International Relations · GS - II

How can trade disputes between major powers intensify internal political divisions within federal states? Discuss with reference to Canada–US tensions and Alberta’s concerns over equalization payments.

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 16/10/2026	GS - II	International Relations

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Economic nationalism, tariffs, trade disputes, federalism, fiscal transfers, regional alienation, resource-rich provinces, provincial autonomy, national unity, intergovernmental negotiations, economic diversification.

Model Answer

1. Introduction

Trade disputes between major powers can create economic uncertainty and intensify domestic political tensions. Canada’s trade relations with the United States and Alberta’s concerns over federal fiscal policies illustrate the interaction between external economic pressure and internal federal dynamics.

2. Key Dimensions

A. External Economic Pressure: Tariffs and trade restrictions can affect exports, investment and employment, encouraging national leaders to mobilise public support around economic sovereignty.

B. Fiscal Federalism: Equalization payments seek to address disparities in provincial fiscal capacity. However, disagreements over contributions and perceived fairness may deepen regional alienation.

C. National Unity: Economic grievances can strengthen separatist sentiment and demands for greater provincial autonomy, although these do not automatically translate into independence.

3. Way Forward

Canada should strengthen intergovernmental dialogue, ensure transparent fiscal-transfer arrangements, diversify export markets and support regions affected by trade disruptions.

4. Conclusion

External trade pressures can magnify existing federal tensions. Transparent fiscal policies and cooperative federalism are essential to maintaining national cohesion while addressing regional economic concerns.

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