



# **Safeguarding Sovereignty in an Era of Weaponized Trade Rules**

Submitted by The Canadian SHIELD Institute\*  
January 27, 2026

\*A version of this document was submitted to Global Affairs Canada's Consultations on Potential Trade Agreements with Thailand, the United Arab Emirates and Mercosur, and the Consultation on a Potential Comprehensive Economic Partnership Agreement with India

## **About SHIELD**

The Canadian Shield Institute for Public Policy was founded in January 2025 to develop modern sovereignty solutions to meet the moment. Through research, consultation and discussion, we're working to help Canada regain democratic control and economic security in the face of global volatility. Learn more at [CanadianShieldInstitute.ca](https://CanadianShieldInstitute.ca).

## Safeguarding Sovereignty in an Era of Weaponized Trade Rules

Canada's sovereignty can no longer be taken for granted. Trade agreements must demonstrate that export growth and national sovereignty are goals that can be held in tandem and simultaneously sought.

At the World Economic Forum this year, Prime Minister Mark Carney [said](#), “Great powers have begun **using economic integration as weapons**, tariffs as leverage, financial infrastructure as coercion, and supply chains as vulnerabilities to be exploited.”<sup>1</sup>

What does this mean in practice?

Past trade agreements with the United States through [CUSMA](#), and Europe, through [CETA](#), have [given away](#) Canada's ability to govern our economy.<sup>2,3,4</sup> In Section 19 of CUSMA, the [Digital Trade Chapter](#), Canada gave up the ability to preference Canadian companies over US or Mexican digital corporations.<sup>5</sup> We also gave up the ability to regulate their activity inside our borders. We are unable to compel companies to provide descriptions of how their algorithms work in order to understand how they operate in our country and what we can require to protect citizens from bad behaviour.

It's not just the rules of digital trade that are problematic. Canada gave up its ability to “Buy Canadian” through both CUSMA and CETA as well as generally through [WTO rules](#).<sup>6</sup> Through Investor State Dispute Resolution (ISDS) clauses, companies that don't like the rules can sue sovereign governments for taking policy actions that centre the public interest ahead of the company's interest. In fact, [researchers have found](#) that fear of ISDS outcomes can cause governments to delay policy action.<sup>7</sup>

Canada agreed to these types of clauses in trade agreements either because they were presented as “the cost of market access” or because we didn't understand what we were giving away. That's a practice that needs to stop.

Foreign companies have begun to weaponize Canada's trade agreements against domestic regulation. In December 2025, the BBC [reported](#) that U.S. President Donald Trump's administration considers Canada's [Online Streaming Act](#) to be in breach of trade policy because it discriminates against U.S. tech and media companies.<sup>8,9</sup> The law requires the CRTC to regulate foreign media companies operating in Canada and ensure that Canadian content is protected so that American companies do not obliterate Canadian culture in news and entertainment. It is perfectly valid for the government to decide that supporting Canadian content is the price foreign firms pay to access the Canadian market. Unfortunately, that policy stance is being threatened and we need to protect it.

In the face of the Trump administration's trade war, Canada is faced with two parallel challenges:

1. Diversifying our trading partners; and
2. Protecting our sovereignty.

At The Canadian Shield Institute for Public Policy, we believe that sovereignty is the ability for Canada to freely make decisions that reflect Canadian values and to capture value from the economic activity generated inside our borders. In our complicated, interconnected world, ensuring we have the freedom to govern is essential. Trade agreements do not need to give away this sovereign right to govern in exchange for growth capital or market access.

### **The False Choice Between Sovereignty and Market Access**

The idea that Canada must choose between sovereignty and market access is a weak starting position from which to negotiate. Over decades, this mindset has slowly led Canada to give away more and more of our ability to choose and govern in exchange for access to foreign markets and foreign products and services.

But market access does not inherently require giving up the right to govern. Those two goals can co-exist when trade agreements focus on making and shaping markets instead of strictly reducing perceived barriers to trade that in reality allow foreign firms to decide how Canada's markets work.

There are examples of Canada and other countries taking policy space back from ill-considered rules. The United States routinely preserves policy space on industrial policy, procurement and security while still benefitting from extensive market access around the world. The USA has been so forceful in defending their right to preference their own suppliers that they have [\*two different policies\*](#) that are rather confusingly named the [Buy America Requirements](#) and the [Buy American Act](#).<sup>10,11,12</sup>

ISDS provisions between Canada and the U.S. [were eliminated](#) during the CUSMA negotiations in President Trump's first term in office.<sup>13</sup> Mexico and the US significantly reduced the power of ISDS between the two states in the last round of trade negotiations. Ending the Investor State Dispute Resolution regime was a [topic at the G7 meetings](#) this year in Kananaskis as well, indicating that more countries are considering the merits of reversing the policy.<sup>14</sup>

### **Sovereignty by Design**

Canada cannot preserve and rebuild its sovereignty without careful attention to each of the decisions it makes – including through new and amended trade agreements. Canada is waking up to the fact that our sovereignty is relatively weak. A lot of that weakness is due to decisions made over decades of negotiating trade agreements.

The government needs a standardized tool to assess policies and programs to determine whether the government's choices are strengthening or degrading our sovereignty. The [Shield Sovereignty Score](#) is a repeatable, analytical framework that can help governments build sovereignty by design.<sup>15</sup> The tool is inspired by similar policy assessment tools adopted by the OECD, the Competition Bureau of Canada and others. The idea is to identify the key attributes of a public policy, including a trade clause, and quickly identify their impact on economic sovereignty in a standardized way.

The score assesses policy choices on two parallel tracks: the ability to govern and economic security. The framework looks at the various pressure-points that foreign actors can use to undermine Canada's ability to assert sovereign governance including:

- supply chain chokepoints,
- technology platforms that resist government regulation,
- defence and national security threats,
- corporate market dominance and
- extractive foreign investment.

Then the framework looks at whether the policy shapes the Canadian economy in ways that make it more resilient and prosperous for Canadians. Indicators include:

- Canadian ownership of vital assets,
- job creation,
- skills utilization,
- broad based income distribution and
- pro-social economic growth.

All of these factors are essential to maintaining and preserving our sovereignty. Trade clauses should be assessed for these impacts to ensure that our new and renegotiated terms of trade do not give away more of our ability to govern our economy or capture the value created by economic activity inside our borders.

### **Principles-based approach to Trade Negotiations**

An important step in strengthening Canada's sovereignty will be to not give more of it away. In our upcoming trade negotiations, Canada must make it explicitly clear that the negotiating team is tasked with retaining the ability to make and shape markets while expanding market access and mutually beneficial trade in goods and services.

The current geopolitical environment presents an opportunity to level up our negotiating strategy with new red lines and a renewed focus on preserving policy space to implement strong public interest rules. Maintaining freedom to govern is especially important in areas such as the digital

economy, labour markets, competition, health and safety, and data use. Canada must also preserve the space to respond to crises and develop targeted industrial strategies.

In Canada's upcoming trade negotiations, we must take a principled approach.

A principled approach starts from the premise that Canada is a self-governing democracy first, and a trading nation second. Trade policy must preserve our ability to make decisions in the public interest—not pre-empt or override it. That means:

1. Making sovereignty a non-negotiable objective, alongside export growth and investment. Canada should enter talks with explicit red lines: we will not sign agreements that unduly restrict our capacity to regulate digital platforms, protect privacy, direct public procurement, or pursue industrial and climate strategies tailored to Canadian priorities.
2. Refusing the false trade-off between market access and policy space. Tariff reduction, predictable rules-of-origin, and fair treatment for Canadian exporters do not require surrendering our ability to set rules for data, algorithms, labour, or the environment. Where partners demand such concessions as the “price” of access, Canada should be prepared to walk away.
3. Insisting on broad, explicit carve-outs for domestic governance. Any new agreement must preserve room for:
  - a. Digital and data regulation, including data localization where needed, algorithmic transparency, and platform accountability.
  - b. “Buy Canadian” and strategic procurement in critical sectors and public services.
  - c. Strong labour, environmental, and climate measures that can be strengthened over time without triggering trade challenges.
  - d. Investor–State Dispute Settlement and similar mechanisms that elevate corporate interests above elected legislatures should be excluded. Disputes should be resolved state-to-state, respecting Canadian courts and Canadian law.
4. Building strategic capacity and expertise by
  - a. Re-establishing Sectoral Advisory Groups on International Trade (SAGITs) to supply sector-specific intelligence ahead of CUSMA and future negotiations.
  - b. Recreating a modern Economic Council that integrates trade, innovation, and industrial policy advice.

As others have emphasized, Canada currently lacks the institutional scaffolding needed to develop and execute proactive trade strategy on an ongoing basis. Over time, the machinery of trade policymaking has become reactive and fragmented, leaving Canada without the sustained intelligence and advisory capacity that complex, modern trade environments require.

Rebuilding this strategic capacity begins with [re-establishing Sectoral Advisory Groups on International Trade \(SAGITs\)](#) — permanent, expert bodies that can provide forward-looking intelligence and sector-specific advice.<sup>16</sup>

A principled agreement acknowledges that technologies, security risks, and public priorities evolve. By setting these principles in advance, Canada can shift the terms of negotiation and potentially co-write rules with like-minded partners that allow companies to operate in similar ways across certain countries. We will still pursue diversified markets and deeper trade ties, but on terms that recognize that sovereignty is not a bargaining chip. It is the foundation on which any durable, legitimate, and broadly shared economic security must rest.

## **End Notes**

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