



ENSURING CANADA'S PROSPERITY DURING A TIME OF ECONOMIC UNCERTAINTY

Date: March 20, 2025

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KEY EVENTS

On March 20, 2025, Dr. Adam Chapnick presented *Ensuring Canada's Prosperity During a Time of Economic Uncertainty* for the CASIS Vancouver March 2025 Digital Roundtable. The presentation was followed by a question-and-answer period with questions from the audience and CASIS Vancouver executives. The key points discussed were the strengths and weaknesses of the Canadian economy; the evolving nature of Canadian trade relations and the resulting security implications; and the potential future challenges Canada will encounter in a shifting global economy.

NATURE OF DISCUSSION

In the face of global uncertainty, Canada can maintain its economic resilience by embracing its uniqueness as a country—both demographically and geographically—and the ways this shapes the nature of its economy and security. The Canadian economy is intricately tied to the US and, in the face of present challenges, Canada must work to ensure the continuation of a free-trade system with key allies that is mutually beneficial. Domestically, Canada must focus on national unity in the political sphere, establishing a degree of moderation between parties that fosters productive discussion regarding current and potential future challenges.

BACKGROUND

Presentation

Dr. Chapnick discussed disruptions in the global trading system, such as the protectionist policies put forth by the Trump administration, and stressed that a trade war between the two countries is undesirable due to the two states' intricately linked economies. He suggested that Canada should pursue strategic

alliances beyond this relationship but emphasised that Canada and the United States maintain a co-dependent existence in terms of security and economy and it is not advisable, nor possible, to fully decouple.

Dr. Chapnick stated that Canada's reputation as both a reliable and moderator in economic relationships may be challenged in the near future, though the uniqueness of the state demographically and geographically works to its favour. First, despite its population composing less than one percent of the world population and occupying a significant territorial area, Canada has the advantage of having a highly educated population. In addition to this popular advantage, Canada's abundant territory is rich in national resources, for example a high amount of accessible freshwater. Lastly, the robust nature of Canadian democracy has led to its advantageous position and relationships within NATO and the G7.

Dr. Chapnick highlighted that Canada is a wealthy country, with a total GDP in the top ten percent globally; however, due to the disproportionate number of resources and consumers, Canada relies on trade to accumulate wealth, and the US remains its most crucial partner. The imbalance between the small population and large territory also raises questions Canadian defence resources as the country's security is by nature fragile and scattered and, traditionally, reliant on the knowledge that the shared border with the US is secure. Dr. Chapnick stated that there is a discrepancy between popular understanding of the issues facing the Canadian economy and the complex realities being faced which makes government communication from the government more challenging.

Dr. Chapnick elaborated on the relationship between Canada and the US, labelling it as a co-dependent in both the security and economic spheres. For example, US security in the northern region is reliant on Canada and over nine million US jobs depend on stable trade between the states. This relationship can also lead states adversarial to the US to view Canada cautiously and, given recent US-led disruptions to global trade, presents new challenges for Canada. In this evolving climate, Canada is faced with two choices: remain close allies with the US and potentially risk losing allies and partners that are beneficial to the trade or dissolve its relations with its largest partner in favour of less ideal alternatives.

Dr. Chapnick concluded that three factors could serve Canadian interests moving forward: the maintenance of peace and stability in the international system, the continuation of Canada's multilateral relations globally, and strengthening adherence to international laws. Firstly, peace is accompanied by a sense of order

that both encourages businesses' investment and decreases the potential for foreign conflicts to impact the diaspora within Canada. Secondly, as a small state, Canada benefits from a cohesive domestic policy that allows for robust multilateral relations and stability. Lastly, international laws, presents good negotiation strategies that Canada could use to benefit itself in the trading system. In addition, the stronger the international laws and states' adherence to them, the greater the cost to states who choose to disregard them, which allows for more predictable and secure trade.

Dr. Chapnick put forth six priorities for Canada's future foreign policy that emphasise continued stability in trade and security while acknowledging the challenges presented by an evolving international system. First, he suggested a "Canada First, but not Canada alone" principle, in which the state should pursue strategic alliances that account for domestic interests while also accepting that international cooperation is the most beneficial outcome. This accompanies the second principle, which centres on Canada's promotion of international cooperation and a rules-based order that is conducive to productive trade globally. Third, the Canada-US relationship remained critical to Canada's long-term interests. Fourth, Canada should actively build "counterweights" to its trade relations with the US—for example, fostering EU relations as a method of establishing trust and reinforcing Canada's position independent of the US. Fifth, Dr. Chapnick suggested that a primary means of ensuring prosperity is to promote national unity and proposed that political parties should not engage in divisive rhetoric and policy but instead enable a level of moderation to foster meaningful discussion. Sixth, Canada must remain humble in its ambitions and policies in the global system, carefully accounting for its capabilities as it navigates its position in an evolving global system.

Question and Answer

In The Middle Power Project, you discuss Canada's role in the founding of the UN. Given today's economic challenges, does Canada still have the capacity to play a significant role in international diplomacy and multilateral initiatives?

Dr. Chapnick argued that this was still possible, though on rare occasions, as Canada is relatively less significant than it has been in the past. There are times in which Canada can be especially helpful, for example in discussions about fresh water and critical natural resources.

How does economic instability impact Canada's participation in international organizations such as NATO and the UN?

It brings a degree of urgency that was not there previously. Uncertainty leads Canada to prioritize certain areas over others, shifting resources and decreasing involvement in historically prevalent domains, such as peacekeeping.

How can Canada maximize its diplomatic effectiveness in a rapidly changing international system?

Canada should keep its word and promises and focus on critical goals, such as the Arctic, Asia, and Ukraine. Though this is no small feat, it must attend to all these areas through a phased approach.

In your view, what is the relationship between national defence spending and economic stability? How should Canada balance these priorities during economic downturns?

Canada should bolster its defence in order to one, keep its promise to international allies and two, pursue a stable world order. This should be prioritized even if it means increasing from current spending allotments.

Is it plausible for Canada to build a more diversified export market and broaden its foreign relationships as a method of safeguarding its economy during a time of uncertainty?

Yes, but Canada can never decouple from the US—the economies are interdependent. Diversification is not a solution to all problems, though it is always good to have. Canada must focus on maintaining its historically strong relationships as these will remain critical despite the evolving global system.

Given the evolving nature of global security threats—including cyber warfare, climate-induced conflicts, and the militarization of the Arctic—how is Canada shaping its defence and security policies to address these challenges?

Canada has many commitments on different fronts and requires a pragmatic vision to commit to all of them. Canada struggles at present in maintain a cohesive policy that is not burdened by partisan divide. In order to maintain stability, measured discussions must lead to practical decision making in order to set the example on the international stage.

KEY POINTS OF DISCUSSION

- Canada's economy and national security are deeply tied to its trading relationship and geographic proximity with the US, making disruption in relations significantly harmful.

- To maintain global economic relevance and resilience, Canada must prioritize preserving and strengthening the free-trade system, especially within existing alliances.
- Domestically, Canada must foster political moderation and national unity while externally maintaining its reputation as a reliable and cooperative, partner.
- Despite its small population, Canada’s educated citizenry, renewable resources, democratic values, and political stability position it as a respected global actor, though its defence capabilities are limited.
- Canada should pursue six principles in its future foreign policy: “Canada First, but not Canada alone,” free and fair trade, maintaining US relations, pursuing strategic counterweights to US relations, domestic unity, and remaining humble in its policy aspirations.

FURTHER READING

Chapnick, A. (2020, January). *Canada's campaign for a seat on the United Nations Security Council: The historical context*. CGAI Policy Perspective.

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