

Continental divides

North American and global exporters in a new trade era



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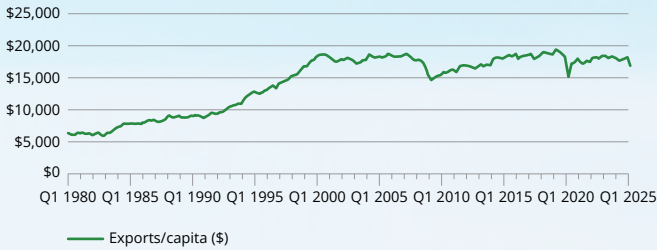
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Report highlights

For Canada, the 2025 trade war exposed deep vulnerabilities, forcing firms to rethink strategies overnight



Canada's exports of goods and services per capita, 1980-2025



58%

of exporters said input costs and operating expenses were negatively affecting firm performance outlooks



71%

of exporters expected to increase sales outside Canada over the next 12 months

We interviewed 30+ Canadian-headquartered exporters on the trade war. Here's what we heard:

WHERE TO COMPETE: MARKET DECISIONS

Diversifying beyond North America



32% of exporters believe it is highly likely they will increase sales outside Canada over the next 12 months.

Defending US footholds



54% of exporters rated the US market as at least somewhat attractive for investment.

Expanding Canadian market presence



73% of export-firm executives rated the Canadian market as at least somewhat attractive for investment.

HOW TO COMPETE: OPERATIONAL RESPONSES



Investment behaviour

North American firms generally paused investments, while global firms reallocated capital to build long-term resilience and operational flexibility.



Cost management

North American companies sought short-term relief through tactical adjustments; global firms used the crisis as an impetus for broader transformation.



Preparedness

Global firms benefitted from earlier scenario planning and flexible supply chains. North American firms often reacted in real time, lacking strategic buffers.

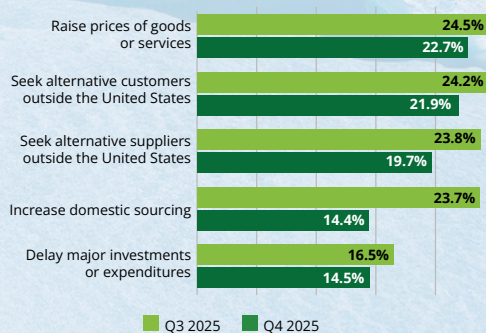


Policy alignment

Exporters agreed that Canada needs more coherent, urgent, and coordinated policy to strengthen competitiveness, including sustained efforts to diversify beyond the US.

“We were lulled to sleep thinking that the US was the only trading partner because of a proximity relation when we should have been diversifying.”

North American exporter



Exporters' top planned actions over the next 12 months as a result of US tariffs on their goods, Q3 and Q4 replies

“We've doubled and tripled down on the US at the sacrifice of other trade pursuits. We need a sustained effort on diversifying our markets.”

Global exporter

Report highlights

Trade is no longer defined by liberalization—it is increasingly conditional, with market access determined by alignment, compliance, and strategic relevance amid persistent geopolitical tensions

From constraint to advantage—positioning for what's next



US-linked trade becomes more frictional, conditional, and selective



Non-US trade becomes more intentional, cooperative, and strategic

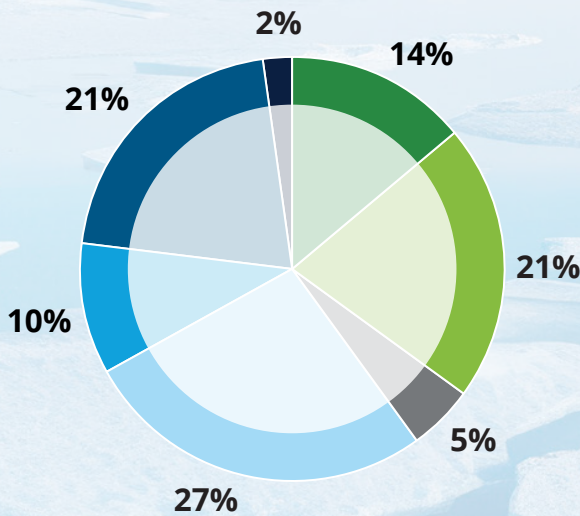


As trade regimes diverge, new sources of competitive advantage emerge



Domestic enablers increasingly impact trade outcomes

“ There are markets to be built for our own companies within Canada. We need to strengthen Canadian business and do everything we can to build robust domestic markets.”
Global exporter



- Very positive impact
- Somewhat positive impact ("Any deal is better than no deal")
- Little or no impact
- Somewhat negative impact
- Very negative impact
- I do not believe there will be a new deal
- Unsure

Impact of a potential renegotiated Canada-US trade deal on Canadian businesses according to leaders of Canadian exporting firms
n = 256

Executives report rising "Made in Canada" sentiment and stronger domestic focus. In November 2025, 30% of export leaders saw Canada as highly attractive for investment—the highest share of "highly attractive" ratings across major markets.

The bottom line


Faced with uncertainty, leading Canadian exporters are already **forging new paths**—testing markets, redesigning supply chains, and rebalancing where value is created. The opportunity now is to scale what works, converting decisive action into durable competitive advantage.

With disciplined execution, Canada can transform **disruption into lasting strength**—not by waiting for stability, but by shaping global competition on its own terms.



Introduction

Introduction



The 2025 trade war lifted the veil on Canada's continental bargain

Since the end of the Second World War, and especially since the first Canada-United States Free Trade Agreement entered into force in 1989, Canadian prosperity was built on an assumption of an increasingly integrated and fundamentally stable trading relationship with the United States—an arrangement that served Canada well. That assumption bent at times but never broke until US President Donald Trump imposed sweeping tariffs on Canadian imports just days into his second term. The tariff shock made clear that access to the US market was no longer a given but a point of leverage—one manifestation of what Prime Minister Mark Carney would later describe as a rupture in the global economic order. For Canada, that rupture exposed the limits of a growth model built more on proximity than sustained gains in competitiveness.

Public discussion in 2025 focused mostly on governments. But ultimately it is companies that trade and, at the firm level, the effects have been uneven. Some firms were less exposed by virtue of sector, size, or limited export dependence. Beyond these immediate differences, a more consequential divide has emerged in how exporting firms are responding. Canada's exporters

entered this more conditional trade era with markedly different degrees of preparedness. Firms with diversified global footprints and agile operating models found themselves with room to manoeuvre; those whose exports are concentrated in North America faced sharper constraints and fewer alternatives.

The contrast in how firms managed the disruption signals a deeper competitiveness gap. This report examines the contours of that gap, how it is shaping firm strategy today, and what it implies for Canada's trade trajectory—and therefore policy options—in the years ahead.

A reckoning with overreliance

Canada's growth model has long relied on our proximity to the world's largest consumer market. The 2025 trade war challenged that foundation and forced an acknowledgement of uncomfortable truths: deep continental integration had delivered growth, but it had also fostered complacency and reduced pressure to add markets, allowing elements of dependency and diminishing dynamism.

Decades of data point to the structural weaknesses underpinning today's trade challenges. Exports of goods and services as a share of GDP have fallen

by roughly 12% since 2000, signalling a material decline in trade intensity.¹

On a per capita basis, exports have plateaued (see **figure 1**). Small wonder then that Canada’s share of global trade has steadily eroded (see **figure 2**) in the first quarter of this century. At the same time, labour productivity growth has weakened, averaging just 0.8% between 2000 and 2023, following an already modest 1.3% average between

1973 and 2000, condemning Canada to a place among the slowest-growing advanced economies over the past half century.² Together, these data points suggest that Canada’s trade performance has relied more on favourable conditions beyond policy and strategy decisions—exchange rates, resource endowments, and proximity to US demand—than on actual gains in firm-level efficiency and competitiveness.

Figure 1
Canada exports of goods and services per capita, quarterly, 1980-2025^{3,4}

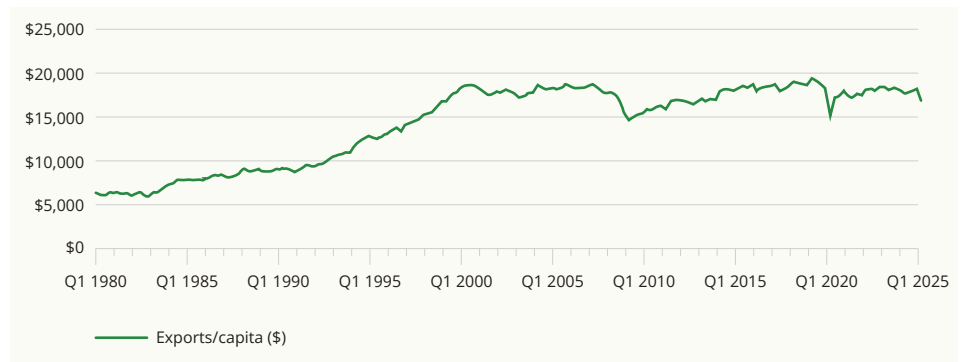
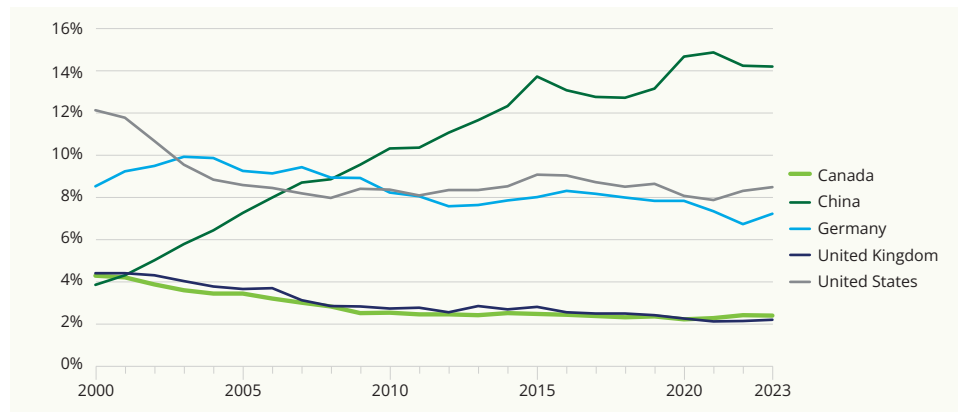



Figure 2
Country shares (%) of global merchandise exports, yearly (2000-2023)⁵

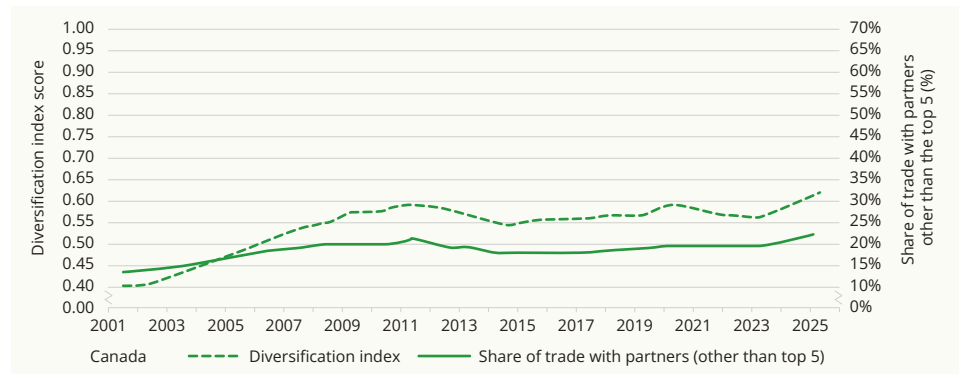


Introduction

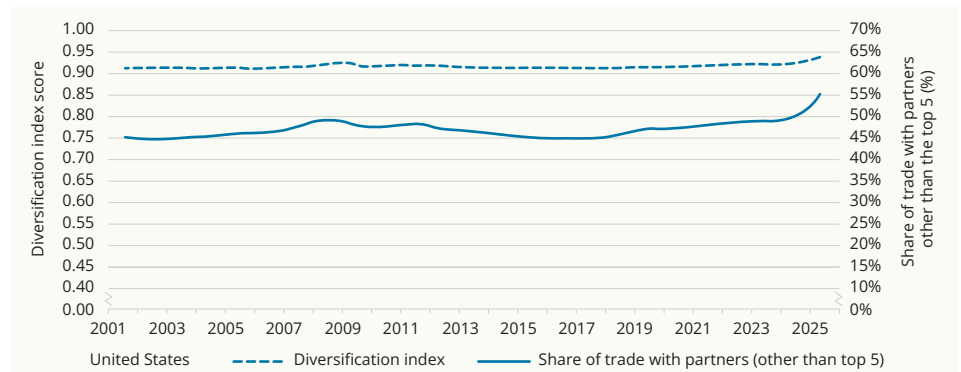
An index of Canada's trade diversification—shown in **figure 3** alongside the share of trade conducted with partners outside the country's top five export markets—reveals the relatively limited diversity of our export relationships, especially compared to G7 peers like the United Kingdom and the United States. Despite ongoing efforts to broaden market access through free trade agreements (FTAs) with Europe, the Indo-Pacific region, and emerging economies, gains to date have been incremental rather than transformative. Canada's export basket remains concentrated on a narrow set of commodities and manufacturing niches closely tied to US demand.

Figure 3
Canada, United States, and United Kingdom diversification index scores and shares of trade with partners other than the top 5, 2001-2025⁶

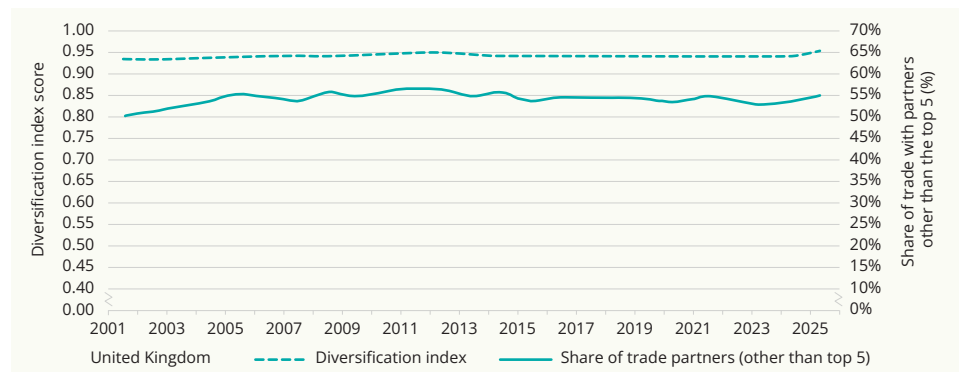
 **Average trade diversification across partner countries | Canada**



 **Average trade diversification across partner countries | United States**



 **Average trade diversification across partner countries | United Kingdom**



The shifting ground of global trade

One constructive consequence of the tariff shock has been enhanced strategic alignment. Trade diversification—long discussed but inconsistently pursued—has emerged as a broadly shared priority across Canada’s business and policy communities. Commitments to expand non-US trade, including Prime Minister Carney’s pledge to double such exports over the next decade, reflect a broader recognition that Canada’s growth model must widen its aperture.



Policy leaders and business executives tasked with delivering on this diversification agenda must navigate rapid geopolitical and geo-economic shifts (see **figure 4** on page 10) within a global trade system undergoing profound transformation. After a long absence, industrial strategy has returned at scale across advanced economies, with governments using subsidies, tax incentives, local-content rules, and procurement to anchor strategic sectors. Interdependence—strained by pandemic disruption and major-power rivalry—is increasingly conditional and security-screened. At the same time, technology is concentrating value in innovation, services, and intellectual property, reshaping where advantage is created and captured.

The result is not deglobalization, but a new era of managed interdependence—a world of buffers, blocs, and selective bilateralism, where economic policy and national security increasingly converge. America-first policies didn’t start this shift, but they exposed and accelerated it, converting geopolitical undercurrents into immediate commercial consequences.

Figure 4
Key geopolitical and geo-economic updates impacting Canada, 2025



Introduction

A tale of two exporters

For Canadian firms, this new era is neither abstract nor comfortably evolutionary. It has swiftly redefined the strategic and operating environment they must navigate—and, in many cases, actively reshaped their choice sets.

To understand how exporters are responding in practice, we conducted in-depth interviews in 2025 with senior executives at a cross-section of 32 Canadian exporting companies. Their experiences offer a grounded account of how firms are adjusting strategy, reallocating investment, and redesigning operations in response to a changing trade order.

Across interviews, a patterned divergence emerged. At one end are North American-focused exporters, optimized for stability and focused on protecting their continental foothold. They are less persuaded by the rupture thesis, particularly its permanence. At the other end, globally diversified exporters are reengineering operations, broadening markets, and embedding foresight into strategy. Their choices are quietly rewriting



the playbook for how Canadian firms can compete—and win—on the world stage. Both archetypes reflect rational responses to different exposure profiles and constraint sets, but they signal divergent assessments of where future advantage lies. Together, these responses offer a practical lens for other Canadian firms: not a template to copy wholesale, but a set of strategic choices to study as they evaluate their own exposure, preparedness, and path forward.

The pages that follow examine how these two exporter types are responding to a more contested trade environment. We begin with market strategy—how firms are reassessing where to compete in a changing global trade environment, weighing opportunities beyond North America, in the United States, and at home. We then examine four operational responses: investment behaviour, cost pressure, preparedness, and views on the domestic policy foundation. Divergence

between export types is clearest across the first three responses; the policy foundation is where exporters show the most alignment. Where relevant, Future of Canada Centre (FCC) executive opinion data from November 2025 is used to contextualize and test whether patterns emerging from our interviews are heard more broadly.

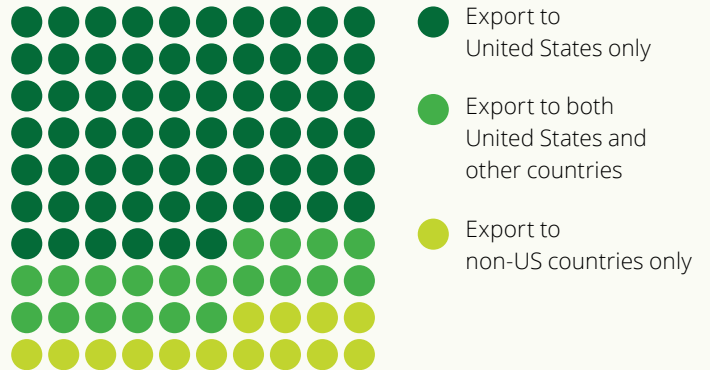
The final section draws on the perspectives of Deloitte industry practitioners to examine how these dynamics—and the risks and opportunities they create—are likely to evolve through 2026 and beyond. It highlights four forward-looking shifts: access to the US market is growing more conditional, non-US trade is becoming more cooperative and strategic, new sources of competitive advantage are taking shape, and domestic enablers will increasingly determine which firms can act on emerging opportunities.

Our research approach

Recent studies of Canada's trade diversification have largely centred on small and medium-sized enterprise (SME) exporters—their characteristics, performance, and barriers to growth. This report takes a different angle. Rather than segment firms by size, we grouped and compared exporters based on sales and export destinations. We chose this approach in light of the dynamics exposed by the Canada-US trade war, the distribution of Canada's exporters—which reveals that most deal exclusively with the United States (see **figure 5**)—our analysis of proprietary data, and early engagement with Deloitte industry practitioners.

Figure 5

Our analysis of Statistics Canada data on trade characteristics of exporter groups⁷



Our research approach

We interviewed 32 executives across two groups of Canadian-headquartered exporters (see **figure 6**):

- 1. North American-focused exporters** (hereafter North American exporters): Companies with limited or no significant presence outside North America, generating the majority of revenue (≥80%) from Canada, the United States, and/or Mexico, and with no active plans for global expansion
- 2. Globally diversified exporters** (hereafter global exporters): Companies with a significant or growing presence outside North America, including those actively expanding exposure beyond North America as well as those with established operations and networks in international markets

Semi-structured interviews with C-suite executives from both groups were conducted between March and June 2025. This sample includes a broad array of firms from service-oriented and goods-based industries (including manufacturing). Interviewees were selected purposefully, following due diligence to confirm their firms’ export destinations, sales figures, global ambitions, and market exposure. While we recognize a sample size of 32 firms is not statistically representative, we posit that it offers robust directional insight into how Canadian exporters are navigating today’s trade environment.

Interview insights are supplemented with FCC business opinion survey data. Responses were collected from November 3, 2025, to November 17, 2025. The survey sample includes 256 Canadian exporting firms, with 79 exporting exclusively to the United States, 124 to the United States and other international markets, and 53 to non-US markets only. Results are typically presented by comparing US-only exporters (used as a proxy for North American exporters; *n* = 79) with global exporters (*n* = 177), the majority of whom (70%) also export to the United States, consistent with economy-wide export patterns.

Figure 6
Exporters interviewed, grouped by criteria and composition





Voices from the front line

STRATEGIES, ADAPTATION, AND SURVIVAL IN 2025

Voices from the front line

For Canadian exporters, navigating trade in the post-pandemic world has become markedly more demanding. The Export Development Canada (EDC) Trade Confidence Index fell 3.3 points between late 2024 and mid-2025, landing at 65.7, well below its long-term average of 72.5.⁸

Readings this low have historically appeared only during major disruptions such as the 2008 global financial crisis, the COVID-19 pandemic, and the post-pandemic inflation spike.

The decline reflects a year punctuated by multiple policy intrusions into markets. Exporters entered 2025 braced for slowing sales growth and a cooling global economy while adjusting to shifting trade rules and high-stakes trade negotiations. FCC data from November 2025 captured this unease: 64% of exporters described the state of the global economy as poor, and 61% expected conditions to stay the same or worsen over the next 12 months.

Yet shared uncertainty did not produce a uniform response. In interviews, executives described making deliberate choices—first about **where** to compete, and then about **how** to adjust their operating models.



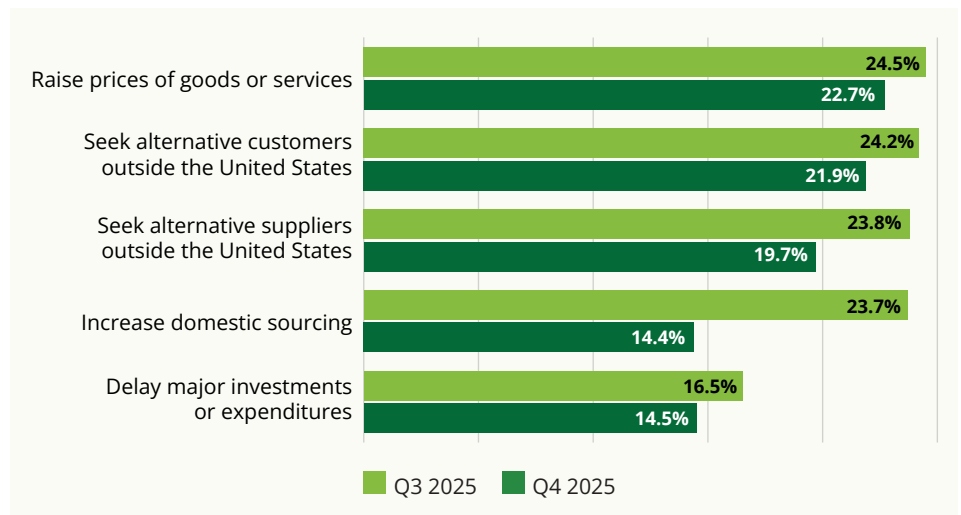
Where to compete: market decisions

Exporters described reassessing their positioning across three potential growth arenas: international markets beyond North America, the US market, and the domestic market. A wholesale recalibration of risk, opportunity, and cost is underway (see **figures 7, 8, 9,** and **10**).



Figure 7

Our analysis of StatCan data on exporters' top planned actions over the next 12 months as a result of US tariffs on their goods, Q3 and Q4 2025 replies^{9,10}



DECISION A

Diversifying beyond North America

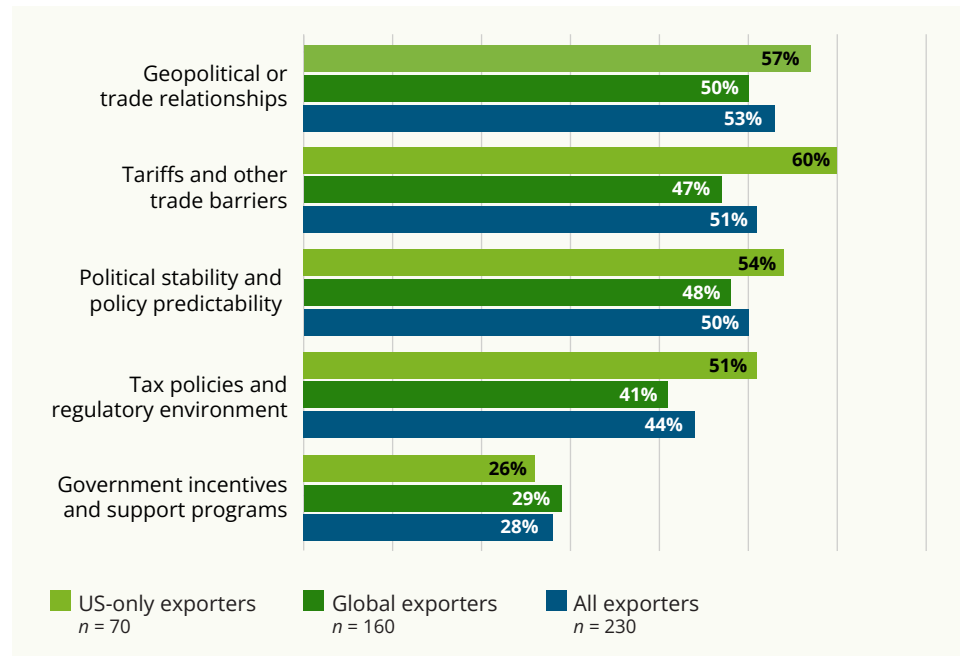
Diversification beyond North America gained renewed urgency. FCC data from November 2025 showed 32% of exporters believed it was highly likely they would increase sales outside Canada over the next 12 months (25% of US-only exporters and 37% of global exporters), with another 38% rating it moderately likely.

Interviews put texture on what “diversification” actually looks like: expanding in specific CPTPP or European markets, targeting new customer segments, and adapting products and processes to meet unfamiliar buyer specifications. A North American manufacturing executive described a shift in their market strategy:

“ We were lulled to sleep thinking that the US was the only trading partner because of a proximity relation when we should have been diversifying.”

Executives were candid about pace. Many described diversification as “early,” “incremental,” or “directionally right but not transformative,” emphasizing that market development can take years before it translates into meaningful revenue. Diversification beyond North America requires more than new customer relationships. It often demands changes in product mix, margins, and business models. Canada’s historical cost advantage—particularly for bulky, lower-margin goods—has long been tied to proximity to the United States. That advantage does not always translate to distant markets where logistics, scale, and pricing dynamics are less forgiving.

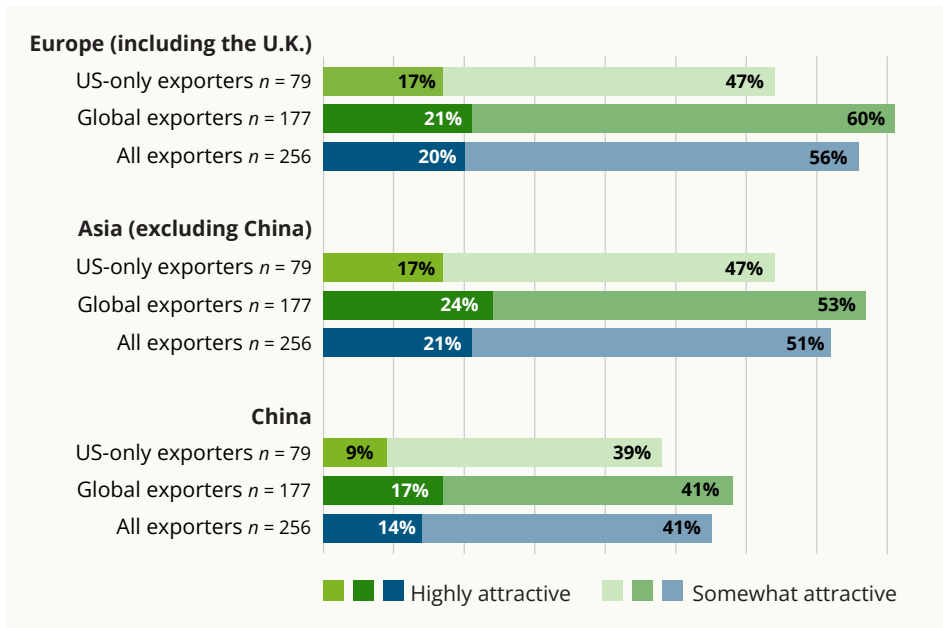
Figure 8
Top five “important” factors for investing/expanding outside the country, by Canadian exporter group¹¹



DECISION A *continued*

Diversifying beyond North America

Figure 9
Attractiveness of select global export markets for investment purposes
over the next 12 months according to leaders of Canadian exporting firms¹²



DECISION B

Defending US footholds



For many firms embedded in tightly integrated North American value chains, the United States remains a structural anchor rather than a discretionary market. Shared regulatory frameworks, dense logistics corridors, and minimal non-tariff barriers continue to confer advantages that other markets cannot easily replicate. According to FCC data from November 2025, a slight majority (54%) of executives of exporting firms rated the US market as at least somewhat attractive for investment; 22% of all exporters and 34% of US-only exporters rated it as highly attractive.

As one executive put it:

“ You can’t alienate the US. They are a massive centre for Canadian goods. They’re a massive centre for Canadian partnership. We need to understand the political and economic environment.”

The inclination to reinforce a US presence is unsurprisingly strongest among firms whose export model is already North America-centric. US-only exporters are materially more likely than globally diversified firms to rate the market as highly attractive and to prioritize stabilizing bilateral trade relations.

Interviews suggest a pragmatic pattern tied to current trade risks. Firms directly targeted by 2025 sectoral tariffs described acute cost pressure; many responded by adapting operations rather than exiting—renegotiating contracts, adjusting routing, strengthening compliance systems, and in some cases expanding US (or Mexico) production footprints to reduce tariff and logistics exposure. Meanwhile, firms able to meet CUSMA rules of origin described preferential access as a competitive moat as non-CUSMA competitors absorbed new costs. After years spent building US market presence and aligning supply chains, stepping back is neither commercially attractive nor operationally simple—though executives acknowledge that this calculus could shift depending on how CUSMA renegotiations unfold.

DECISION C

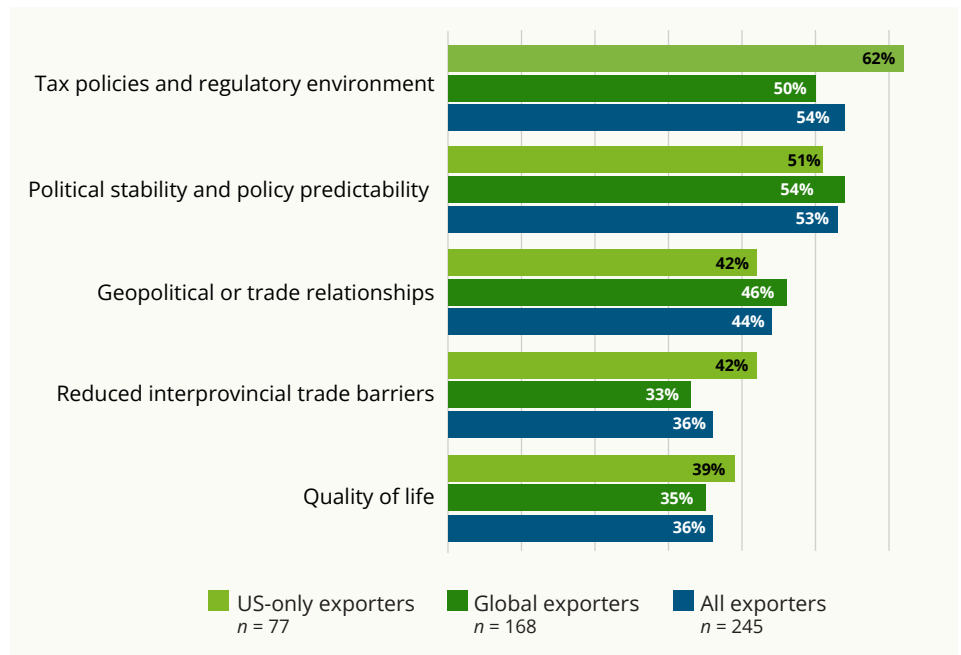
Expanding Canadian market presence

A growing number of exporters are also rediscovering the Canadian market—not as a fallback, but as a stabilizing base in a more volatile trade environment. FCC data from November 2025 showed 73% of export-firm executives rated the Canadian market as at least somewhat attractive for investment, with 30% rating it highly attractive—the largest “highly attractive” share across major markets. For many firms, this relative appeal is shaping sequencing decisions: shoring up domestic opportunities before, or alongside, international expansion.

Executives framed this as complementing, not replacing, global ambition. As one global mining executive disclosed:

“ We need to develop new markets [...], but there are markets to be built for our own companies within Canada. We need to strengthen Canadian business and do everything we can to build robust domestic markets.”

Figure 10
Top five “important” factors for investing/expanding within Canada, by Canadian exporter group¹⁴



A global plastics executive echoed this sentiment:

“ I do think it’s important to diversify away from the US, so you’re not caught in another tariff disaster, but balance is important. We are at an inflection point that Canada is uniquely positioned to really take advantage of, if it chose to. We’ve got to grow in the country. We need to support domestic. We need to support ‘Made in Canada.’”

In the decades since the original Canada-US Free Trade Agreement and then the North American Free Trade Agreement (NAFTA) came into force, the contribution of internal trade to Canada’s GDP has fallen from 26.7% in 1981 to 18.1% in 2023, according to StatCan data.¹³ Theoretically, there should be room for domestic expansion. However, even within Canada, location decisions are becoming more carefully considered. Interviewees were quick to note that Canada is operationally heterogeneous. Provincial strengths and relative costs influence where firms expand domestic processing, production, and R&D capacity.

Voices from the front line

These geographic choices are not mutually exclusive. Many firms are pursuing elements of all three. But the balance between them differs systematically across exporter types—and that balance shapes what comes next.

For North American-focused firms, reinforcing continental integration often meant managing heightened exposure within a familiar system. Globally diversified exporters faced a different challenge: accelerating expansion beyond the United States while absorbing new operational complexity. The starting positions were not the same—and neither were the adjustment paths.



How to compete: operational responses



Where firms chose to compete concomitantly reshaped how they needed to operate.

Expanding globally demanded new commercial and compliance capabilities. Defending US market share required cost discipline and rules-of-origin precision. Deepening the domestic base, meanwhile, exposed productivity and scale constraints at home. These pressures fell unevenly across North American and global exporters, widening operational contrasts.

The sections that follow examine how those contrasts played out—in investment decisions, cost management, preparedness, and views on the domestic policy foundation.

RESPONSE 1

Investing amid tariffs—North American exporters more likely to pause, global exporters more likely to pivot



Under the cloud of trade uncertainty, firms are approaching capital spending and hiring with caution. Canadian retaliatory tariffs, US national security tariffs, the end of US *de minimis* treatment (especially affecting retailers), and recession fears were among the most cited pressures. In an August 2025 survey by the Canadian Federation of Independent Business (CFIB), more than one-third (34%) of respondents cited paused investments as an important impact on them as a result of trade and tariff barriers.¹⁵ Our interviews aligned with this: Many firms reported prioritizing maintenance of existing assets over expansion, and therefore hiring plans were restrained. Spending flowed instead toward productivity improvements.

Investment behaviours in 2025 differed not only by tariff exposure but by underlying cost structure. Companies with high fixed costs—capital-intensive manufacturing, processing, logistics—faced immediate pressure to act because idle capacity erodes margins quickly. Firms with more variable costs, by contrast, retained greater flexibility to pause or defer investment without jeopardizing near-term viability.

As one executive put it:

“**The market in general is [hesitant] to spend money, especially on multi-million or billion-dollar projects, which has a ripple effect on us.**”

Most executives in our North American-exporter interview group adopted defensive postures, pausing or reducing investment to preserve cash flow and protect core operations.

In more severe cases, tariff uncertainty triggered layoffs, stalled expansion plans, and postponed capital investments—especially among firms heavily dependent on US customers. One Canadian furniture manufacturer with a majority US customer base reported that its sales declined as US retailers shifted sourcing from Canada to Asia amid tariff threats.¹⁶ The drop in orders prompted the company to restructure and cut more than 100 jobs.

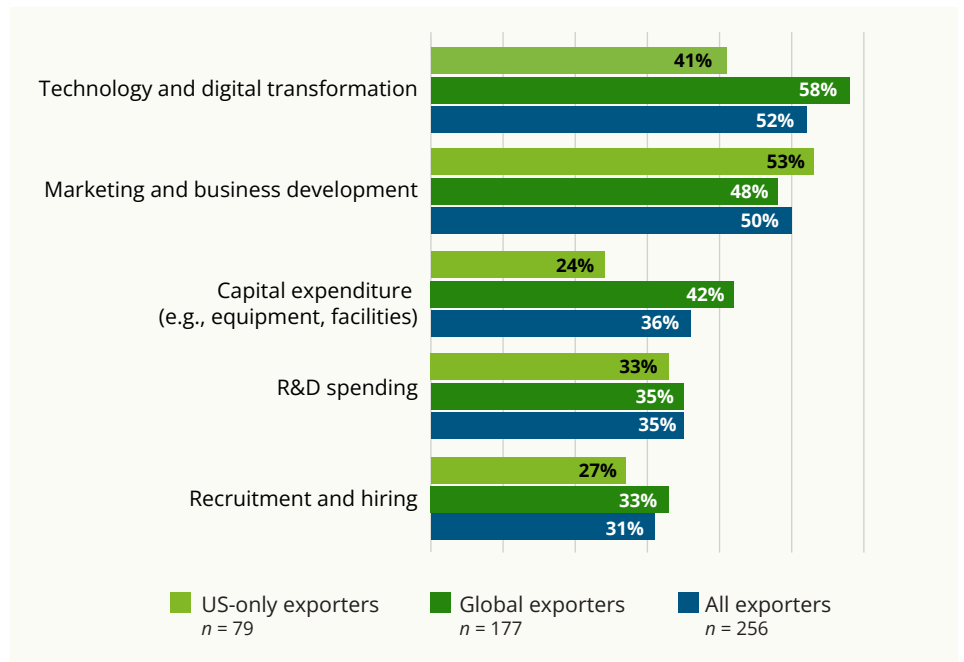
RESPONSE 1 *continued*

Global exporters responded differently. Rather than freezing investments, they used uncertainty as a mechanism to reassess and reallocate—protecting initiatives that improve resilience, innovation, and diversification (see **figure 11**). The executive of one global services firm described scaling back planned innovation projects while maintaining strategic initiatives. Another executive at a global agriculture firm emphasized the importance of empowering local management teams and talent to respond quickly, leveraging proximity and expertise to sustain agility:

“ I call it **controlled autonomy**. The art of business—to run a multinational while staying nimble, agile, innovative, and entrepreneurial—is you take the talent and knowledge of your local management teams and give them autonomy in the areas where they have true ability to impact your company.”



Figure 11
Percentage of Canadian exporters that expect to increase investments in select areas over the next 12 months, by Canadian exporter group¹⁷



RESPONSE 2

Cost pressure sparks different plays—North American exporters tread water, global exporters rewire

Costs rose sharply through spring and summer 2025. While StatCan data shows the share of firms that expected cost-related challenges eased slightly in the second half of 2025—to 62.2% in Q3¹⁸ and 61.5% in Q4,¹⁹ down from 65.4% in Q2²⁰—the strain remains pronounced, especially for exporters and manufacturers. In Q4, inflation was the most cited obstacle: 41.3% of firms expected it to weigh on performance in the next three months, far ahead of input cost worries (26.1%), which remained acute in agriculture (42.7%) and manufacturing (38.5%).²¹ FCC data from November 2025 showed 58% of exporters felt input costs and operating expenses were negatively affecting their firms' performance outlooks, though the burden was more severe among US-only exporters (76%) than among globally diversified firms (49%).

Against that backdrop, executives described two distinct patterns: cost absorption and cost removal. Some firms were managing shocks within existing operating models, while others were taking more structural steps to reduce or eliminate exposure over time. In the near term, many firms were relying on tactical mitigation, including optimizing

product classifications to minimize tariff exposure, leveraging CUSMA exemptions, restructuring sourcing and certification to reduce the portion of finished goods that might be subject to tariffs, redesigning pricing to lower customs values, and using remissions, duties relief, and drawback programs to recover costs.

For North American exporters, cost management has become a game of precision and speed. Many are reconfiguring production footprints on both sides of the border to minimize tariff exposure and take advantage of available labour. During our interviews, several North American manufacturing executives described optimizing existing facilities on both sides of the border to protect margins. One firm noted that it reduced tariff effects by shifting toward higher value-added products. By increasing the overall value of the final good, tariffed inputs now account for a smaller proportion of the cost of goods sold. This strategy both mitigates exposure to tariff-affected materials and strengthens the firm's innovation capacity and market reach.

Global exporters, by contrast, are moving on multiple fronts. In some cases, they

have partially absorbed tariff costs or negotiated a shared burden with customers to maintain US market access and avoid losing volume to competitors; in other cases, they have passed costs through more fully, especially when substitutes are limited. But a growing group are using tariff volatility as a catalyst for deeper, technology-enabled transformation.

A global tech startup executive shared:

“**Tariffs have impacted our customers in terms of raw materials because steel prices have fluctuated. [Some have] had to take on the uncertainty in raw material prices and have been told this will potentially increase costs. That could impact us in the longer term—this is when we will consider transforming our talent strategy and automation.**”

Rather than treating cost shocks as temporary, these firms are rewiring how they operate by simplifying product lines, using AI-driven cost analytics, and investing in smart factory automation to permanently reshape their cost bases.

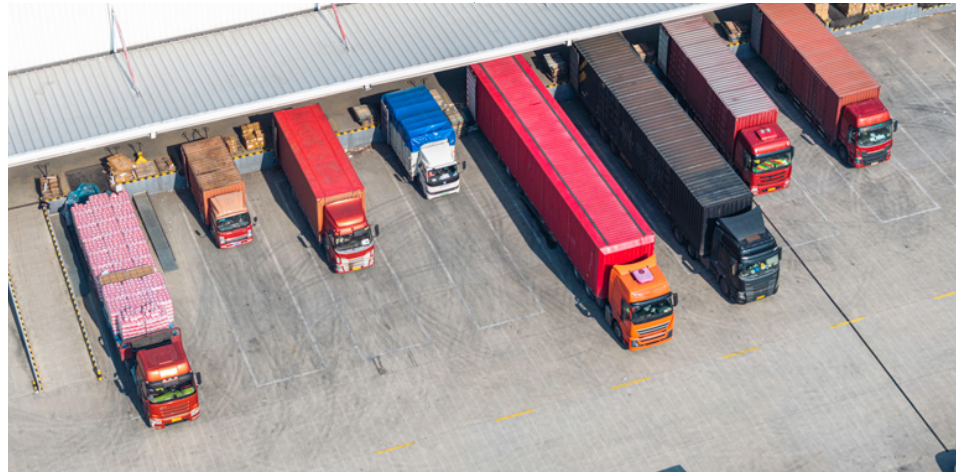
RESPONSE 3

Preparedness pays off—North American exporters respond in real time, global exporters draw on built-in resilience

The turbulence of 2025 reshaped the opportunity landscape, creating openings for some firms and closing doors for others. What determined which firms could move was preparedness; those with resilience and strategic optionality could act while others were still building their footing.

Global exporters typically had built this capability over years of operating across jurisdictions. Many had invested early in supply-chain flexibility, multi-market reach, and steady product innovation to avoid overexposure to any single customer base. These weren't defensive moves—they created the room to play offence when conditions changed. Earlier disruptions had also pushed them to institutionalize scenario planning, harden infrastructure, and deepen partnerships—making rapid pivots possible.

The actions of a global agriculture company we interviewed illustrates this advantage: Well before tariffs were contemplated, the firm shifted production away from China and relocated capital toward jurisdictions with greater legal and institutional predictability. In parallel, the company expanded partnerships in other growth markets, deployed digital tools to



improve supply-chain visibility, and moved into offering value-adding products tailored to local demand. When disruption hit, uncertainty became a growth catalyst, not a ceiling.

This mindset reflects a broader discipline about competitiveness. As one executive from a global automotive firm put it:

“ **If you can't be competitive, eventually someone else will undercut [you]. It's the dynamic of where you want international investments to go. [...] If you can't be competitive, you can't sustain.**”

North American exporters, by contrast, were often left to make decisions in real time because they lacked the buffers their global counterparts had. Their actions were frequently prudent, even clever, but concentrated on the near term. For example, a clean-tech company that derives 60% of its revenue from the US market pre-emptively relocated eight months of inventory to a third-party warehouse across the border before tariffs took effect. This allowed the firm to maintain delivery speed and mitigate potential cross-border risks by fulfilling all US orders directly from that facility—a smart adjustment, but not a foundation for navigating a long-term shift in trade dynamics.

RESPONSE 3 *continued*

Among North American exporters, few executives had considered the implications of a prolonged trade conflict over a five-to-10-year horizon. Many of them—especially those in service sectors—had no meaningful response beyond monitoring trade developments in the news. Some expected to manage cost increases by raising prices or accepting margin pressures. As one executive at a firm focused on digital infrastructure divulged:

“ We have not changed our purchasing behaviours yet. If a component costs more because we must import it from the US, it could end up costing us more money—but that’s the reality. Provided there’s demand, we’ll manage the cost increases by another means. We can weather the storm of increased costs by simply increasing our prices or choosing to take lower profits.”

Across interviews, the divide wasn’t attitude—it was accumulated capability. Exposure still shaped where pressure hit first—goods versus services, US-linked versus diversified lanes. But preparedness determined who could respond on favourable terms. Firms with embedded optionality had more room to turn disruption into opportunity, while firms without it were forced down reactive, costlier paths.



RESPONSE 4

Exporters are aligned on domestic policy—opportunity is within reach if Canada responds with urgency and unity

Canada has begun adopting a more assertive and proactive trade posture, particularly since Prime Minister Carney assumed office in March 2025. Recent initiatives include reorienting and modernizing Canada’s trade strategy beyond the United States, strengthening export support programs, deploying investment and innovation incentives, advancing regulatory streamlining and internal trade reforms, increasing defence spending, and investing in trade-enabling infrastructure.

While these measures mark important progress, exporters we interviewed consistently emphasized the need for greater urgency, prioritization, and more coordinated implementation. Canada already enjoys preferential access to a wide network of markets, but the gap between access on paper and scale in practice remains wide.



Executives had mixed views on existing supports; some pointed to valuable offerings—such as the Trade Commissioner Service—while others expressed frustration based on experience or perception of the policy landscape. But the common thread was that Canada needs a more coherent, coordinated, and communicated growth strategy—one that aligns industrial policy, innovation stimulus, tax measures, and trade strategy.

North American exporters emphasized predictable, streamlined regulatory and tax frameworks that reduce friction and restore confidence. They described regulatory duplication, interprovincial barriers, slow and unpredictable project approvals, and lengthy wait times for permits as “table stakes” issues that sap productivity and deter investment. These firms also seek practical, facilitative supports, such as accessible financing, incentives for growth, workforce development, and infrastructure modernization. Strengthening Canada’s industrial base—forestry, manufacturing, utilities, and housing—and improving interprovincial trade were central priorities.

RESPONSE 4 *continued*

Global exporters, by contrast, focused more on levers tied directly to international competitiveness: sharper industrial and trade strategy, targeted incentives, faster action on FTAs (especially with Asia), and fewer non-tariff barriers that limit market access. As one global manufacturer put it:

“ We’ve doubled and tripled down on the US at the sacrifice of other trade pursuits. We need a sustained effort on diversifying our markets.”

Global executives also emphasized attracting skilled international talent, protecting IP, accelerating automation, and supporting sustainability initiatives. They see Canada’s geopolitical stability, environmental stewardship, and high-quality resources as differentiation advantages—if backed by execution.

Still, in the realm of what they think policymakers must do, there is greater unity of purpose than is found in their own actions as North American or global exporters. Across both groups, executives returned to the same premise: Canada’s global competitiveness depends on domestic foundations. Policy needs to get these right. Ports, rail junctions, digital networks, and housing were framed as enabling conditions—and not as discreet policy pursuits.

Several executives also stressed the value of a consistent national narrative that communicates Canada’s reliability and quality abroad. In their view, Canada’s brand can open doors—but only if governments and institutions do more to convert reputation into commercial traction. As one IT services executive put it:

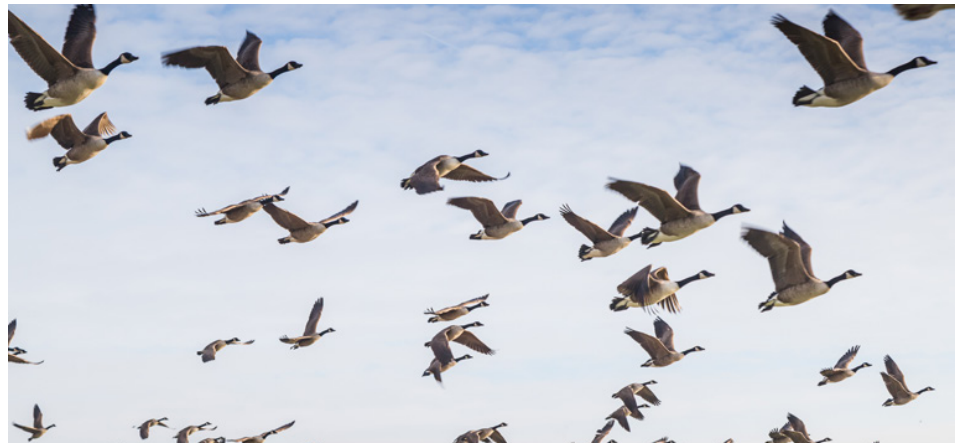
“ I just want a policy that makes Canada stable and promotes a Canada brand.”



From constraint to advantage

POSITIONING FOR WHAT'S NEXT

From constraint to advantage— positioning for what's next



Patterns across exporters in 2025 show a trade system entering a phase of structured disruption—tighter rules, sharper enforcement, and clearer conditions on who participates, how, and at what cost.

Trade tensions are becoming ongoing features rather than temporary disruptions. Liberalization is no longer the sole driver. Now, in many cases, access is conditional, secured through alignment, compliance, and strategic relevance.

Four shifts define the year ahead:

First, US-linked trade is becoming more frictional, with compliance capacity shaping the durability of access.

Second, non-US trade is consolidating into differentiated pathways that blend selective openness with geopolitical alignment, reinforcing uneven access across markets. These diverging trade regimes are shaping the landscape for new competitive advantages.

The **third** shift highlights these emerging advantages: Operational agility and a focus on higher-value, lower-friction activities—such as services and digital trade—allow firms to act quickly, capture growth, and reduce exposure to border friction.

Realizing these advantages depends on the **fourth** shift: Domestic enablers—including regulatory capacity, workforce skills, infrastructure, and access to finance—will make or break the foundation for firms to convert agility and strategic choices into concrete results.

Drawing on exporter interviews, survey findings, and Deloitte practitioner insights across trade, technology, and human capital, this forward-looking analysis highlights where firms can act now to reposition, reallocate, and compete more effectively, grounded in changes already underway.

SHIFT 1

US-linked trade becomes more frictional, conditional, and selective

US market access increasingly depends on compliance capacity, strategic relevance, and the ability to absorb friction without losing momentum.

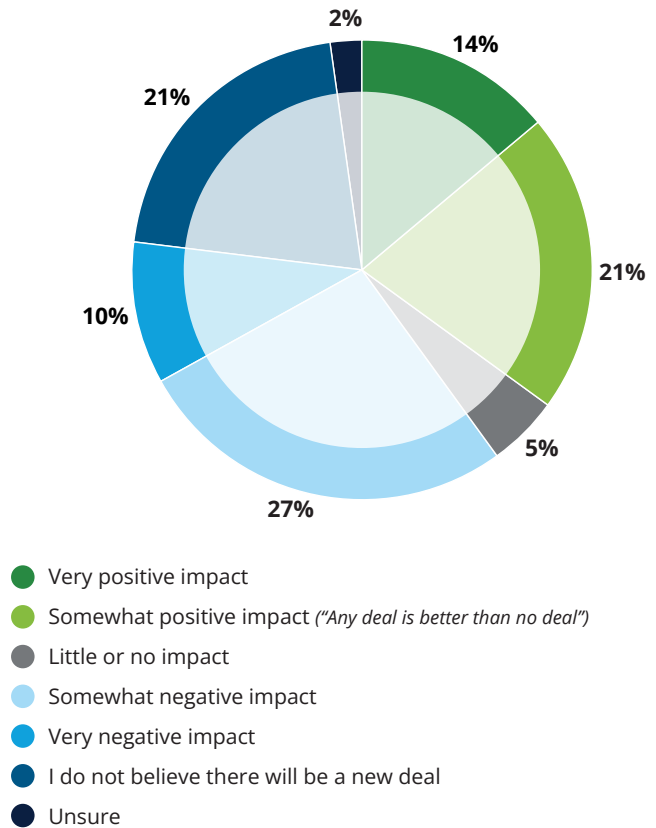


The US market is still open—but not to everyone, and not in the same way

The fact that the 2026 CUSMA review is looming injects a new layer of uncertainty into North American trade planning—an effect amplified by the tenor of US public discourse about the agreement, which remains divided on its future.²² Among the Canadian exporters we heard from, there is no consensus on the projected outcome of this review or the potential impacts of a new deal (see **figure 12**). Moreover, even an intact CUSMA would not shield exporters from unilateral tariff measures applied outside of the agreement’s framework.

Whatever the outcome of the CUSMA review, access to the US market is increasingly conditional and differentiated. US trade policy is effectively sorting Canadian exporters into three groups—defined not by tariff exposure alone, but by strategic relevance, enforcement intensity, and compliance expectations.

Figure 12
Impact of a potential renegotiated Canada-US trade deal on Canadian businesses, according to Canadian exporters²³



n = 256

SHIFT 1 *continued*

These breakdowns are as follows:

- **Sectors targeted by US reshoring and industrial policy—tougher terms, higher friction:** For sectors explicitly targeted by US reshoring and domestic capacity-building—high-value manufacturing and some natural resources—terms of engagement have worsened. Elevated tariffs, stricter rules of origin, and aggressive enforcement have raised the effective cost of US participation well beyond historical norms. For many Canadian firms, this is sustained financial pressure: compressed margins, strained working capital, and reduced investment capacity. Access remains formally open, but combined tariffs, compliance costs, and uncertainty undermine long-term competitiveness and, in some cases, threaten commercial viability.
- **“Default” CUSMA trade—more uncertainty, but relatively stable access:** Exporters outside priority reshoring or national-interest sectors retain relatively stable

US access, though conditions are tighter. Core terms are largely intact, but uncertainty has risen, and compliance demands—origin verification, valuation, and certification—require greater rigour and speed. Firms with strong compliance systems can continue operations, absorbing higher administrative costs. Compared to reshoring-targeted sectors and non-CUSMA competitors (in Canada and internationally), these firms are better positioned, but success now depends on execution discipline rather than baseline openness.

- **Sectors aligned with US national interests—opportunity amid tighter controls:** Exporters in energy and critical-input sectors face clearer rules, predictable demand, and policy-backed urgency. For Canadian firms demonstrating reliability, compliance maturity, and strategic alignment, tighter controls can create preferential positioning and, in some cases, expanded market opportunity rather than constraint.

In response to this sorting, firms are already adjusting how they deploy capital, manage exposure, and sequence growth:

Strategic levers



SHIFT 2

Non-US trade becomes more intentional, cooperative, and strategic

Outside the United States, trade is more open—but the highest-value opportunities run through allied infrastructure and security frameworks.

Non-US trade increasingly flows through low-friction alliances as diversification shifts from aspiration to necessity

Sustained uncertainty in the US trade relationship has made diversification a risk-management imperative—and for early movers, a source of strategic advantage. FCC data from November 2025 shows that 71% of Canadian exporting-firm executives expected to increase sales outside Canada over the next 12 months.

At the same time, many non-US economies, including Canada, are facilitating trade—aligning rules, investing in infrastructure, and supporting exporter entry to hedge against US policy unpredictability. Recent federal moves to expand trade agreements in the Middle East and Southeast Asia highlight efforts to create lower-friction corridors for Canadian exports beyond North America.

For Canadian firms, these alliances—anchored in existing and emerging agreements—offer pathways to scale outside the US. But they also raise execution demands. Diversification in 2026 will be narrower, faster, and more selective, prioritizing continuity of access and risk reduction over near-term efficiency.

Strategic levers



SHIFT 2 *continued*

Where trade and security converge, narrow but powerful windows of opportunity are opening

Geopolitical tension is opening narrow but economically significant opportunities in defence, energy, critical minerals, and infrastructure. In these sectors, security logic increasingly outweighs commercial logic: trusted supply chains, jurisdictional control, and resilience determine who can participate. Entry often requires early qualification, certification, and years of relationship building. Once supply chains are designated as trusted or embedded in multi-year frameworks, late entrants face high barriers, regardless of price or capacity. In 2026, firms are positioning for medium-term plays—from allied defence

procurement to energy plays and post-conflict reconstruction—making timely engagement critical.

For Canada, the opportunity lies in moving up the value chain rather than supplying raw inputs. Comparatively clean power, alignment with allied regulations, and reliability create openings in critical-minerals processing, advanced manufacturing, and energy infrastructure. At the same time, firms must mitigate geopolitical risks by reducing reliance on China-linked processing and alleviating choke points that increasingly disqualify suppliers from allied markets.

Strategic levers



SHIFT 3

As trade regimes diverge, new sources of competitive advantage emerge

In a trade system governed by two distinct rationales, firm-level capabilities increasingly determine who can win globally. Two sources of advantage are emerging most clearly: operational agility amid market shifts, and strategic value mix choices that reduce exposure to border friction.

Trade compliance capability shifts from cost centre to gatekeeper

Compliance has shifted from an administrative task to a condition for market access. As enforcement intensifies—particularly in the US—the ability to interpret rules and substantiate origin and value now determines whether firms can operate at all.

Rising administrative friction acts as a de facto trade barrier. Documentation, traceability, and certification requirements increase costs, compress margins, and lengthen cash cycles. Firms lacking end-to-end supply-chain data face punitive assessments and may pay effective tariffs far above statutory rates. Those with audit-ready, defensible systems preserve access and optionality.



For leading firms, compliance investment is no longer merely defensive; it is how access is secured and competitors are screened out.

Strategic levers

North American exporters

Global exporters

Compliance as survival

Slow or incomplete compliance can block US access, so firms work to ensure adherence.

Compliance excellence as advantage

Strong systems enable continued participation as less-compliant competitors exit a given market.

Capital reallocation

Investments shift toward traceability, certification, and data systems to avoid margin erosion and punitive assessments.

Process scalability

Firms with centralized compliance enjoy rapid adaptation across markets.

Strategic triage

Some trade lanes no longer clear the hurdle once friction costs are priced in, prompting selective reshoring or US-footprint adjustments.

Risk smoothing

Geographic diversification reduces dependence on any single enforcement regime.

SHIFT 3 *continued*

Short time-to-reconfigure becomes a real competitive advantage

As compliance demands multiply, the real constraint for exporters is not awareness of risk but the speed to redesign supply chains. Most firms can identify shocks; few can adjust inputs, production, and routing in weeks rather than quarters. This capability—enabled by modular design, flexible plants, pre-qualified suppliers, and disciplined scenario planning—is now often decisive.

Advantage comes from disciplined speed paired with strategic judgment. The most resilient firms act quickly on structural shifts while avoiding overreaction to temporary policy swings. Knowing when to move—and when not to—has become a core execution skill.

Talent is central to this capability. Firms now need people who can translate trade rules into action—through origin analysis, supplier qualification, regulatory engagement, supply-chain planning, and scenario testing. Without such skills, even the best diversification plans stall.



Strategic levers



SHIFT 3 *continued*

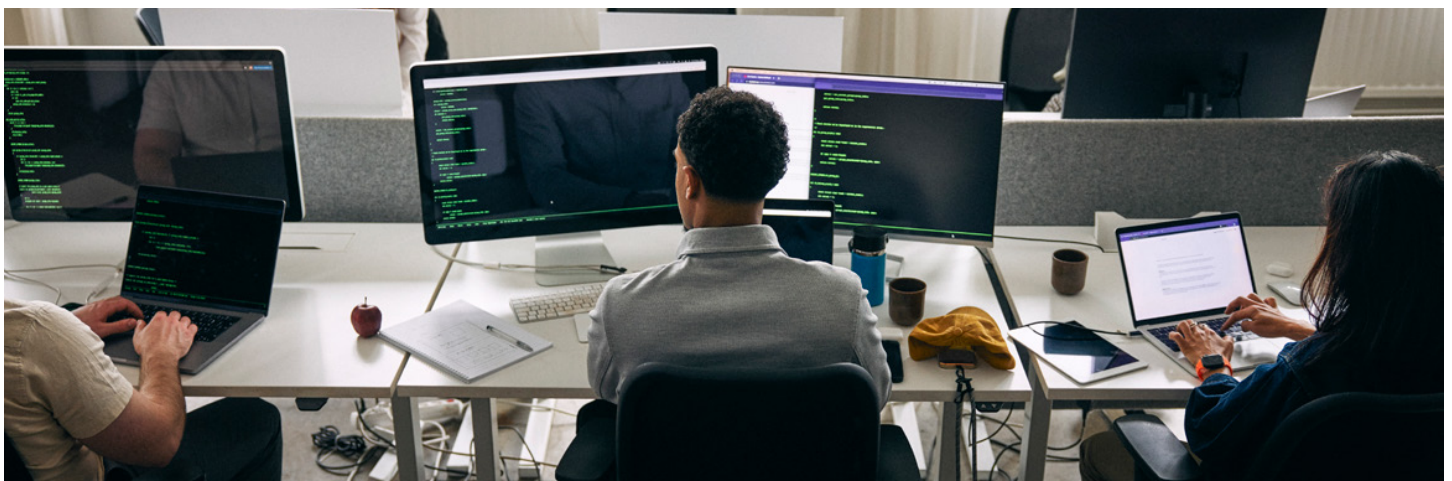
Digitally delivered value and services face a more favourable risk calculus

As physical goods face rising border friction, value delivered through services, software, IP, and data follows a different, often more predictable set of rules. Digital trade has benefitted from the WTO moratorium on customs tariffs since 1998.

For exporters, digital and service capabilities hedge goods-heavy exposure—but only if value creation, delivery, and capture are deliberately redesigned. Even with the moratorium, digital trade

faces fragmented privacy regimes, AI rules, data-residency requirements, and jurisdictional procurement standards, all of which shape cost, risk, and access.

Recent coordination among advanced economies on AI, data governance, and trusted digital infrastructure is creating more predictable cross-border pathways. Firms aligned with these frameworks can scale across fragmented markets more easily than those reliant on physical supply chains, making digital and services a practical tool to rebalance exposure—not eliminate it.



Strategic levers

North American exporters

Global exporters

Margin defense over volume

Firms increasingly protect margins by moving value up the stack—e.g., to services, analytics, customization, maintenance—rather than chasing volume in a high-friction goods environment.

Value-mix flexibility

Strong digital and service capabilities support ongoing US presence and growth elsewhere.

Product-service bundling

Export strategies increasingly pair physical delivery with digital or service components, shifting where profits are earned.

Scalability advantage

Digitally delivered value scales more easily across fragmented trade regimes, prompting firms to adapt in order to take advantage of this reality.

Policy exposure trade-offs

Firms navigate tighter Canadian digital rules while benefiting from comparatively lighter US treatment—pushing firms to rethink data architecture, contracting, and delivery models.

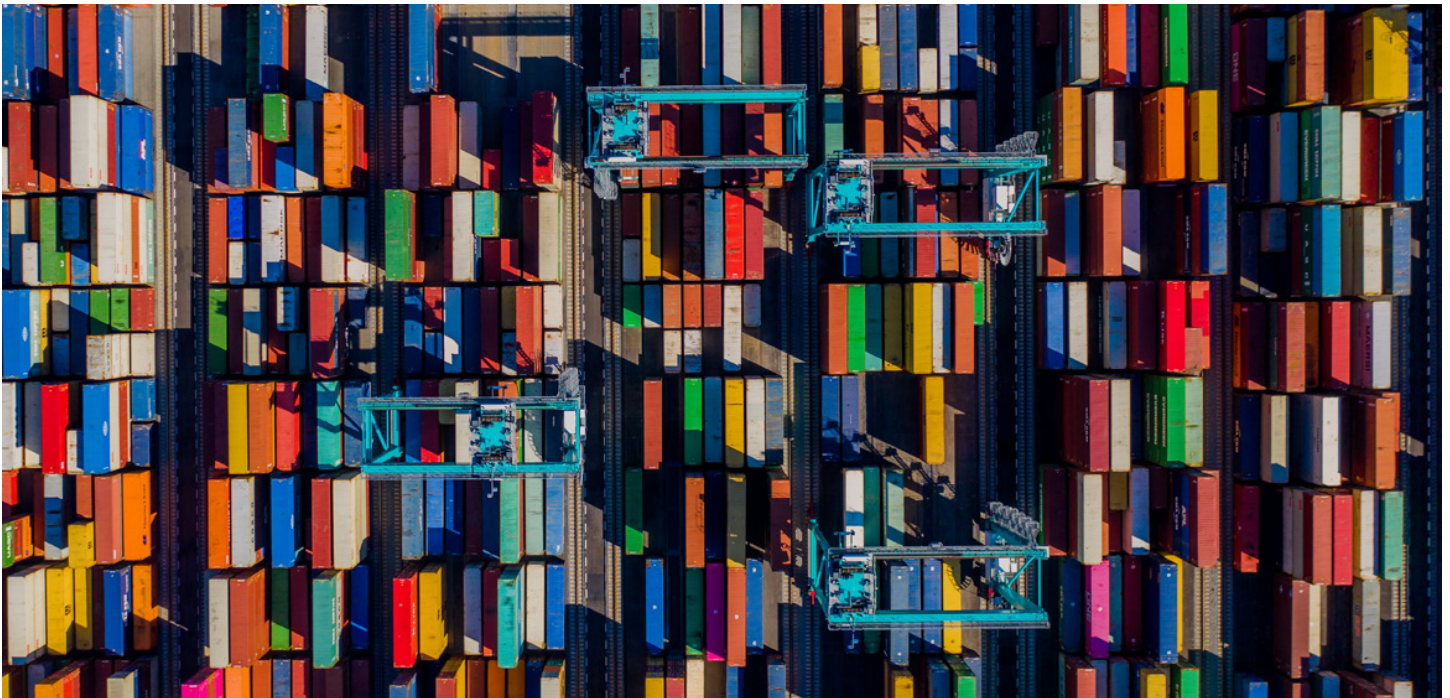
Risk rebalancing

Services and IP revenues help smooth volatility when goods shipments face tariffs, delays, and/or enforcement swings.

SHIFT 4

Domestic enablers increasingly impact trade outcomes

The countries—and firms—best positioned to diversify exports are those backed by domestic systems that can deliver capacity at speed.



Export diversification is increasingly affected by execution capacity, not strategy design

For exporters pursuing non-US markets, demand is rarely the main constraint—execution capacity at home is. Success depends on processing and value-added facilities, reliable energy, port and rail throughput, certification and inspection systems, and skilled labour. Diversification now requires simultaneous movement across these systems. Where infrastructure, approvals, and workforce pipelines are strong, firms commit early; where they are uncertain or slow, firms narrow ambitions or redirect investment.

By linking infrastructure development to sectoral export priorities, policymakers and industry leaders can help ensure that the necessary capabilities are in place to convert external demand into tangible growth.

SHIFT 4 *continued*

In 2026, exporters are watching for early signals that Canada’s diversification ambitions are credible. Key indicators include:



Speed and predictability of approvals

Are permits, environmental reviews, and regulatory decisions for ports, rail, energy, and processing projects faster and clearer than before? Are decisions delivered in months, not years?



Progress on trade corridors

Are construction milestones, procurement awards, and sequencing clarity visible at ports, rail nodes, and border-adjacent infrastructure serving Europe, Asia, and other non-US markets?



Scaling certification and inspection

Are customs, product certification, phytosanitary inspection, and compliance systems expanding via staffing, digitization, or process reform?



Labour availability

Are skilled-trade and project-management pipelines growing? Is credential recognition improving? Are project delays from labour shortages declining?



Government coordination

Are approvals, financing, and procurement sequenced across federal and provincial agencies? Are Indigenous consultation pathways resourced and timely?

These signals do not guarantee outcomes, but they increasingly determine whether firms can turn diversification intent into execution in the years ahead.



Conclusion

Canada has the tools, credibility,
and capacity to shape its trade destiny.

The disruptions of 2026 are not only obstacles—they are also openings. Firms and policymakers that act decisively can convert structural change into lasting advantage, establishing Canada as a hub of trusted supply, innovation, and high-value trade.

The path forward is clear: invest in execution, strengthen domestic capabilities, and move where opportunity is emerging. Early, disciplined action will determine who captures growth, sets standards, and defines market access in the years to come.

For Canada, the prize is strategic leadership. By linking national priorities with firm-level agility, the country can transform volatility into a platform for durable competitiveness, turning uncertainty into a force that favours those ready to shape the rules rather than follow them.

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An aerial photograph of a glacier, showing various shades of blue and white ice. The glacier is broken into large, irregular chunks and smaller pieces, creating a textured surface. The lighting is bright, highlighting the intricate patterns and crevasses of the ice. A semi-transparent white rectangular box is centered over the middle of the image, containing text. The overall composition is vertical and emphasizes the natural beauty and scale of the glacier.

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