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Power Plays

Geopolitics and the new business landscape

April 2026

Introduction

We are in the midst of tectonic geopolitical upheaval. Since the election of President Donald Trump in November 2024, the United States has increasingly moved toward a more transactional foreign policy framework, characterized by economic nationalism and a recalibration of long-standing alliance structures.

These changes are reshaping global trade flows, investment patterns and supply chain stability. At the same time, Canada is navigating a period of heightened international volatility, including escalating military conflict in the Middle East, disruptions to global shipping routes such as the Strait of Hormuz, the continued Russian invasion of Ukraine, and renewed fragmentation in global energy and commodity markets.

These dynamics are not abstract. They are reshaping input costs, investment decisions and market access for Canadian businesses in real time. Canadian firms are increasingly operating in an environment defined by uncertainty, shifting trade rules and geopolitical risk.

Domestically, these pressures have catalyzed renewed efforts to strengthen internal economic integration. Federal and provincial governments have advanced initiatives to reduce interprovincial trade barriers and harmonize labour mobility frameworks. While progress has been made, significant structural inefficiencies persist. Overlaying the domestic landscape and adding to the uncertainty is the threat of separation referenda being held in both Alberta and Quebec.

Canadian businesses remain central to both economic resilience and global opportunity. Canada has the capacity to contribute meaningfully to global energy, critical mineral and food security, while strengthening its own domestic economic foundations. Realizing this dual mandate requires coordinated, strategic and timely government action.

This report includes three sections, analyzing the impact of geopolitical conflicts on the Canadian economy and outlining key recommendations for government.

1. *A New Playing Field: Impact to Business and Economy.* An explanation of the economic and business impact of geopolitical events at a local, regional and national scale.
2. *Key Players: Sectoral Exposure & Strategic Response.* Overviews on the impacts to key industries facing challenges and opportunities due to geopolitical pressures.
3. *Canada's Playbook: Public policy recommendations for government.* Solutions-oriented public policy recommendations for federal and provincial governments to address the shifting geopolitical landscape.

Note

The trends and geopolitical dynamics discussed in this report are shifting quickly. This report was written in May 2026 and reflects the state of international affairs at the time it was created.

Part 1 – A New Playing Field: Impact to Business and Economy

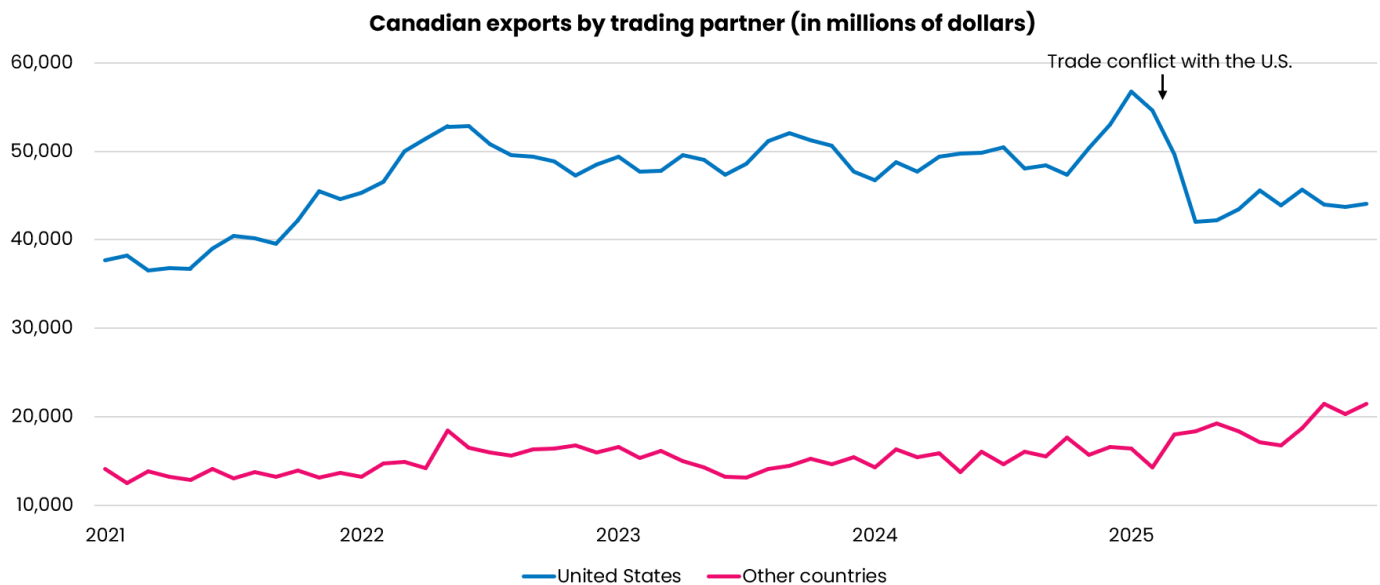
Impact to the Canadian Economy

The escalation of U.S. tariffs on Canadian goods beginning March 4, 2025 marked a structural shift in Canada–U.S. trade relations. Since then, Canadian exports to the United States have declined by [5.8 per cent](#) year-over-year. GDP growth has slowed to [1.7 per cent](#), narrowly avoiding recessionary conditions.

Key trade-exposed sectors – including automotive manufacturing, steel, aluminum and forestry – have experienced sustained pressure. National manufacturing output has declined by [2.6 per cent](#) as input cost inflation continues to transmit through supply chains.

In response, Canadian trade patterns are beginning to diversify. Exports to non-U.S. markets have increased by [17.2 per cent](#), while imports from the United States have declined by [2.9 per cent](#). Consumer behaviour is also shifting, with Canada–U.S. return travel down [25 per cent](#) and overseas travel increasing by [9.2 per cent](#).

This reorientation reflects both market adaptation and deliberate policy intent, including federal objectives to expand non-U.S. export markets over the medium term.



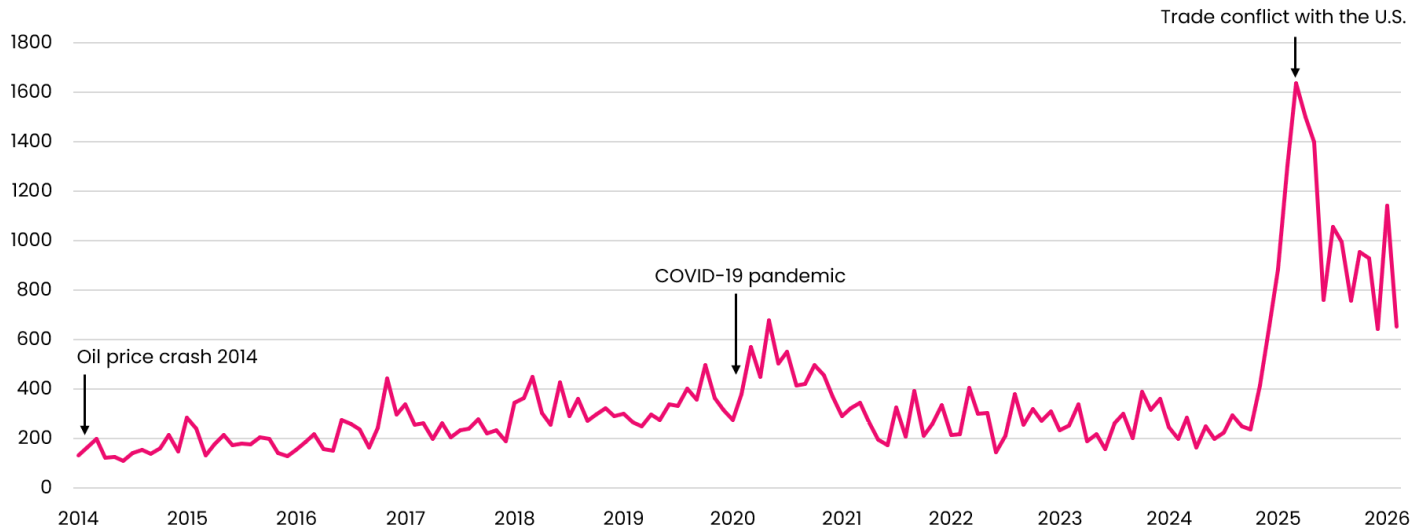
Policy Uncertainty

The [News-Based Economic Policy Uncertainty Index](#) tracks the level of uncertainty reflected in news coverage, serving as a proxy for policy uncertainty in the market and highlighting the extent to which businesses and Canadians are being affected. The Index indicates sustained levels of uncertainty above historical norms, exceeding even peak COVID-19 levels.

This environment is directly suppressing capital formation. Elevated uncertainty delays or cancels investment decisions, reduces productivity growth and weakens long-term competitiveness.

The impact is particularly pronounced in capital-intensive jurisdictions such as Alberta, where investment cycles in energy and infrastructure are highly sensitive to policy clarity and regulatory certainty. Reduced investment flows directly affect employment, provincial revenues and downstream economic activity.

News-based economic policy uncertainty index (index set at 100 in 2011)



Impact to Alberta

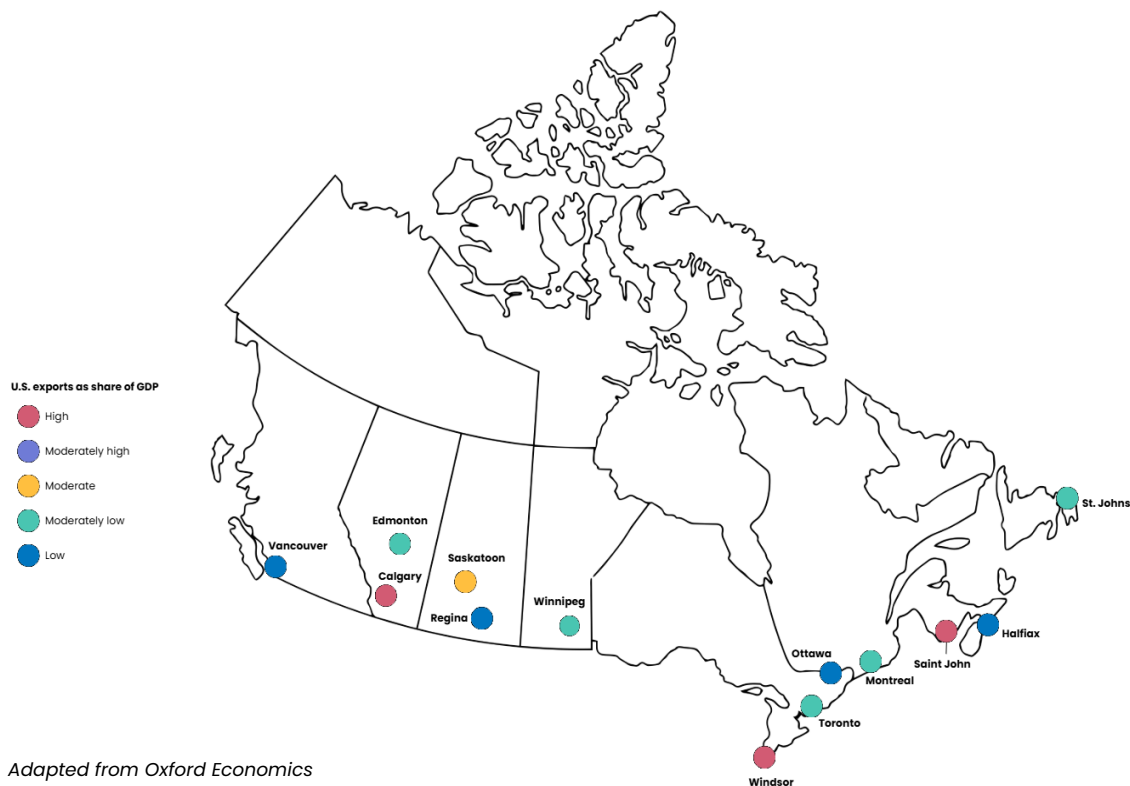
Calgary and Alberta remain among the most trade-exposed regions in Canada. More than [60 per cent](#) of Calgary's GDP — approximately [\\$114 billion](#) — is tied to exports, primarily to the United States.

This exposure creates a dual sensitivity: upside during commodity strength cycles, and heightened vulnerability during periods of volatility or demand contraction.

Despite periodic commodity price increases, investment conditions remain subdued due to policy uncertainty and weak forward pricing signals in oil and gas markets. This has contributed to stalled capital deployment across the energy sector.

At the same time, higher commodity prices generate inflationary pressures across the broader economy. Energy cost increases affect transportation, manufacturing and consumer goods, reducing disposable income and dampening demand in retail, hospitality and tourism sectors.

Alberta's fiscal position remains highly exposed to commodity volatility. Budget 2026 underscores this sensitivity, with each \$1 decline in oil prices translating into an estimated [\\$750 million](#) reduction in provincial revenue. This reinforces the need for stronger fiscal stabilization mechanisms, including sustained contributions to the Heritage Fund and expanded revenue diversification strategies.

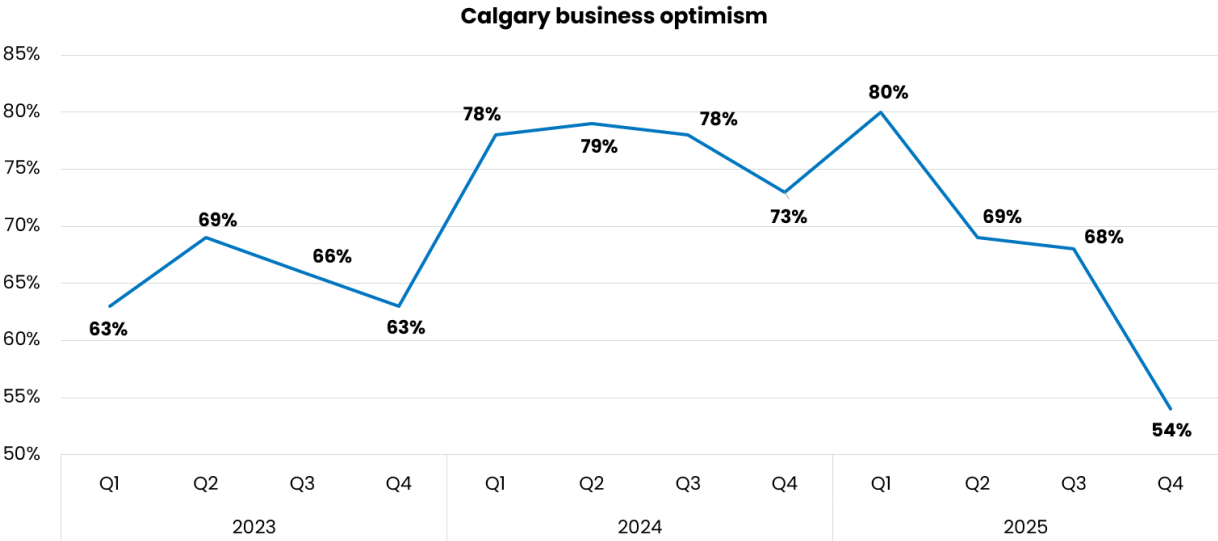


Impact to Calgary & Alberta Businesses

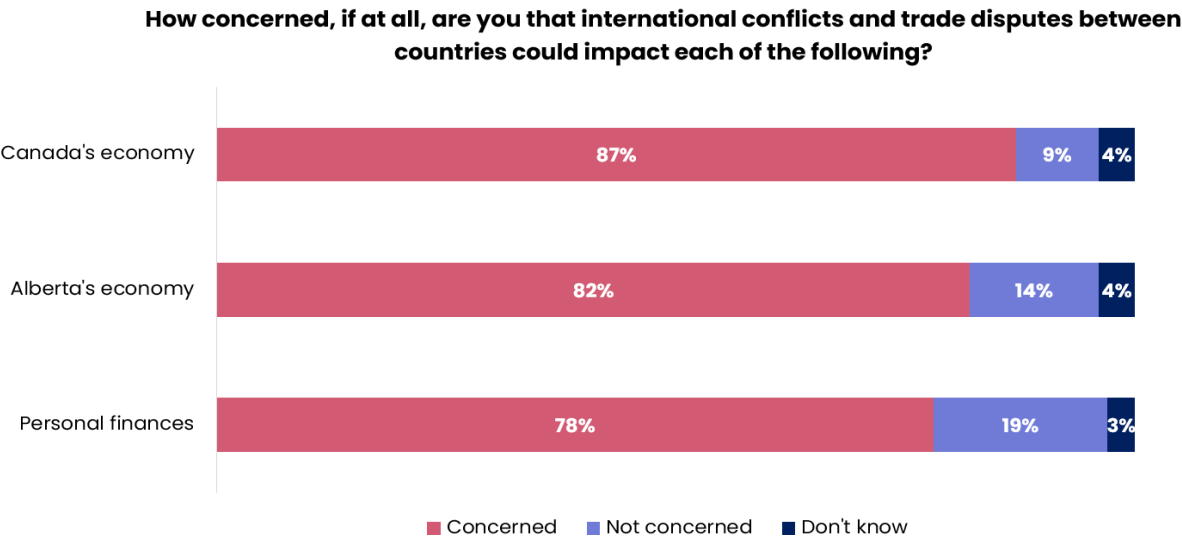
Business confidence remains subdued following a decade of compounding shocks, including the 2014 oil price collapse, COVID-19, and ongoing geopolitical instability.

Calgary business optimism has declined to 54 per cent, down from 73 per cent one year prior. Firms are facing rising input costs, constrained consumer demand, labour market uncertainty and elevated capital costs.

SMEs are disproportionately affected, with limited capacity to absorb shocks or delay investment. These pressures are contributing to delayed hiring, reduced expansion and heightened insolvency risk in vulnerable sectors.



In March 2026, the Calgary Chamber of Commerce commissioned polling to understand Albertans’ sentiments regarding the geopolitical factors influencing the country and how governments should be responding. The results indicate Albertans are extremely concerned with the impact the trade disputes and international conflicts will have on the national economy – with 87 per cent of respondents ranking



this as their top concern. Further, 82 per cent noted impact to the Alberta economy specifically while 78 per cent fear the impact on their personal finances.

The direct impact to Canada's economy from trade conflict with the United States, China and others has been significant, and the long-term impacts of a ruptured international order will be felt for years to come. To support Canadian businesses, governments need to act expeditiously. To do this effectively, it is important to understand the current situation and the impact across the Canadian economy.

Part 2 – Key Players: Sectoral Exposure & Strategic Response

Canada's economy is tightly integrated across sectors that are both globally exposed and domestically critical. As a result, geopolitical fragmentation, trade disruption and supply chain instability feed directly into domestic economic performance, shaping trade flows, input costs, labour markets and capital investment decisions.

This section provides a high-level overview of the sectoral exposure of key components of the Canadian economy and assesses how international developments are reshaping competitiveness, investment conditions and long-term growth prospects.

Small Businesses

Small and medium-sized enterprises (SMEs) are a foundational component of the Canadian economy but remain disproportionately exposed to external shocks due to limited scale, constrained access to capital and lower capacity to absorb cost volatility. Consequently, global uncertainty translates more quickly and more severely into operational and financial stress for smaller firms.

SMEs account for approximately [40 per cent](#) of Canadian exports and [63 per cent](#) of employment, however their role in the economy is structurally vulnerable to shifts in input costs, demand conditions and financing environments, particularly during periods of elevated geopolitical and trade uncertainty.

Recent global disruption has increased pressure on SMEs through rising input costs, weaker consumer demand and tightening credit conditions, with these effects most pronounced in consumer-facing sectors such as hospitality, tourism and retail, where demand is highly cyclical and closely tied to household confidence.

As inflationary pressures persist and interest rates remain elevated, financing costs have increased materially for small businesses, limiting their ability to invest in productivity-enhancing activities such as technology adoption, equipment upgrades and workforce development, and as a result, constraining long-term productivity growth while increasing insolvency risk.

The upcoming joint review of the Canada-United States-Mexico Agreement (CUSMA) will be essential to support small businesses, particularly through items such as the de minimis threshold. Which must be balanced to improve trade efficiency across the North American continent.

While targeted government support programs can provide short-term liquidity relief, SMEs remain structurally exposed to macroeconomic volatility and trade uncertainty; sustained competitiveness will depend on broader improvements in cost stability, regulatory certainty and access to capital.

Agriculture

Canada's agriculture and agrifood sector is a globally significant, export-driven industry, contributing approximately [\\$100 billion](#) annually to the economy and supporting [2.3 million](#) jobs. Its performance is directly tied to global trade access, logistics reliability and geopolitical stability.

The sector is structurally export-oriented, with more than half of production destined for international markets either in raw or processed form, leading to inherent sensitivity to trade restrictions, geopolitical tensions and disruptions in global supply chains.

Recent tariff actions by major trading partners, particularly China and the United States, have materially disrupted Canadian agricultural exports, with Chinese tariffs on canola, pork, seafood and pulses significantly reducing market access and creating sharp price volatility across Western Canada. During some periods, tariffs exceeded [100 per cent](#) on select products and effectively removed access to key export markets.

The United States remains Canada's largest agricultural trading partner, accounting for approximately [62 per cent](#) of exports. However, this deep integration also amplifies risk; trade disputes can simultaneously constrain market access and raise input costs – particularly for machinery, fertilizer and seed – putting pressure on both ends of the production system.

At the same time, the sector is highly exposed to global logistics disruptions and energy price volatility, with shipping constraints, rising fuel costs and supply chain instability directly driving up production costs, limiting storage capacity and weakening export competitiveness.

This structural concentration in a limited number of export markets increases systemic vulnerability, and despite Canada's extensive global trade agreements, uneven utilization of these agreements reinforces the need for export diversification, improved trade infrastructure and expanded market access strategies.

Energy

Canada's energy sector is a foundational pillar of the national economy, contributing nearly [10 per cent](#) of GDP and approximately [29 per cent](#) of merchandise exports, and as a result remains one of the most globally significant and trade-exposed components of the Canadian economy. In 2024 Canada exported [\\$188 billion](#) in oil and gas products, [94 per cent](#) of which went to the United States.

The sector is highly integrated with the United States, which accounts for the vast majority of Canadian oil and gas exports. While this integration supports efficiency and scale, it also creates structural exposure to U.S. policy shifts, regulatory divergence and trade uncertainty. The value of the Canada-United States-Mexico Agreement, and the Energy Side Letter, cannot be understated in ensuring regulatory cooperation and reflecting the deep integration of the Canada/U.S. energy market.

Exposure to U.S. policy changes, like the actions taken in Venezuela, and subsequent moves by the Trump administration to drive production from Venezuela to refineries in the Gulf present a risk to the Albertan energy industry in the short term, where Venezuelan product could offset as much as [350,000](#) barrels per day (bpd), or [three per cent](#) of Alberta's GDP – but in order for that to happen, significant capital would need to flow into Venezuela.

Geopolitical instability, spanning the conflict in the Middle East, the decision by the United Arab Emirates to leave the Organization of Petroleum Exporting Countries (OPEC), the Russia-Ukraine war and shifting production dynamics among major producers, drives – and will continue to drive – rive significant price volatility. While elevated prices may improve short-term fiscal and corporate revenues, they also increase inflationary pressure across the domestic economy and complicate long-term investment decision-making.

Concurrently, infrastructure constraints continue to limit Canada's ability to diversify export markets, reinforcing reliance on a single trading partner and constraining pricing flexibility in global energy markets.

Liquefied natural gas (LNG) represents a major structural opportunity for Canada, particularly as European and Asian economies diversify away from traditional suppliers and reduce reliance on higher-emission fuels. However, realizing this opportunity depends on sustained infrastructure development, regulatory certainty and long-term investment stability.

Canada's ability to expand west coast export capacity is increasingly central not only to sector competitiveness, but also to broader economic resilience and geopolitical positioning. Canada's lack of infrastructure – specifically expanded egress capacity to the west coast – is limiting the growth of the industry and compromising Canada's ability to provide energy products to strategic global partners.

The Alberta–Ottawa MOU has shown positive progress thus far, and though some elements are still under negotiation, we expect that this agreement will help Canada develop the energy infrastructure to support domestic and international trade in oil, gas and energy products broadly. Additionally, regulatory changes from the federal government will be coming soon, based the recent discussion paper [Getting Major Projects Built in Canada](#).

Manufacturing

Manufacturing remains an industrial cornerstone of the Canadian economy, contributing more than [10 per cent](#) of GDP and supporting approximately [1.7 million](#) jobs, and is highly sensitive to both global trade dynamics and domestic input cost conditions.

The sector is closely tied to the United States through highly integrated supply chains, with a significant proportion of output dependent on cross-border production and final demand, particularly in automotive manufacturing, where components frequently cross the border multiple times, amplifying even modest trade friction through cumulative cost effects.

As tariffs and trade barriers increase, production costs rise at each stage of the supply chain, compressing margins, reducing global competitiveness and increasing the likelihood of investment diversion toward alternative jurisdictions, particularly in capital-intensive manufacturing subsectors.

Energy price volatility is a major cost driver for manufacturing – particularly in energy-intensive industries such as steel, aluminum, cement, chemicals and food processing – where rising input costs directly erode competitiveness and contribute to broader inflationary pressures. The price of aluminum alone has skyrocketed, reaching a [four-year high](#) as a result on conflict in the Middle East. These challenges are compounded by global commodity disruptions and limited domestic refining and processing capacity, which increase reliance on imports and heighten both supply chain risk and price volatility for critical inputs.

Although Canada possesses significant critical mineral reserves, the absence of sufficient midstream processing capacity limits value-added capture and reinforces structural exposure to external supply chains.

Aerospace & Defence

Canada's aerospace and defence sector is a strategically important, contributing over [\\$34 billion](#) to GDP and supporting approximately [225,000 jobs](#). It plays a critical role in both the economy and national security but is highly trade exposed, leaving the sector impacted at a critical moment in time.

The sector is deeply integrated with United States defence procurement and supply chains, with a large share of exports linked to cross-border production networks. While this provides efficiency and scale, it also increases exposure to trade policy shifts, procurement cycles, and uncertainty around regulatory certification and cross-border approval processes. Due to shifting domestic and American policy priorities, Canada is seeking to modulate its integration with U.S. defence procurement. Approximately [70 per cent](#) of Canada's weapons budget is currently spent in the U.S., a trend the federal government has indicated a desire to reverse.

The ongoing geopolitical instability has increased defence procurement demand across NATO and allied markets, creating new opportunities for Canadian firms, particularly in aircraft systems, surveillance technologies and advanced manufacturing. However, the sector continues to face structural constraints including supply chain disruptions, rising input costs and limited scalability among small and medium-sized suppliers, which may constrain Canada's ability to fully capitalize on this demand.

Sustained sector growth will depend on strengthening domestic production capacity, improving SME integration into procurement systems and reducing structural bottlenecks in advanced manufacturing supply chains. Within this context, Calgary is emerging as a regional aerospace and defence hub, supported by growing maintenance, repair and overhaul capabilities, a strengthening innovation ecosystem and advancements in unmanned systems development.

Technology & Data

Canada's information and communications technology (ICT) sector is a rapidly expanding sector, contributing over [\\$130 billion](#). It is becoming increasingly central to national productivity and competitiveness.

Despite this growth, the sector remains highly dependent on foreign, primarily U.S.-based, digital infrastructure, including cloud computing platforms, semiconductor supply chains and artificial intelligence systems, which creates structural exposure to external regulatory regimes and data governance frameworks.

This dependency raises material concerns around data sovereignty, as Canadian data stored or processed on foreign platforms may be subject to extraterritorial legal obligations, thereby creating both economic and national security risks for firms operating in Canada.

At the same time, global competitors are investing aggressively in digital infrastructure, including AI compute capacity, semiconductor manufacturing and sovereign cloud systems, heightening the risk that Canada becomes structurally dependent on foreign providers of foundational digital technologies if domestic investment does not keep pace.

However, Canada's energy advantage creates a significant opportunity for digital infrastructure expansion, particularly in jurisdictions with reliable and low-cost electricity, where data centre development and AI-driven compute demand can be aligned with domestic resource strengths. The intersection of energy capacity and digital infrastructure represents a key strategic opportunity for long-term competitiveness in the global digital economy.

Part 3 – Canada’s Playbook: Public policy recommendations for government

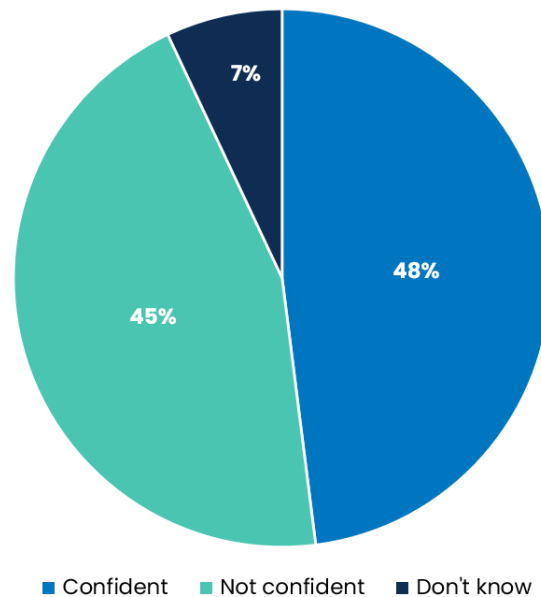
Canada’s economic position is increasingly shaped by geopolitical volatility, trade fragmentation, and rising uncertainty across key global relationships. These dynamics are not abstract — they are directly affecting business confidence, investment decisions, household affordability and Canada’s long-term growth trajectory.

Businesses across Canada are adjusting to this reality in real time, as are Canadians, who are increasingly concerned about economic stability and the ability of governments to respond effectively to rapidly changing global conditions.

Recent polling commissioned by the Calgary Chamber of Commerce indicates that Albertans are divided on their confidence in the ability of federal and provincial governments to respond effectively to international trade disruptions, including tariffs and broader trade disputes. Policy certainty is a foundational input to investment and when it weakens, capital slows, projects are delayed, and productivity is constrained.

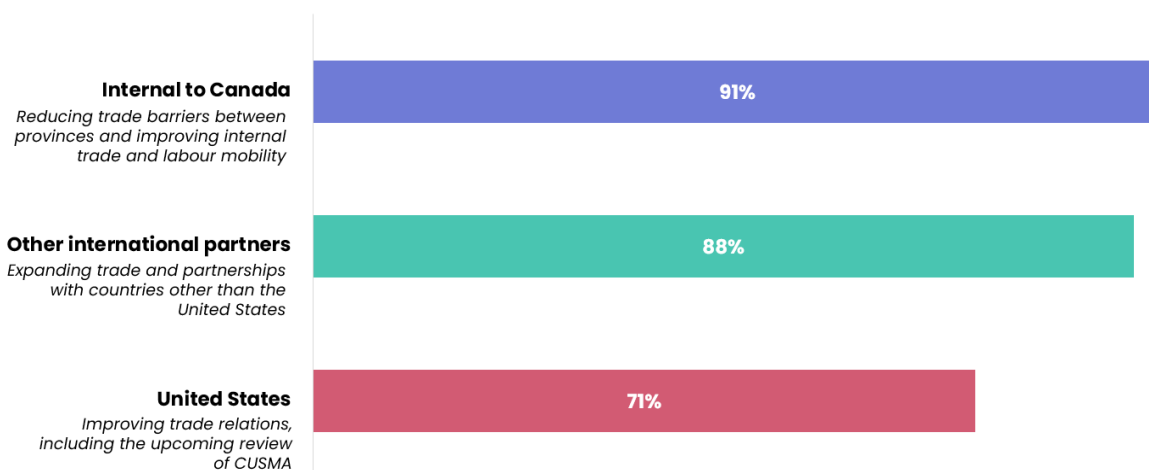
How confident, if at all, are you that Canadian governments, both federal and provincial, can respond effectively to changes in international trade, such as tariffs or trade disputes?

Confidence in governments to respond to changes in international trade



Additionally, public sentiment is increasingly focused on strengthening Canada’s domestic economic resilience. The Calgary Chamber’s survey data indicates a clear preference for internal policy solutions — particularly reducing interprovincial trade barriers, improving economic integration, and boosting productivity — over approaches focused primarily on external trade management.

How much priority should Canadian governments, both federal and provincial, give to each of the following areas?



Canada is also actively repositioning itself within a shifting global order. Federal leadership has signalled an evolving approach to international economic engagement, including strengthening partnerships beyond traditional allies and expanding trade relationships across Asia, Europe, and emerging markets. Provincial governments, including Alberta, are complementing this direction through targeted trade missions and investment attraction strategies.

In this context, Canada's response must be structured around three interconnected priorities:

1. Strengthening domestic capacity
2. Expanding partnerships beyond the United States
3. Managing and stabilizing Canada's trade relationship with the United States

These priorities are not sequential; rather they are mutually reinforcing and necessary to ensure Canada remains competitive, resilient and economically secure.

To achieve these outcomes, governments must act – and do so expeditiously. Below is a set of targeted policy recommendations for federal and provincial governments to strengthen Canada's economy and ensure prosperity for generations to come.

Recommendations for government

Domestic

Strengthening domestic economic resilience will require a greater focus on areas within Canada's direct control, including reducing interprovincial trade barriers. Goods and services valued at more than [\\$500 billion](#) cross provincial borders annually – nearly [20 per cent](#) of national GDP – and estimates from the International Monetary Fund suggest eliminating internal trade barriers could increase economic output by more than [seven per cent](#), or [\\$210 billion](#).

Improving regulatory alignment and efficiency will also be critical to enabling responsible development of Canada's natural resources, supporting both global demand and domestic economic competitiveness.

1. **Identify and address policy inconsistencies that impede economic growth**, working collaboratively with responsible ministers across the federal and provincial governments. Regulatory policy must be developed to enable responsible resource development and balance climate goals with the need for a secure, affordable energy supply for Canadians and global allies.
2. **Expedite all regulatory approvals through fast-tracked and streamlined processes**. Recognizing government needs to move at the speed of business to provide investment certainty, Canada should commit to the "one project, one approval" method, coordinated with provinces, for all projects – not just those on the major projects list. Leveraging the discussion paper released May 8th, [Getting Major Projects Built in Canada – Discussion Paper on Proposed Legislative, Regulatory, and Policy Reforms](#), governments should seek to harmonize and mutually recognize approval processes as much as possible to ensure projects can get built.
3. **Promote the development of domestic refining capacity for key strategic resources**, including critical minerals – such as aluminium, lithium, helium, nickel and uranium – as well as refined petroleum products like jet fuel, diesel, gasoline and various petrochemical products.
4. **Promote AI adoption and digitization, especially for SMEs**. Work with industry to develop practical on ramps for small businesses to integrate AI tools, process optimization and greater digitization to drive productivity gains and ensure Canadian businesses remain competitive.
5. **Continue working with provinces to identify and eliminate internal trade barriers**. Obstacles such as regulatory inconsistencies, licensing, accreditation, transportation and labour mobility restrictions must be addressed by accelerating work underway with provincial governments, and through the Canadian Free Trade Agreement and Federal Action Plan to Strengthen Internal Trade.
6. **Develop economic transportation hubs**, such as the Prairie Economic Gateway in Alberta, to develop logistics, distribution, warehousing and transportation capacity in strategic locations around the country – improving supply chain efficiency and guarding against future disruptions.

United States

While diversifying trade beyond the United States remains an important component of long-term economic resilience, proximity to and cultural commonality with the [largest consumer market in the world](#) suggests the Canada-U.S. relationship will continue to play a central role in Canada's economic prosperity. Ongoing engagement with the United States, including through the Canada-United States-Mexico Agreement (CUSMA) review, will be critical to maintaining stable and predictable trade conditions.

1. **Advocate for tariff-free market access across the North America.** The review of CUSMA should clarify, for all members, that qualifying products must be exempt from unilateral or retaliatory tariffs, such as those imposed under Section 232 of the U.S. Trade Expansion Act and Section 301 of the U.S. Trade Act, to safeguard cross-border trade from economic unpredictability.
2. **Reinstate the de minimis threshold** to support cross-border trade and competitiveness. Small and medium-sized enterprises (SMEs) are critical to Canada's trade relationship with the United States.
3. **Advance reciprocal credential recognition frameworks with the United States and Mexico** to reduce red tape, improve access to skilled talent and ensure expertise can move freely to support competitiveness and growth across the continent.
4. **Continue enforcing the bilateral side letter on energy** as part of CUSMA, recognizing the importance of an integrated North American energy market.
5. **Strengthen rules of origin to include critical minerals, batteries and electric vehicles (EVs),** ensuring the entire value chain qualifies for preferential treatment. Alberta and Saskatchewan's mineral resources position Canada as a reliable supplier for continental production, and with global demand for these inputs expected to double or quadruple by 2040, North American integration is essential.
6. **Continue to enhance market access for agriculture and agri-food products.** The CUSMA review presents an opportunity to expand trade in agricultural commodities not subject to supply management, such as pulses, beef, wheat and canola.

International Partners

Recent developments have highlighted the risks associated with concentrated reliance on a single trading partner. Canada has 51 free trade agreements covering 60 per cent of global GDP, yet only 33 per cent of Canadian exports in the past year have been outside the United States. Strengthening economic resilience will require expanding and deepening trade relationships with a broader range of strategic partners, while maintaining strong ties within North America.

1. **Continue to champion the development of a pipeline to the west coast,** working with industry, provincial governments, municipalities and Indigenous nations. The development of this trade capacity massively increases our opportunities with countries outside the North American continent.
2. **Withdraw or significantly amend the Oil Tanker Moratorium Act (Bill C-48).** This Act must be amended to allow flexibility, while still maintaining safety and responsible operating conditions. This is more important now than ever, given the need to expand trade to global markets.

3. **Support programs that advance international trade, leveraging Canada's international free trade agreements.** Government programs that support international trade development, especially for SMEs, will be essential to drive market expansion.
4. **Improve key sectors' access to markets through more robust supply chains and trade infrastructure.** Federal, provincial and territorial governments must collaborate to define Canada's national trade corridors and improve collection and utilization of trade and transportation infrastructure data to make informed investment decisions, targeting high-value projects that will contribute to Canada's infrastructure and supply chain security.
5. **Focus on marine and air infrastructure.** Currently, much of Canada's trade-enabling infrastructure is oriented south – through rail, roads, air, and pipelines. Meaningfully expanding our trade requires investing in and expanding infrastructure to support access to marine ports, inland ports and airports.

Canada's economic prosperity depends on strong international partnerships, diversified trade – all of which must be supported by durable regulatory policy and robust infrastructure. With the capacity to supply essential resources, energy products, food, fertilizer and critical minerals, Canada is well positioned to support global demand while strengthening its own economy.

Share your voice

To our business community, your voice matters. You play a critical role in informing your Chamber's policy positions – and shaping our country's future. We encourage you to engage with policymakers, share your concerns and advocate for the changes needed to secure a prosperous future for Calgary. Visit our website at calgarychamber.com/overview-advocacy for ways to get involved and share your voice with your Chamber and your elected officials.