



THE Economic Lens

Deeper Insights
from TEC Canada's
CEO Confidence
Index Survey

Trade at a Turning Point:
**Navigating New Risks in
a Fragmented Global Economy**

TECCANADA
The Executive Committee

THE Economic Lens

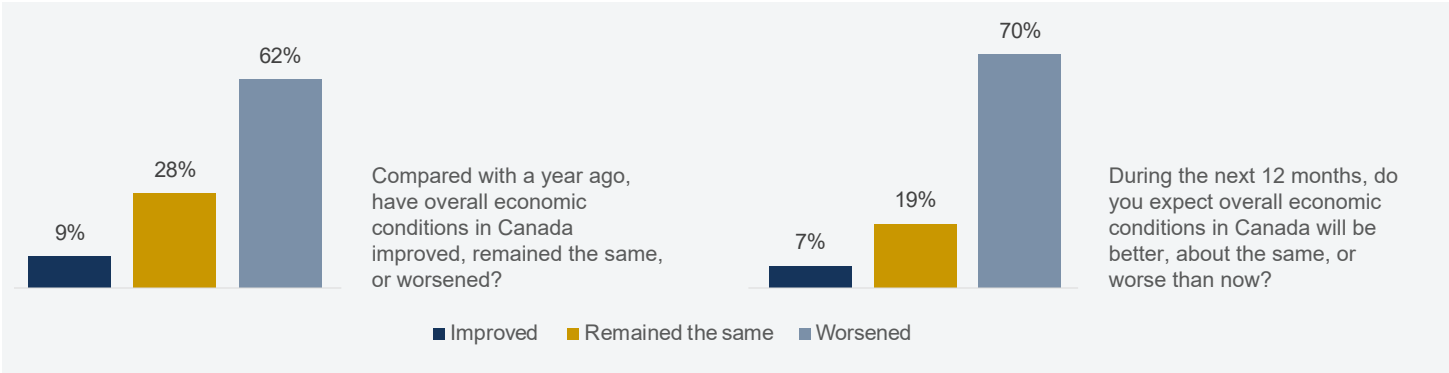
Introduction and Executive Summary

The global economic landscape is undergoing a significant transformation, moving away from decades of stable, rules-based trade toward a more fragmented and politically driven system. This shift has accelerated recently, with evolving U.S. trade policies playing a central role. The rise of national industrial strategies and protectionist measures has prompted the U.S. to prioritize domestic interests and increasingly use tariffs as geopolitical tools. For Canada, this new reality has made its trade relationship with the U.S. more unpredictable and unstable, leaving Canadian businesses vulnerable to economic pressures, regulatory changes, and heightened uncertainty.

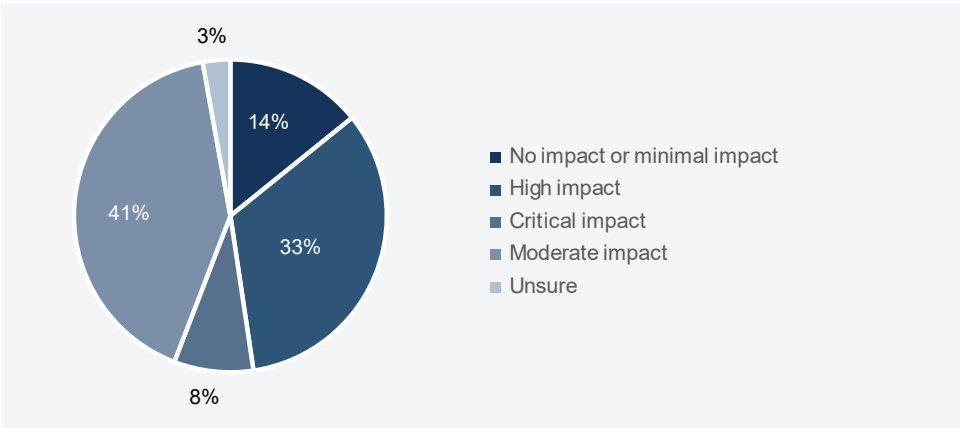
The latest TEC Canada CEO Confidence Index reflects this current economic climate and captures those uncertain sentiments of business leaders across the country. Small and medium-sized enterprises (SMEs) are cautiously navigating ongoing pressures driven by trade uncertainty, while remaining alert to potential shifts in policy and the broader economic landscape.

CEO Confidence: A Signal from the Ground

The latest [Q2 CEO Confidence Index report](#) reveals that Canadian business leaders are no longer waiting for disruption but instead they're navigating through it. This quarter, business leader's confidence has fallen to its lowest point in years, surpassing even the declines seen during the pandemic and signaling an unprecedented level of concern. Over 60% of respondents say economic conditions have worsened in the past year, and nearly 70% expect further decline in the months ahead.



A significant portion of these concerns and decline in confidence is tied to the trade environment, particularly the threat of U.S. tariffs. When asked about potential new tariffs, over 82% of CEOs cited moderate to critical impacts on their costs, pricing strategies, and profitability, suggesting that many already feel the squeeze of policy uncertainty.



Economic Conditions

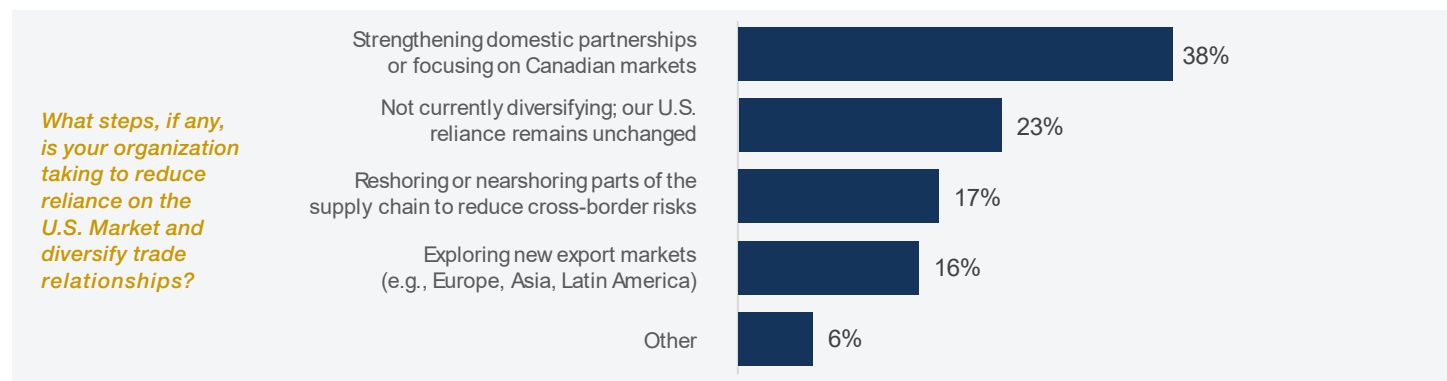
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Tariffs

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Yet, the pivot away from U.S. dependence is still a work in progress. Only 15.6% of respondents are exploring new export markets, and 22.8% report taking no steps at all to diversify trade. The most common move so far has been strengthening domestic partnerships (37.7%), which, while important, still risks the external exposure many SMEs face.

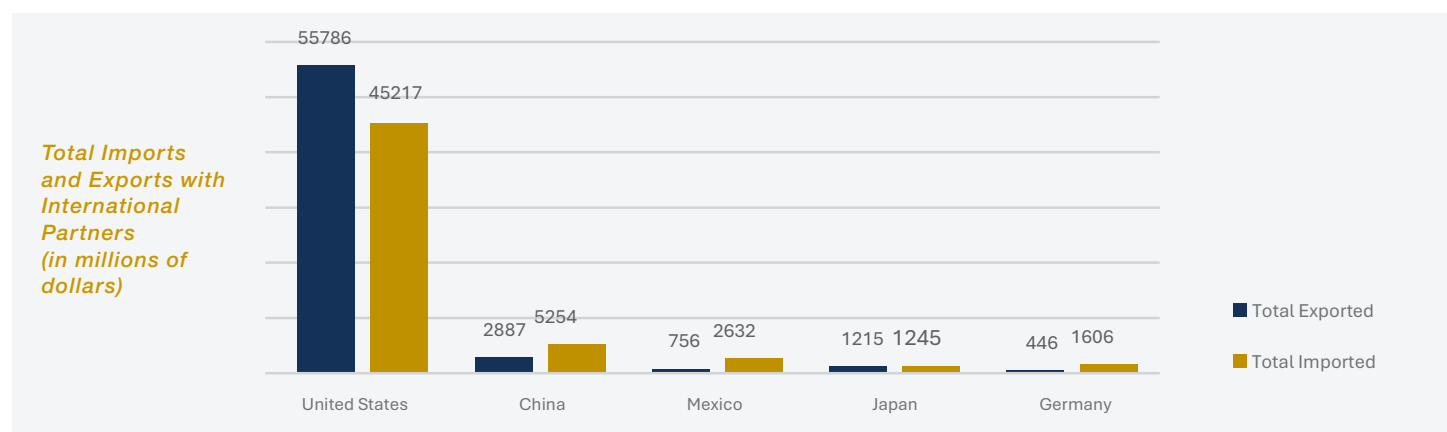


This data shows that while many business leaders recognize growing risks, there remains hesitation to act without greater clarity on the broader trade outlook. Expert economists suggest that the next 90 days will be critical, as ongoing developments could change this environment instantly¹. Our next upcoming CEO Confidence Index survey set to release in June will offer an even clearer picture of how these changes are evolving and what they mean for Canadian businesses moving forward.

For now, these current findings in Q2 reflect more than short-term caution but a deeper concern about the reliability of Canada's trade relationships, particularly with the U.S. As tariffs and trade-related risks continue to influence strategic decisions, it's clear these challenges are part of a broader shift where long-standing trade assumptions are being challenged, and businesses will need to stay alert and ready to adapt.

FROM INTEGRATION TO INSTABILITY: THE FUTURE TRADE ENVIRONMENT

Once considered stable, global trade relationships are now marked by rapid and often unpredictable change. Traditional frameworks are weakening, the World Trade Organization is being sidelined, and tariffs are re-emerging as common policy tools². For Canadian SMEs, this points to a more volatile and politically driven trade environment, one where long-standing assumptions no longer hold.



Source: <https://www150.statcan.gc.ca/n1/daily-quotidien/250403/t001a-eng.htm>

This shift is most evident in the Canada and U.S. relationship. Canada has held a deep reliance on the U.S. for decades as it remains its largest trading partner compared to other international peers, accounting for nearly 75% of exports⁴. But as U.S. trade policy pivots toward domestic priorities, tighter enforcement, and ongoing tariffs, the relationship is becoming less predictable³. For businesses, this moment demands a reassessment, not only of exposure to the U.S. market, but of broader trade strategies.

Canada's Trade Outlook: What could come next?

In the time ahead, a range of factors will shape Canada's trade environment, from policy renegotiations and sector-specific challenges to shifts in both internal and external trade strategies, and broader economic risks.

CUSMA RENEGOTIATION

Amid shifting trade dynamics, the Canada-United States-Mexico Agreement (CUSMA) remains the primary anchor of the Canada-U.S. trade relationship, safeguarding many goods from tariffs during recent trade disputes. However, its long-term stability is not guaranteed. A mandatory joint review is scheduled for 2026, and early positioning is already underway. Key areas likely to be revisited include rules of origin for autos, labour and environmental standards, digital trade, and dispute resolution mechanisms⁵.

For SMEs, the review could introduce renewed policy uncertainty, with potential impacts on compliance, market access, and supply chain strategies. Early scenario planning will be critical. Businesses should start by understanding which of their goods are covered under [CUSMA](#), using tools like tariff finders based on the [Harmonized System codes](#), [guides on certain customs tariff](#), and [compliance instructions](#) from Export Development Canada (EDC). Familiarity with the agreement's provisions and other customs will help SMEs anticipate changes and better position themselves ahead of the review.

INCREASING PRESSURE POINTS AND SECTOR SPECIFIC CHALLENGES

Despite the safeguarding of many CUSMA-compliant goods, several U.S. tariffs are currently in place, and industries are experiencing varied impacts. Key sectors such as steel, aluminum, automotive, and agriculture continue to face competitive disadvantages including a 25% U.S. tariff on certain Canadian steel and aluminum products, and ongoing levies on some foreign-made vehicles⁶. Other areas remain equally vulnerable. The long-standing softwood lumber dispute⁷ persists due to U.S. claims of unfair subsidies, while Canada's supply-managed dairy sector continues to face pressure for expanded

U.S. access⁸.

To navigate these challenges, SMEs should actively engage with industry associations and peer networks. Platforms like [TEC Canada's Tariff Forum](#) offer valuable opportunities to connect with other industry members facing similar trade-related issues, share insights, and stay informed on what strategies are working in specific sectors. Building these connections can help businesses stay ahead of potential disruptions in their industry and better position themselves for a shifting trade landscape.

INTERNATIONAL TRADE STRATEGY

Canada's heavy reliance on the U.S., reinforced by the structure of CUSMA, highlights a broader challenge: underutilized international trade opportunities. Trade with other key partners like China, Mexico, and Japan remains limited in comparison. Agreements such as [CETA](#) and the [CPTPP](#) offer access to diversified markets, but adoption has been slow, particularly among SMEs. In 2020 alone, Canadian exporters left an estimated \$52 million in CPTPP tariff savings unclaimed⁹.

As Canada itself may begin to pivot away from a U.S.-centric trade approach, SMEs should prepare by reassessing their trade strategies and exploring new markets. Resources like the Trade Commissioner Service can help identify

export opportunities, access funding, and navigate international trade missions. They offer a [step-by-step export guide](#) to help businesses begin exporting and grow internationally, along with additional resources such as [business plan frameworks](#) to support market entry. Similarly, [Export Development Canada](#) offers tailored support to help manage risks and adapt strategies in a shifting global landscape. They provide detailed [information hubs](#) on target markets and trade opportunities, assisting businesses in making informed decisions. Overall, reducing overreliance on any single market, especially the U.S., will be essential to long-term resilience.



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PROVINCIAL TRADE STRATEGY

The challenges facing Canadian trade aren't limited to international borders, they exist within the country as well. Despite the [Canadian Free Trade Agreement](#), interprovincial regulatory differences continue to hinder the smooth flow of goods, services, and labor. This has been recognized in federal policy discussions as an area ripe for reform, with government analysis suggesting that reducing internal trade barriers could unlock productivity gains, cost savings, and stronger domestic market integration¹⁰.

Several provinces are taking proactive steps to reduce interprovincial trade barriers. Ontario and Manitoba have signed a memorandum of understanding aimed at easing these restrictions, with Nova Scotia and New Brunswick pursuing similar initiatives. For SMEs navigating

interprovincial trade staying engaged is essential. This includes supporting provincial advocacy efforts such as Ontario's [Protecting Ontario's Economic Interests Through Interprovincial Free Trade Act](#), and understanding current [interprovincial trade boundaries](#) and [upcoming changes under these agreements](#). Additionally, SMEs can stay informed by following organizations like the [Canadian Federation of Independent Business \(CFIB\)](#), which actively advocates for regulatory harmonization across provinces, and by regularly consulting [TEC's Tariffs and Trade Policy Resource page](#), which provides detailed insights on provincial and municipal impacts along with timely updates on these regulatory developments.

ECONOMIC RISKS

Finally, trade disruptions extend beyond direct U.S. ties. Nearly 20% of Canada's GDP is linked to exports to the United States, meaning shifts in U.S. policy such as renewed tariffs or trade uncertainty can ripple across the entire economy¹². It could lead to reduced investment, employment strains, and slower growth. While short-term relief may come through federal measures, long-term resilience depends on how well businesses prepare¹¹. Start by using [TEC's risk assessment tool](#) to understand your level of exposure, whether directly through U.S. trade or indirectly through

supply chains and market shifts. Begin scenario planning and explore tools like [A Canadian SME Playbook for Navigating U.S.-Canada Tariffs](#) to identify practical steps. Incorporate a ["what-if" analysis](#) into your business planning to assess various logistic scenarios and dedicate time to exploring relevant trade resources that support proactive decision-making. In an era of shifting trade dynamics, resilience will come not from certainty, but from preparation, adaptability, and a willingness to rethink long-standing assumptions.



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The Road Ahead

As past assumptions about trade stability no longer hold true, Canadian businesses face a landscape defined by uncertainty and ongoing renegotiations. The forthcoming policy reviews and shifts will ripple through Canada's trade environment, altering market dynamics and

strategic priorities. By understanding these fundamental changes and preparing proactively, businesses can better navigate the evolving landscape, mitigate risks, and seize new opportunities for sustainable growth.

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