

Canada-India spat threatens trade ties, analysts say

'RUPTURE'

AMANDA STEPHENSON

The diplomatic row between Canada and India could derail a trading relationship that already underperforms its potential, experts warn.

Relations between the two countries have hit a new low with Canada's decision to expel New Delhi's top envoy and five other diplomats on bombshell allegations Monday from the RCMP, who

said that Indian government agents have been linked to murder, extortion and coercion in Canada.

International Trade Minister Mary Ng tried to reassure Canadian businesses, issuing a statement Tuesday acknowledging the "uncertainty" the situation creates for exporters and investors. She said the federal government will continue to support commercial and economic ties between the countries.

But analysts say there is no way the trading relationship between Canada and the

world's fastest-growing economy can escape unscathed from this latest escalation in tensions — at least not in the immediate future.

"We are seeing a diplomatic disruption, a rupture in the relationship, on a scale that is unprecedented," said Vina Nadjibulla, vice-president of research and strategy for the at the Asia Pacific Foundation of Canada.

Partha Mohanran, director of the India Innovation Institute at the University of Toronto, said: "In the short term, I think certainly this

will have a negative impact ... if you're a Canadian business who's trying to get a foothold into India or if you're an Indian business trying to do something in Canada. Or if you're talking about any kind of free trade agreements, whether it's at the provincial level or at the federal level. All that stuff is obviously going to be on the back burner, to say the least."

Among the top products Canada exports to India are coal, potash fertilizers and lentils (pulses). India's exports to Canada include

pharmaceutical products and electronic goods.

So far, neither country has imposed tariffs or taken any other form of economic retaliation.

In her statement Tuesday, Ng said Canada stands firmly by its businesses, and will work closely with all Canadian enterprises engaged with India. But she added Canada will not tolerate any foreign government threatening, extorting or harming Canadian citizens on its soil.

"We must consider our economic interests with the need to protect Canadians and uphold the rule of law," she said.

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