

INDIA-CANADA BILATERAL TRADE RELATIONS

**Trends, Opportunities, and the
Path to CEPA**

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ABOUT THIS REPORT

This report examines India-Canada bilateral trade relations and the path toward a Comprehensive Economic Partnership Agreement (CEPA). Despite bilateral trade reaching CAD 30.9 billion in 2024, the economic partnership remains underutilized. India exports pharmaceuticals, textiles, and IT services, while Canada supplies mineral fuels, critical minerals, fertilizers, and agricultural products. Political tensions in 2023 temporarily suspended CEPA negotiations, yet trade remained resilient—Indian pharmaceutical exports to Canada grew 20% despite diplomatic friction.

The report highlights significant mutual benefits: India gains access to Canadian energy, critical minerals, and pension fund investments, while Canada secures entry into India's growing consumer market and diversifies its Indo-Pacific supply chains. Priority cooperation sectors include agriculture, clean energy, IT services, pharmaceuticals, and infrastructure. With diplomatic relations normalizing under Prime Minister Mark Carney's government and geopolitical shifts creating urgency for both nations to diversify trade partnerships, the report recommends accelerating CEPA negotiations through sector-specific fast-tracks, regulatory harmonization, and public-private partnerships to unlock substantial economic potential.

ABOUT THE INDIA CANADA RESEARCH INITIATIVE AT CSDR

The India-Canada Research Initiative (ICRI) at CSDR is a project designed to strengthen bilateral relations between India and Canada. This initiative aims to unlock the true potential of the partnership by creating a platform for scholarly exchange, policy research, and strategic engagement. The ICRI was established in Sept 2024 with a grant from the [Asia Pacific Foundation of Canada](#).

ABOUT COUNCIL FOR STRATEGIC AND DEFENSE RESEARCH

Founded in January 2020 by Lt. Gen. D.S. Hooda (Retd.) and Dr. Happymon Jacob, CSDR is an innovative think tank and consultancy specializing in foreign policy, geopolitical risk, connectivity, and critical areas of defense and aerospace. With a focus on the Indian subcontinent, Eurasia, and the Indo-Pacific, CSDR is committed to generating strategic insights that drive meaningful change. Read more at www.csdronline.com

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Executive Summary

- The India-Canada economic partnership remains underutilized despite bilateral trade reaching CAD 30.9 billion in 2024. India exports pharmaceuticals, textiles, software, and gems, while Canada supplies mineral fuels, fertilizers, semi-precious stones, and vegetables.
- Political tensions in recent years have not stopped growth; Indian pharmaceutical exports to Canada rose from USD 425 million in 2023 to USD 511 million in 2024. Cross-border investment has increased, with Indian companies investing over CAD 6.6 billion in Canada and Canadian firms investing more than USD 4.05 billion (cumulative FDI stock since April 2000) in India, creating thousands of jobs and expanding R&D activities in both countries.
- The opportunity cost of stagnation is high; according to pre-2023 studies, a Comprehensive Economic Partnership Agreement (CEPA) could raise bilateral trade by CAD 8.8 billion and increase Canada's GDP by 0.16% annually by 2035. Canada holds over CAD 589 million in unrealized export potential for critical minerals that support India's clean energy goals.
- A comprehensive trade agreement would provide distinct benefits: India would gain enhanced access to Canada's energy resources, critical minerals, and agricultural inputs, as well as direct investment from Canadian pension funds, while reducing its reliance on China. Canada strengthens its Indo-Pacific strategy by accessing India's rapidly growing consumer market, digital innovation ecosystem, and securing diversified Asian supply chains.
- The economic relationship has evolved from basic commodity trading following independence to a diversified partnership that features technology, infrastructure, and scientific cooperation. India's liberalization in the 1990s and Canada's removal of sanctions in 2001 (imposed by Canada after India's 1998 nuclear tests) were pivotal in accelerating business and diplomatic engagement.
- Trade has persisted and grown despite major setbacks, including the suspension of nuclear cooperation in 1974 and the diplomatic freeze in 2023. Two-way trade continued to rise with stable agricultural and energy exchanges throughout turbulent periods, demonstrating the structural strength of bilateral economic ties.
- Priority sectors for expanded cooperation include agriculture and agri-food products, clean energy and critical minerals, information technology and digital services, pharmaceuticals and healthcare, infrastructure and urban development, and Indo-Pacific regional collaboration for supply chain integration.
- Challenges to deeper cooperation include diplomatic friction, regulatory barriers, market access constraints, and the lack of a comprehensive trade agreement. Both governments acknowledge the need to restart negotiations and harmonize standards for easier trade and investment flows.
- Recommended actions include accelerating tariff reductions in high-potential sectors, harmonizing regulations, expanding public-private partnerships, strengthening investment protections, and integrating CEPA with Indo-Pacific goals to enhance supply chain resilience and market expansion.
- Both nations stand to gain strategically and economically from realizing CEPA. The agreement would give India access to Canadian resources and investments, while offering Canada new markets, diversified exports, and improved global competitiveness in the Indo-Pacific region.
- India and Canada are at a crucial point where they can move past previous hurdles and embrace new opportunities. Renewed political resolve, policy alignment, and sectoral collaboration will unlock untapped potential in technology, trade, education, and strategic stability for years ahead.

Introduction


The India-Canada economic partnership holds significant untapped potential for both nations, underscoring the need for renewed commitment to bilateral trade and investment engagement. In 2024, bilateral trade volumes reached USD 30.9 billion, with India exporting pharmaceuticals, textiles, software, and gems, and Canada supplying mineral fuels and oils, fertilizers, semi-precious stones, and vegetables.[1]

Despite diplomatic tensions in late 2023, trade has traditionally remained insulated from political volatility. For instance, Indian pharmaceutical exports to Canada grew from USD 425.33 million in 2023 to USD 511.79 million in 2024, a nearly 20% increase.[2] This resilience highlights the structural strength of the bilateral economic relationship.

Investment trends also demonstrate a deepening economic engagement. By 2023, Indian companies have invested over CAD 6.6 billion in Canada, expanding business activity, R&D, and local employment.[3] Similarly, Canadian companies have invested over USD 4.05 billion (cumulative FDI stock since April 2000) in India, with commitments to expand in sectors like real estate, renewables, and infrastructure, reinforcing long-term confidence despite diplomatic challenges.[4]

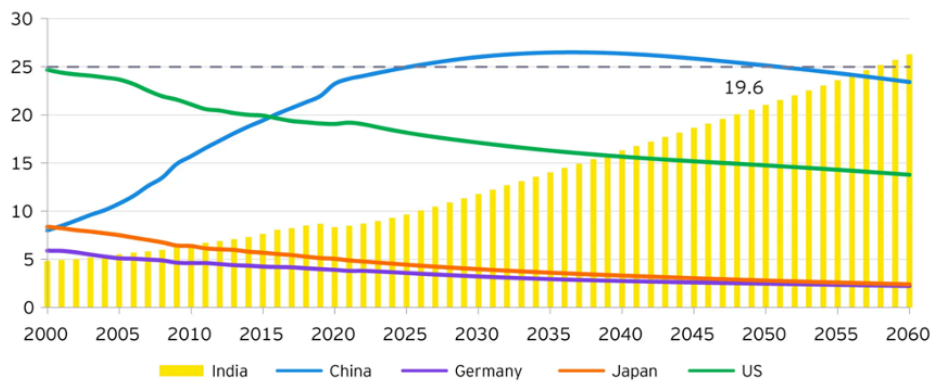
“Despite diplomatic tensions in late 2023, trade has traditionally remained insulated from political volatility. For instance, Indian pharmaceutical exports to Canada grew from USD 425.33 million in 2023 to USD 511.79 million in 2024, a nearly 20% increase. This resilience highlights the structural strength of the bilateral economic relationship.”

While trade has persisted through crises, the opportunity cost remains significant. The proposed Comprehensive Economic Partnership Agreement (CEPA) could increase bilateral trade by CAD 8.8 billion and boost Canada's GDP by 0.16% annually by 2035.[5] A 2022 Ciuriak Consulting study estimated that if Canada's exports to India matched their global performance levels, they would have been 242% higher than 2017-2019, and that continued under-trading could cost USD 6.3 billion by 2027.[6]



Canadian Prime Minister Mark Carney and India's Prime Minister Narendra Modi shake hands before posing for a photo during the G7 Leaders' Summit in Kananaskis, in Alberta, Canada, June 17, 2025.
REUTERS/Amber Bracken/File Photo

India stands to benefit from greater access to Canada's critical minerals, energy resources, and agricultural inputs, which are vital for its ambitious clean energy targets. Canada also holds CAD 589 million in unrealized export potential in critical minerals essential to India's energy transition.[7] Enhanced cooperation in technology, renewable energy, and FDI, including Canadian pension fund participation, could also help India diversify away from reliance on China's supply chains.



Source: Indian economy by 2050: In pursuit of achieving the \$30 trillion mark, Ernst & Young, 2025

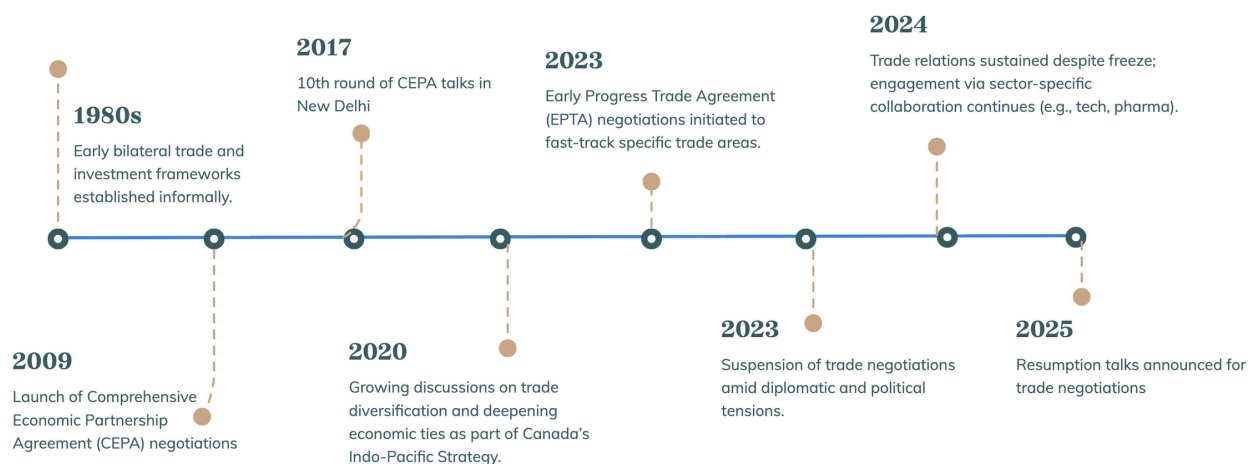
For Canada, deeper engagement with India supports its Indo-Pacific diversification strategy, reduces dependence on traditional Western markets, and aligns with broader geoeconomic and geopolitical objectives. This strategic partnership highlights the importance of strengthening economic engagement through trade agreements and cross-sector cooperation, such as in clean energy and information technology. Both countries share a growing interest in stable, rules-based economic frameworks, particularly as U.S. economic policies under President Trump continue to disrupt global trade flows that affect both economies.

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Since the India-Canada CEO Round Table's recommendation for CEPA talks, which began in 2010, several negotiation rounds have taken place.[8] Although progress stalled during recent diplomatic tensions, talks are now poised to resume as relations stabilise. Conditions at every level (bilateral, domestic, strategic, and geoeconomic) favour renewed momentum toward a comprehensive agreement.

This report examines the past, present, and future of India-Canada trade relations, situating current developments within a wider strategic and economic context. It seeks to clarify what is at stake in ensuring a prosperous, stable, and mutually beneficial partnership between these two countries.

Milestones for the India-Canada Economic Partnership



A Brief History of India-Canada Economic Relations

India and Canada have shared a multifaceted economic relationship that has deepened steadily over several decades. Rooted in shared democratic values and strengthened by strong people-to-people, cultural, and educational ties, this partnership has evolved from a primarily commodity-based exchange to a diversified engagement spanning trade, investment, and collaboration in emerging sectors.

Evolution of India-Canada Economic Ties

Trade relations between India and Canada expanded significantly following India's independence in 1947, with a partnership built on common interests in trade, scientific collaboration, and cultural exchange.^[9] Canada traditionally exported pulp, sulphur, edible oil, whereas India exported tea and spices. However, their bilateral trade relation met the first roadblock when India's nuclear test in 1974 led to Canada suspending nuclear assistance to India. Along with this came a sharp decline in Canada's market share in India.^[10] In the 1990s, the gradual liberalization of India's economy served as a catalyst for rebuilding economic ties, encouraging Canadian businesses to explore India's rapidly growing market and attracting Indian companies to invest in Canada's tech-driven economy. Following ministerial and trade mission visits to India in 1992 and 1994, Ottawa in 1995 released the 'Focus India' document, highlighting India as "an emerging economic power", highlighting a shift in the Canadian economic approach towards India.^[11]

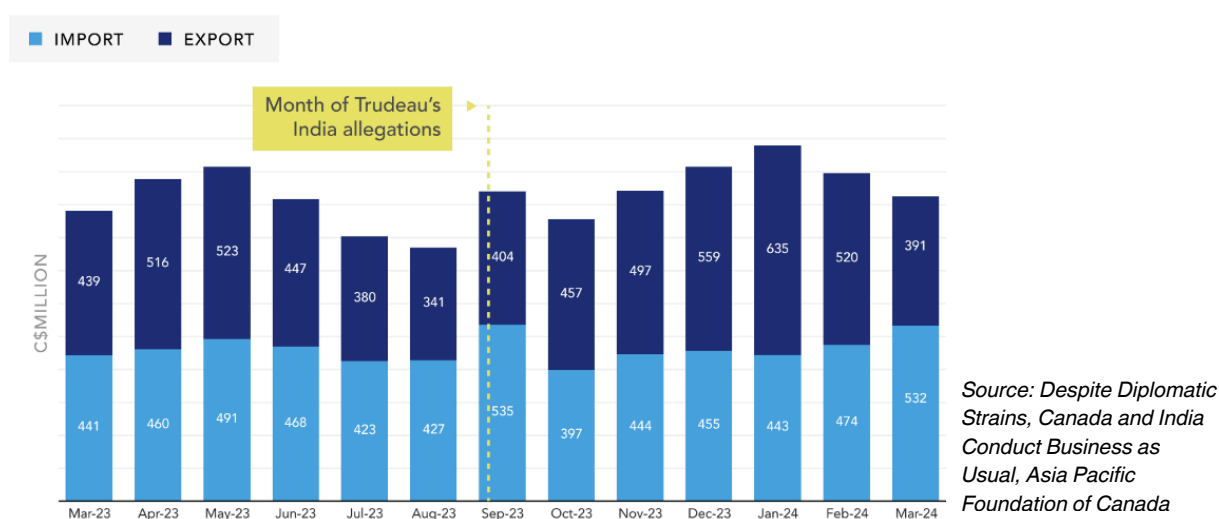
Following Prime Minister Jean Chrétien's removal of sanctions on India in 2001 (imposed in 1998 after India's nuclear tests), India-Canada relations reached new heights with the arrival of a new government under Prime Minister Stephen Harper. Harper turned the India-Canada relationship into a "strategic partnership", following ministerial visits, multiple agreements on trade, economic cooperation, energy, and a landmark nuclear civil deal was signed in 2010, and the first consignment of Canadian uranium reached India in December 2015.^[12] After Justin Trudeau was elected Prime Minister, trade statistics remained consistent, and CEPA talks continued over the decade, but political tensions dampened hopes for successful trade deals or substantial growth in bilateral trade.

Launch of Early Progress Trade Agreement (EPTA) Negotiations

A significant milestone in economic relations was reached in 2023, when India and Canada launched negotiations for an Early Progress Trade Agreement (EPTA), serving as a transitional step amid CEPA talks. [13] This agreement was conceived as a practical next step toward economic integration amid political challenges that had delayed a comprehensive agreement. The proposed EPTA would have covered high-level commitments in goods, services, investment, rules of origin, sanitary and phytosanitary measures, easing technical barriers to trade, dispute settlement, and other necessary agreements.[14]

2023 Political Tensions and Trade Sustenance

Despite the promise of an EPTA, India-Canada economic relations faced a setback in late 2023 when the Canadian government alleged India's involvement in the killing of Khalistani Activist Hardeep Singh Nijjar, which eventually led to the suspension of trade negotiations, including the long-drawn CEPA talks.[15] However, these tensions did not entirely halt commercial engagement. Bilateral trade remained robust, rising from CAD 880 million to CAD 923 million between March 2023 and March 2024.[16] Overall, two-way trade totaled CAD 30.9 billion, with agri-food and energy security accounting for the majority of this trade.[17]



Following the election of Prime Minister Mark Carney in 2025, both governments have ambitiously signaled their intentions to revive talks, recognizing the strategic importance of the economic partnership amid shifting global trade landscapes. With the reinstatement of diplomats and a gentle thaw in trade talks, both countries appear poised to rebuild bilateral ties on more favorable terms.[18] After the June 2025 meeting between Prime Ministers Modi and Carney on the sidelines of the G7 Summit, both sides had appointed high commissioners by late August. Further positive indications

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include the meeting of India's NSA Ajit Doval and Canada's NSA Nathalie Drouin, along with their security teams, for "wide-ranging" discussions on counterterrorism, transnational crime, intelligence sharing, and Khalistani threats.[19] In the run-up to her visit to New Delhi in early October, Canada's Foreign Minister, Anita Anand, also met with India's Minister of External Affairs, S. Jaishankar, on the margins of the UN General Assembly in New York. Her October visit to New Delhi was an opportunity for in-depth talks with EAM Jaishankar on trade, security, defense, and "next steps" in diplomatic relations, including the relaunch of the Joint Science and Technology Cooperation Committee.[20]

Current Trade and Investment Profile

Over the decades, India and Canada have built a diverse economic partnership characterized by steady increases in trade volumes, a varied composition of traded goods and services, and strengthening investment flows from both sides.

Volume and Composition of Bilateral Trade

Bilateral trade between the two countries has shown consistent growth over the past decade despite persisting diplomatic challenges. In 2024, two-way trade reached approximately CAD 40 billion, with India becoming Canada's 7th largest trading partner. Canadian trade statistics revealed a significant trade deficit with India, highlighting India's strength in exporting pharmaceuticals (which accounted for more than 10% of merchandise imports), machinery, and electronic items, among others. In contrast, Canada's exports to India focused heavily on agricultural products and natural resources.

Although India became Canada's 7th-largest trading partner and the diversity of traded products increased, the trade portfolio remains heavily reliant on natural resource flows from Canada and on manufactured goods and services from India.[21]



Canada's foreign minister, Anita Anand, with her counterpart, Dr. S. Jaishankar, during her visit to New Delhi in October 2025. Source: S Jaishankar Facebook post

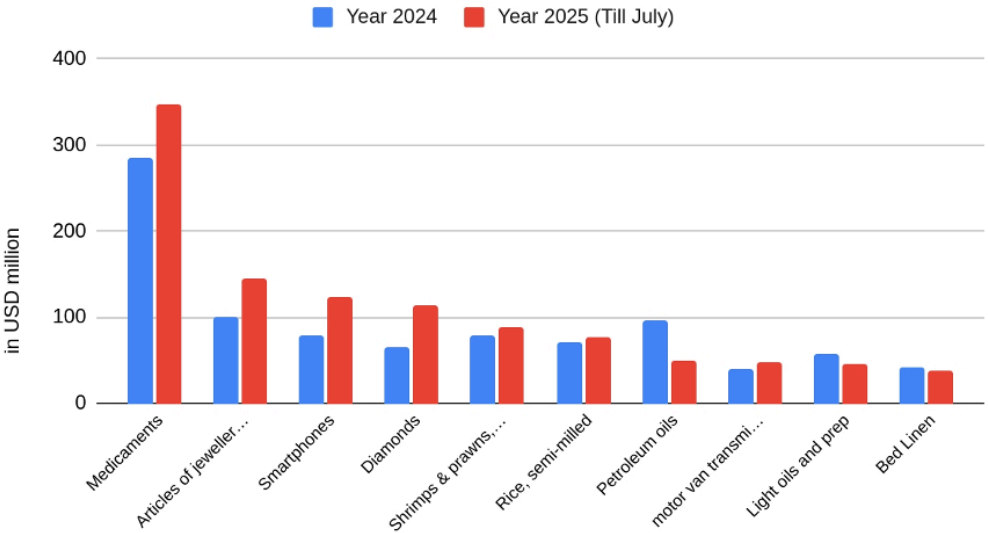
Major Indian Exports to Canada (Goods and Services)

India’s exports to Canada in 2024 totaled USD 5.9 billion, with pharmaceuticals accounting for a significant share of bilateral trade (10.6%). Canadian demand for affordable, high-quality medicines has led to significant market penetration in India in this sector. Key pharmaceutical exports in the year 2024 included medicaments, vaccines, pharmaceutical goods, gauze, and wadding.[22] The machinery sector included exports of items such as transmission shafts, gears, clutches, pumps, centrifuges, motors, pulleys, as well as small parts such as ball bearings, which accounted for USD 15.71 million of the total machinery exports.[23] Other goods exported by India included electronics, precious stones, metals, and iron and steel products.

Notably in the services sector, India exported services worth USD \$3.5 billion to Canada, where commercial services (primarily Information and Communication Technology) accounted for a majority of the export to Canada (80.9% of exports), in addition to other service sectors such as travel services, transport, and government services.[24] ICT primarily comprises services exported to Canada, including telecommunications, software services, financial services, licensing services, education, engineering, and teaching services provided by a large group of Indian IT companies operating in Canada.[25]

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Top items of Exports from India to Canada



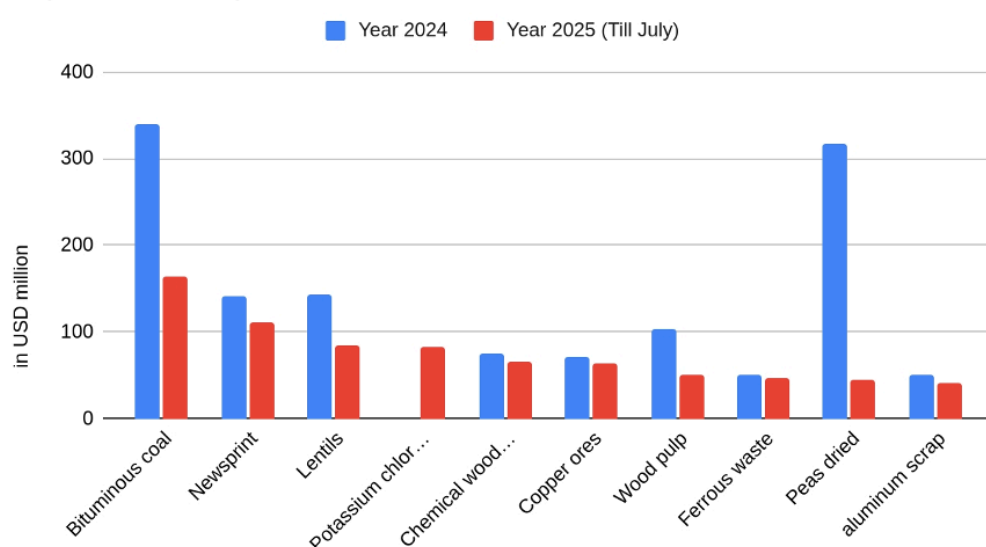
Source: India Canada Trade, Consulate General of India, Toronto

Major Canadian Exports to India

In contrast to a goods trade deficit with India, Canada maintained a services trade surplus. In 2024, Canada's exports to India (US\$4.44 billion) were notably higher, driven by agricultural commodities and natural resources. Major export items included vegetables, peas, and lentils (lentils constitute a significant portion of Indian food consumption), followed by mineral oils and fuels. Semi-precious stones, pulp, and wastepaper accounted for substantial sections of the exports to India.[26]

A notable rise in Canada's energy exports to India is a direct indication of India's growing energy needs. In May and June 2024, approximately 262,500 barrels of Canadian crude were transported to India via the Trans Mountain Expansion, valued at US\$159 million. In July 2024, Reliance made its first direct purchase of 2 million barrels of Canadian crude, marking the most substantial Canadian sale to India on record.[27] As the fastest-growing economy in the world, India's consumption of oil is rising, and in a market dominated by Russian suppliers, a Canadian supplier's entry is not just a welcome move in terms of bilateral relations, but also comes at a time when the U.S. has slapped additional 25% tariffs on India citing New Delhi's purchases of Russian oil (taking the total tariffs on India to 50%).[28]

Top items of Imports to India from Canada



Source: India Canada Trade, Consulate General of India, Toronto

Canadian Investment in India: Pension Funds' Strategic Role

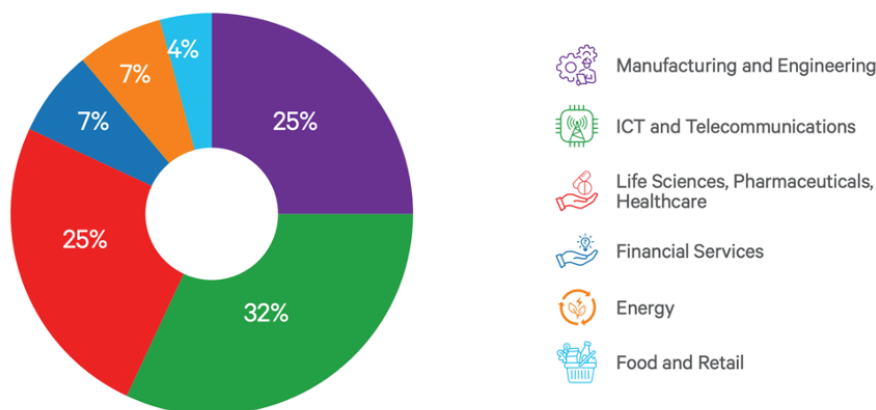
A feather in the cap of India-Canada economic relations, Canadian investments in India, particularly the role of Canadian Pension Funds, have been significant in sustaining the relationship between the two countries through periods of political tension and diplomatic freezes.

A recent statistic highlights Canada as the 17th-largest foreign investor in India, with portfolio investments estimated at CAD 100 billion or more.[29] The Canada Pension Plan Investment Board (CPPIB) has a record portfolio worth C\$30 billion in net assets in 2024-2025. The firm's diversified investments have generated net returns of 9.3% for the fiscal year.[30] As of 2024, another notable fund, Caisse de dépôt et placement du Québec (CDPQ), had over USD \$9 billion invested in India.[31] Such pension funds have sustainably invested in Indian infrastructure, roadways, clean technologies, and other lucrative sectors over the past few years to establish a strong foothold for Canadian investments in India.

Indian Investment in Canada

Conversely, the Indian investment footprint in Canada has been rising steadily. As mentioned before, tangible investments by Indian companies in Canada exceeded CAD 6.6 billion in 2023. Employment generated by Indian companies (inclusive of part-time and full-time roles) accounted for almost 17000 jobs across eight provinces. Corporate Social Responsibility investments by these companies accounted for CAD 6.3 million.[32] With notably higher investments in the technology sector (ICT services), Indian companies and start-ups are gradually building a robust investment portfolio.

SECTOR DIVERSIFICATION



Industry sectors where Indian companies are investing in Canada

Source: From India to Canada, Economic Impact and Engagement, Confederation of Indian Industry

Sectors for Cooperation

Agriculture

Since the signing of an MoU in 2009, agriculture has remained a pillar of the India-Canada trade relationship, driven by deep complementarities in production and consumption needs.[33] Canada fits perfectly into this picture, successfully catering to the food needs of Indian consumers with ingredients such as lentils, peas, and potash.

One of the more resilient trade sectors, agricultural trade continued during the suspension of trade talks and the diplomatic freeze after September 2023. In February 2024, Saskatchewan Premier H.E. Mr. Scott Moe met with Minister of State Shobha Karandlaje, during which they discussed uranium, potash, lentils, peas, chickpeas, and semi-chemical wood pulp trade, and explored potential cooperation in biotechnology, agri-tech, and wastewater treatment.[34]

Recognising the need to explore agritech areas, the Federation of Indian Chambers of Commerce and Industry (FICCI) organised the India AgTech Business Delegation to Canada in 2025.[35] Efforts to enhance partnerships in biotechnology, Agri-tech, and sustainable farming have begun under a new Canadian leadership, with ministerial discussions and commercial delegations kickstarting efforts to strengthen agricultural trade avenues. A successful Comprehensive Economic Partnership Agreement (CEPA) could enhance two-way collaboration, ensuring food security for Indian consumers and sustained exports and economic growth for Canadian producers.

Clean Energy and Critical Minerals

Canada's large reserves of lithium, cobalt, nickel, and other critical minerals are strategically important for India's ambitions in clean energy, electric vehicles (EVs), and battery manufacturing. For India, accessing avenues outside China's supply chain dominance is vital to meet its energy objectives. As the Indian EV sector continues to grow at a compound annual growth rate (CAGR) of 28.5%, the demand for critical minerals essential for renewable energy systems, EV powertrains, and energy-efficient technologies is expected to increase in tandem.[36]

The viability of Indian energy markets as a critical mineral importer has also risen since the USA, the top consumer of Canadian critical minerals (USD \$38 billion out of the total \$57 billion in global exports), threatened to levy tariffs of 25-50% on steel and aluminum imports. Exploring the Indian markets as a stronger trade partner could prove fruitful for both nations.

Another notable initiative under the renewed India-Canada ties is the India-Canada Collaborative Industrial Research & Development Programme (2025), which funds projects in clean food and agricultural technologies, the commercialization of new energy solutions, and smart infrastructure.[37] An intergovernmental initiative such as this underscores the significance of trade complementarity and the collaborative potential between the two countries. The signing of an India-Canada Free Trade Agreement could therefore legitimise preferential access, opening the way for joint mining ventures, technology transfers, exploration, and sustainable, long-term agreements.

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Information Technology & Digital Services

India is often regarded as a global leader in IT services and software development, with Canadian cities such as Toronto, Montreal, and Vancouver serving as key tech hubs. Toronto leads in AI and fintech, Montreal excels in AI research and cybersecurity, and Vancouver stands out in video games, film, and biotech.[38] Cooperation in the IT and digital services sector has flourished, with Indian firms establishing substantial operations in Canada, offering tailored solutions in digital transformation, AI, cloud computing, and cybersecurity to Canadian business clients. Infosys Canada is committed to creating 8,000 jobs in Canada by the end of 2024, with the inauguration of new centres in smaller towns like Calgary.[39]

According to the World Trade Organisation, India ranked as the world's fifth-largest exporter of digital services in 2024, highlighting the potential for further growth in bilateral digital trade.[40]

Rank	Exporters	Value	Share	Annual percentage change
1	United States of America	707	15.2	7
2	United Kingdom	452	9.8	9
3	Ireland	417	9.0	25
4	Germany	272	5.9	5
5	India	269	5.8	8
6	China	221	4.8	6

Source: Leading exporters of digitally delivered services, 2024, Global Trade Outlook and Statistics US\$ (bn)

Canadian users could benefit from access to digital platforms, business solutions, and software products developed by Indian companies, while India could leverage Canada's diverse fintech startup environment to drive innovation. A comprehensive free trade agreement could help develop a stronger digital infrastructure and promote innovation.

Pharmaceuticals & Healthcare

Canada has, for years, outsourced much of its drug development work to Indian contract development and manufacturing organizations (CDMOs) to take advantage of lower labor costs.[41] As a result, pharmaceuticals rank as the most exported goods from India to Canada. India is also a major global supplier of medicines and vaccines, exporting a broad portfolio of high-quality pharmaceuticals to Canada. Indian companies, such as Dr. Reddy's Laboratories Ltd., Sun Pharmaceutical Industries Ltd., Cipla Ltd., Lupin Ltd., and Zydus Lifesciences Ltd., have invested in Canadian R&D and manufacturing, building research facilities and distribution centers to meet evolving healthcare needs, and have increasingly acquired Canadian subsidiaries.[42]

With challenges such as varied pricing regimes and stringent regulatory systems in Canada, streamlining drug approvals and aligning standards between Indian and Canadian authorities has become essential to strengthen collaboration in this sector. In this scenario, an FTA covering pharmaceutical trade and collaboration can foster quicker access to therapies and expand collaboration in clinical trials. Joint research, technology transfer, and clinical partnerships can be facilitated by establishing a robust bilateral framework in the booming pharmaceutical sector.

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With President Trump announcing a 100% tariff on imported branded and patented pharmaceuticals starting in October 2025, there might be new opportunities for India-Canada.[43] While, for the moment, Indian generic drug makers are largely unaffected, concerns loom over the potential expansion of tariffs to complex generics, which again would force Indian exporters to explore alternative markets.

Infrastructure & Urban Development

Canada's investment capacity has contributed significantly to India's infrastructure development, primarily through pension funds like CPPIB and CDPQ. Public-private partnerships (PPPs) between Canadian firms and Indian agencies can be promoted through programmes such as the National Infrastructure Pipeline (NIP), which invites tenders to attract investment in a range of infrastructure projects across India.[44] In 2024, the CPPIB invested CAD 297 million in the units of the NHAI InvIT, an infrastructure investment trust (InvIT) sponsored by the National Highways Authority of India (NHAI).[45] NHAI projects also fall under the purview of the NIP, and such PPPs can lay out a strong roadmap for infrastructural development.

Indian investment in Canadian infrastructure is continuing to grow at a modest yet substantial pace, with firms expanding into engineering, IT, and consulting projects in major cities such as Toronto, Vancouver, and Montreal, as mentioned earlier. The future of collaboration lies in expanding such PPP models and scaling up innovation projects for digital urban services, resilient models, and green mobility solutions.

Geopolitical Incentives

Geopolitical factors are increasingly shaping India-Canada cooperation, particularly as the two countries seek to diversify their trade partners and navigate complex regional dynamics amid a rapidly shifting global landscape. Canada's Indo-Pacific Strategy, launched in 2022 and reaffirmed under the new leadership in 2025, explicitly recognizes India as a 'critical' partner for broadening economic and security ties, emphasizing the creation of alternative supply chains to reduce vulnerabilities in sectors such as semiconductors, rare earths, and energy resources.[46] This strategic alignment is not merely rhetorical; it positions both nations to counterbalance dependencies on traditional powers, fostering joint initiatives in mineral sourcing strategies, digital infrastructure resilience, and cybersecurity frameworks that could enhance trade stability across North American and Asia-Pacific networks. For instance, collaborative efforts to secure supply chains for lithium and cobalt, vital to electric vehicle batteries, could mitigate risks from disruptions in other regions, ensuring more predictable flows of goods and technologies between the two economies.

The re-election of President Donald Trump in 2024 has amplified these geopolitical imperatives, introducing profound disruptions to global trade and security architectures that directly incentivize deeper India-Canada engagement. Trump's "America First" doctrine has led to increased tariff impositions, including 25-50% duties on steel, aluminum, and critical minerals imports from Canada, a previously close ally, resulting in over USD 38 billion in affected trade flows, as highlighted in recent analyses. These measures, coupled with a 100% tariff on imported branded pharmaceuticals set to take effect in October 2025, have strained U.S.-Canada economic relations, forcing Ottawa to accelerate

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diversification efforts beyond its southern neighbor, which accounts for 75% of its exports.[47]

In security terms, Trump's skepticism toward multilateral commitments has led to scaled-back U.S. involvement in Indo-Pacific forums, such as the Quad, with potential reduced naval deployments and intelligence sharing in the South China Sea.[48] This has created a vacuum that emboldens assertive actors and heightens regional tensions.

Canada, already navigating its own Indo-Pacific Strategy with a limited military footprint, finds its security commitments undermined by Washington's retreat, prompting a re-evaluation of bilateral partnerships to bolster deterrence without over-reliance on the U.S. These developments open transformative opportunities for India and Canada to forge a more robust partnership, turning geopolitical headwinds into tailwinds for mutual advancement. For trade, Trump's protectionism creates a window for Canada to redirect its surplus in critical minerals and agricultural exports toward a burgeoning Indian market. India, in turn, can expand its pharmaceutical and IT services footprint in Canada, circumventing U.S. barriers by leveraging tariff-free pathways under a revived CEPA, potentially adding billions to bilateral trade volumes.

On the security front, the diminished U.S. commitments in the Indo-Pacific region invite enhanced India-Canada collaboration, such as co-developing maritime surveillance technologies, expanding joint military training in the Indian Ocean Region, and aligning on counterterrorism intelligence-sharing protocols to address shared threats, including Khalistani extremism and cyber incursions from state actors. This could manifest in trilateral frameworks with like-minded partners, such as Australia, to fortify supply chain security and promote rules-based order.

As the global order evolves amid tariff skirmishes, proxy conflicts, and alliance fractures, both countries can find refuge in intertwined strategic priorities, securing critical minerals for clean energy transitions,

fortifying energy security against volatile suppliers, and pioneering sustainable urban development models resilient to climate shocks. Canada's imperative to diversify trade away from the United States and China is theoretically—and now practically—complemented by India's growing global economic profile, demographic dividend, and assertive regional leadership in forums such as ASEAN and the G20.

Bilateral trade agreements, such as a comprehensive CEPA or even an interim Early Progress Trade Agreement (EPTA), can serve as foundational platforms for long-term collaboration, embedding clauses for dispute resolution, investment safeguards, and technology transfers that weather future uncertainties. These incentives will foster greater engagement across science and innovation hubs (e.g., AI research partnerships between Toronto and Bengaluru), facilitate educational exchanges to build skilled workforces, and expand market access for SMEs in e-commerce and green technology. Ultimately, in an increasingly multipolar

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world, this deepened alliance not only hedges against unilateral U.S. policies but also positions India and Canada as pivotal architects of a stable, inclusive Indo-Pacific, yielding enduring economic dividends and enhanced strategic autonomy for generations to come.

Challenges and Recommendations – Restarting the India-Canada CEPA Negotiations

In an effort to strengthen trade ties, India and Canada have been pursuing a Comprehensive Economic Partnership Agreement (CEPA) since 2008 to structure bilateral trade, investment, and strategic cooperation. Yet, the path to CEPA has been marked by persistent challenges and periodic suspensions of talks, most recently following diplomatic tensions in 2023.

Challenges

- **Diplomatic Tensions:** Political disputes, including allegations of Indian government interference and the Khalistan issue, led to a pronounced diplomatic freeze. Not only did CEPA negotiations cease after this, but economic uncertainty also affected businesses and potential and current investors, undermining trust and reducing their willingness to pursue deeper economic integration. As of today, confidence-building measures have become a vital tool in rebuilding the India-Canada relationship.
- **Regulatory Barriers & Market Access Issues:** India's protectionist policies, price sensitivities, and a complex infrastructural system to navigate have negatively impacted Canadian exporters. Meanwhile, Canada's stringent intellectual property rules and regulatory requirements have presented obstacles for Indian firms seeking to enter the market. Non-tariff barriers, including provincial variations, further delay seamless trade flows.
- **Absence of a CEPA:** The lack of a comprehensive, binding CEPA framework has prevented both countries from realizing their full trade and investment potential. Without it, both sides depend on piecemeal sectoral agreements, leaving issues in services trade, labor mobility, and investment protection and sustainability.

Restarting Negotiations: Recognizing the opportunity cost, both governments have expressed commitment to relaunch Free Trade Agreement (FTA) talks — a pragmatic stepping stone focused on tariff reduction in agriculture, pharmaceuticals, and critical minerals. As diplomatic relations normalize, CEPA talks could resume in full flow.

Recommendations

- **Sector-Specific Fast-Tracks:** Prioritize tariff reduction and market access for high-performing sectors such as pharmaceuticals, agri-commodities, clean tech, and digital services where complementarities are highest.
- **Regulatory Synergies:** Regularize technical group/ministerial/governmental meetings to align standards, build dispute resolution mechanisms, and establish standardised certifications in food and pharma.

- **Public–Private Partnerships (PPPs):** Leverage Canadian pension funds (CPPIB, CDPQ) and Indian IT and pharma giants for co-investment in infrastructure, green energy, urban development, and innovation hubs.
- **Align Negotiation Strategy with Indo-Pacific Policy:** Canada’s Indo-Pacific Strategy calls for diversifying trade away from China, and India is central to that plan in all aspects. Making CEPA a pillar of this strategy will establish a new regional supply chain and secure Canada’s place in Asia’s growth markets.

Mutual Benefits

India stands to gain preferential access to Canadian energy, minerals, and agri-tech, attract increased investment inflows (particularly from pension funds), boost exports in knowledge sectors, and broaden diversification away from usual trade partners.

Canada can effectively penetrate India’s markets for clean tech, education, agriculture, and infrastructure; enhance skilled labor mobility in tech and healthcare services; and unlock new consumer access through digital and e-commerce platforms, positioning itself for long-term success in the Indo-Pacific with a strategic partner.

Conclusion

Riding out the storm of diplomatic and regulatory obstacles and a political freeze-out that could have further deteriorated their bilateral relations, India and Canada have emerged strongly from uncertainty into an era of limitless possibilities. Their trade and investment relations hold immense untapped potential. The strategic rationale for CEPA is stronger than ever, and both economies are diversifying and seeking resilience against global shocks and supply chain risks. Concrete steps towards alignment and innovative partnerships, anchored by Canada’s Indo-Pacific Strategy, can enable both countries to leverage their mutual strengths and unlock new growth opportunities.

A sustained commitment to dialogue, pragmatic policy adaptation, and regular engagement between government, industry, and civil society actors is of significant importance. If a CEPA is eventually realized, it will mark a pivotal turning point for India–Canada economic partnership, with spillover benefits in technology, education, inclusive trade, and regional stability. The situation is ripe for both nations to pursue collaboration with renewed vigour and shape a future of shared prosperity.

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