



THE ICAT LOGISTICS

Bottom Line Newsletter



NOVEMBER 2023 | VOLUME 166

Canada-India Trade Talks Stall Amid Tensions

SUMMARY

A Sikh separatist movement of the 1980s and early 1990s continues to cast a long shadow over India-Canada relations despite apparent strategic congruence when it comes to China and the Indo-Pacific.

BACKGROUND

Canada's friendliness toward Sikh separatist activists has been a sore point for India for decades. Sikh separatists associated with the Khalistan movement first began moving to Canada in large numbers after the partition of India and Pakistan in 1947. When the two countries were separated, the Punjab region, home to most of the world's Sikhs, was split into the Indian state of Punjab and the Pakistani province of Punjab.

While Sikhs form most people living in Punjab, they form only two percent of India's population of 1.4 billion. The modern movement to create a sovereign Sikh homeland called "Khalistan" out of the state of Punjab emerged from negotiations preceding the partition. However, Khalistan has never been recognized by the Indian government, which considers the movement a national threat. India has long argued that Canada's approach to Sikh separatists goes too far. At the same time, Canada asserts that freedom of expression laws that allow Sikh activists to demonstrate are the same laws that apply to all activists.

CURRENT STATUS

Talks on the Canada-India Comprehensive Economic Partnership Agreement (CEPA) began at the end of 2010 after Prime Minister Stephen Harper visited India, and a joint study forecasted a deal would produce a GDP gain of US\$6–15 billion for Canada. The following year's throne speech declared the government's intention to complete negotiations on the deal in 2013. That did not happen. Political events, differing negotiating styles and technical approaches to trade, and the passage of time have all conspired to prevent the deals from being finalized. The talks were formally relaunched last year. Canadian negotiators seek to include agreements on gender, the environment, labor, and human rights in discussions and treaties like the Trans-Pacific Partnership. However, the Indian government is unlikely to welcome the debate on these subjects in the context of CEPA. "These are not directly related to the trade negotiations and should be kept out of the discussion."





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Bilateral trade between Canada and India touched \$8 billion in 2022. Canada has invested more than \$3.6 billion in India, with over 40% of that being in services and infrastructure, according to Invest India.

In September, Prime Minister Justin Trudeau said there were "credible allegations" of Indian involvement in the murder of Sikh activist Hardeep Singh Nijjar, who was gunned down outside a Sikh temple in Surrey, B.C. The Indian government quickly denied any involvement in Nijjar's murder, and the two countries have traded diplomatic barbs since then, most recently culminating in India demanding that Canada reduce its diplomatic presence there.

IMPACT

Despite episodes of tension over the years, Canada and India have managed to maintain a healthy relationship with solid diplomacy and shared commercial interests. If the stalled trade deal with India should fall apart altogether, Canada would lose more ground than just with India. The agreement is considered vital to Canada's Indo-Pacific strategy, which would see this country strengthen its trade ties with 40 countries and economies. While officials from India and Canada will try to resolve the diplomatic dispute, India's government has no plans to impose curbs on imports or investments from Ottawa.

RESOURCES:

- [Canada-India Feud: How we Got Here, What's at Stake](#) (CTV News)
- [India Warns Canada as the Trudeau Comments Threaten Relations](#) (The Diplomat)
- [Canada and India Can't Seem to Make a Trade Deal](#) (Macleans)
- [Simmering Tensions Between India and Canada](#) (Reuters)
- [What's Behind the Growing Tensions Between Canada and India](#) (The Guardian)
- [In Surprise Move, Canada Pauses Talks on Trade Treaty with India](#) (Reuters)

