

LUISS 

Research Center
Strategic Change
“Franco Fontana”

GEOPOLITICAL RISK OBSERVATORY

Canada

An overview

Luiss Guido Carli University

Last update: June 2026

Luiss

Libera Università Internazionale
degli Studi Sociali Guido Carli
Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it

GRO Country Profile: Canada

GRO Country Profiles are neither extensive analysis nor news updates. Instead, they offer a general perspective over areas and issues, trying to provide a series of factors and variables that organizations should monitor to anticipate risks. For in-depth analysis or day-to-day updates you should contact the observatory at strategicchange@luiss.it

Summary

- Canada combines strong democratic institutions, high rule-of-law standards and a stable domestic security environment, resulting in a structurally low-risk profile for foreign businesses.
- Regulatory challenges remain moderate but are increasingly shaped by external geopolitical pressures, notably US–China strategic competition, trade policy realignments and national-security considerations in technology- and resource-intensive sectors.
- Governance is highly predictable and transparent; however compliance intensity is rising, particularly in areas related to environmental regulation, investment screening and strategic industrial policy.

Basic Parameters

Latest available estimates and projections are reported. Figures refer to 2025 or 2026 depending on data availability; the reference year is specified for each indicator.

Indicator	2020	Latest value (2025-2026)
GDP (PPP, international USD bn, 2026)	2.200	2.810
Population (mn, 2026)	38.0	41.6
Urban population (% of total, 2025)	81.4	82.3
Population under 25 (% of total, 2025)	27.2	26.1
Population over 65 (% of total, 2025)	18.0	19.2

Unemployment rate (% of labour force, 2026)	9.6	6.6
Youth unemployment (% ages 15-24, 2026)	17.8	13.0
CPI inflation (% annual average, 2026)	0.7	2.1
General government debt (% of GDP, 2026)	88.1	108.5
FDI inward flows (USD bn, 2025)	47.0	48.7

The inclusion of 2020 reference values is intended to provide a historical benchmark and illustrate medium-term trends, helping to contextualise the latest available estimates and projections.

Sources: IMF – *World Economic Outlook, January 2026* (GDP PPP, population projections, unemployment, inflation, public debt); **Statistics Canada (StatCan)** – Labour Force Survey (Dec 2025–Jan 2026); FDI and demographic statistics; **Bank of Canada** – *Monetary Policy Report, January 2026* (inflation outlook); **OECD** – *Economic Survey of Canada 2025* (macroeconomic and fiscal context); **UNCTAD** – *World Investment Report 2025* (FDI flows).

Historical context

Since the Second World War, Canada has experienced exceptional political continuity and institutional consolidation. As a founding member of NATO and a long-standing strategic partner of the United States, it has consistently aligned with the Western security and economic order, without undergoing episodes of authoritarian rule or systemic political rupture.

The Canada–US Free Trade Agreement (1988), followed by NAFTA (1994), entrenched deep economic integration with the US, fundamentally shaping Canada’s industrial structure and trade dependence. The transition to USMCA in 2020 preserved this integration while raising regulatory salience around labour, environmental and security-related standards.

Over the past decade, Canada’s exposure to global geopolitical competition has intensified, particularly through trade frictions with China and growing strategic importance in critical minerals, energy transition technologies, semiconductors and advanced manufacturing. While institutional resilience has prevented instability, these external pressures increasingly condition domestic policy choices.

Institutional set-up and structural challenges

Canada is a consolidated liberal democracy with a federal structure and a parliamentary system. Political competition is well institutionalised, electoral processes are robust and transfers of power are peaceful. Polarisation remains limited compared to other advanced economies, though minority-government dynamics can slow legislative throughput.

Institutional quality is high. Judicial independence, regulatory enforcement and administrative capacity score strongly across international indices. Corruption remains low, and state-business relations are predominantly rules-based. However, strategic sectors (energy, mining, technology) face close scrutiny from both federal and provincial authorities.

From a political-economy perspective, Canada is a diversified advanced economy combining natural resources, manufacturing and high-value services. The state plays an active but disciplined role through industrial policy, environmental regulation and national-security screening, avoiding systemic state capture while accepting higher compliance costs.

Social cohesion is broadly resilient, but Indigenous land claims and environmental litigation continue to generate legal uncertainty and project delays, particularly in extractive industries. These dynamics represent structural sources of regulatory friction, not systemic instability.

Internationally, Canada's deep integration with the US market remains both a stabilising anchor and a structural constraint. Alignment pressures within North American industrial policy—especially on strategic supply chains, standards and screening practices—reduce Canada's room for autonomous policy choices in sensitive sectors, and transmit external policy shifts into the domestic regulatory environment. In parallel, tighter scrutiny of foreign investment in strategic sectors reflects enduring drivers rather than short-term politics: heightened national-security salience of critical minerals, advanced manufacturing and dual-use technologies; growing attention to supply-chain security; and the incentive to maintain policy interoperability with key allies, notably the United States. As a result, investment screening and compliance expectations remain structurally more demanding for internationally exposed operators.

Finally, US-China trade and technology tensions constitute a persistent feature of the current geopolitical landscape and constrain Canada's trade, technology and industrial-policy posture. For Italian firms operating in Canada or trading with Canada, this is relevant primarily through stricter due diligence and compliance requirements in North America-integrated value chains (e.g., EV and battery inputs, semiconductors-related equipment, AI infrastructure), and through higher sensitivity around partnerships, ownership structures and market-access conditions in strategic activities.

Business implications

Opportunities

Canada remains highly attractive for long-term, stability-oriented investment. Opportunities are strongest in:

- energy transition and renewables;
- critical minerals and battery supply chains;
- advanced manufacturing and AI-related infrastructure;
- agri-food and financial services.

Access to the North American market, skilled labour, and predictable institutions support high-value and export-oriented activities. Public incentives and industrial strategies favour projects aligned with sustainability, innovation and security priorities.

Challenges

- *Security challenges*; Canada remains firmly in the low security-risk band. There is no terrorist campaign, armed conflict or widespread organised violence affecting business activity. However, firms should account for localised disruptions linked to protests, infrastructure bottlenecks or environmental opposition in sensitive projects.
- *Regulatory challenges*; Regulatory risk is low-to-moderate but rising in density. Businesses face increasing requirements related to:
 - environmental permitting and ESG compliance;
 - investment screening under national-security criteria;
 - trade policy adjustments linked to US–China competition.

Recent delays and cancellations of mining and infrastructure projects illustrate that regulatory outcomes, while predictable, can be costly and time-consuming. In practice, this translates into higher compliance intensity and, in strategic transactions, longer review timelines and greater documentation demands, even within an otherwise transparent and rules-based framework.

- *Governance challenges*; Governance risk remains very low. Courts are impartial, enforcement is transparent and corruption minimal. Challenges relate to procedural complexity and compliance burden rather than discretionary or politicised decision-making.

Luiss

Research Center
Strategic Change
“Franco Fontana”

Viale Romania 32, 00197 Roma
T +39 06 85222350
www.luiss.it