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Trade Conference

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CONFERENCE REPORT

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Trading with Our Allies

- H.E. Shazelina Binti Zainul Abidin, High Commissioner for Malaysia to Canada
- Mr. Chinmoy Naik, Deputy High Commissioner for the Republic of India to Canada
- Jeff Nankivell, Asia Pacific Foundation
- Moderator: Claire Citeau, Canadian Global Affairs Institute

The discussion highlighted Canada's evolving economic engagement in the Indo-Pacific, regional trade dynamics, and the broader challenges facing the global trading system. A central theme was the importance of strong private sector engagement in advancing economic partnerships.

The Indo-Pacific is becoming increasingly interconnected, with countries emphasizing both resilience and openness in their trade strategies. Nations such as India and Malaysia are strengthening regional supply chains while remaining engaged in global markets. Canada's 2022 *Indo-Pacific Strategy* has been well received, particularly in ASEAN, due to its clear targets and commitments to on-the-ground engagement, including new diplomatic and trade offices. Significant progress has already been made, often exceeding expectations. In line with new geopolitical circumstances, Canada has evolved its approach to the region since the *Strategy* came out, which speakers noted required the government to update the document.

One of the major changes to Canada's engagement in the region relates to India. Shared regional ambitions, such as a commitment to a free, open, and inclusive region, provide a strong foundation for collaboration beyond traditional economic ties. Recognizing this alignment, Canada and India are now expanding their relationship to include cooperation in defence, critical minerals, innovation, and emerging technologies. At the same time, practical challenges persist, including concerns about non-tariff barriers in new agreements, such as those with Indonesia. Ensuring predictability and transparency will be critical for maintaining business confidence and encouraging investment.

The panel also emphasized the growing importance of Canada's regional presence and reputation. Increased engagement by political leaders and sustained outreach have improved perceptions of Canada across Asia. Investments under the *Indo-Pacific Strategy*, including funding for agriculture offices and institutions like the Asia Pacific Foundation, are strengthening Canada's institutional footprint. Equally important are professional networks among experts and regulators, which build trust and enhance cooperation at a technical level.

However, systemic challenges in global trade are limiting Canada's ability to seize these opportunities. Currently, Canada's most immediate concern is the rise of coercive trade practices, imposed to achieve political objectives (e.g., tariffs, regulatory sanctions, currency manipulation). These measures undermine trust in the rules-based trading system and can make investors and companies reluctant to do trade in a given country. A long-term consequence of economic coercion is the weakening of multilateral trade institutions and enforcement mechanisms, which have already struggled to keep pace with shifting geopolitical realities.

The panelists underlined that Canada was uniquely positioned to act as a coalition-builder, working with like-minded countries to counter coercive practices and reinforce shared norms. Canada can also contribute to modernizing trade rules in areas such as digital commerce, supply chains, and state intervention, leveraging its reputation for transparency and commitment to the rule of law.

AI, a Potential Trade Asset

- Nicole Foster, Amazon Web Services
- Danielle Goldfarb, Munk School
- Marc-Etienne Ouimette, Cardinal Policy
- Moderator: Dr. Meredith Lilly, Canadian Global Affairs Institute

This panel emphasized the importance of understanding the structure, economics, and geopolitical context of artificial intelligence systems. The rise of AI has reshaped the global economy, with AI-driven firms now dominating market capitalization—often reaching valuations in the hundreds of billions. This represents a significant shift from earlier decades, when other regions, particularly Europe, held a stronger position among top global firms. In response, countries outside the United States and China are pursuing strategies to capture value within the AI ecosystem, reduce reliance on dominant players, and mitigate geopolitical risks tied to technological dependence. These strategies align with broader industrial policy approaches and efforts by middle powers to coordinate and build coalitions.

Central to public policy conversations on AI is to the “three-layer stack” that defines the ecosystem: infrastructure (including chips, compute power, cloud systems, and data centers), models (foundational AI systems), and application (user-facing tools such as chatbots and enterprise software). Each layer is dominated by different actors whose influence varies accordingly, making it critical for policymakers to identify where power and competitive advantage reside. Albeit separate, these layers are deeply interconnected, creating a highly integrated system that is difficult to disentangle. Effective policy, therefore, must account for both the discrete layer and its dependence to the others across the entire stack.

The AI stack itself presents multiple public policy challenges. Each layer contains multiple subcomponents, complicating decision-making for governments and firms. Importantly, the conversation highlighted that successful strategies must incorporate demand-side considerations. Different actors have varying needs: some require full infrastructure capabilities, while others primarily need access to computing resources. Hyperscale cloud providers offer flexible, scalable solutions, allowing organizations to “rent” compute capacity without building their own systems, while alternative approaches may be more suitable depending on long-term needs, costs, and technical expertise. The key is aligning infrastructure choices with actual requirements rather than following prevailing trends

The speakers also emphasized role of open-source AI as a critical lever for reducing costs and increasing flexibility. By lowering dependence on proprietary models and infrastructure, open-source systems enable firms to control expenses and diversify their technological options. This dynamic mirrors challenges in Canadian cultural and trade policy, where efforts to support domestic industries can sometimes limit global competitiveness. The tension between fostering local champions and scaling internationally is a recurring policy dilemma across sectors.

For Canada specifically, building a domestic AI ecosystem while maintaining interoperability with key allies such as the United States and other NATO members is a central priority. Interoperability is essential for participating in international markets, especially in defence and security, where compliance with shared standards is mandatory. Canada's limited share of NATO procurement highlights existing gaps, particularly in secure infrastructure. For example, the absence of a domestic top-secret cloud capability means that sensitive AI workloads must rely on allied infrastructure abroad.

At the same time, structural dependencies in the AI stack are unavoidable. A small number of global first provide critical components such as advanced chips and large-scale cloud services, leaving few viable alternatives in the near term. As a result, Canada must adopt an "and/and" approach: building domestic capacity where feasible while maintaining strong integration with U.S.-based systems and preparing for potential geopolitical disruptions. In this context, AI sovereignty is best understood not as full independence, but as achieving strategic leverage within an interconnected system.

Despite infrastructure gaps, Canada has significant strengths in talent and innovation. It has one of the largest pools of skilled engineers outside the United States and benefits from strong immigration-driven talent pipelines. Canadian researchers and engineers already contribute to global AI development, even if large-scale training infrastructure is located elsewhere. Looking ahead, enhancing competitiveness will require reducing barriers to AI investment, leveraging talent within global value chains, modernizing trade systems to reflect digital realities, and deepening economic integration with the United States while expanding into global markets.

Navigating the Future of CUSMA

- Catherine Cobden, Canadian Steel Producers Association
- Brad Wood, National Foreign Trade Association
- Penny Naas, German Marshall Fund of the United States
- Brian Kingston, Canadian Vehicle Manufacturers Association
- Moderator: Anna Barrera, Clear Strategy

This conversation highlighted a shift away from the formal structure of the CUSMA agreement toward a more fragmented and pressure-driven environment defined by tariffs, bilateral negotiations, and geopolitical considerations. While the agreement remains in place, it is no longer the central operational concern for key industries. Instead, the U.S. imposition of tariffs are significantly disrupting sectors such as automotive and steel. These tariffs have already generated substantial costs, with automakers reportedly paying approximately $34 billion USD to date and facing projections of up to $188 billion USD in additional costs over the next three years. Such pressures are eroding North American competitiveness, especially when compared to rapidly expanding Chinese production.

The U.S.'s current approach to trade is eroding the trilateral relationship. There is growing concern that the U.S.–Mexico negotiations under way in May 2026 are advancing more quickly than trilateral discussions, potentially leaving Canada in a reactive position. If a bilateral agreement is reached first, Canada could face a "take it or leave it" scenario, significantly reducing its negotiating leverage. Mexico's proactive engagement with the United States contrasts with Canada's more cautious, "wait-and-see" approach, which stakeholders view as strategically vulnerable. This dynamic underscores the risk of North American trade being reshaped through overlapping bilateral arrangements rather than cohesive trilateral cooperation.

Although a formal reopening of CUSMA (which would require U.S. Congressional approval) is unlikely, targeted adjustments within the existing framework remain possible. These could include modifications to rules of origin or technical and administrative provisions. However, such changes are secondary to the more immediate challenges posed by tariffs and broader trade tensions. Indeed, some industry voices argue that discussions about improving the agreement are largely irrelevant so long as tariffs remain in place. Resolving these tariffs and addressing economic security concerns were identified as the most urgent priorities for policymakers.

The automotive and steel sectors illustrate the severity of current pressures. North American automotive production has declined by 2% in the past year. Canadian steel exports to the United States—historically accounting for about half of total exports—have dropped sharply, falling to roughly 40% of previous levels and continuing to decline. These trends highlight the direct and immediate impact of the tariffs on key industries, made worse with limited capacity to absorb prolonged cost increases.

China's role was identified as a major structural factor reshaping global trade. Extensive state subsidies (estimated at approximately $230 billion USD) have enabled China to develop significant overcapacity in electric vehicle production, with output exceeding domestic demand by roughly threefold. This surplus is increasingly directed toward global export markets, creating downward price pressure and intensifying competition. This represent a major challenge that North American and European governments cannot address through productivity improvements alone.

Finally, the discussion highlighted the importance of Canada–Mexico relations as an underutilized strategic lever. While both countries share common interests in maintaining competitiveness and managing U.S. trade pressures, differences in their economic relationships add complexity. Overall, the outlook suggests that North American trade policy is entering a period of heightened uncertainty, characterized by bilateralism, geopolitical competition, and structural industrial pressures. For Canada, timely and proactive engagement will be critical to shaping outcomes and mitigating long-term economic risks.

Defence and Trade

- Bobby Kwon, Canadian Commercial Corporation
- Sara Wilshaw, Global Affairs Canada
- Doug Wilson-Hodge, General Dynamics Land Systems
- Guillermo Freire, Export Development Canada
- Moderator: Dr. Alexander Salt, Canadian Global Affairs Institute

The session focused on how Canada can better support the global scaling of its defence, technology, and industrial sectors, emphasizing the importance of coordination, strategic focus, and effective use of existing institutional tools. Canadian firms are already demonstrating strong capabilities abroad, with examples of companies exporting sophisticated technologies to new markets like Myanmar. However, these firms often lack full integration into broader strategic networks and government support systems that could accelerate their growth and expand their market access. The key message is that companies should not wait for perfect domestic alignment before pursuing global opportunities.

The publication of the *Defence Industrial Strategy* is supporting those efforts, outlining Canada's ambitions and measures to strengthen the domestic industrial base by mapping supply chains, identifying capability gaps, and improving procurement pathways. The government recognizes that stronger domestic capacity can support export growth, while international success reinforces industrial resilience. However, speakers emphasized that this should not be approached as a binary choice between domestic and global markets. Instead, Canadian firms should match their technologies to the most suitable international demand, whether in the United States, Europe, Asia, or elsewhere.

Speakers highlighted the unique nature of defence exports. They differ from most sectors in that they are often structured as government-to-government transactions. As a result, the role of the state is less about direct market facilitation and more about enabling credibility, building strategic relationships, and aligning with partner governments. Institutions such as the Canadian Commercial Corporation (CCC), Export Development Canada (EDC), the Trade Commissioner Service (TCS), and the Business Development Bank of Canada (BDC) collectively form a "Team Canada" approach, providing financing, risk mitigation, and market entry support. For example, EDC has significantly expanded its engagement in defence and dual-use sectors, supporting over $700 million in opportunities in a recent six-month period and maintaining a pipeline exceeding $1 billion.

These efforts illustrate that Canada already possesses a substantial toolkit to support exporters, including working capital, export financing, and supply chain support. The challenge lies in using the existing mechanisms more effectively and in a coordinated manner. This includes identifying key firms—both prime contractors and smaller suppliers—and ensuring they can participate in global value chains. Early-stage engagement is critical, as startups and emerging companies need support to transition from innovation to commercial scale.

Comparisons with international models, such as South Korea, highlighted the benefits of closer alignment between government and industry. In Korea, a unified and consistent message across public and private sectors enhances credibility and effectiveness in international engagement. Canada, by contrast, has historically maintained a more arm's-length approach, though efforts are underway to improve coordination and strategic engagements.

Finally, speakers underlined the importance of sharper prioritization and strategic focus. With limited resources, Canada cannot pursue all opportunities equally. Instead, success will depend on identifying high-value sectors, aligning government and industry efforts, and adopting a "joint campaign" approach to international markets. By leveraging its strong brand as a reliable partner and focusing on key strengths such as aerospace, AI, quantum, and cyber technologies, Canada can better position itself to compete and succeed globally.

Harnessing our Energy Power

- Johanne Sénécal, Canadian Association of Petroleum Producers
- James Carpenter, Alberta's Senior Representative to Ottawa and Agent-General
- Na'im Merchant, Carbon Removal Canada
- Moderator: Gaphel Kongtsa, TC Energy

The panelists underscored the growing strategic importance of energy within Canada's economic and geopolitical positioning in the context of shifting global demand and intensifying competition. Canada holds the world's fourth-largest energy reserves, placing it among a small group of countries with significant resource endowments. At the same time, global energy dynamics are rapidly evolving, driven by both traditional resources and the expansion of clean technologies. China's dominance in photovoltaic production—accounting for approximately 80% of global supply—and the dramatic expansion of its export capacity illustrate how energy security and industrial policy are increasingly intertwined. This reinforces the reality that energy is t a central pillar of national strategy and global influence.

For Canada, the opportunity lies not only in the scale of its resources but in its ability to position itself as a reliable, technically advanced, and credible long-term supplier. In an era of geopolitical uncertainty, these attributes carry increasing value for global partners. However, unlocking this potential requires stronger domestic alignment, including improved interprovincial coordination and more efficient regulatory and infrastructure frameworks. While progress has been made with projects like the Trans Mountain Expansion (TMX), Canada continues to face constraints in market access and export capacity.

Energy plays a uniquely strategic role in Canada–U.S. relations. The North American energy system is deeply integrated along a north–south axis, with Canada serving as a key supplier to the United States. This creates both leverage and vulnerability. On one hand, Canada's energy exports are critical to U.S. energy security, giving Canada a strong position in bilateral discussions. On the other hand, heavy reliance on a single market that has historically accounted for around 71% of Canadian exports limits bargaining power over time.

Recent infrastructure developments, particularly TMX, demonstrate how expanding access to global markets can strengthen Canada's strategic position. By enabling exports to Asia and providing access to global pricing through tidewater, such projects increase optionality. This flexibility is critical: it reduces dependency on the U.S. market, enhances Canada's negotiating leverage, and transforms energy into a true strategic asset. Moving forward, further investment in east–west infrastructure and export capacity will be essential to fully realize this potential.

Alberta plays a central role in this strategy. With approximately 85% of its exports directed to the United States and an energy sector contributing roughly $125 billion annually to GDP, the province is deeply integrated into North American markets. Its proactive approach—including maintaining multiple U.S. offices and engaging across federal, state, and regulatory levels—reflects a deliberate effort to sustain and expand this relationship. At the same time, Alberta is pursuing production growth, with ambitions to significantly increase output from current levels of about 4.9 million barrels per day. Achieving this will depend heavily on expanding infrastructure and ensuring sufficient egress capacity.

Global demand for secure and reliable energy remains strong in Asia and Europe. However, Canada faces a "reliability gap" in the eyes of some international partners, who question its ability to deliver consistent, long-term supply due to regulatory delays and infrastructure bottlenecks. Addressing these concerns is critical, as energy relationships are inherently long-term and require confidence in supply stability. Faster project execution and clearer policy frameworks will be key to building this credibility.

At the same time, Canada's energy strategy must align with global decarbonization trends. Clean technologies and carbon management are not optional but central to maintaining competitiveness. Initiatives such as methane reduction targets, industrial carbon pricing, and carbon capture and storage (CCS) are designed to reduce emissions while sustaining production. LNG exports, for example, offer a transitional pathway by displacing higher-emission fuels like coal in international markets.

Canada also has significant potential to become a leader in carbon management and removal. Its vast geological storage capacity, combined with natural assets such as forests, agricultural land, and coastlines, could support a new industrial base focused on carbon solutions. However, scaling these technologies will require overcoming early-stage financing and commercialization barriers through targeted policy support and investment.

Overall, Canada stands at a critical inflection point. With rising global demand for secure energy and increasing emphasis on sustainability, the country has a unique opportunity to position itself as both a reliable and lower-carbon energy supplier. Realizing this potential will depend on infrastructure development, regulatory efficiency, diversification of markets, and integration of clean technologies into its broader energy strategy.

Agri-Food, Key to Prosperity

- Randy Hoback, Member of Parliament
- Wamkele Keabetswe Mene, African Continental Free Trade Area (AfCFTA).
- Greg Northey, Pulse Canada and Canadian Agri-Food Trade Alliance.
- Moderator: Barbara Curran, Economic Growth at Global Affairs Canada

Canada's agri-food sector is a major pillar of its economy and a key driver of exports, with approximately $100 billion in agri-food exports projected for 2025. Policy priorities in this space center on market development, trade diversification, reducing barriers to market access, and reinforcing Canada's role in global food security. The panel emphasized that while Canada is already a reliable global supplier, it can do more in reach new markets, especially in Africa.

Canada's competitive advantage extends beyond bulk commodity exports to include agricultural technology, expertise, and innovation systems. Other areas of expertise plant breeding, crop genetics, livestock quality, agricultural science, as well as animal health and disease research (led by the Saskatchewan-based VIDO-InterVac). These capabilities and knowledge base position Canada as a partner in improving agricultural productivity and resilience globally.

There are more opportunities Canada could seize. Its current agri-food presence in Africa remains limited and concentrated mainly in North Africa, despite the growth of the market. Key barriers include long shipping times, complex logistics, and difficulties in distributing raw agricultural products efficiently to consumers. These constraints make large-scale commodity exports challenging, shifting the focus toward higher-value engagement through technology transfer, agri-processing, and capacity building.

From the African perspective, the discussion emphasized that the continent's food security challenges stem less from a lack of production and more from systemic inefficiencies. Despite having strong agricultural potential and even localized surpluses in some countries, Africa remains a net food importer, spending over $150 billion annually on imports. The main constraints include high intra-African tariffs, persistent non-tariff barriers, and underdeveloped supply chain infrastructure. This creates a strategic opportunity for Canada. Rather than focusing solely on increasing exports, Canada can play a role in building the underlying systems that enable agricultural trade, including logistics networks, storage, processing capacity, and supply chain integration. Investment in these areas—alongside technology transfer—would help unlock Africa's agricultural potential while creating long-term commercial opportunities for Canadian firms. Importantly, this approach aligns with a broader shift toward building stable, rules-based partnerships in an increasingly uncertain global trade environment.

A major barrier to Canada's increasing trade with Africa information asymmetry and perceived investment risk, including uncertainty around regulatory frameworks, market access, and capital repatriation. This creates a stalemate: investors hesitate due to uncertainty, while markets require investment to become stable and attractive.

Lessons from other regions, such as Brazil, suggest that early entry by large firms can catalyze market development and attract broader supply chain investment. By establishing a presence and demonstrating viability, these firms can accelerate agricultural modernization and integration into global value chains. For Canada, government support could help overcome initial barriers and unlock long-term growth.

Canada has an opportunity to position itself as a long-term partner in global food system development, rather than simply a short-term exporter. Achieving this will require a more integrated approach that combines trade, investment, and development tools to build resilient, efficient, and scalable agricultural systems in partnership with emerging markets.

Canadian Global Affairs Institute

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The Institute was created to bridge the gap between what Canadians need to know about Canadian international activities and what they do know. Historically Canadians have tended to look abroad out of a search for markets because Canada depends heavily on foreign trade. In the modern post-Cold War world, however, global security and stability have become the bedrocks of global commerce and the free movement of people, goods and ideas across international boundaries. Canada has striven to open the world since the 1930s and was a driving factor behind the adoption of the main structures which underpin globalization such as the International Monetary Fund, the World Bank, the World Trade Organization and emerging free trade networks connecting dozens of international economies. The Canadian Global Affairs Institute recognizes Canada's contribution to a globalized world and aims to inform Canadians about Canada's role in that process and the connection between globalization and security.

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