Banking on Diplomacy

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Introduction

Mark Carney's election marks a pivotal shift in Canadian foreign policy. Amid spats with the Trump administration, new opportunities in the Indo-Pacific, and an increasingly tighter bond with the EU, Canada has an opportunity to be more than just a passive ally. Therefore, this article will evaluate three dimensions of post-Trudeau Canadian foreign policy.

First, we will analyze Canada's deteriorating relationship with the US, then we will discuss Canada's evolution into one of the EU's closest partners, and finally, we explore Canada's potential to engage with partners in

the Indo-Pacific. In doing so, we will shine light on Mark Carney's attempt at securing a future for Canada that does not just bank on diplomacy.

Mark Carney is a rookie politician with experience as Governor of the Bank of Canada and the Bank of England. Prior to Trudeau's resignation, Conservatives were expected to form a majority government, as the main issues at stake were immigration and everyday affordability. However, as Canadians grew unsettled by threats to their financial security and national sovereignty from the Trump administration, Pierre Poilievre of the Conservative Party became regarded as an undesirable candidate to voters. As a career politician with populist tendencies and no tangible experience in foreign affairs, Poilievre's experience starkly contradicts Carney's, who had success governing the Bank of England during Brexit. As a result, Carney led the Liberal Party to a minority victory in an unexpected win by reassuring voters of his strategic capabilities to navigate geopolitical dilemmas.

Canada and the US

The need for a reset of Canadian foreign policy can largely be attributed to Donald Trump. Historically Canada's strongest ally, attitudes towards the US turned icy when Trump began spewing rhetoric about how Canada is "ripe for reabsorption" or is the "fifty-first state". While tensions have always existed over topics like defense spending, such sentiments were mainly limited to fringe circles and the rare op-ed. The 2025 Canadian election was one of three times that it was "fought entirely on the issues of Canada's relationship with its powerful southern neighbour". Trudeau was ill-poised to tackle a second Trump administration, with Trump condescendingly referring to him as "Governor Trudeau". Carney, however, firmly told Trump that Canada is not for sale. Carney went on to state that Canada's former relationship with the US is "over", marking a new era of Canadian foreign policy.

Trump enraged Canadians through his tariffs and demeaning comments, leading to intense domestic pushback against the US. Provinces pulled US liquor from shelves and even brought political animosity to the rink by booing the US national anthem during hockey games. During Carney's first official visit to the Oval Office, in which the Trump administration had an opportunity to renew fresh relations, Trump reiterated his desire to annex Canada calling the border an "artificially drawn line". For Carney's part, he matched Trump's unwillingness to make immediate concessions to improve deteriorating relations.

Despite all the recent negativity, an area where it appears American and Canadian cooperation is tightening is on the Golden Dome missile defense system. This system would build on the North American Aerospace Defence Command (NORAD) system already in place across North America. Canada is currently in high-level discussions about the US $175 billion program, although Trump is adamant on ensuring that Canada contributes their "fair share" to the program, whatever that may mean. Furthermore,

Canada and the US already collaborate through the Icebreaker Collaboration Effort (ICE Pact) alongside Finland in Arctic security. Thus

defense policy is an area where both administrations can mend their relations, as collaboration in the field has historically been strong.

However, challenges will only increase for Canada should their relationship with the US deteriorate further. The US is Canada's main trading partner, with approximately 75% of its exports going to the South. Although Canada can take measures such as removing internal provincial trade barriers, steep tariffs and economic war will have profound impacts on the cost of living for Canadians. Furthermore, Trump has hinted he may not be interested in extending the United States-Mexico-Canada Free Trade Agreement (USMCA), which would lead to a renegotiation of North American free trade. During Trump's first term when the USMCA replaced the North American Free Trade Agreement (NAFTA), Canada was able to emerge from re-negotiations relatively unscathed and immediately diversified their trade portfolio. Amid high economic stakes, Canada's economy may truly lay in peril this time. Its former strategy of increasing trade pacts with Europe and Asia will almost certainly be an avenue for Carney to continue pursuing.

But economic threats are not the only implication of worsening US-Canada relations. Beyond just threats to sovereignty, the US is a key protectorate of Canada. Should Trump follow through on his threats of pulling out of NATO, or toss Canada aside by excluding them from intelligence sharing initiatives, Carney will have a serious challenge preparing the country's defenses to tackle 21st-century security concerns.

Canada and the Indo-Pacific

Canada's evolving engagement with the Indo-Pacific could become one of the most consequential foreign policy directions under Carney's leadership. With six of their top twelve trading partners in the region, the Indo-Pacific is a core economic focus of Canada. This economic dynamism, combined with democratic partnerships and increasing global influence, makes the Indo-Pacific region one of great potential for Canada.

Though Carney once advocated for closer economic ties with China, his administration publicly labeled China a national security concern early on. Animosity towards China runs high amongst Canadians due to the detentions of Canadian citizens, steep tariffs on Canadian agriculture and automotive exports, and political pressure from the US. But even with these broader tensions, China and Canada do have areas of common ground. This can be observed in the area of climate change, where both countries have the ability to expand their broad bilateral collaboration on environmental protection to more specific initiatives, such as emissions reduction, green finance, and clean energy innovation. Any attempt to move forward in relations with China must balance Canada's domestic interests and the expectations of its democratic allies.

This balancing act is ever so precarious in the context of Canada's recent diplomatic rift with India. The assassination of a Sikh separatist on Canadian soil put Canada's relationship with India in a freeze in 2023. However, Trump's upending of decades of American foreign policy provides an opportunity for Canada and India to reset ties. This would be beneficial, as both countries need a new partner in capital, energy, and technology to offset the decline of US investment. Two years after their diplomatic row, Prime Minister Narendra Modi is signaling a diplomatic reset with Canada as it considers a partnership for this very purpose.

Canada's complex relationship with China and India provide it with an opportunity to diversify and deepen its engagement elsewhere in the Indo-Pacific. Countries such as Japan, South Korea, and the Philippines offer opportunities for collaboration in areas like trade, energy, digital governance, and regional security. Existing partnerships already exist, such as SOVFA and Operation Horizon, which provides an opportunity for Canada to further develop existing initiatives. Carney therefore has a special chance to build a multifaceted Indo-Pacific strategy that involves China and India, while engaging other countries and staying committed to Western, democratic values

The cases of China and India highlight the challenges Canada faces in trying to expand its Indo-Pacific presence. However, Carney has potential to repair trade ties and increase engagement in order to prevent ostracization from the 2nd and 4th largest economies in the world. At the same time, other countries in the Indo-Pacific seek to combat rising Chinese influence and declining US credibility. Here, Canada offers another path as a middle-power that promotes multiculturalism, economic fairness, and regional security based on mutual agreements rather than coercion. If Carney can leverage Canada's natural resource wealth, climate leadership ambitions, and security credibility to build long-term partnerships, he can redefine Canada's role in the Indo-Pacific. The key challenge for Canada is moving beyond symbolic gestures, like participating in ASEAN conferences, to making moves like increasing strategic investments and defense spending to be viewed as a serious regional actor.

Canada and the EU

Canada's interactions with the EU are evolving into a relationship that has never been closer. Carney's first official trip—to Europe, not the US—was a symbolic choice, and possibly a strategic one. In declaring Canada the "most European of non-European countries", Carney paves the way for a deeper relationship with the European Union based on shared values and strategic parallels.

The growing distance between the US and EU as a result of Trump's presidency is creating a void that Canada has an opportunity to fill. The EU and Canada share cultural ties and many common interests like climate targets, support for Ukraine, Arctic security, and other broader defense concerns. Although Canada cannot join the EU under Article 49 of the

Treaty of the European Union, speculation and support for this idea speaks to their perceived cultural closeness. According to a March 2025 poll, 44% of Canadians said they should join the EU, with 62% believing that trade would improve as a result. In addition, European Commission President Ursula von der Leyen said she was "honoured by the results", revealing the strong connection between the EU and Canada on both domestic and governmental levels.

The Canada-EU relationship has the potential to be strengthened under Carney's leadership. The Comprehensive Economic and Trade Agreement (CETA) has grown trade by 65% since 2017 paving the way for closer economic integration. On the security front, Canada is preparing to join the EU's €800 billion rearmament initiative which represents a historic military partnership motivated by Trump's threats. According to Canada's National Cyber Threat Assessment, state-sponsored malware operations are one of the most serious threats to democracy. This makes cybersecurity another area for Canadian-EU collaboration to reduce Russia's capabilities in hybrid warfare. Both Canadian and EU authorities also view investing in new, green technologies as the most viable path forward. This perspective aligns well with Carney's pragmatic and economically viable approach to hitting climate goals, and will help ensure a reduced reliance on US and Russian energy.

The implications of Canada-EU relations are far-reaching, as a closer EU partnership gives Canada space to economically maneuver around China and the US. Although full EU membership remains legally impossible, the idea itself reflects profound strategic closeness. For Carney, strengthening EU relations may be the key to creating a more multidimensional Canadian foreign policy.

Conclusion

Under Mark Carney, Canada is actively redefining its geopolitical role. All three areas of foreign policy discussed—the US, EU, and Indo-Pacific—have the potential to flourish under Carney's leadership through diversification and flexibility. This strategy builds long-term partnerships across regions while, quite literally, banking on diplomacy.