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# Canada's Strategic Foresight for 2025–2035

Navigating US-China Bipolarity and Securing Strategic Autonomy through Canada's lens

## About the Article

**Main question:** How can Canada ensure economic survival and sovereignty while caught between an unpredictable, transactional U.S. and a coercive China  
**Argument:** Canada must adopt a pragmatic, interest-led approach by integrating defense with the U.S. while hedging risks through strategic Indo-Pacific partnerships  
**Conclusion:** Geopolitical success relies on leveraging critical minerals and sharing the costs of maintaining sovereignty with a network of capable middle powers

## About the Author

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**The** decade spanning from 2025 to 2035 on Canada's Foreign Policy represents an inflection point for Canadian Foreign Policy, and defense and international economic strategy. For decades, the Canadian strategic position was placed on the assumption of a stable and rules-based international liberal order, aligned with the fundamentals of the United States (Nagy, 2026). But all of that wavered due to the transition of a unipolar American hegemon to a bipolar international system, as regards the great power competition between the United States and the People's Republic of China, which forced Ottawa to reshape its geopolitical positioning and leave idealism behind.

The new paradigm of a more "hardened engagement" for strategic autonomy, is a shift explicitly expressed by Prime Minister Mark Carney during his address at the World Economic Forum in Davos in January 2026, operating under the reality of North America. Canada is caught in a geopolitical hard-and-rock place, being caught at the north of a transactional protectionist neighbour, while simultaneously coming across a revisionist superpower at the Pacific through its asymmetric economic coercion for political compliance (Asia Pacific Foundation of Canada, 2026). So, 2025-2035 Canada will focus on the objectives of economic survival and national sovereignty (Asia Pacific Foundation of Canada,

2026b).

## 1. The Geopolitical Vice: Navigating US-China Bipolarity

The hope for a multipolar order being established, which gave a gateway to the middle powers to maneuver and act as honest brokers and avoid the binary choices, has completely collapsed (Nagy, 2026), with the contemporary international system being completely bipolar. The middle powers might be able to bypass some of the distraction in their economic portfolios, and social structures but their national security, technological survival and sovereignty completely depend on their alignment with one of the great powers.

### 1.1 China

China's pursuit of "discourse power" (huayuquan) and the application of their own "moral realism" aims to

establish a "human authority" (wangdao) that trials the governance of the West, bringing forth a different framework of the one of the U.S.-style militaristic hegemony (badao). However, Beijing presents the mutual benefits only through coercive diplomacy, a method which Canada has lived through due to the "hostage" diplomacy in 2018 which resulted in the 1,000-day no-ifs-nor-buts confinement of Michael Kovrig and Michael Spavor. China proved that it will utilise asymmetric economic and political retribution to force compliance from middle powers, through structural vulnerabilities, through their dominance

**Davos Doctrine: A policy arguing that middle powers must act collectively to build economic resilience and reduce their dependency on a single great power to maintain sovereign autonomy.**

in critical mineral supply chains, 5G telecommunications, and green technologies. Canada recognises the need to collaborate with the G7 to build collective counter-pressure tools, designed by the European Union's Anti-Coercion Instrument (Regulation 2023/2675), against economic bullying in threat of isolation.

## 1.2 United States of America (U.S.A.)

In concert, the U.S.' stance brings only vulnerability of the Canadian economic and defence sovereignty and strategic autonomy. Under President Trump, Washington has become illiberal domestically and revisionist abroad, completely forgetting to uphold the rules-based order in favor of one way transactionalism (World Economic Forum, 2026). The shattering of foreign aid and the withdrawal from a dozen of United Nations agencies, the annexation of Canada and Greenland and the alarming national security tariffs on long established allies have shattered the fantasy for a North America harmony (Atlantic Council, 2026). Canada relies 70% of its exports and remains dependent on Washington for its defense and nuclear deterrence per the North American Aerospace Defense Command (NORAD). Decoupling is out of the question.

Therefore, Canada's foreign policy through 2035 ought to be a much needed adjustment in making the country an imperative industrial and security partner to the U.S. to secure leverage, while constantly building a strategic bridge through the indo pacific to mitigate the risks of American unpredictability.

## 2. North American Economic Security and the 2026 CUSMA Review

The most consequential test of Canada's economic survival is the mandatory joint review of the Canada-United States- Mexico Agreement (CUSMA), scheduled for July 1st, 2026 (PwC, 2026). Initially a routine procedural assessment for implementation, the review will handle the negotiation and over 17 million North American jobs hang in the balance (Meltzer, 2024).

Canada promotes macroeconomic stability but great trade vulnerability. Domestically, Canada claims a AAA credit rating, with the lowest net debt-to-GPD ratio in the G7, the lowest marginal effective tax rate on new business investments, and a trading network granting preferential access to 1.5 billion consumers across 16 free trade agreements (Prime Minister of Canada, 2026c). Regardless, the environment is coercive.

The U.S. has made tariffs as the main ingredient for its reshoring and manufacturing agenda, through the International Emergency Economic Powers Act (IEEPA) and Section 232 investigations for allies with uncertainties in export sectors, such as Canada. Even if Canada only has a ten percent tariff reap for critical minerals and energy, there is still volatility in the relationship (Allan & Goldman, 2025). Moreover, Article 32.10 of CUSMA limits the ability for partners to enter free trade agreements with "non-market economies", controlling even non-trade-related issues. That way, Canada has consequently mirrored U.S. policy with restrictions and higher tariffs on all goods,

**How should Canada handle the new geopolitical scene till 2035**

including Chinese goods (CSIS, 2026).

The Office of the United States Trade Representative (USTR) has mentioned market access barriers and non-market practices regarding the tariff-rate quotas (TRQs), and goods including "Buy Canadian" procurement rules (PwC, 2026). This carries implications for Canadian foreign policy and economic security through the 2030s (Bank of Canada, 2026). The breakdown of the CUSMA would debase the necessary modernization of the energy infrastructure required for artificial intelligence data centers and advanced manufacturing, while weakening the defence coordination (CSIS, 2026).

### **3. Critical Minerals and the Geoeconomic Firewall**

The main ingredient of Canada's geopolitical utility is how many critical minerals it has which are needed for the energy transition, the electric vehicle (EV) manufacturing and aerodefence and advanced defence technologies (IEA, 2026). . As great power competition intensifies, the weaponization of resource dependencies has become a primary instrument of statecraft. With China utilising export controls (CSIS, 2025), the bottleneck in the global supply chain isn't due to the lack of raw geological reserves, but due to the capital heavy separation processes and metallurgy.

China has managed to channel huge state subsidies for this virtual monopoly in the global processing capacity, downgrading the profit margins. The United States administration needs to come up against its geological constraints (Allan & Goldman, 2025), even if they tried to

move along with offshoring and rebuilding manufacturing domestically through the One Big Beautiful Bill Act (OBBBA). Washington has relied on the "friend-shoring" and must continue to do so, and the international agreements, such as the mineral deal with Ukraine and the exploitation of Greenland's massive REE deposits, offer potential longterm-solutions, they require a long time to come true (CSIS, 2025).

In all of this shadow play, Canada's processing can help its structural deficit through its abundance of critical minerals, since it can be coupled with a regulatory framework for environmental, social and governance (ESG) needs (IEA, 2026). Recognising mutual dependency, the framework of the North American Critical Minerals Club has gained a specific attraction ahead of the CUSMA 2026 review (Brookings Institution, 2025). However, the paradox of the Canadian position is that it has become a mineral well for the U.S. economy at the same time as it is trying to increase its American coercive economic policies. That is the reason that Canada is moving towards the off-take markets in Europe and the Indo-Pacific (Nagy, 2026).

### **4. Continental Defence and the NATO Burden-Sharing Crisis**

The guiding policy framework, 'Our North, Strong and Free' acts as a renewed version for defense through the new technologies (World Economic Forum, 2026), which have reformulated what we call conflict and security in North America (Department of National Defence, 2024).

## 4.1 The Suspension of the Permanent Joint Board of Defense

The government promised an additional 8.1 billion USD over five years and 73 Billion USD over two decades (Department of National Defence, 2024). To be able to administer these outlays, the Canadian government established the Defence Investment Agency in late 2025 (Prime Minister of Canada, 2026c), which is an institution tasked with dominant procurement timelines and an expanding defense industrial base (Asia Pacific Foundation of Canada, 2026b).

By March 2026, Canada successfully achieved the NATO benchmark of the 2 percent GDP on defense, five years ahead (Department of National Defence, 2026), though accounting for over 14 billion USD on defense related spending from f.e. Veterans Affairs Canada, the Communications Security Establishment and Global Affairs Canada, making the 2 percent the baseline, shooting for the NATO's newly established Defence Investment Pledge, for the high 5 percent of GDP by 2035 (Atlantic Council, 2025). Despite all of this, the diplomatic end with the U.S. is still in a turmoil.

In May 2026, the Pentagon suspended the U.S. participation in the U.S.-Canada Permanent Joint Board on Defense (PJBD), which is the binational defense planning body (CBC News, 2026), publicly announced by Elbridge Colby, the U.S. Department of War's senior policymaker, due to "Canada not pulling its weight" to reach the 3.5 percent of the GDP on main military defense and an additional 1.5 percent on defense infrastructure. Even if the suspension doesn't bother the operations on NORAD (which has a

87.4 billion USD modernization over 20 years), it suspends the bilateral policy planning for strategic initiatives such as f.e. the U.S. Space Command for 1.2 trillion USD Golden Dome anti-missile system (Department of National Defence, 2026). This hesitation from Ottawa's side in combination with the avoidance of finalising the full procurement of American-built F-35s, in case of a better use of the Swedish made Gripen fighter jets, had been interpreted by Washington as an unfair prioritisation of domestic policies over shared strategic defense and regional security (CBC News, 2026).

## 4.2 Arctic Sovereignty and the need for Distributed Resilience

The largest geographic priority for Canada is the Arctic and the North (Department of National Defence, 2024), since due to the unprecedented reasons of climate change, the increased navigability in this region of full natural resources, it causes threats to the Canadian Arctic sovereignty.

The actual geopolitical challenge to its Arctic sovereignty is the United States and the environmental contamination, not the theoretical threat of Russia's and China's presence. The U.S. denies the legal status of the Northwest Passage for the sake of free navigation, despite Canada's international-law-based claim that they are internal (Global Affairs Canada, 2024). The container ship Thamesborg in the Northwest Passage in September 2025, shows the need for physical Canadian presence due to the volume of commercial maritime traffic and these disputes on the Beaufort Sea (RAS-NSA, 2025).

In May 2026, the Department of National

Defense announced the decommissioning of the Nanisivik Naval Facility where Canada now gave 2.67 billion USD for the Northern Operational Support Hub (NOSH) Program for a year-round operational support across the North and 32 billion USD for the upgrade in Yellowknife, Inuvik, Iqaluit and 5 Wing Goose Bay (Department of National Defence, 2026), and equipment for the High Arctic (Department of National Defence, 2024). Moreover there is always the operational precedence through the specialised mission of Operation NANOOK-NUNALIVUT (force projection in harsh conditions), Operation NANOOK-NUNAKPUT (surveillance of the Northwest Passage), and Operation NANOOK-TAKUNIQU launched in 2025 (Department of National Defence, n.d.)

The essence of Canada's future maritime projection is the Canadian Patrol Submarine Project (CPSP) (Canadian Patrol Submarine, n.d.) with twelve submarines capable of under-ice operations to ensure independent detection and tracking across all its ocean approaches (CDA Institute, 2025). There were two competitive field shipbuilders, Germany's Thyssen-Krupp Marine Systems (TKMS), and South Korea's Hanwha Ocean (Naval News, 2025). If Canada selects South Korea, it aligns with its broader Indo-Pacific Strategy, ensuring interoperability by creating a path away to AUKUS Pillar II-related technologies (Asia Pacific Foundation of Canada, 2026b).

### **4.3 The Davos Doctrine and Indo-Pacific Hedging**

Canada understands the vulnerability that comes across the U.S. of 2026, that is why it is turning its foreign policy towards the Indo-Pacific as well

as it was proposed at Davos, establishing its position as a middle power (World Economic Forum, 2026).

The "Davos Doctrine" reinforced the conclusion that the rules based order has been fractured. Carney argues that middle powers must act collectively to be able to build an economic resilience and reduce the exposure to the dependency on only one big power, through maintaining the financial costs of sovereign autonomy (World Economic Forum, 2026), reifying an interest based approach, despite the years long democracy promotional and values based rhetoric (Asia Pacific Foundation of Canada, 2026a) due to the need to build adequate economic relations outside of North America, in view of the unpredictability of the U.S.' protectionism.

For example, even after the diplomatic strain of the 2023 relations between Canada and India (AP News, 2026) there's a strategic reset after the late-February 2026 visit to New Delhi initiating negotiations for the Comprehensive Economic Partnership Agreement (CEPA) billed for late 2026 (Asia Pacific Foundation of Canada, 2026a; AP News, 2026). Moreover, an elevation of the relationship with Japan to a Comprehensive Strategic Partnership (CSP) to secure supply chains for Japanese automotive manufacturers facing CUSMA 2026 uncertainties (Asia Pacific Foundation of Canada, 2026a, 2026b), networking through minilateralism with Australia and developing an AI-enabled Supply Chain Early Warning System (EWS) with South Korea for proactive resilience, while signing a CEPA with Indonesia and deepening the ties with the Philippines during its 2026 ASEAN Chairship (Asia Pacific Foundation of Canada, 2026a).

The administration promoted doubling Canada's non-U.S. trade and attracted a trillion USD in new foreign investment in only a decade (Asia Pacific Foundation of Canada, 2026b), which Canada presented its structural proposals for the EXPO 2025 Osaka, to promote its domestic innovation and investment attractiveness across the regions (Global Affairs Canada, 2022). The implementation of this strategy is based on industrialised engagement with key factors in the Indo-Pacific, in other words with nationals with the same problem of a strategic dilemma of trying to balance out the reliance on the U.S. security umbrella and their sovereignty for economic resilience (Asia Pacific Foundation of Canada, 2026a).

## 5. Conclusion

The development of Canada's foreign policy from 2025 to 2035 indicates a structural adaptation of an unpredictable geopolitical environment in an era that needs resilience, and reliance on an unstable multilateral system, due to the bipolar competition between the United States and China. Caught in this vice, Canada has left behind the idealistic diplomacy in favour of an interest-led paradigm of stern obligation.

The hardest challenge and Canada's only salvation for its strategic trajectory of the need for balance between two conflicting realities. Firstly, the categorical necessity for integration of its defense and industrial base with the United States to secure North American regional security, though the need for a review of the crisis of the 2026 CUSMA, and; Secondly, the concurrent imperative to be able to build on an economic barrier against American unpredictability, which we have seen it through

the costs of the suspension of the Permanent Joint Board on Defense.

For Canada to preserve its sovereignty, there is an increase of its military investment and expansions, from the modernization of NORAD, the pursuit of Canadian Patrol Submarine Project for its ocean pursuits, and the remodelling of its Arctic infrastructure through the North Operational Support Hubs program following the reassigning of Nanisivik. Moreover, at the same time, the "Davos Doctrine" of middle power diplomacy has put forth a huge strategic nudge towards the Indo-Pacific, through the restructuring of its relation with India, locking in a CSP with Japan, pairing up through mineral production with Australia and the EWS with South Korea.

Conclusively, Canada's geopolitical success in 2035 will not depend on the ability to promote, the now old fashioned, wants for an older world order, but though the execution of a more pragmatic point of view with advantageous strokes; The utilisation of the vital critical minerals and energy resources for its own economic survival and, simultaneously, the allocation of the cost of that sovereignty through a web of like-minded and capable middle powers.

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