

India Canada - BIT negotiations

Why in news?

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

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What is BIT?

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

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- Government of India has signed BITs with 83 countries.

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

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

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What are the demands of Canada?

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

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

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- Since there are no time-lines for settling the cases, Canada wants more options in case domestic courts take long time in settling disputes.

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- **MFN** - Canada has demanded an upgrade to a 'Most Favoured Nation' (MFN) status which will provide for more economic relaxations.
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 - Along with this it also asked for a MFN-forward clause.
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 - This means that whatever concessions that India may extend in future to other trading partners will automatically extended to Canada.
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 - **Ratcheting** - It is also demanding a ratcheting provision.
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 - 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.
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 - **CEPA** - It also wants to fasten the negotiations of 'Comprehensive Economic Partnership Agreement' (CEPA).
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 - 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.
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Why is India considering the demands?

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- Model-BIT has given flexibility for negotiations that began earlier.
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 - BIT with Canada was already under negotiations when the model BIT text was passed.
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 - Investments from Canada have also been steadily increasing and are expected to go up further once the BIT and the CEPA are in place.
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 - So there is a possibility for considering these demands.
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 - 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.
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Source: Business Line

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