in late February to early March, is a good signal that Canada is more welcoming of Indian investment than in years prior.

But, she said, her country's investors are keeping a close eye on negotiations between Ottawa and Washington on the United States-Mexico-Canada Agreement.

This deal and its predecessors, including the North American free-trade agreement, granted Canadian businesses stable and near-tariff-free access to the United States until President Donald Trump's second term in office. Mr. Trump has since imposed a slew of tariffs on Canada, and while products traded under USMCA rules are exempt, that hasn't shielded steel, aluminum and autos from damaging levies.

"The one thing is that India, the industry, is still very cautious. They're a bit cautious because of the Trump factor: the fact that there is a little bit of uncertainty at the moment between Canada and the USA, especially with regard to tariffs," Ms. Hamid said.

She said Indian investors are keen on a multitude of Canadian sectors including energy, critical minerals, artificial intelligence, life sciences and agri-food.

Ms. Hamid said these investors have traditionally viewed investments in Canada as a potential opportunity to sell into the U.S. market, as well.

"When an Indian industry decides to either expand into Canada or to set up base there, they look at North America. They look at the U.S.," said the chamber CEO, whose organization counts about 400 members across both India and Canada.

Goldy Hyder, president and CEO of the Business Council of Canada, said Ms. Hamid's group is one of the most prominent organizations dedicated to the Indo-Canadian relationship, with broad industrial support across India and large and small companies among its members.

He said he's hearing similar sentiments from a number of countries where investors are tak-

ing a wait-and-see approach toward Canada until the USMCA is renewed and ratified. He cited investors in Japan, Korea, India and Indonesia, among other countries.

He said Mr. Carney was in the room for some of these discussions at last October's Association of Southeast Asian Nations summit in Malaysia and the Asia-Pacific Economic Co-operation meeting in South Korea, "so he's heard it as well."

Canada, the U.S. and Mexico are set to begin talks on whether to renew the USMCA this year. The USMCA says all three countries are supposed to meet this year and by July 1, 2026, confirm in writing whether they intend to renew the pact - extending the deal another 16 years. If all parties do not confirm renewal in writing, then a 10-year countdown begins to the expiry of the deal, with yearly reviews until 2036. Countries are still free to renew the deal at any time.

Mr. Hyder said overseas investor confidence in Canada depends on the successful renewal of the USMCA.

"Neither foreign nor domestic investors will invest in Canada unless we retain preferential access to the United States, which means reviewing and renewing the USMCA is essential to trade diversification," he said.

Mr. Carney has set the goal of doubling non-U.S. exports over the next decade to \$300-billion, as part of an effort to reduce reliance on the increasingly protectionist United States under Mr. Trump.

Mr. Hyder said meeting this ambition will depend on the Prime Minister's other major economic goal: facilitating \$1-trillion in investment in Canada over the next five years. This will require significant foreign investment.

"I think investors may be waiting on the sidelines until this agreement's fate is determined, one way or the other," he said.

Kirsten Hillman, the departing Canadian ambassador to the United States, said in an interview with *The Globe* last month that it's unclear whether Ottawa, Washington and Mexico City will be able to conclude the scheduled review of the USMCA this year.

The stakes for a successful renewal of the USMCA are extraordinarily high for Canada. Not only does it provide the framework for more than \$1-trillion in annual Canada-U.S. trade, it has also become a shield against U.S. tariffs. Products that comply with free-trade pact rules are exempt from Mr. Trump's 35-per-cent "fentanyl" levy. This exemption covers more than 90 per cent of Canadian exports to the U.S.

Vina Nadjibulla, vice-president of research and strategy at the Asia Pacific Foundation of Canada, said she thinks foreign investor concern about investing in Canada until the USMCA is resolved depends on the sector and whether it's reliant on exports to the United States.