

## Resetting India-Canada Relations

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### Summary

*Talks between India's Prime Minister Narendra Modi and his Canadian counterpart, Mark Carney, on the margins of the G7 summit in Alberta in mid-June 2025 and the joint commemoration of the June 1985 terror attack on an Indian airliner have highlighted the strong commitment in New Delhi and Ottawa to reset bilateral relations that had gone off rail in recent years.*

After two years of strained diplomatic relations triggered by Ottawa's 2023 allegations of official Indian involvement in the assassination of a Canadian citizen, Hardeep Singh Nijjar, the two sides have begun a [careful effort](#) to put the ties back on track. Although the [Nijjar affair](#) pushed India-Canada ties to a new low, the decade-long rule of Prime Minister Justin Trudeau (2015-2025) saw a [steady deterioration](#) in bilateral relations.

The election of Mark Carney as the new prime minister of Canada in May 2025, Ottawa and New Delhi have set the stage for a calibrated reversal of the reciprocal expulsions of senior diplomats, suspension of visa services and a freeze on trade negotiations that were ordered in 2023. The recognition of the costs of these steps and the need for a better relationship to cope with the changing international circumstances have encouraged Carney and India's Prime Minister Narendra Modi to begin the reset.

Carney's invitation to Modi to attend the G7 summit in Alberta provided an early opportunity for a meeting between the two leaders to undo the dramatic deterioration in bilateral relations. The diplomatic tensions broke out in September 2023 when Trudeau publicly asserted "credible allegations" linking Indian agents to Nijjar's killing in British Columbia. India dismissed the accusations as "absurd" and "politically motivated", retaliating by expelling Canadian diplomats and suspending visa services for Canadian citizens. The standoff exposed deeper faultlines – India accused Canada of encouraging Khalistani extremists, while Ottawa demanded accountability for India's trans-national actions on Canadian soil.

Even as the Modi and Trudeau governments were daggers drawn at the political level, the security establishments in New Delhi and Ottawa had begun a quiet dialogue to address mutual concerns. Meeting at the G7 summit, Modi and Carney had a chance to build on this dialogue between the law enforcement agencies. They agreed to "reset" relations through concrete measures like reinstating high commissioners, resuming visa services and reviving ministerial dialogues, including on trade.

Carney characterised the engagement as ["a necessary first step"](#), based on mutual respect and shared democratic values. Carney and Modi listed economic cooperation as a priority and directed officials to restart negotiations on a trade treaty. Their emphasis on trade,

clean energy and critical minerals signalled a deliberate decoupling of shared interests from accumulated grievances.

The decoupling did not mean burying the serious differences that derailed ties. Instead, Modi and Carney ordered a purposeful dialogue on these differences behind closed doors. The [Indian readout](#) of Modi's meeting with Carney highlighted the commitment to address the sovereignty concerns of both sides – the Indian anxiety over the support in Canada for Khalistani extremism and the Canadian anger about “transnational repression”. Modi and Carney “reaffirmed the importance of upholding the principles of sovereignty and territorial integrity” and “underlined the need to pursue a constructive and balanced partnership grounded in mutual respect for concerns and sensitivities”.

They also agreed “to take calibrated and constructive steps to restore stability in the relationship”. It is not known what specific steps India has agreed to take in addressing Canadian concerns about transnational repression. However, Canadian security officials have [publicly stated](#) that co-operation with India in the Nijjar case as “good”.

Meanwhile, Ottawa has begun to publicly deal with the Indian concerns that it has been soft on Khalistani extremism on Canadian soil. [In mid-June 2025](#), Canadian Security Intelligence Service (CSIS) identified India – alongside China, Russia, Iran and Pakistan – as a perpetrator of external interference in Canada. The same report also identified Canada-based Khalistani extremism as an [ongoing “national security threat”](#) to Canada. It also underlined how “real and perceived” concerns about such activities are fuelling India's interference in Canada. This is the [first time in recent years](#) that CSIS has explicitly labelled Khalistani extremism a threat to Canada's national security and also established a causal link between extremism on Canadian soil and India's interference.

The 40<sup>th</sup> anniversary of the Air India Flight 182 bombing emerged as a valuable occasion to reinforce the political push towards reconciliation. On 23 June 2025, Indian and Canadian officials [jointly honoured](#) the 329 victims (268 of them were Canadians). India's Union Minister Hardeep Singh Puri described the tragedy as a “shared wound” and called for global unity against terrorism.

[Carney called](#) the bombing Canada's “deadliest terrorist attack” and pledged to “combat violent extremism” alongside allies. This deliberate effort at collective mourning was an important moment of solidarity as well as a long overdue political closure on the Air India terror bombing. The commemoration succeeded in a subtle but important reframing of Khalistani extremism – as a common adversary.

The careful management of the Khalistan question has allowed the two sides to focus on leveraging their large and complementary economic interests – Canada's rich natural resources and technological strengths on the one hand and India's need for raw materials and technology to accelerate its industrialisation on the other.

The successful diplomatic re-engagement between New Delhi and Ottawa is also based on the all-important acknowledgement of the security implications of the large Indian diaspora (nearly five per cent) in Canada. The political leadership in New Delhi and Ottawa now

appreciated the need for continuous collaboration between the law enforcement agencies of the two sides to prevent the inevitable intersection of the domestic politics in the two countries from disrupting bilateral relations between two of the world's largest economies.

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