Routledge
Taylor & Francis Group

Survival
Global Politics and Strategy

ISSN: 0039-6338 (Print) 1468-2699 (Online) Journal homepage: www.tandfonline.com/journals/tsur20

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To cite this article: Seva Gunitsky (2026) The Carney Doctrine: Is Canada Breaking with America?, Survival, 68:2, 49-58, DOI: 10.1080/00396338.2026.2647636

To link to this article: https://doi.org/10.1080/00396338.2026.2647636

Published online: 27 Mar 2026.

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Commentary

The Carney Doctrine: Is Canada Breaking with America?

Seva Gunitsky

Canadian Prime Minister Mark Carney's surprise manifesto at Davos earlier this year invoked Václav Havel's greengrocer to illustrate Canada's foreign policy. Every morning, the greengrocer places a sign in his window: *Workers of the world, unite!* He doesn't believe it, but he displays the sign to signal compliance. And because every shopkeeper on the street does the same, the system trudges on through the participation of people in rituals they know to be false.

For decades after the Cold War, Carney argued, middle powers like Canada have played the greengrocer. They placed the 'rules-based international order' sign in the window. They knew the story was partially false, that the liberal order was not always liberal or even orderly, that the strongest exempted themselves when convenient, that trade rules were enforced asymmetrically. But it was a useful fiction so long as American hegemony provided public goods: open sea lanes, stable finance, global trade and frameworks for resolving disputes. 'This bargain no longer works', Carney said. 'We are in the midst of a rupture, not a transition.'[1] The greengrocer can remove his sign. Supply chains can diversify and alliances can hedge.

It may be tempting to dismiss Carney's remarks as conference rhetoric, the kind that produces standing ovations at Davos but not policy changes at home. In Canada's case, however, the manifesto described policies already being implemented. Last summer, Carney announced the largest

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Survival | vol. 68 no. 2 | April–May 2026 | pp. 49–58 https://doi.org/10.1080/00396338.2026.2647636

military investment in Canadian history – nearly C$82 billion over five years – a commitment to hit NATO's 2% spending target by this spring and a pledge to reach 5% by 2035.[2] He has also launched an aggressive trade-diversification strategy to reduce dependence on the United States, imposed retaliatory tariffs on American goods, signed a strategic defence and security partnership with the European Union and pursued new economic agreements from China to the Middle East.[3] Canadian public opinion, meanwhile, has also undergone a transformation. Polls show that 62% of Canadians now support higher defence spending, up from 41% just five years ago, and that 58% of Canadians regard the US as Canada's most important security threat, a 27-point increase from 2020.[4]

The changes, in other words, go beyond rhetoric. Canada's strategic posture has shifted dramatically away from its traditional role, during and after the Cold War, as a compliant junior partner of the United States.[5] In its place, Canada has adopted a doctrine of 'values-based realism', characterised by aggressive economic diversification, the militarisation of the Arctic frontier and a willingness to publicly confront the Trump administration.[6] This is an ambitious foreign-policy reorientation. The critical question is how deep it goes.

Values-based realism

Carney's doctrine attempts to reconcile the protection of liberal values with the hard-power necessities of a fading liberal order. The values component embraces a defence of sovereignty, territorial integrity and human rights. This is reflected in Canada's stance on Ukraine, where it remains a key member of the supporting coalition, and its defence of Denmark during the Greenland crisis. The core principle is that sovereignty is non-negotiable. The pragmatic element is the recognition that Canada must engage with partners who do not share all its values to secure its economic survival.[7] Hence the government's controversial engagement with China and Qatar, and Carney's backing of the US on issues not directly connected to Canadian interests, such as the bombing of Iran.

This duality represents a departure from the values-first foreign policy of Justin Trudeau's government, when Canada often prioritised human rights to the point of alienating trade partners. As Carney noted, 'countries earn

the right to principled stands by reducing their vulnerability to retaliation'.[8] Economic strength is a prerequisite for moral agency; a weak economy cannot afford to be principled.

Domestically, the shift has been framed in explicitly economic terms. The new Defence Industrial Strategy, for example, envisions a domestic defence sector that can sustain long-term military modernisation without depending on American supply chains.[9] So far, Carney has been successful in fusing the language of sovereignty with appeals to economic growth, which helps explain his broad public support even among voters who would otherwise resist increased military spending.

A central tenet of the new foreign policy is so-called 'variable geometry': the formation of ad hoc coalitions around specific issues rather than relying on static, all-encompassing alliances like NATO or the G7 for every problem.[10] On Ukraine, Canada acts within the traditional Western alliance. On trade, it pursues integration with the EU and the Association of Southeast Asian Nations (ASEAN) while simultaneously cutting limited tactical deals with China to bypass US blockades. On Arctic security, Canada aligns tightly with Northern European partners – the Nordic-Baltic Eight – effectively establishing a sub-alliance within NATO. And on critical minerals, Ottawa has focused on forming buyers' clubs within the G7 to diversify supply away from concentrated sources.

Critics have accused the approach of incoherence.[11] By treating alliances as à la carte menus, runs the argument, Canada could undermine the collective-security guarantees it has relied upon for decades. Proponents counter that in a world where the US is an unreliable hegemon, rigid alliance structures are a liability.[12]

How did it come to this?

Within weeks after Donald Trump's inauguration on 20 January 2025, the new administration imposed 25% tariffs on virtually all Canadian goods, invoked the International Emergency Economic Powers Act to declare the bilateral trade deficit a national emergency – citing mythical fentanyl and refugee flows – and escalated rhetoric about making Canada the 51st state.[13] The Canadian response was swift and, by historical standards, remarkably

aggressive. Ottawa imposed matching 25% tariffs on billions of dollars' worth of American imports.[14] Provincial liquor boards pulled American alcohol from their shelves.[15] Canadian tourism to the United States dropped by a third, costing American border communities billions. Florida orange juice, deliberately targeted by Canadian counter-tariffs in a pointed shot at Trump's home state of Florida, saw its import volumes collapse.[16]

The most consequential moves were more than symbolic. In June 2025, Carney announced a defence investment that would bring Canada to the NATO spending threshold for the first time in decades. The C$82bn package included C$20bn for recruitment and retention of military personnel and another C$18bn for new vehicles and weapons systems.[17] Canada also signed a defence partnership with the EU, gaining access to the Security Action for Europe (SAFE) programme for European defence procurement, and struck a defence-cooperation pact with South Korea.[18]

Trade diversification has been the other pillar. Carney set a target of doubling non-American exports within a decade, and the pace of the diplomatic effort has been frenetic. It has reopened or produced new trade agreements with more than a dozen countries, a US$50bn investment framework with the United Arab Emirates (UAE), state visits to China, Singapore and South Korea, and participation in the EU's ReArm Europe programme, which opens the door for Canadian firms to bid on C$1.25 trillion in European defence contracts.[19]

The Defence Industrial Strategy, released in February 2026, is the most concrete expression of this new-found ambition. Its headline numbers are striking: the government aims to increase the share of defence acquisitions awarded to Canadian firms to 70% within a decade, and nearly double defence-related research-and-development investment. By 2035, according to the strategy, these efforts will generate more than half a trillion dollars in combined investment.[20]

While the top lines are bold, the fine print is more cautious. As defence analyst Philippe Lagassé observed, the Defence Industrial Strategy reads as 'an ambitious plan punctuated by prudence and compromise'.[21] Reports from Ottawa suggest the document was shaped by a contest between the Canadian Department of National Defence and

Innovation, Science and Economic Development Canada (ISED) that was never fully resolved. The military feared that aggressive domestic sourcing requirements would cut off access to advanced allied technology, while ISED wanted the strategy to privilege economic returns.[22] The final text tries to satisfy both, pledging to prioritise domestic production 'where feasible' and partner with allies 'where necessary'.[23]

The feasibility of wholesale change

As sceptical observers have noted, the Carney Doctrine's ambitions run ahead of its capacity. The US is not going anywhere. It still accounts for 70% of Canadian trade, even if that number is decreasing. Canada has a long history of announcing ambitious defence plans and then failing to execute them.[24] The Parliamentary Budget Officer has repeatedly warned that Ottawa's spending projections and procurement timelines are unrealistic, and that the military's chronic recruitment shortfalls cannot be solved by throwing money at the problem.[25] One analysis noted that Canada's defence posture remains 'increasingly misaligned with its geographic realities', with minimal Arctic infrastructure, an inadequate icebreaker fleet and an inefficient procurement system.[26]

Trade diversification also faces major structural constraints. The flurry of new trade agreements is impressive on paper, but most of these relationships start from a negligible base. Even the most optimistic projections suggest that meaningfully reducing American trade dependence is a long-term project. The UAE investment framework, at US$50bn over the next decade, sounds big until one considers that Canada–US trade amounts to US$2.6bn per day.[27] And the China engagement, however necessary from a pragmatic standpoint, introduces its own risks. Deeper integration with Beijing could expose Canadian industries to market flooding and create strategic vulnerabilities that could replace one form of dependence with another.

The greengrocer removes his sign

Anyone expecting rapid Canadian decoupling from the United States is likely to be disappointed, as the structural obstacles are substantial. But the deeper significance of the change is not material but attitudinal. In addition to Canada's military capability and trade flows, its political

culture – the set of assumptions Canadians bring to basic questions of sovereignty, security and the country's place in the world – has changed. In the long term, this is more important. The signs of this shift are visible in everyday life. A grassroots boycott movement rallying under the hockey slogan 'Elbows Up' saw over a million Canadians join groups dedicated to avoiding American products. At grocery stores, Canadian-grown produce sold out while American equivalents sat untouched. Canadian visits to the United States fell by nearly a third while Canada's sports fans booed the American national anthem at games across the country. None of this was orchestrated by Ottawa. It emerged organically from a public whose assumptions about the relationship had fundamentally changed. That change will be hard to reverse no matter what happens in Washington.

Furthermore, even if the concrete changes are to an extent aspirational, they have a self-reinforcing quality. Defence-industrial strategies, once established, create constituencies that lobby for their continuation. Trade agreements, even modest ones, build institutional pathways that deepen over time. The European defence partnership plants inter-operability requirements that pull Canada farther into a non-American security architecture. Each incremental step makes the next one easier and reversal more costly. The paramount question is not whether Canada will achieve greater autonomy from the US – that is happening – but whether it has crossed a threshold from which retreat becomes politically difficult.

The Carney government's willingness to impose retaliatory tariffs, to tell the United States publicly that the old friendship is over, and to pursue defence partnerships with Europe and Asia as genuine alternatives marks a psychological break with the past that cannot be easily reversed, even if a friendlier administration eventually returns to the White House. Whether this break hardens into a permanent restructuring of Canadian grand strategy or softens into a more familiar pattern of continental accommodation will depend on choices that Canada has not yet made and constraints it has not yet fully tested. Whatever happens in the United States, Canada's unquestioning strategic deference to its powerful neighbour is apparently ending. Carney is taking the sign down. What Canada puts in the window next, however, is still an open question.

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