

Canada's changing place in the world and what it means for your board

Following the election of President Trump to his second term, much ink has been spilled about the pace and frequency of what seem like tectonic shifts in long-standing political relationships, economic norms, and trade dynamics. Canada has been forced to respond and political leaders across the spectrum agree that the old status quo is not coming back.

For corporate and organizational boards, this isn't merely a matter of geopolitical interest. The decisions being made in Ottawa, Beijing, Washington and elsewhere are reshaping supply chains, market access, and regulatory frameworks. Boards that ignore these shifts do so at their own peril.

Looking to the future, what may be in store for Canada as geopolitical relationships shift?

The Great Thaw

Driven by President Trump's tariffs and the broader "rupture" in the Canada-U.S. relationship, perhaps the most surprising development has been the nascent thawing of the Canada-China relationship. In January 2026, Prime Minister Mark Carney embarked on the first official visit to Beijing in a decade, in order to try to reset a relationship that was entirely on ice since 2018. Many wondered whether the visit was for show or for real. Would the change in relationship be substantive and enduring, or superficial?

Over the past four months, the Carney government appears to be doing what it can to make the rhetoric into reality. Multiple Ministerial visits to China have occurred already, with more scheduled for the remainder of the year. Canada quickly offered an import quota regime for Chinese-made electric vehicles in exchange for a reduction in certain tariffs on Canadian agricultural products. Building on that sudden shift, discussions are underway in earnest around what market entry by Chinese OEMs could look like as US OEMs are pressed by the White House to retrench south of the border. Finally, the stage has been set for the potential resumption of Chinese tourism to Canada at scale. The political thaw, however, has not likely changed the views of Canada's national security apparatus. Any company considering an investment or transaction with a Chinese company should plan accordingly.

Trans-Pacific Reset

On the heels of the Prime Minister's visit to China, he moved quickly to try to cement a reset of the Canada-India relationship. India has long been a market of immense trade potential for Canada, but potential that was never fully realized. Since 2018, relations between Canada and India declined to the point where deeper economic partnership was off the table until the Trudeau government was replaced. In contrast to his predecessor's visit to India, Prime Minister Carney made this trip all business, aiming for substance, not style (in all senses of the word).

The Indian government was pleased by the new posture and tone, and there is renewed optimism about the potential bilateral relationship. With the demographics of India driving future possible economic growth that could eclipse that seen in China over the past two decades, Canada sees India as a desirable trading partner that can help drive the government's goal of diversification.

Valuable Assets

Since the signing of the Canada-EU Comprehensive Economic and Trade Agreement (CETA) ten years ago, Canada has had preferential access to the European market. However, that access was slow to translate into meaningful new trade flows given the ease of Canada's access to the US market and perceived disinterest in business connections between Canada and EU. In this new moment, CETA is proving to be a significant asset that Canada is seeking to leverage.

Defence partnerships have emerged, as have efforts to coordinate on critical minerals through the G7 Alliance, among others. In a reversal of the former Trudeau government position on the business case for energy exports to the EU, Canada wishes it could supply the enormous energy needs of Europe, driven by the war in Ukraine and the war in the Middle East. Shared concerns about the future of NATO — and Greenland — have accelerated Canadian and European interest in deepening economic and political ties.

Plus ça change...

Yet all of these tectonic shifts have not changed one fundamental fact: the United States will always be our closest trading partner. It may also always remain our largest.

Despite the political rhetoric, there is no reasonable prospect of decoupling our two economies. The goal of diversifying Canada's trade will need to be accomplished by promoting growth in other trade relationships, not reducing trade with the US. This is arguably a good thing as a zero-sum approach to Canada's trade mix would mean sacrificing economic activity where that isn't required.

For now, all eyes are on the upcoming CUSMA/USMCA discussions that are ramping up. Canada is trying to roll up all bilateral issues into that discussion, rather than addressing them on an ad hoc basis. The US is trying to do the exact opposite.

In Ottawa, the Liberals now have a slim majority in the House of Commons, and the next federal election is not scheduled until October 2029. Over the course of the next three years, Prime Minister Carney will have the unenviable job of making political rhetoric on all of the big trends above into reality.

What Now?

Business leaders and boards cannot negotiate trade deals or bilateral partnerships between countries. But they are accountable for how their organization navigates the landscape and the risks those deals create. Geopolitical awareness is no longer optional; it's a governance responsibility.

With each jolt or sudden change of policy or position, there can come opportunities. Risks are a given, but uncertainty doesn't need to be. Staying ahead of these changes means:

- Making sure your board and management has a clear view of geopolitical exposure to supply chains, markets and regulatory changes.
- Asking hard questions about diversification — not just whether your organization has a plan, but how it's resourced and stress-tested against different scenarios.
- Distinguishing between short-term volatility and structural change. The Canada-China thaw, the India reset and the CETA opportunity are significant shifts in Canada's economic relationships.
- Understanding where uncertainty or change creates a competitive advantage. Organizations that move quickly on new trade, workforce or supply chain opportunities will be better positioned than those that wait for clarity that may never truly arrive.
- Planning and preparing in advance for when government starts to increase pressure on businesses to "take action" in support of Ottawa's trade diversification goals.

FGS Longview works with boards and senior leadership teams to make sense of complex and fast-moving political and regulatory shifts — and using this understanding to guide decision making on stakeholder engagement, strategic positioning and risk management. In a moment when the landscape is changing faster than most organizations can track, we help boards ask the right questions, and find the right answers.