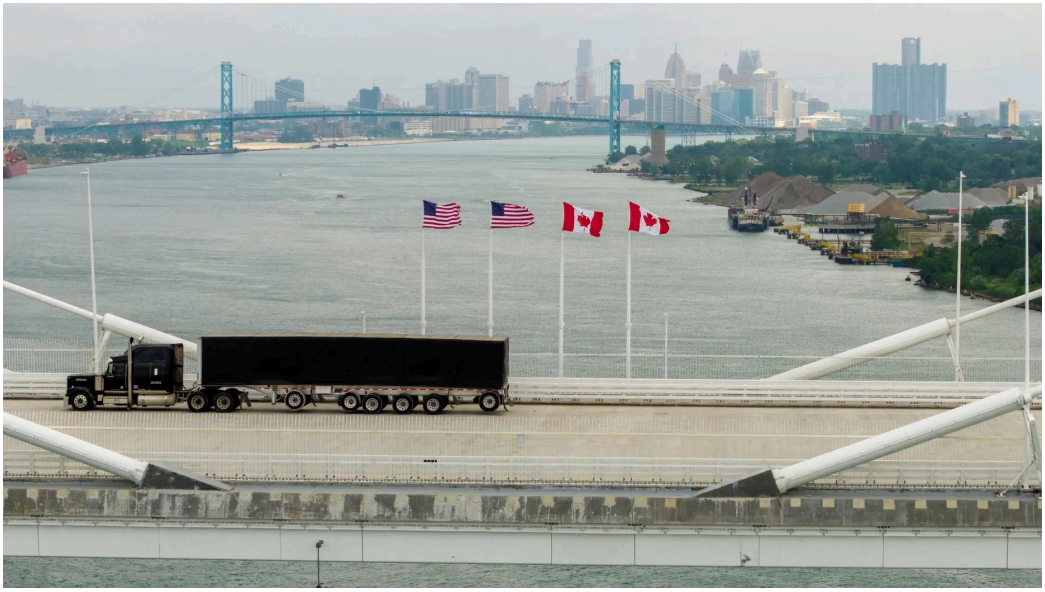
PREMIUM SERIES: MIDDLE POWERS WITHOUT A WORLD ORDER

Mark Carney leads Canada like a CEO

GUEST ARTICLE by Martin Wiesmann

1 October 2026, 06:50 Reading time: 6 min. English version



The Gordie Howe International Bridge, opened in July, links Canada and the USA geographically – but politically and economically, the two nations are currently at odds. Reuters

Middle powers face the challenge of reducing their dependence on the major powers, China and the USA. In this series, we examine how individual states are tackling this. In this fifth instalment, we examine how a former central banker is charting a new path towards sovereignty.

“Can the moon decide it’s going to stop orbiting Earth and orbit Mars? No, that’s just not going to happen,” said John Manley, the former Canadian foreign minister. His trenchant phrase underscored something that virtually everyone in government and financial circles already knew about the relationship between Canada and the USA. Nevertheless, Canada’s Prime Minister Mark Carney decided to respond to the latest American escalation in the ongoing dispute over the Canada-United States-Mexico Agreement (CUSMA, as it is known in Canada, or USMCA in the USA) with massive counter measures. Carney knows that he has the backing of all living former Canadian prime ministers, as well as the overwhelming majority of Canadians. This, despite the fact that the measures are likely to harm Canada more than the US.

Carney became Prime Minister in 2025 and went to lead the Liberal Party to an unprecedented comeback. His predecessor, former Prime Minister Justin Trudeau,

had been trailing far behind in the polls in the run-up to the election, but Carney emerged as a clear winner over the conservative populist Pierre Poilievre. The key to his electoral success? Carney, highly respected as a former Governor of the central bank, deliberately framed the conflict with Trump as a battle for Canada's sovereignty. It made him the man of the hour in a country where more than 70% of goods exports go to the southern neighbour. Trump's remarks about making Canada into the 51st state had caused deep unease across the country, including deep into the Canadian security apparatus.



Illustration: Sarah Wehrlin

Carney's speech at the World Economic Forum in Davos – which he is said to have written himself whilst on a flight from Asia – made headlines around the world. In it, he outlined how middle-ranking powers could avoid ending up "on the menu" of unnamed hegemons, the US and China. Globally, reactions to the speech varied wildly. From the perspective of many BRICs countries, Carney had merely stated the obvious. It was an admission of the West's moral double standards, as well as statement of the obvious need to cooperate not only with like-minded partners, but with all those with whom one shares interests.

In the West, in contrast, the speech was rapturously received, and sparked new hope among some that Canada might be seeking to establish a new form of multilateralism through its call for cooperation among middle powers.

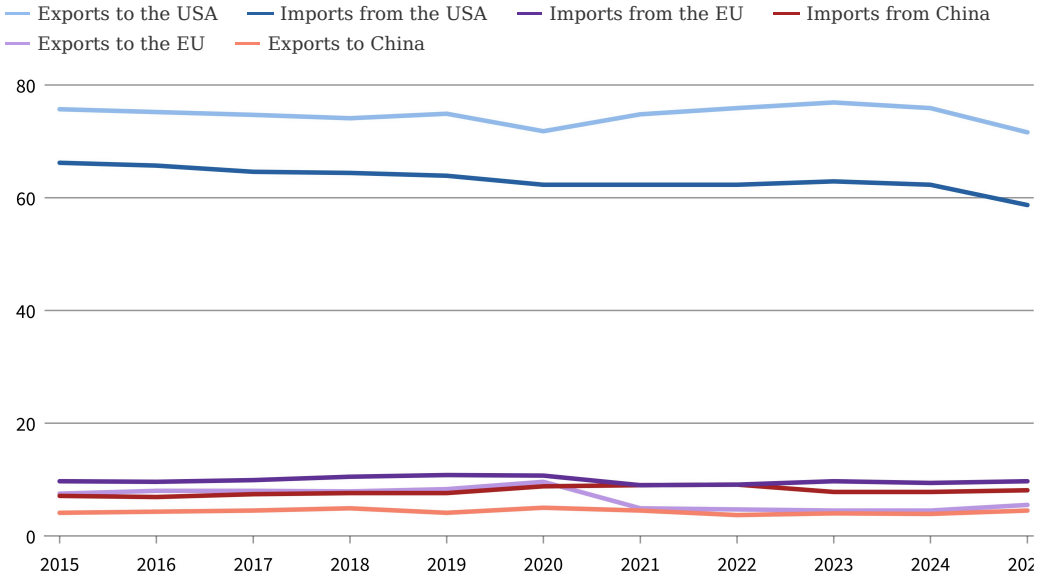
PM focused on pushing through major projects

In Canada itself, the speech was correctly understood: as a wake-up call to reflect on what actually constitutes Canada's national interest. This means striving for the greatest possible diversification in foreign, security and trade policy, whilst at the same time stabilising relations with the US. Economically, it also means steering Canada out of the crisis by all means available – including developing infrastructure, which is almost entirely oriented towards the US, to enhance east-west connectivity, and investing specifically in areas that are relevant to Canada's autonomy.

The clarion call was heard, loud and clear. Senior government officials, such as Jennifer May, formerly Ambassador to China and now Carney's foreign policy adviser, were persuaded by Carney to remain on board under his administration. Prominent figures from the financial sector have been brought in to bolster the team. In some staunchly conservative constituencies, people are even openly admitting that they have voted Liberal for the first time in their lives.

Canada’s economic ties with the USA remain dominant

Shares of the USA, China and the EU in Canadian goods trade, in percent



Source: Statistics Canada / F.A.Z. graphic: grün.

But how do you mobilise a country with ten provinces that regard themselves as separate states? Whose indigenous peoples defend their land rights strongly, and who control a significant proportion of Canada’s resources? Whose internal trade flows are barely one third of the trade done with the US? With a bureaucratic rigidity that is every bit as entrenched as in other aging industrialised nations in Europe? And which, moreover, has to contend with not one but two independence movements?

The Prime Minister is banking on leadership, dialogue and structure. Under Chief Executive Officer Carney, ministers no longer produce memoranda, but rather “dealsheets” and quarterly reports. They are assessed on the basis of measurable progress. Carney has engaged the provincial governors and First Nations’ representatives in intensive dialogue – a necessity for any administration that hopes to shape policy in Canada’s highly-complex system of government.

However, when it comes to structures, Prime Minster Carney is also expanding his scope for action to an unprecedented degree: a new ‘Major Projects Office’ now centralises and prioritises planning for major government projects. New agencies form a parallel structure that will speed up decision-making and approval processes, bypassing existing institutions.

Major investment in defence

It is precisely in the field of military procurement that Carney has achieved something that is being hailed in Canada as a major breakthrough. The decision to purchase up to 12 submarines from the consortium made up of TKMS and Norway – a deal worth about €20bn – is Canada’s largest single investment since the 1950s. It takes maritime defence to a new level, and was negotiated and finalised within a year. Moreover, the contract sets a new standard in securing domestic

advantage: with more than 100,000 jobs expected to be secured over the long term, it contributes to the goal of ensuring that 70% - rather than 30% - of value added in defence projects come from local sources in future.

There are also signs of progress in other areas. For example, a redesign of the West Coast Oil Pipeline has been negotiated with the Government of Alberta and now awaits approval from the relevant representatives of the First Nations in British Columbia. There are whispers about a possible LNG pipeline to the west coast – something that Carney's predecessor Justin Trudau is said to have flatly rejected on environmental grounds, when German Federal Chancellor Olaf Scholz expressed interest in supply contracts with Canada.

This story finds real resonance today because a tide has turned in Canada's energy policy: thanks to the availability of hydroelectric power, and domestically produced nuclear power, Canada is a world leader in renewables, with 80% of its electricity coming from decarbonised sources. Nevertheless, the country's fossil fuel reserves – which rank among the largest in the world – have undergone a remarkable rehabilitation as valuable resources. The continued extraction and predominantly US-bound export of these resources is accepted as the price of securing the substantial employment benefits associated with their development.

In contrast, in the digital realm, Canada is aiming for digital sovereignty, and is placing great emphasis on its partnership with Germany. Both sides supported the sale of Aleph Alpha, one of Germany's few high-profile AI startups, to the Canadian company Cohere. It is also working with the Schwarz Group, the German company that owns major supermarket chains such as Lidl and Kaufland, on an independent infrastructure for them. However, like Germany, Canada also lacks the capital needed to transition startups into a successful growth phase. And nobody has a viable alternative to AI model training with US providers, and the use of Nvidia chips.

What is next for trade with the US?

The big elephant in the room is the future of the CUSMA free trade agreement, given President Trump's tariff activity. In its baseline scenario, the Bank of Canada estimates that its impact on growth – that had been expected to be 1.7% in 2027 – will be around 0.5%. So far, only about 5% of Canadian goods exports to the US have been directly impacted by tariffs. The greater impact stems from the growing uncertainty, which is having a dampening effect on foreign investment.

For a long time, Ottawa pursued a strategy of dragging out negotiations with the US until after the mid-term elections, in the hope of securing a better outcome with a potentially weakened Trump. Yet Canada has no real trump card to play. For example, Canada has ordered a review of its contracts for the purchase of 88 F-35 fighter aircraft, but few seriously expect it to find a viable alternative. After all, with the exception of maritime underwater defence, Canada's military is more deeply integrated with the US than that of any other NATO member state.

Back in 1956, Canada played a mediating role in the Suez Crisis, drawing on its substantial military presence in Europe at the time. Today, the country is far removed from wielding such instruments of hard power. But what Carney lacks in

hard power, he makes up for with hard facts: hardly a foreign trip goes by without a deal being struck. He has also moved to normalise relations with China following the prolonged tensions triggered by the 2018 arrest of Huawei executive Meng Wanzhou, focusing on a handful of clearly defined areas of economic cooperation.

Canada and the EU – both sides want to make it official

Canada is also currently working with the EU to formalise better relations. The focus is on targeted cooperation in the areas of defence, critical minerals, energy and the digital economy – but not on integration into European structures. In this respect, it's not surprising that Mark Carney used the word 'sovereignty' no fewer than nine times in his speech to the European Parliament. This could well be understood as a response to the offer of 'associate member status' within the EU, which Commission President Ursula von der Leyen put forward in her State of the Union address.

Carney has also concluded an investment agreement with the United Arab Emirates, worth around €50bn. On his 15 trips abroad since taking office in March 2025, the Prime Minister has paved the way for more than 60 individual agreements which, according to government figures, amount to some C$85bn (€52.8bn). As a strategist for the middle powers, the former central banker has restored Canada's international standing. But Canadians will ultimately judge him by his success as Chief Trade Commissioner, and CEO of Canada Inc.



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Image: private

Source: F.A.Z. (German original, 1 October 2026) English version