Canada's Export Imperative: It's Time to Take Our Strengths Global

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Canada has an enviable export mix but an unusually concentrated customer base. The lion's share of its exports still flow to the United States, even though many of Canada's strongest sectors compete globally. That model has been highly productive under nearly four decades of Free Trade with the US, but in a world of unpredictable tariffs, geopolitical fragmentation, and economic statecraft, dependence on any one market carries higher risk.

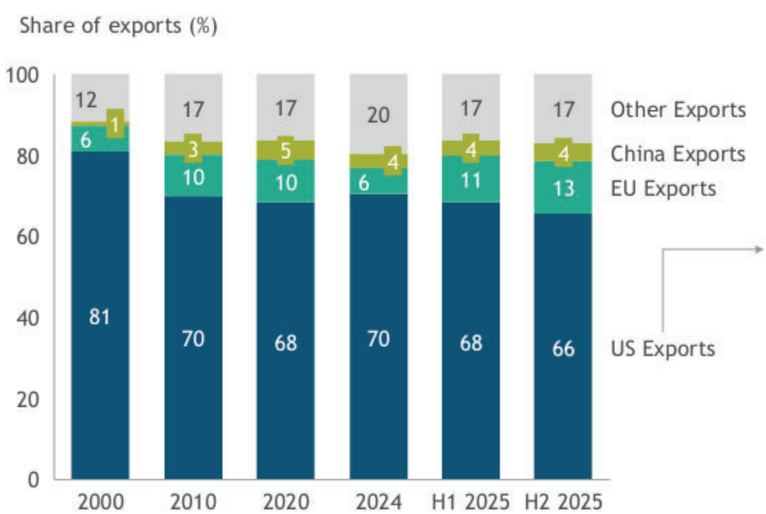
Expanding beyond the United States means building other engines of trade growth to strengthen the broader economy. Canada has a credible path to do that. The challenge is choosing where to compete and removing the barriers that keep strong sectors from scaling abroad.

Diversification and US Growth Do Not Need to Be Mutually Exclusive

The Canadian Government has set an ambition to double non-US exports by 2035. While diversification has long been a policy goal, reflected in Canada's continuous pursuit of major global trade agreements, the current US tariff environment has sharply increased the urgency.

Canada's export model has changed little over the past 25 years. Exports account for roughly one-third of GDP, and nearly 70% flow to a single market – the United States. While the most recent data suggests this share may have dipped, the impact remains limited. Such a concentrated export base is unique among most advanced economies (see Exhibit 1).

Exhibit 1 | Canada Uniquely Dependent on US Exports but Small Shift in 2025



Unique to North America: Such a concentrated export base rare among advanced economies

Country	Share with Top Partner
Mexico	~85%
Canada	~66%
UK	~40%
Australia	~35%
New Zealand	~25%
South Korea	~20%
Japan	~20%
US	~20%

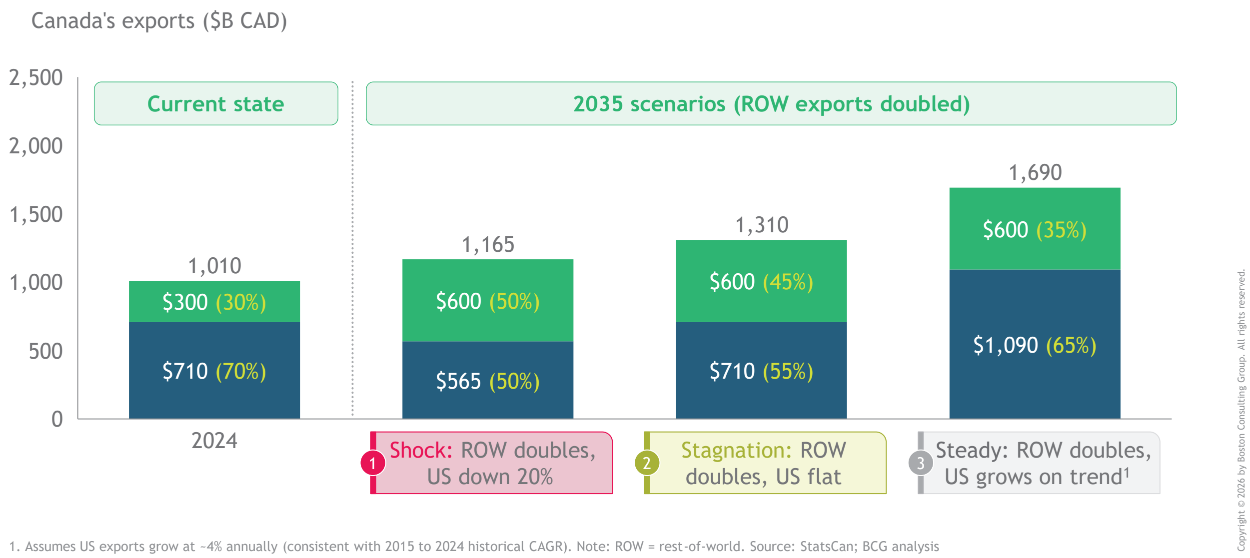
Includes both trade in goods & services. 2025 services data not broken out by country, same mix as 2024 assumed. Source: StatsCan, Trading Economics, BCG Analysis

But diversification does not require stepping back from one of the world's most integrated economic and trading relationships. The US will remain Canada's largest trading partner for the foreseeable future, and continued participation in that market carries important benefits.

The case for expanding beyond it, however, is increasingly a no-regrets move. Regardless of the pace of growth of trade with the US, stronger non-US exports will only add to overall gains. If US growth slows or unforeseen shocks emerge, they can become a critical buffer (see Exhibit 2).

The ambition is not to redirect growth. It is to drive more of it which requires scaling in global markets.

Exhibit 2 | Growing ROW Exports is a No-Regrets Strategy in All Scenarios

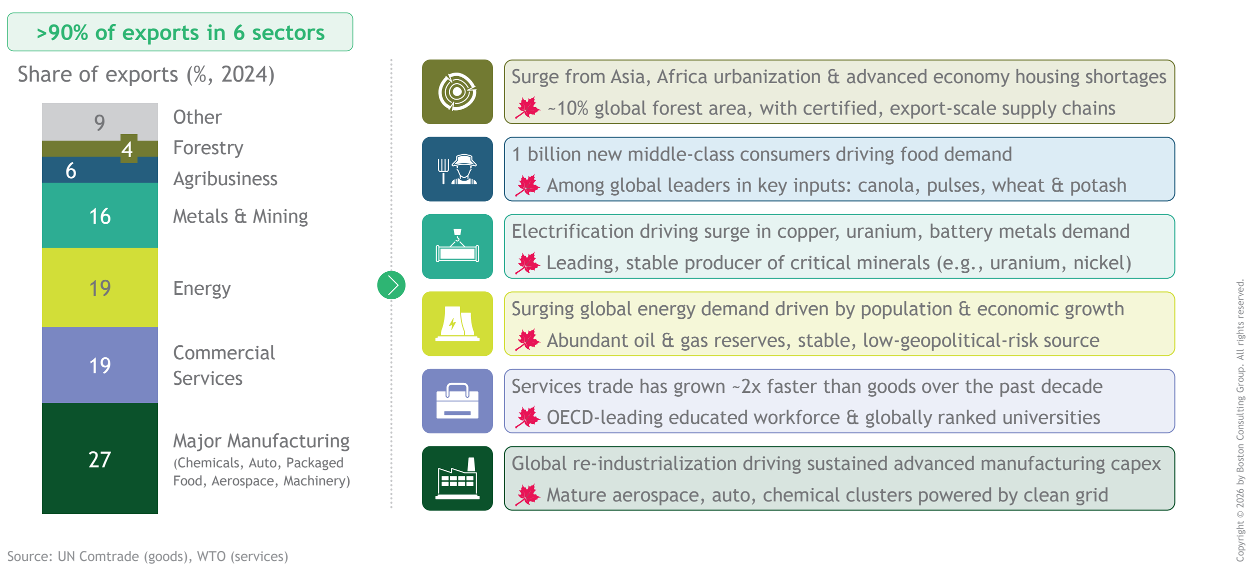


1. Assumes US exports grow at ~4% annually (consistent with 2015 to 2024 historical CAGR). Note: ROW = rest-of-world. Source: StatsCan; BCG analysis

Canada's Strengths Align with Future Global Growth Vectors

More than 90% of Canada's exports come from six core sectors: energy, metals and mining, agribusiness, forestry, major manufacturing, and commercial services. Each is closely tied to powerful global demand drivers (see Exhibit 3).

Exhibit 3 | Canada's Export Base Positioned to Win in Future Growth Sectors



Source: UN Comtrade (goods), WTO (services)

Take energy: global demand is surging, driven by population growth, economic expansion, and the rise of energy-intensive technologies. At the same time, geopolitical disruptions from Russia's invasion of Ukraine to conflicts in the Middle East are placing a premium on secure, reliable supply. Canada is well-positioned in the world for its abundant energy supplies combined with political stability.

Services trade tells a similar story: global services exports have grown at roughly twice the rate of goods over the past decade, and Canada is well-positioned to compete, backed by an OECD-leading educated workforce and globally ranked universities and technical schools.

Together, these strengths give Canada a credible competitive position across all six growth sectors.

Boost in Real Growth Required to Meet Canada's Export Target

Doubling Rest-of-World exports will require approximately $180 billion in real export growth, assuming inflation will average 2% annually. This means exporters must expand volumes, capture greater global market share, and outperform peers in the sectors where they compete.

Real growth of this scale is substantial, equivalent to roughly $10,000 per Canadian household, 5% of GDP, or the value of Canada's entire mining, quarrying, and oil and gas sectors combined. Achieving it would require major changes in how Canada invests, produces, and competes globally.

Yet the conditions for faster growth are present. Canada's GDP per worker has remained near pre-pandemic levels while the United States is up nearly 10%. The unemployment rate remains elevated relative to G7 peers, and a decade of stagnant investment has left the economy running below its potential. If these gaps are addressed, they could become a source of outperformance.

Getting there will require clear choices about where to focus effort and resources. Canada's export base is well aligned with global growth sectors, but export gains are won product by product. The practical question is which goods and services offer the strongest basis for global advantage.

Build on Competitive Strengths: Growth in 50 Goods & Services Could Reach Target

One practical approach to doubling Rest-of-World exports is to concentrate on categories where Canada already shows clear competitive strength.

- **Goods sold mainly to the US where Canada has a global edge.** Canada exports more than 90% of its crude oil to the US, making it the majority player in the world's second-largest import market. Meanwhile, major oil buyers in Asia and Europe remain underpenetrated by Canadian oil exports, despite scope for Canada to play a larger role.

- **Goods already exported globally where Canada punches above its weight.** Canada accounts for about 20% of global exports of dried legumes, including peas, beans, and lentils, but has lost share over time as competitors like Australia and Brazil have moved aggressively to capture critical markets in Southeast Asia, Africa, and the Middle East. Regaining share could strengthen its position as a global food supplier.

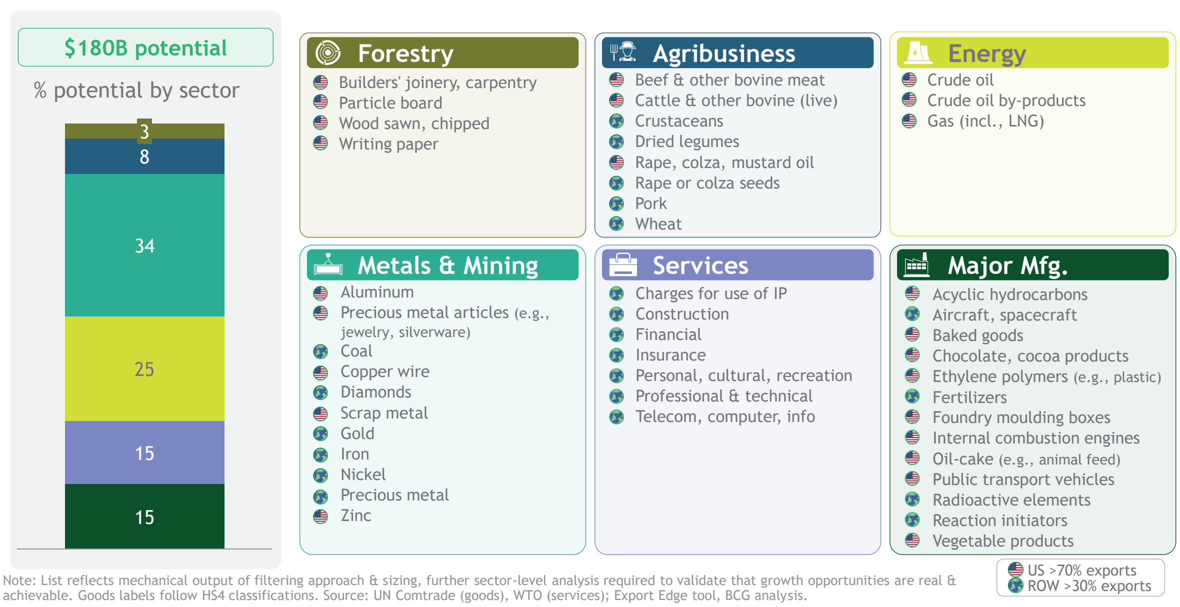
- **Services already exported globally that have untapped potential.** Knowledge service exports such as professional and technical services, financial services, telecommunications, and intellectual property trail the G7 average per worker, suggesting room to lift productivity and expand globally.

Applying this lens narrows the export pool from roughly 1,200 current categories to about 50 goods and services, within the six growth sectors, that could drive the growth needed to meet the doubling target (see Exhibit 4a). Much of this growth could be driven by energy and metals and mining, highlighting Canada's resource-based edge, with additional contributions from services, manufacturing, agribusiness, and forestry (see Exhibit 4b).

Exhibit 4a | Targeted Set ~50 Goods & Services Could Drive Growth Required

1. At HS4 level. 2. Includes goods where >70% exports go to US & Canada accounts for >50% US imports or >5% global imports, excludes electricity; 3. Includes goods where >30% exports go to ROW & Canada accounts for >3% global imports, excludes chemical wood pulp, newsprint due to product-level headwinds; 4. Includes services that benefit from our workforce.
Source: UN Comtrade (goods), WTO (services), Export Edge tool, BCG analysis.

Exhibit 4b | Deep Dive: Goods & Services with Strong ROW Growth Potential



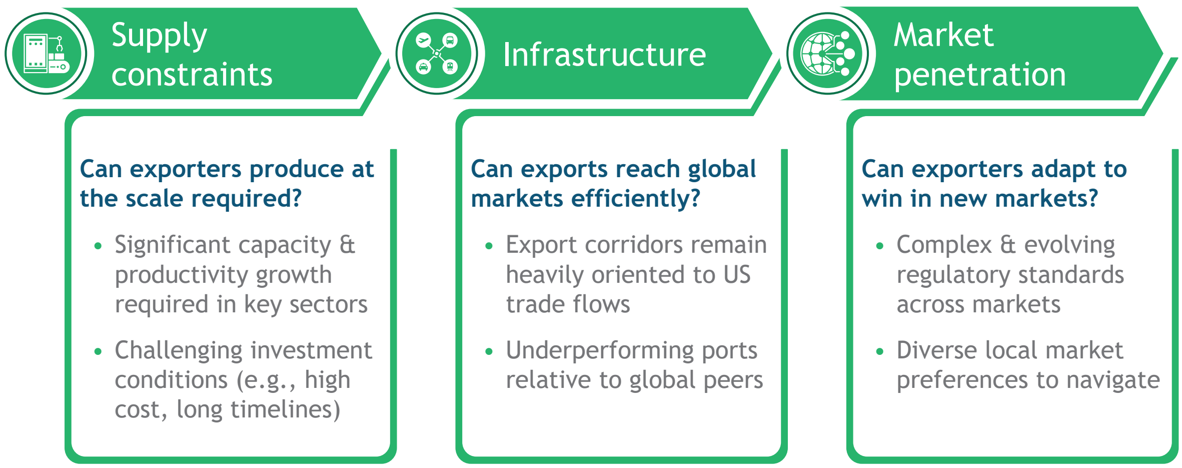
Note: List reflects mechanical output of filtering approach & sizing, further sector-level analysis required to validate that growth opportunities are real & achievable. Goods labels follow HS4 classifications. Source: UN Comtrade (goods), WTO (services); Export Edge tool, BCG analysis.

Canada Can Enable Rest-of-World Export Growth by Addressing Three Constraints

The opportunity is clear. Using measures such as world export share, revealed comparative advantage, price competitiveness, and specialization, BCG's proprietary Export Edge tool finds that Canada ranks among the global top five for Rest-of-World export competitiveness in roughly 65% of these priority goods. These advantages are structural and have been built over decades.

Turning that potential into sustained export growth is the challenge. Doubling non-US exports will require not just identifying where Canada competes best but overcoming three system-level barriers: supply constraints, infrastructure, and market penetration (see Exhibit 5).

Exhibit 5 | Three Major Barriers to Scaling Priority Exports at Pace



Sources: BCG analysis

Supply constraints: Real export growth will require a significant step up in production volume and efficiency to grow exports in incremental terms, not just diverting existing flows away from the US market. That means expanding output through investment in facilities, land, and energy, while generating more from existing assets through technology adoption and better use of capital and labour.

Take aluminum. According to Export Edge, Canada ranks first in competitiveness for exports to the EU, a position with potential to strengthen as the bloc advances its Carbon Border Adjustment Mechanism and labour-focused trade policies. Those trends could increase the market competitiveness of Canada's low-carbon production base and high operating standards.

Capturing the opportunity, however, requires additional smelter capacity supported by capital-intensive multi-billion-dollar investment, substantial new power supply, and approvals that can stretch timelines to 5 to 10 years. These barriers extend well beyond aluminum and have slowed the ability of exporters to expand in line with demand. Where upstream production cannot scale fast enough, exporters may need to move further into processed goods that use these metals, an area where Canada has historically underinvested.

Infrastructure: Canada's trade-enabling infrastructure was built primarily for exports to the US. As shipments to the Rest-of-World increase, ports, pipelines, rail, and shipping networks become far more critical. The current system is poorly suited to that shift. The World Bank ranks Canada's three largest ports near the bottom 15% globally in terms of port efficiency, and Canada's rail network faces congestion in East-West corridors. According to EDC, Canada invests less in infrastructure than many OECD peers, meaning that even where Canadian exporters have the product and the customer, getting goods to global markets reliably remains a binding constraint.

Crude oil illustrates the stakes. The International Energy Agency estimates that about one-quarter of global seaborne oil trade has historically passed through the Strait of Hormuz, the primary export route for Saudi Arabia, the UAE, and Iraq, three of the world's six largest crude suppliers. Most of those flows are destined for Asia.

Dependence on a single geopolitically exposed corridor is a structural vulnerability that Asian buyers would like to reduce. Canada, with its large reserves, stable institutions, and track record as a reliable supplier, is a natural candidate to fill that role. But less than 20% of Canada's pipeline capacity can reach Rest-of-World markets through ports. Much of that capacity already operates above 80% utilization. Gaining even 1% of world crude market share would require roughly one additional Trans Mountain-scale pipeline. The projects are generally well understood. The bottleneck is approvals and execution. Whether the Major Projects Office will enable delivery at pace remains to be seen, but doing so will be crucial to achieving Canada's export ambition.

Market penetration: Many Canadian exporters are used to selling into a single, highly integrated US market. Expanding into new geographies brings greater complexity. Firms must comply with diverse regulatory requirements, such as Europe's Carbon Border Adjustment Mechanism and import quotas on legumes in India. They also need to adapt products to local demand. In Japan, for example, housing construction uses significantly wider lumber beams than in North America, requiring changes in product mix.

This challenge exists for services too. Global infrastructure investment is accelerating, especially in clean energy, increasing demand for engineering, project management, and technical advisory work. Canada has strong capabilities to offer, yet Canadian engineering and professional services firms rarely follow projects into export markets. Canada imports 1.5 times more professional and technical services than it exports, a gap that reflects limited commercial reach and global ambition more than a lack of capability. Closing it will require stronger credential recognition, easier mobility pathways, and a local presence in target markets, all of which take time to build. Entering new markets is slower and more difficult than scaling existing footholds, which is why early and deliberate action matters.

Export Growth Can Become a Broader Engine of Competitiveness

Delivering on this opportunity will not be easy. It will require sustained effort, investment, and coordination across the public and private sectors. Early progress will be essential to build confidence that Canada can deliver on its ambition.

But the upside reaches well beyond trade flows. Stronger national productivity, infrastructure, and penetration into global markets will strengthen the competitiveness of the entire economy, not just exports.

The opportunity is clear: 'Canada has what the world wants.' Global demand for what Canada produces is growing, and geopolitical tailwinds favour Canada's reliable supply, making the case for acting boldly stronger than ever. Now is the time to meet today's uncertainty with decisiveness, investment, and execution. This is how we open the door to a new era of Canadian export growth.

Note: All figures in CAD

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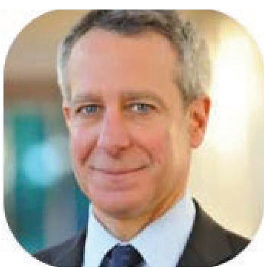

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