Middle Power Leadership Seizing the Business Opportunity

Expert Group on Canada-US Relations

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> "The world order built after 1945 is unravelling. Institutions as they stand are ill-prepared to avert this decline. This is a moment that comes once in a century, in which our collective prosperity is defined by what we choose to build, and how we build it."
>
> *— Prime Minister Mark Carney & Finland President Alexander Stubb, The Economist, July 2026*

The Context

This report accompanies the video briefing on how the business community can benefit from the "America Plus" global engagement strategy that Ottawa is helping lead in an emerging middle-power coalition at a time when a multilateral order of shared rules and norms is giving way to a multipower world of transactional deals and rule-breaking.

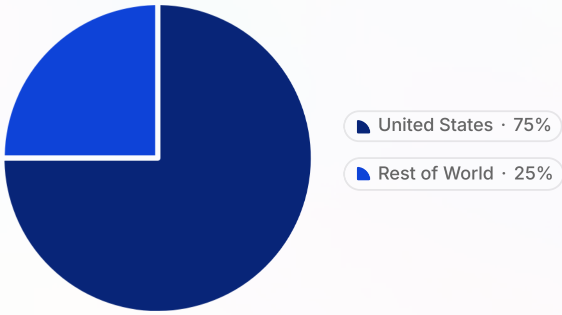
This is not a suggestion that Canadian businesses subsidize a foreign policy initiative. It is proposed that Canada's position in the emerging era will be significantly stronger if the public and private sectors coordinate for mutual benefit.

Prime Minister Carney is leading a rebalancing of Canada's global strategic engagement, based on the government's assessment that the post-war consensus – including the indispensable role of the United States – is changing rapidly, and that Canada's political and commercial interests are changing with it.

Canada's Global Hedging Strategy

Canada is not deliberately pivoting away from the United States. The review of the Canada-United States-Mexico Agreement (CUSMA) continues, with much at stake, given that roughly 75 per cent of Canadian goods exports are destined for the U.S. market. But Canada is hedging its reliance on the United States by deepening ties, commercial and otherwise, with the European Union (EU), Asia – including China where appropriate – and beyond. This is little different from what any Canadian multinational would do if its largest customer reduced its purchases and signalled it could supply itself.

Figure 1 — Canadian goods exports by destination



> "We're focused on what we can control, and that means weaving a dense web of international partnerships abroad. That's making us a much stronger, more resilient, more independent country."
>
> *— Prime Minister Mark Carney, Economic Club of New York, May 28, 2026*

Global Hedging as Continental Leverage

Hedging means building real alternatives — not as a rebuke to Washington, but as insurance against a relationship that has become unpredictable. A Canada with signed trade agreements, defence partnerships, and long-term energy and minerals contracts with Europe and the Indo-Pacific is a Canada that Washington must take seriously. The historical record makes the point plainly: President Eisenhower told his negotiators to be fair with Canada. Donald Trump's team boasts about the punitive terms it extracted in exchange for allowing the Gordie Howe Bridge to open as 'the art of the deal.'

Some argue Canada should focus exclusively on repairing its relationship with Washington. 'Focus on the U.S.' was sound advice when access was stable and rule-based. However, today, with recurring tariffs, unpredictable policies and decision-making in Washington, and a CUSMA review no Canadian firm controls, doubling down simply concentrates risk that has already materialized. The good news is that the hedge is largely already built: CETA, CPTPP, SAFE eligibility, and critical-minerals frameworks already exist — the gap is commercial take-up, not trade and investment access. And paradoxically, a Canada with real alternatives is a stronger CUSMA partner, not a weaker one. When countries negotiate without outside options, great powers pick them off one by one — as Japan, South Korea, and the EU each discovered in their separate 2025 scrambles to strike their own deals with Washington.

> "In times of turmoil, predictability, the rule of law and a willingness to uphold the rules-based international order become Europe's greatest assets."
>
> *— Valdis Dombrovskis, EU Commissioner for Economy, Washington, April 2025*

The Private Sector's Central Role

The private sector has a central role in supporting and capitalizing on the "America Plus" hedge.

Trade and commerce are the glue that transforms diplomatic intent into durable reality. Government agreements — however well-crafted — remain aspirational until business acts on them: signing contracts, building supply chains, and creating the mutual dependencies that give coalitions their staying power. Canada's new global engagement, whether in bilateral deals or middle-power coalitions, will only reach its full potential if the private sector moves from observer to active participant.

> "By stimulating industry, by rewarding ingenuity... it diffuses general benefit, and binds together by one common tie of interest and intercourse, the universal society of nations throughout the civilized world."
>
> *— David Ricardo, On the Principles of Political Economy and Taxation, 1817*

The private sector is the indispensable actor in this story. It is the business community — not diplomats — that turns framework agreements into commercial reality, builds the cross-border relationships that make coalitions sticky, and signals to partner governments that Canada's commitments are real and durable. By moving capital, signing long-term contracts, and embedding itself in coalition supply chains, business creates the commercial facts on the ground that no government can easily undo — and that no partner country will want to.

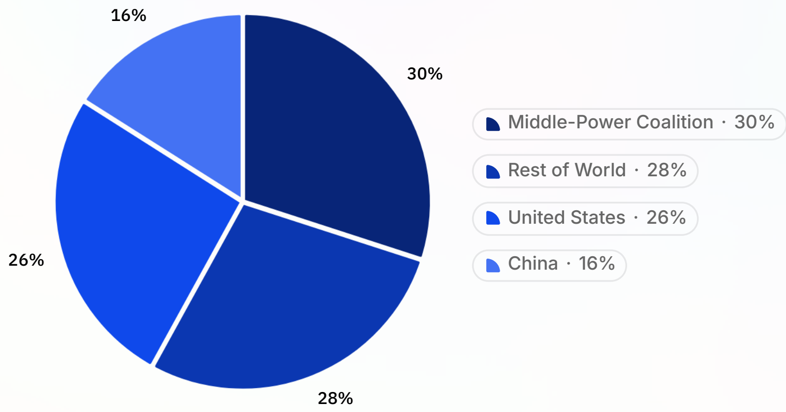
This makes it all the more important that companies engage now, because the instruments that will shape market access around the world for years to come are being designed and prioritized today.

The Details: The Middle Power Proposition

The case for a middle power coalition is grounded in economic reality: together, the EU-27, the United Kingdom, Norway, Japan, South Korea, Australia, New Zealand and Canada represent a bloc that exceeds the United States in GDP, China in trade flows, and both in credibility owing to their collective commitment to maintaining a rules-based international system in trade, finance and global security.

Figure 2 — Share of world nominal GDP, 2025 (approx.)

Coalition = EU-27, U.K., Norway, Japan, South Korea, Australia, New Zealand and Canada. Sources: International Monetary Fund (IMF) and World Bank estimates.



Sectors and Means for Coalition Coordination

Canada is exceptionally well positioned within the middle power coalition. The sectors where coalition partners most want to cooperate — critical minerals, energy, agri-food, clean technology, and defence-industrial production — are precisely those where Canada holds deep comparative advantages. Canada is among the world's leading producers of the minerals essential to the energy transition and advanced manufacturing, a major exporter of LNG, uranium and hydrogen, and a trusted partner in defence and technology. The means of coalition coordination — trade and investment rules, technology standards, and defence-industrial cooperation — align closely with Canada's own bilateral and multilateral priorities, making Canada a natural leader, not merely a participant, in shaping the coalition agenda.

Highest Ranked Domains

Trade and rules-based commerce offer preferential access to roughly 30 per cent of world GDP outside the United States, along with dispute settlement through the Multi-Party Interim Appeal Arbitration Arrangement (MPIA); near-term priorities include raising CETA utilization and helping shape the EU–CPTPP digital framework.

Critical minerals are a key prize: Canada is a designated supply-side leader, and demand-side instruments such as long-term offtakes and price floors can make projects bankable, with premium pricing available for verified non-Chinese supply to Japanese, Korean and European buyers.

Moderate-to-High Ranked Domains

Defence-industrial cooperation under the European Union's €150-billion SAFE instrument gives Canadian firms — uniquely among non-European countries — preferential access, opening SAFE-financed bids and joint ventures with European primes.

Technology standards and digital rules on artificial intelligence (AI), data flows and platforms, now being written, will define market access for a decade, making data-adequacy arrangements with the EU, the U.K. and the CPTPP early priorities.

Climate and Carbon Border Adjustment Mechanism (CBAM) alignment supports a "clean trade" pact on steel, aluminum, and critical minerals, in which Canada's low-carbon aluminum can command a premium within a carbon club.

⚠ One option ranks low and should be avoided: positioning the coalition as a strategic counterweight to the United States. That is decoupling rather than diversification — it invites retaliation and offers little commercial rationale.

Why the Return on Engagement with the Current Government Is High

The Author Is the Policy — And Speaks the Language of Business

Prime Minister Carney is a leading architect of the middle power project. SAFE negotiations were concluded in an eleven-month arc from framework to ratified instrument. Business input lands on files that are actually moving. As a former central banker and asset-management executive, the Prime Minister does not need markets explained to him. Technically sophisticated, bankability-focused input will be understood and acted on faster than in perhaps any previous government.

The Government Is Investing

SAFE participation, the Defence Investment Agency, major-projects fast-tracking, EDC/CIB trade-diversification financing, and the critical-minerals framework all involve real money. The design details — content rules, offtake mechanics, equivalence tests — are being set now.

What the Private Sector Brings to the Table

The private sector brings what governments cannot supply on their own: contract-grade commitments that convert diplomatic frameworks into tangible outcomes, market intelligence on where non-tariff barriers bite and which standards fragment supply chains, and the discipline to keep the agenda commercially viable.

The Proposition

It is often said that the voice of U.S. business is needed in Washington now to counter the Trump administration's view that protectionism is sound policy.

Likewise, the voice of the Canadian business community is needed in Ottawa – in this case, by speaking with a government more open to evidence, analysis, and dispassionate prioritization.

Over the next six to nine months:

1. Canada's leading business associations should survey their members to gauge comparative market interest;

2. Member companies, guided by these associations, should analyze priority markets in terms of opportunity, local partnerns, supply chains, logistics and the like;

3. Ottawa should be presented with a focused business agenda including prioritized negotiating objectives and propositions for further government/business analysis, including with the trade commissioner and export financing services and agencies; and

4. Business should make its collective views known, conscious that the hurdles to redoubled Canadian commercial engagement globally depend upon permitting speed and other systemic sources of friction such as developing Canada's port, road, rail, airport and pipeline infrastructure.

About the Expert Group on Canada-U.S. Relations

The Expert Group on Canada-U.S. Relations is a joint initiative of three leading Canadian institutions: the Norman Paterson School of International Affairs at Carleton University, the Canadian Global Affairs Institute, and the School of Public Policy at the University of Calgary.

The Group is focused on developing the key elements of a comprehensive Canadian strategy for Canada-U.S. relations. It has produced some 15 reports and Working Papers covering different aspects of the bilateral relationship. Its distinguished membership includes business leaders, former senior government officials, and leading academics.

What the Group Does

- Develops comprehensive strategy frameworks for Canada-U.S. relations
- Produces research reports and Working Papers on key bilateral issues
- Brings together business, government, and academic expertise
- Engages policymakers and the public on Canada-U.S. priorities

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