



A K O N R A D - A D E N A U E R - S T I F T U N G P U B L I C A T I O N

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# CANADA-EU ECONOMIC SECURITY COOPERATION IN AN ERA OF GEOECONOMIC TENSION

Strong Foundations to Build On



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## Abstract

**In a time of rising geopolitical tensions**, disrupted supply chains and the weaponization of economic interdependence, domestic and international economic and security policies are increasingly linked. The umbrella term “economic security” captures the linkage. This report uses economic security as an analytical prism to track and understand how recent events have transformed economic and security cooperation between the EU and Canada to distill recommendations for deepening bilateral relations. The report begins by unpacking the concept of economic security in more detail and outlines the specific approaches that Canada and the EU have individually developed so far. The report then turns to existing bilateral economic security cooperation. It finds that Canada-EU economic security relations sit on strong foundations based on aligned interests, joint initiatives and shared institutions. However, it appears that that these foundations have so far been largely unconnected. This report calls for greater coordination between the various existing Canada-EU economic security forums and dialogues and identifies possible further developments in bilateral cooperation in the field of economic security. ✦

## Glossary

|                 |  |
|-----------------|--|
| <b>ACI</b>      | Anti-Coercion Instrument (EU)                          |
| <b>AI</b>       | Artificial Intelligence                                |
| <b>CEPA</b>     | Comprehensive Economic Partnership Agreement           |
| <b>CETA</b>     | Comprehensive Economic and Trade Agreement (Canada-EU) |
| <b>CFDIR</b>    | Canadian Forum for Digital Infrastructure Resilience   |
| <b>COVID-19</b> | Coronavirus Disease 2019                               |
| <b>DPA</b>      | Digital Partnership Agreement                          |
| <b>DPC</b>      | Digital Partnership Council                            |
| <b>DTA</b>      | Digital Trade Agreement                                |
| <b>EESS</b>     | European Economic Security Strategy                    |
| <b>ENISA</b>    | European Union Agency for Cybersecurity                |
| <b>ERA</b>      | European Research Area                                 |
| <b>ESG</b>      | Environmental, Social and Governance                   |
| <b>EU</b>       | European Union   |
| <b>Euratom</b>  | European Atomic Energy Community                       |
| <b>EUSR</b>     | EU Investment Screening Regulation                     |
| <b>EV</b>       | Electric Vehicle                                       |
| <b>FIMI</b>     | Foreign Information Manipulation and Interference      |
| <b>FSR</b>      | Foreign Subsidies Regulation (EU)                      |
| <b>G7</b>       | Group of Seven   |
| <b>G7 RRM</b>   | G7 Rapid Response Mechanism                            |
| <b>GPAI</b>     | Global Partnership on Artificial Intelligence          |
| <b>HLED</b>     | High-Level Energy Dialogue (EU-Canada)                 |
| <b>ICT</b>      | Information and Communication Technology               |

|                 |   |
|-----------------|---|
| <b>IPEF SCA</b> | Indo-Pacific Economic Framework Supply Chain Agreement                  |
| <b>ISED</b>     | Innovation, Science and Economic Development Canada                     |
| <b>JCC</b>      | Joint Cooperation Committee (under the SPA)                             |
| <b>JMC</b>      | Joint Ministerial Committee (under the SPA)                             |
| <b>LNG</b>      | Liquefied Natural Gas   |
| <b>LTE</b>      | Long-Term Evolution (mobile telecommunications standard)                |
| <b>NIS2</b>     | Network and Information Systems Directive 2 (EU)                        |
| <b>NRCan</b>    | Natural Resources Canada  |
| <b>OECD</b>     | Organisation for Economic Co-operation and Development                  |
| <b>PPE</b>      | Personal Protective Equipment   |
| <b>R&amp;I</b>  | Research and Innovation   |
| <b>SOEs</b>     | State-Owned Enterprises   |
| <b>SPA</b>      | Strategic Partnership Agreement (EU-Canada)                             |
| <b>STEP</b>     | Strategic Technologies for Europe Platform                              |
| <b>TCRP</b>     | Telecoms Cyber Resilience Program (Canada)                              |
| <b>TFEU</b>     | Treaty on the Functioning of the European Union                         |
| <b>TTC</b>      | Trade and Technology Council  |
| <b>UK</b>       | United Kingdom  |
| <b>US/USA</b>   | United States of America  |
| <b>USMCA</b>    | United States-Mexico-Canada Agreement                                   |
| <b>WGGTL</b>    | Working Group on Green Transition and Liquefied Natural Gas (EU-Canada) |
| <b>WTO</b>      | World Trade Organization  |
| <b>ZTE</b>      | Zhongxing Telecommunication Equipment Corporation                       |

## Executive Summary

**Both Canada and Europe are experiencing a *Zeitenwende*** – a generational turning point – with profound implications for their economic and security future.

American tariffs have undermined Canada’s reliance on ever deeper North American integration and prompted an economic and security pivot, including towards Europe. Similarly, the European Union (EU) is facing unprecedented pressures on its economy and security from a withdrawing and protectionist United States (US) to a belligerent Russia, and an ever more economically competitive China. In response to global power shifts and experience with disrupted supply chains, both emphasize the need to build greater resilience and to protect against the “weaponization” of dependencies, particularly through new or reformed instruments and broader diversification in international economic relations.

The notion of “**economic security**” is at the heart of these changes. It sits at the intersection of national security, industrial policy and international economic relations and is rapidly gaining traction in policy circles. Economic security emphasizes the **vulnerabilities associated with international dependencies**, highlights the deep linkages between domestic and international policies for national competitiveness, and points to a re-evaluation of economic interactions to deepen ties with trusted partners and to de-risk from disrupting forces.

This report develops an understanding of economic security, describes it becoming a policy narrative and political driver in Europe and Canada, evaluates how economic security is already being integrated into Canada-

Economic security is an umbrella concept that focuses on an economy’s vulnerability to disruption.

Europe cooperation and, finally, sets out how the economic security dimension of the EU-Canada relationship can be deepened further.

The report is divided into three chapters.

**Chapter 1** unpacks the **notion of economic security** and inventories the **emerging economic security architectures in Canada and the EU**.

- **Economic security** is an **umbrella concept** that focuses on an economy’s vulnerability to disruption. Horizontally, it links hitherto disjointed policy fields (including international trade and investment, national security, industrial policy). Vertically, it emphasizes the need to coordinate national and international policies (bilaterally, minilaterally and multilaterally). Economic security considerations can relate to: (1) **economic resilience** to absorb natural and political threats, (2) **anti-coercion** (or “defensive economic security”), which guards against weaponization of economic linkages, and (3) **economic statecraft** (or “offensive economic security”), which uses economic tools offensively in pursuit of non-economic policy objectives.
- In 2023, the **EU** adopted a **European Economic Security Strategy**. The strategy, prompted by multiple geopolitical shocks (China’s state capitalism, US unilateralism, Russia’s war and COVID-19), has pushed the EU away from its traditionally liberal, institution-driven trade model toward a more interventionist approach centred on (1) identifying dependencies, (2) protecting critical technologies and infrastructure, and (3) building resilient partnerships, though implementation remains uneven and slow.
- Even though **Canada** lacks a formal economic security strategy, it has also developed a **sophisticated arsenal of economic security tools** in response to economic security threats. China’s coercive restrictions on Canadian canola and meat exports, Russia’s full-scale invasion of Ukraine and the US’ escalating use of tariffs and “economic force” against Canada have put the spotlight on economic and security vulnerability in relation to trade, defence and critical infrastructure. The recognition of this vulnerability has created political will for greater economic agency and a diversification towards more reliable and trusted partners such as the EU.

**Chapter 2** discusses existing Canada-EU cooperation on economic security.

- Building on the **Canada-EU Comprehensive Economic and Trade Agreement** (CETA) and typically under the structure of the **Canada-EU Strategic Partnership Agreement** (SPA), Canada and the EU have been engaging in a variety of dialogues and work formats on questions related to economic security such as critical minerals supplies. Moreover, a digital trade agreement is in the works.
- Importantly, Canada and the EU set up a **bilateral Canada-EU Economic Security Dialogue**, whose inaugural meeting took place in Brussels on 15 January 2025.
- Canada and the EU are thus already addressing the issue of economic security in different ways. It will be crucial to ensure that this ultimately leads to practical results. One problem in this context is that there are many initiatives but **currently no overarching structure to coordinate their implementation**, which makes it very difficult, if not impossible, to adopt an effective, uniform approach.

**Chapter 3** brings these separate, but converging developments together to advance **five tangible recommendations** to deepen Canada-EU economic security cooperation.

1. **Create an “Economic Security Council”:** Canada and the EU should set up a minister-level steering body that provides a cohesive vision and direction for coordinated action.
2. **Joint monitoring of critical supply chains:** Leveraging existing precedents, Canada and EU should set up a common economic resilience framework that identifies and monitors critical supply chains and coordinates on shock-mitigation strategies, including via joint stockpiling and mutual assistance.
3. **Strengthen and secure the critical infrastructure that links Canada and the EU:** Canada and the EU should jointly finance and build critical infrastructure, align ownership/security standards and investment screening to prevent weak links, develop new physical/digital connections to reduce reliance on third-country-controlled nodes (e.g., US-routed fibre cables), and deepen defence/security cooperation to protect these assets.

4. **Digital economic security:** Canada and the EU should use ongoing negotiations on a new digital partnership to protect common digital infrastructure and discuss technology-related economic security alignment.
5. **Deter and mitigate coercive policies by third countries:** Canada and the EU should prevent economic security concerns from disrupting their bilateral trade by committing not to align with potentially harmful, coercive policies of third states and jointly develop mechanisms for targeted supply chain substitution away from disrupter countries.

The common denominator across all these actions is that Canada and the EU can boost their respective economic security through deeper cooperation and more institutionalized economic security coordination. 🍁

## Introduction

**The foundations of global economic relations are shifting.** The *Canada-European Union Comprehensive Economic and Trade Agreement* (CETA), concluded in 2016, was negotiated in a period defined by liberal economic principles, global integration and the pursuit of market access. This era of rules-based globalization has been profoundly challenged by the weaponization of economic interdependence.<sup>1</sup> The COVID-19 pandemic, Russia’s invasion of Ukraine and mounting geopolitical frictions have exposed chokepoints in global supply chains.<sup>2</sup> Economic coercion has emerged as a strategic concern prompted by China’s use of export restrictions on rare earth minerals, for example, as well as the resurgence of protectionism in the United States (US), which now weaponizes access to its markets to force policy changes abroad.<sup>3</sup>

Canada and the European Union (EU) are challenged in a fundamental, perhaps even existential, way through these developments. They have economies built around the domestic and international rule of law, with strong support for and from multilateral institutions, and a shared belief that market forces can deliver innovation, transparency and prosperity. These foundational principles are threatened through unfair economic and trade practices, power-based international rivalries, unilateralism and neo-imperialist efforts to control economic resources. These challenges were central to Canadian Prime Minister Mark Carney’s speech in Davos in January 2026, where he warned that economic “integration becomes the source of [a country’s] subordination.”<sup>4</sup> Both Canada and the EU, therefore, are redefining their economic and political future to withstand disruption while preserving their liberal-democratic values, their sovereignty, their security and their prosperity.

In this new landscape, “economic security” has become a central concern for policymakers. In the EU, the European Commission has – together with the

Economic security is linked to a reassessment of international economic relations that lead to new policy tools as well as strengthened existing measures.

High Representative of the Union for Foreign Affairs and Security Policy – adopted an *European Economic Security Strategy* in 2023 and is attempting to implement the associated fundamental policy change with wide-ranging tools and initiatives.<sup>5</sup> Canada, for its part, has continued to enhance its economic security architecture, including through new guidelines for its investment-screening mechanism.<sup>6</sup> In both cases, economic security is linked to a reassessment of international economic relations that lead to new policy tools as well as strengthened existing measures.

At the same time, however, Canada and the EU understand that securing one's economy cannot be achieved alone. It requires international cooperation and, echoing Prime Minister Carney, middle powers that act together.

This report assesses how Canada and EU can build on existing strong bases to intensify their economic-security cooperation. It describes the present state of their joint efforts and makes concrete suggestions on how this cooperation can be intensified. Both sides have a robust cooperation record on economic-security matters starting from the conclusion of CETA and, more importantly, the *Strategic Partnership Agreement* (SPA) in 2016 to, more recently, intensified cooperation on raw materials and artificial intelligence. However, the various economic-security policy areas on which they cooperate have insufficient coordination with each other. What is needed, among other things, is an overarching coordination mechanism to guide and structure EU-Canada economic security action.

Coordination across subject areas is especially important because, by its very nature, economic security cuts across governments, businesses, technologies and infrastructure networks.<sup>7</sup> For this reason, to be effectively governed, economic security requires strong coordination across government departments and agencies at various levels of government as well as with business and civil society. Such coordination is difficult for any state or jurisdiction, but it is even more so for federal ones, like Canada and the EU, where competencies are distributed (and sometimes shared) across multiple levels of government. Assuming that effective economic security coordination can be achieved domestically, it must then be extended internationally when states cooperate with each other.

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## Understanding Economic Security in Canada and the EU

**Pandemic-related supply-chain disruptions, increased security threats and geoeconomic tensions** have unsettled the foundations of global economic governance. Economic interdependence, once seen as a source of prosperity and peace, is increasingly viewed, at least in part, as a strategic liability.<sup>8</sup> The “weaponization” of market access, supply chains and infrastructure networks have brought the notion of economic security to the forefront of economic policy-making.

But what does economic security even mean? How is it different from national security or strategic industrial policy? And, what have Canada and the EU done to strengthen their respective economic security? This chapter unpacks the concept of economic security and offers a brief review of the Canadian and European economic-security architectures.

### 1. What is economic security?

Economic security deals with an economy’s vulnerability to disruption. The Atlantic Council defines economic security “as the policies and strategies adopted by states to ensure resilience and stability of their economies in the face of internal and external threats.”<sup>9</sup> Similarly, the OECD notes that “economic security refers to a nation’s ability to protect and sustain its economic stability and growth by strengthening its resilience against external and internal threats.”<sup>10</sup> An economic security lens thus offers a counter-perspective to the liberal-internationalist view that dominated the post-Cold War order until recently. While liberal-internationalism views deepening international commercial ties as sources of peace and

prosperity and emphasizes how specialization and trade can yield mutual gains and “lift all boats”,<sup>11</sup> economic security spotlights the risks and threats to national economies resulting from deepening global economic integration.<sup>12</sup>

States that have adopted their own (supra)national economic security strategies, such as the EU, Japan and the UK, tend to identify **four types of economic security risks**:<sup>13</sup>

- ***Risks to supply chains in critical industries***: Disruptions of international supply chains in sectors of critical importance – such as energy, high-end manufacturing, pharmaceuticals and technology – that result in the unavailability or scarcity of critical goods and services.
- ***Risks to critical infrastructure***: Threats to physical infrastructure (ports, railways, electricity grid, telecommunications, undersea cables, etc.) and digital infrastructure (data centers, cloud services, sensitive data, etc.).
- ***Risks to critical technologies***: Threats to technological capabilities, advancements and competitiveness, especially in emerging sectors such as AI, Quantum or semi-conductors.
- ***Risks of political weaponization of interdependence***: Targeted and strategic disruptions of economic linkages for non-economic objectives.

Economic security strategies can have **three overarching objectives**:

1. Most economic security policies seek to improve **economic resilience**, or the “the capacity of a state to anticipate, withstand and adapt to externally induced economic shocks or coercion that threaten its national welfare, strategic autonomy or long-term prosperity”.<sup>14</sup> Resilience is agnostic regarding the source of disruption, encompassing the ability to absorb human-made supply shocks but also those triggered by natural disasters such as climate change or pandemics. Typical resilience tools include, but are not limited to, supply-chain mapping and monitoring, diversification of supplies, building capacity redundancies and stockpiling.
2. Some economic security policies also aim to strengthen a state’s **defences against the weaponization of economic dependencies**.<sup>15</sup> Some such weaponization is also known as economic coercion, which

has been defined as “measures affecting trade and investment in an abusive, arbitrary, or pretextual manner to pressure, induce or influence a foreign government into taking, or not taking, a decision or action in order to achieve a strategic political or policy objective, or prevent or interfere with the foreign government’s exercise of its legitimate sovereign rights or choices”.<sup>16</sup> Defensive economic security measures include unilateral deterrence and retaliation tools such the *EU Anti-Coercion Instrument* or collective economic security defences, such as concerted retaliation or coordinated diversification.

3. Economic security can also have an **offensive dimension**, sometimes referred to as **economic statecraft**,<sup>17</sup> by which states use the arsenal of trade, investment and technology controls to exploit related dependencies in order to proactively shape other states’ strategic behaviour. In the early 2000s, the US alongside other western states began to use the global financial infrastructure, which they controlled, to curtail terrorist-financing by cutting access to dollar-based financial transactions, a practice later extended to pressure North Korea, Iran and Russia economically.<sup>18</sup> More recently, trade and investment measures, from tariffs to export and capital controls, have been used to achieve non-economic foreign policy and security goals.

Importantly, economic security is a **horizontal policy**.<sup>19</sup> It links several hitherto largely independent policy fields, namely national security, industrial policy and international economic policy.

First, economic security is about fending off **economic-based threats to national security**. Economic security emphasizes that economic interdependence can be weaponized for one-sided political gains and that specialization can result in chokepoints that allow a single country to hold the entire global economy hostage.<sup>20</sup> In 2017, the first Trump administration famously asserted that “economic security is national security”.<sup>21</sup> Second, economic security is about preserving **long-term economic competitiveness** and is, thus, closely related to industrial policy. A new conventional wisdom is emerging that maintaining industrial capacity and competitiveness in the face of foreign disruption requires state intervention and targeted industrial policy.<sup>22</sup> Finally, economic security shapes international economic policy-making by **balancing economic liberalization and efficiency objectives with resilience goals**.<sup>23</sup> The horizontal

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**FIGURE 1:** Economic security is a horizontal concept that links different policy fields



nature of economic security concerns requires breaking through bureaucratic silos to achieve close coordination across ministries and agencies that have traditionally specialized in one of these policy fields.<sup>24</sup>

Economic security also has an important **vertical dimension** linking domestic and international policy-making. While domestic policy interventions from stockpiling to support measures for critical industries and the shielding of

sensitive infrastructure from foreign control are important means to safeguard economic security, international cooperation is necessary to amplify national-interest policies while reducing their costs. Moreover, an international economic security dimension can complement and de-risk domestic economic security efforts by ensuring access to critical goods and services when national supplies are insufficient or disrupted.

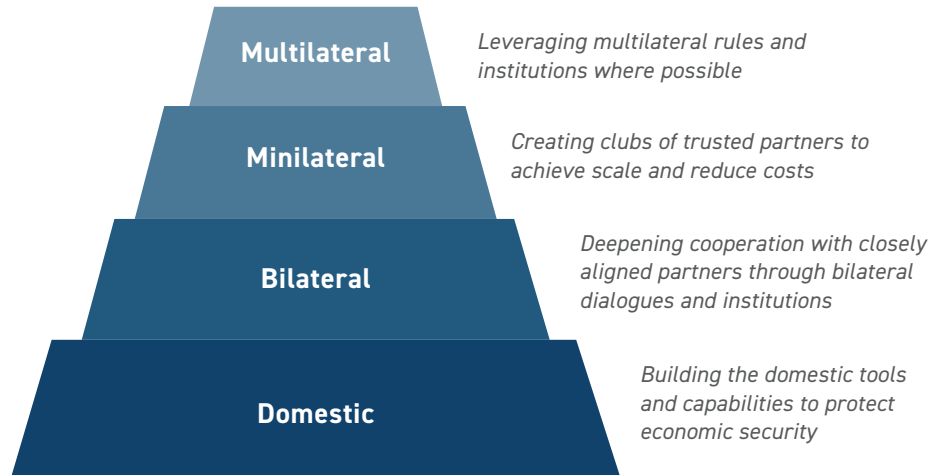
The interconnectedness of the domestic and international invites thinking of economic security along vertical layers that complement each other.

Unsurprisingly, then, national economic-security strategies all emphasize the need for international action: the *UK's National Security Strategy* notes

the need to “cooperate” with partners;<sup>25</sup> the Japanese *National Security Strategy* identifies the importance to “coordinate” measures with others,<sup>26</sup> the *European Economic Security Strategy* speaks of the urgency to “partner” with

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**FIGURE 2:** Economic security policy uses domestic, bilateral, minilateral and international fora



countries which share the EU's concerns or interests on economic security.<sup>27</sup> The interconnectedness of the domestic and international invites thinking of economic security along vertical layers that complement each other from the domestic, bilateral, minilateral to the multilateral sphere.

At the **domestic** level, governments' economic security efforts focus on building core national capabilities. For economic resilience, this includes measures such as re-shoring key production, providing diversification incentives or maintaining strategic stockpiles, such as Canada's post-COVID strategic personal protective equipment (PPE) reserves or the US's and the EU's push for domestic semi-conductor manufacturing (through their respective *Chips Act*). This also involves the protection of strategic sectors including through the planned *Steel Overcapacity Regulation* by the EU.<sup>28</sup> Defensive economic security tools include investment screening and anti-coercion tools designed to shield the economy from external pressure; Canada's tightened *Investment Canada Act* reviews for critical minerals (which is mirrored by the recent reform of the EU's investment-screening regime) illustrate this trend. Offensive tools, such as autonomous sanctions or technology export controls enable states to shape the behaviour of others, as seen in US controls on advanced chips bound for China.

Economic security considerations are also increasingly integrated into **bilateral** trade or economic partnership arrangements. The *Georgia-United Kingdom Strategic Partnership and Cooperation Agreement* (2019), for example, commits the parties to a strategic political dialogue that includes deepening cooperation to protect and manage critical infrastructure and to combat hybrid threats.<sup>29</sup> Similarly, recent Chilean and EU free trade agreements contain new clauses on cooperation on cybersecurity matters in their e-commerce chapters, which include exchanging best practices on critical infrastructure resilience and cyber defence.<sup>30</sup> The *Korea-United Arab Emirates CEPA* (2024) explicitly deals with supply chain resilience and disruptions.<sup>31</sup> The *2023 US-Japan Critical Minerals Agreement* also includes defensive economic security elements such as coordination against non-market practices in the critical minerals space and on investment screening.<sup>32</sup>

**Minilateral** coordination frameworks also include new economy security content that allows participating states to build scale, redundancy, and leverage by working with trusted partners. The G7, for example, has been a focal point for coordinating economic security across the world's leading economies. The *2023 G7 Leaders' Statement on Economic Resilience and Economic Security* notes the "importance of cooperating on enhancing security and resiliency in critical infrastructure particularly in the digital domain".<sup>33</sup> The G7 also developed a strong and consistent practice condemning economic coercion and, in 2023, set up a *Coordination Platform on Economic Coercion*<sup>34</sup> and has been very active in developing new, resilient critical mineral supply chains through a *2025 Critical Minerals Action Plan*.<sup>35</sup> In addition, the *Indo-Pacific Economic Framework Supply Chain Agreement* (IPEF SCA), pushed for by the Biden administration, is the most explicit binding treaty to operationalize supply chain resilience as part of a minilateral framework.<sup>36</sup> The treaty signed in 2023 comprises 14 Indo-Pacific nations, including the US, Australia, India, Japan and Vietnam.<sup>37</sup> The IPEF SCA establishes a cooperative, forward-looking resilience strategy aimed at strengthening economic security through diversified supply lines and coordinated crisis mechanisms. Finally, minilateral arrangements can also have offensive character including coordinated sanctions regimes (e.g., sanctions against Russia by G7 and EU partners) and plurilateral export-control coalitions, such as the US-Japan-Netherlands alignment on semi-conductor manufacturing equipment.

At the **multilateral** level, resilience is supported through global market access commitments that allow trade diversification, standards and institutional mechanisms (e.g., WTO notification disciplines). Multilateral disciplines against arbitrary or pretextual trade restrictions remain central to protecting states from coercion, even though enforcement challenges persist. Finally, offensive economic statecraft at the multilateral layer includes globally coordinated sanctions and export-control norms, such as the *Wassenaar Arrangement* on dual use goods. While often politically complex, multilateral arrangements can enhance efficiency, reduce circumvention and provide broad legitimacy for economic security interventions.

**TABLE 1: Economic security instruments (overview)**

| GOVERNANCE LAYER    | RESILIENCE  | DEFENSIVE ANTI-COERCION  | OFFENSIVE ECONOMIC STATECRAFT   |
|---------------------|---|--|---|
| <b>Domestic</b>     | <ul style="list-style-type: none"> <li>• Re-shoring industries</li> <li>• National stockpiles</li> <li>• Supply chain monitoring</li> <li>• Robust critical infrastructure</li> <li>• Safeguarding industrial base</li> </ul> | <ul style="list-style-type: none"> <li>• Countermeasures</li> <li>• Inbound investment screening</li> <li>• Protecting critical infrastructure and technologies</li> </ul> | <ul style="list-style-type: none"> <li>• Sanctions</li> <li>• Export controls</li> <li>• Outbound investment rules</li> </ul>   |
| <b>Bilateral</b>    | <ul style="list-style-type: none"> <li>• Coordination</li> <li>• Joint action to protect critical infrastructure</li> <li>• Shared monitoring of supply chains</li> </ul>   | <ul style="list-style-type: none"> <li>• Information-sharing on investment screening</li> <li>• Coordination against coercive practices</li> </ul>                         | <ul style="list-style-type: none"> <li>• Common sanctions and export controls</li> </ul>  |
| <b>Minilateral</b>  | <ul style="list-style-type: none"> <li>• Friend-shoring</li> <li>• Joint stockpiles</li> <li>• Shared monitoring of supply chains</li> </ul>  | <ul style="list-style-type: none"> <li>• Concerted retaliation</li> <li>• Coordinated diversification</li> <li>• Joint screening principles</li> </ul>                     | <ul style="list-style-type: none"> <li>• Concerted sanctions</li> <li>• Plurilateral export controls</li> <li>• Strategic tech alliances</li> </ul>                     |
| <b>Multilateral</b> | <ul style="list-style-type: none"> <li>• Global monitoring</li> <li>• Multilateral stockpiles</li> <li>• Open resilience standards</li> </ul>   | <ul style="list-style-type: none"> <li>• Rules against arbitrary restrictions</li> <li>• Binding dispute settlement</li> <li>• Anti-circumvention cooperation</li> </ul>   | <ul style="list-style-type: none"> <li>• Multilateral sanctions frameworks</li> <li>• Global export-control norms</li> <li>• Technology surveillance regimes</li> </ul> |

## 2. The EU's economic security architecture

For a long time, progressive trade liberalization and deepening institutionalized economic integration both at home and abroad dominated the EU's trade and investment policy.<sup>38</sup> The goal of “harmonious development of world trade” as a guiding principle and counter-narrative to fears of a “Fortress Europe” not only reflected a conviction within the institutions, but was also incorporated into primary law as an explicit objective of the EU's common commercial policy (article 206 TFEU). At first, this involved a preference for multilateral integration, while preferential trade agreements were subject to an informal moratorium.<sup>39</sup> This changed with the *Global Europe* strategy in 2006<sup>40</sup> and sector-specific measures such as the *Raw Materials Initiative*<sup>41</sup>. But, neither of these policies served to build resilience and diversify European supply chains; instead, they responded to the lack of further progress on trade liberalization in the WTO.

Since 2017/2018, however, the EU has **gradually created new instruments** to adapt its own trade and investment policies in light of the new growing geopolitical instability, the erosion of the multilateral trading order and the EU's exposure to strategic dependencies, even though “[n]either its history nor its unique institutional structure suggested that [it] would be well positioned for this geoeconomic turn”.<sup>42</sup> After France, Italy and Germany called on Trade Commissioner Cecilia Malmström to take action in response to sharply rising Chinese investment and exports, the EU adopted an *Investment Screening Regulation* (EUSR) in 2019.<sup>43</sup> The EUSR established a EU-wide dialogue on the control of foreign direct investment giving the EU Commission a voice in areas that lie between traditional trade policy and national security.<sup>44</sup> The subsequent proliferation of national screening mechanisms across member states illustrates how the EUSR helped normalize security-based scrutiny of foreign investment within the EU, but also how the perception of global trade has changed over time.<sup>45</sup> Further examples of more geopolitically-oriented trade and investment policies are the reform of the *Dual-Use Regulation* in 2021<sup>46</sup> and the adoption of the *Foreign Subsidies Regulation* (FSR) in 2022.<sup>47</sup> Under the FSR, the EU Commission has far-reaching investigative and decision-making powers to assess and redress distortive foreign subsidies in the EU internal market (e.g., ex-officio investigation, articles 9–18 FSR, or merger review, articles 19–26 FSR).<sup>48</sup>

In addition, the EU has also increasingly pursued initiatives that are generally directed **against foreign interference** in the sovereignty and security of the Union:

- In 2017, the EU adopted the *Framework for a Joint EU Diplomatic Response to Malicious Cyber Activities* (“Cyber Diplomacy Toolbox”) to increase the EU’s ability to prevent, discourage, deter and respond to malicious cyber activities.<sup>49</sup>
- Since 2019, the EU Commission has been calling on member states to take concrete measures to assess the cybersecurity risks of 5G networks and strengthen risk mitigation measures (*EU Toolbox for 5G Security*).<sup>50</sup>
- In 2022, the EU Commission published its *Toolkit on Tackling Foreign R&I Interference* which outlines best practices to support EU Higher Education Institutions and Research Performing Organisations in safeguarding their fundamental values, as well as to protect their staff, students, research findings and assets.<sup>51</sup>
- As a response to the first Trump administration and Chinese interventions into domestic policies of member states, the EU adopted the *Anti-Coercion Instrument* (ACI) in 2023 which provides the EU with a legal basis to respond, including through trade retaliation, against threats and acts of economic coercion.<sup>52</sup>

These and other initiatives were increasingly placed under a central narrative of EU **“strategic autonomy”**.<sup>53</sup> While there is no common definition of strategic autonomy, it can be understood as “[s]triving for multilateral solutions, while being able to take lawful action alone to safeguard the Union’s values, fundamental interests, security, independence and integrity”<sup>54</sup> or “as the capacity of the EU to act independently in realising its strategic objectives and defending its interests and values”.<sup>55</sup> This emphasis on the Union’s strategic autonomy stems from experiences with an increasingly fragmented world order, which has been marked by a power struggle between the US and China in particular, but also by Russia’s first attack on Ukraine in 2014. The EU Commission translated this narrative into its 2021 communication on an “open, sustainable and assertive trade policy” which, on the one hand, confirms a “unilateral turn” in the EU’s trade agenda,<sup>56</sup> but, on the other hand, underlines its commitment to the WTO

system and its reform, thus engaging in a **balancing act between unilateral self-assertion and continued international economic integration**.

With the *European Economic Security Strategy* (EESS) of June 2023, however, the EU's economic and trade policy underwent an even more **fundamental shift**. It was again the EU Commission that took the initiative together with the High Representative of the Union for Foreign Affairs and Security Policy. The EESS calls for the identification of critical dependencies and points to different kinds of instruments that may help to diversify supply chains and protect against external shocks, including coercive measures by third states. The notion of economic security, while left undefined in the document, is used in this context as the motivation for significant trade policy interventions, and as justification for broad industrial and security policy initiatives.<sup>57</sup>

The EESS emphasizes the need for a “clear-eyed” risk analysis, for which the following broad and non-exhaustive categories of risks to economic security have been identified: resilience of supply chains, physical and cyber security of critical infrastructure, technology security (and technology leakage) and weaponization of economic dependencies or economic coercion.<sup>58</sup> To mitigate these risks, the EU's new strategy provides **three fields of action**:

1. promotion of the EU's economic basis, competitiveness and growth (“**promote**”);
2. protection against economic security risks (“**protect**”) and
3. partnering on economic security (“**partner**”).<sup>59</sup>

The WTO is mentioned in this context as only one of several possibilities for multilateral cooperation. The EU emphasizes its willingness to continue the reform process, as it believes that an effective WTO plays a “critical role (...) in minimizing the risk of arbitrary behavior and narrowing the scope of possible trade restrictions”.<sup>60</sup> At the same time, it becomes clear that the EU is focusing more on bilateral and multilateral relations (such as the G7) when it comes to cooperation in the area of economic security.

Within the context of the EESS, numerous existing or proposed industrial, trade, climate and security policy instruments were mentioned and identified as important elements of a comprehensive EU economic security policy.<sup>61</sup> This applies to funding mechanisms such as the *Cohesion Fund*, *Horizon Europe* or the

*Strategic Technologies for Europe Platform* (STEP), as well as to comprehensive regulatory frameworks such as the *Net-Zero Industry Act*,<sup>62</sup> the *Chips Act*,<sup>63</sup> the *Critical Raw Materials Act*,<sup>64</sup> the *Internal Market Emergency and Resilience Act*,<sup>65</sup> and the *Cyber Resilience Act*.<sup>66</sup> The EESS also refers to numerous cybersecurity tools, such as the *5G Toolbox*, the *Toolkit on Tackling Foreign R&I Interference*, the reformed *EU Hybrid and Cyber Diplomacy Toolboxes*,<sup>67</sup> or the *Directive on the Resilience of Critical Entities* and revised *Directive on the Security of Network and Information Systems* (NIS2 Directive).<sup>68</sup>

Since the strategy was adopted, the EU Commission and, to some degree, the Council have sought to translate considerations of economic security into **practical measures** through various initiatives:

- Commission Recommendation to the member states identifying **ten technology areas** as critical for the EU's economic security (3 October 2023).<sup>69</sup>
- Council Recommendations that aim to **strengthen research security** across the EU in response to growing geopolitical tensions, foreign interference and risks of knowledge misuse in international research cooperation (23 May 2024).<sup>70</sup>
- Commission Recommendation on **outbound investments** according to which the member states should gather information (“review”) on investments related to semi-conductor, artificial intelligence and quantum technologies (15 January 2025).<sup>71</sup>
- Commission Recommendation on closer cooperation by creating a coordination framework to enable member states to identify similar **export-related risks** on a voluntary basis, exchange information and coordinate in the preparation of national control lists (8 April 2025).<sup>72</sup>
- Proposal for Reform of the EUSR on which the Council and the European Parliament reached a political agreement in December 2025.<sup>73</sup>

On 20 January 2026, the EU Commission proposed a reform of the *Cyber Resilience Act* that aims to further harmonize cyber security standards, but also allows for international cooperation.<sup>74</sup> As part of the proposal, the Commission would get the power to designate “high-risk suppliers”, which would subsequently be prohibited from using, installing or integrating, in any form, information and communication technology (ICT) components in the operation of key

ICT assets.<sup>75</sup> Further, the EU Commission plans to adopt the *European Research Area Act* in 2026<sup>76</sup> and has announced additional measures to strengthen research security across the EU at the inaugural *European Flagship Conference on Research Security* in Brussels.<sup>77</sup> An even more far-reaching industrial policy approach is expected with the planned *Industry Accelerator Act*, which is set to introduce far-reaching restrictions such as local content requirements and maximum acquisition thresholds.<sup>78</sup>

In parallel to all these autonomous measures, the EU has increasingly been **integrating aspects of economic security into its international economic relations**. For example, recent EU free trade agreements often include chapters on energy and raw materials.<sup>79</sup> In its last report on the implementation and enforcement of EU trade policy, the Commission also assessed free trade relations according to their impact on strategic flexibility and supply-chain resilience.<sup>80</sup> Other initiatives concern strategic dialogues (e.g., the *High-Level Economic Dialogue* with Japan)<sup>81</sup> or *Trade and Technology Councils* (TTCs) with the United States and India.<sup>82,83</sup>

In December 2025, the European Commission and the High Representative published a new Joint Communication *Strengthening EU Economic Security*, which can be considered as a further development of the EESS without, however, the necessary cohesion and clarity of a “doctrine”.<sup>84</sup> It emphasizes “the need for the EU to act with greater boldness, speed and unity” by “improving information gathering, monitoring and analysis, as well as the capacity to anticipate emerging threats; deterring third countries from weaponizing the Union’s dependencies; reducing our exposure to third countries that may weaponize such dependencies; and preventing efforts to undermine our derisking actions”.<sup>85</sup> The new Joint Communication also tries to **define economic security** as the “Union’s ability to ensure security, alongside other objectives, through a strong, dynamic and resilient economy by anticipating, deterring and responding to potential or actual threats, linked to the EU’s economic relationships with the wider world”.<sup>86</sup> A major part of the Joint Communication is devoted to the Commission’s identification of **six high-risk areas** “where it will concentrate its efforts in immediate to short term, in close cooperation with Member States, industry and trusted partners”.<sup>87</sup>

- Strengthening supply-chain resilience and counteracting high-risk dependencies in critical goods and services.

- Attracting value-added inbound investment that reinforces the EU's economic security.
- Supporting a vibrant defence and space industrial base, and other high-risk industrial sectors.
- Developing and maintaining leadership across critical technologies.
- Preventing access to sensitive information and data that could undermine the EU's economic security.
- Preventing and mitigating disruptions to EU critical infrastructure affecting the EU economy.

Overall, the Joint Communication indicates a **progressive integration of economic security into EU economic and trade policies**. Economic security policy in the EU requires a long-term restructuring of supply chains and economic relations as a whole through a transition from market-opening framework conditions to an integrated system of market-access control based on a relationship of trust. Simultaneously, EU member states are trying to find their own approach to economic security, which consists not only of implementing actions but also autonomous or parallel initiatives and cooperation with third states. This is necessary, not only because of the EU's competence system, which does not provide for exclusive competence of the Union in areas of economic security, but also to reconnect national governmental structures to EU policy-making. At the same time, however, these, sometime divergent, national approaches make the development of a common EU economic security agenda and action plan more difficult.

### 3. Canada's emerging economic security strategy

Like the EU, Canada has generally followed liberal and institutionalist trade and investment policies. Unlike the EU, however, the Canadian federal government has not proposed or developed a comprehensive strategy to address economic security opportunities and challenges.<sup>88</sup> Nevertheless, it has adopted **strategies and action plans to address specific economic security risks**. Over the last 20 years, Canada's economic security measures have developed incrementally to address vulnerabilities in supply chains, critical infrastructure, foreign investment and research security. These actions reveal a **pragmatic approach** focused on resilience and technological protection. Canada's piecemeal yet substantial

approach to economic security covers several risks and objectives identified by the EU in its strategy: strengthen supply chain resilience; prevent and mitigate disruptions to critical infrastructure (security of critical infrastructure); prevent access to sensitive information and data that could undermine economic security (technological security and leakages); and attract value-added inbound investment that reinforces economic security. The premiership of Mark Carney, which began in the spring of 2015, has reinforced these trends by integrating national and economic security deeply in Canadian economic policy-making.

Already in 2009, federal, provincial and territorial governments adopted the *National Strategy for Critical Infrastructure*.<sup>89</sup> The Strategy provides an overarching public-private framework for protecting and enhancing the resilience of critical infrastructure across ten designated sectors.<sup>90</sup> It aims to build partnerships across various levels of government and infrastructure owners/operators, implement an all-hazards risk management approach and improve timely protection and sharing of information, ultimately enabling partners “to respond collectively to risks and target resources to the most vulnerable areas of critical infrastructure” in order to ensure the continuity of businesses and governments.<sup>91</sup> Moreover, after introducing an initial *Cyber Security Strategy* in 2010,<sup>92</sup> the Government of Canada launched a new, broader national effort to defend against cyber threats with the *National Cyber Security Strategy* in 2018.<sup>93</sup> Similarly to the National Strategy for Critical Infrastructure, this second strategy’s primary focus is security and resilience “[t]rough collaborative action with partners and enhanced cyber security capabilities [to] protect Canadians from cybercrime, respond to evolving threats, and defend critical government and private sector systems”.<sup>94</sup> In 2020, Innovation, Science and Economic Development Canada (ISED) established the *Canadian Forum for Digital Infrastructure Resilience* (CFDIR) to support the National Strategy for Critical Infrastructure and the National Cyber Security Strategy. The CFDIR is a public-private collaboration to enhance the resilience of Canadian critical digital infrastructure.<sup>95</sup>

Following the COVID-19 pandemic’s supply-chain disruptions, the federal Minister of Transport announced the creation of the *National Supply Chain Office* in December 2023, whose objectives are “to strengthen Canada’s supply chains and increase the economy’s competitiveness”.<sup>96</sup> The Office’s tasks consist of:

- “Develop and implement a National Supply Chain Strategy;
- Support the federal government’s efforts in responding to significant supply chain disruptions, such as those related to extreme weather and labour disputes;
- Support data sharing so that goods can move more efficiently, as well as facilitate strategic policy, regulatory and investment decisions by governments and industry; and
- Provide overarching leadership and coordination, foster collaboration and conduct external outreach with regard to interprovincial/territorial and global supply chain issues”.<sup>97</sup>

At the time of writing this report, the Office had yet to announce a *National Supply Chain Strategy*.<sup>98</sup> Instead, it had concentrated its efforts on collecting and sharing data to “help government and industry make smarter policy, regulatory, investment and operational decisions”.<sup>99</sup>

In December 2022, the Government of Canada also released the *Canadian Critical Minerals Strategy* to “increase the supply of responsibly sourced critical minerals and support the development of domestic and global value chains for the green and digital economy”.<sup>100</sup> As such, this Strategy’s main focus is to build more secure and resilient supply chains (from exploration through mining, processing, manufacturing and recycling) for Canada and its allies in, for example, EV batteries, electronics, defence and clean energy. It is a response to the world’s over-reliance on China as a supplier of critical minerals and rare earths and their downstream products such as magnets and batteries,<sup>101</sup> made even more problematic with the resurgence in military spending and the need to develop security and defence industrial supply chains that cannot be weaponized by foreign firms and governments.<sup>102</sup> Through 2024, the Government of Canada had allocated nearly C\$4 billion in funding to implement the Strategy.

In addition to strategies and action plans, the Government of Canada has **enhanced its economic security toolkit**. First, Canada has updated its foreign investment screening mechanism, including its national-security review powers under the Investment Canada Act, which allow the federal government to scrutinize or block foreign investments that could threaten the security or resilience of critical infrastructure assets and networks. New guidelines, first announced in 2021, now include an **explicit reference to economic security:**

“The potential of the investment to undermine Canada’s economic security through the enhanced integration of the Canadian business with the economy, or any sector of it, of a foreign state”.<sup>103</sup> This is operationalized by:

- **Enhanced scrutiny of foreign state-owned enterprises (SOEs):** The government wants to ensure that Canadian assets are protected from foreign investors who “may be motivated by non-commercial imperatives that are contrary to [Canada’s] interests and could be injurious to [its] national security”<sup>104</sup> including in the critical minerals sectors.<sup>105</sup>
- **Enhanced scrutiny of investments involving sensitive technologies:** Investments related to technologies from the *Sensitive Technology List*<sup>106</sup> are treated as presumptively higher risk and more likely to trigger an in-depth national security review especially when tied to state-linked investors or located near strategic sites.
- **Sensitive personal data:** The prevention of investment that enables access to sensitive personal data, which could be used or leveraged to harm Canadian national security through its exploitation.<sup>107</sup>

Second, for **telecommunications networks**, Canada launched a *Security Review Program* in 2013 to assess designated equipment and services used by Canadian telecom service providers, including 3G/4G/LTE and now 5G infrastructure. This program has required mandatory assurance testing in independent labs for certain vendors’ equipment and has led to restrictions or exclusions of high-risk suppliers and equipment from sensitive parts of Canadian networks, particularly in the context of 5G security policy. It has now been replaced by the *Telecoms Cyber Resilience Program* (TCRP), which expands support to Canadian mobile network operators in establishing secure and resilient 3G, 4G and 5G networks by sharing threat and mitigation information.<sup>108</sup> It is this program that led to the prohibition of Huawei and ZTE equipment and managed services in Canadian 4G and 5G networks.<sup>109</sup>

Third, Canada has built a significant **research-security architecture** in the last five years, centred on new funding conditions, a specialized *Research Security Centre* and tools targeting “sensitive technology” and risky foreign affiliations. These measures are designed to keep the system open and collaborative, while screening out partnerships and projects that create unacceptable national-security

or economic-security risks. *National Security Guidelines for Research Partnerships* introduced in 2021 integrate national-security due diligence into funding decisions.<sup>110</sup> In 2022, the federal government set up the Research Security Centre within Public Safety Canada to act as the main federal interface with universities on research security.<sup>111</sup> New policies on sensitive research areas and affiliations of concern now conditions eligibility for federal grants.<sup>112</sup>

In summary, over the last 20 years, Canada's economic security measures have developed **incrementally rather than through a unified strategy**. While lacking a formal definition or overarching framework, the federal government has implemented significant policies to address vulnerabilities in supply chains, critical infrastructure, foreign investment and research security. These actions reveal a pragmatic approach focused on resilience and technological protection.

In recent months, under Prime Minister Mark Carney's leadership, the federal government has been putting together the missing pieces to an **emerging comprehensive economic security strategy for Canada** in response to what Carney calls a "rupture" in the US' role in the world and its relations with "allies".<sup>113</sup> *Budget 2025* reinforced Canada's economic security agenda through major investments in infrastructure, critical minerals and defence, including C\$115 billion for infrastructure, a new C\$2 billion *Critical Minerals Sovereign Fund* and targeted support for strategic industries. Framed around a shift "from reliance to resilience", the federal budget links protection of strategic sectors with export diversification, Arctic infrastructure with dual-use applications, and renewed investment in the domestic defence industrial base.<sup>114</sup>

In short, Canada's approach to economic security has evolved from a fragmented set of measures into a comprehensive economic security strategy in all but name. These separate measures, amplified by recent initiatives under Prime Minister Mark Carney, signal a **decisive shift toward resilience, sovereignty and strategic autonomy**. Through investments in critical minerals, defence and space industries, supply-chain infrastructure and resilience, and sensitive technology protection, Canada is laying the foundations for an implicit economic security strategy that aligns closely with the EU's.

– II –

## Bilateral Economic Security Policy of the EU and Canada

**Canada and the EU** have a long, deep and layered history of economic and security cooperation. Economic security has become an increasingly important subject matter as part of their broader relationship. Existing structures, notably the *EU-Canada Comprehensive Economic and Trade Agreement* as well as the *EU-Canada Strategic Partnership Agreement*, form the foundation on which a range of distinct economic security cooperation efforts have emerged.

### 1. Foundations of Canada-EU economic security cooperation

The *EU-Canada Comprehensive Economic and Trade Agreement* (CETA), signed in 2016, is the cornerstone of economic cooperation between Canada and the EU. As a “mixed” agreement, with shared competencies between the supranational (EU) and the national (member-state) levels, it requires ratification by the EU as well as all its member states, which is still pending in some members.<sup>115</sup> All parts of the CETA that fall under the EU’s exclusive competence (all trade-related commitments) have been provisionally applied since 21 September 2017.

The CETA was signed in a different era. It focused primarily on **improved market access**, a more balanced investment protection and sustainable trade rather than economic security. Elements of the CETA, however, do touch on economic security concerns:

- (non-discriminatory) access to critical infrastructure (chapters 14 and 15);

- a bilateral dialogue on raw materials (articles 25.1(1)(c), 25.4 CETA), which covers “any relevant issue of mutual interest”;
- enhanced cooperation on science, technology, research and innovation, which, *inter alia*, aims for increasing industrial competitiveness (articles 25.1(1)(d), 25.5 CETA);
- regulatory cooperation in general is limited to aspects of better and non-discriminatory market access, even if the objectives named in article 21.3 CETA appear to be broad enough to also include economic security concerns.

Despite the limited explicit economic security clauses, the EU Commission’s latest impact assessment regarding the CETA underscores the agreement’s importance for economic security cooperation: “CETA has also contributed to a closer economic relationship between the EU and Canada. In the current (increasingly challenging and volatile) global climate for EU and Canadian companies and for the EU and Canadian economies, both Parties aim to **increase economic security for their supply chains by trading more with reliable trading partners** and by promoting sustainable development”.<sup>116</sup> The assessment goes on to note the positive impact of the CETA on supply chain resilience and security, trade diversification, reduction in import concentration, development of critical minerals and raw materials, and technology cooperation.<sup>117</sup> This demonstrates that the EU not only concludes new agreements for reasons of economic security, but also views its existing agreements in this light and assesses the need to adapt them accordingly.

The CETA’s institutional structure involves a *Joint Committee* as central governing body (article 26.1 CETA),<sup>118</sup> assisted by specialized committees focused on selected areas of trade cooperation (article 26.2 CETA) and contact points for administrative purposes (article 26.5 CETA). This structure is complemented by bilateral dialogues mentioned in article 25.1 CETA.

In parallel to the CETA, both sides signed a *EU-Canada Strategic Partnership Agreement (SPA)* on 30 October 2016.<sup>119</sup> It was meant to “to further deepen and broaden bilateral cooperation on a wide range of issues such as international peace and security, counter-terrorism, human rights and nuclear non-proliferation, clean energy and climate change, migration and peaceful pluralism, sustainable development, and innovation”.<sup>120</sup> As France, Italy and Estonia have

not yet ratified the SPA, it has only been provisionally applicable since 1 April 2017 (article 30.2 SPA). The SPA does not mention economic security *per se* but includes elements that pertain to economic security. For instance, article 12.6 SPA states the following:

The Parties recognise the importance of the energy sector to economic prosperity and international peace and stability. They agree on the need to improve and diversify energy supplies, promote innovation and increase energy efficiency in order to strengthen energy opportunity, energy security, and sustainable and affordable energy. The Parties shall maintain a high-level dialogue on energy and continue to collaborate through bilateral and multilateral means in order to support open and competitive markets, share best practices, promote science-based, transparent regulation, and discuss areas of cooperation on energy issues.

Compared to the CETA, the SPA is more open to cooperation in general. Possible topics are not limited by existing commitments. Article 26 SPA explains: “The Parties shall endeavour to strengthen their dialogue and consultation in an effective and pragmatic fashion to support their evolving relationship, to advance their relations and to promote their common interests and values through their multilateral engagement”. Article 15.4 SPA notes that Canada and the EU “shall continue to further their cooperation in the development and use of space assets to support citizens, businesses and government organisations” while article 17 SPA indicates that they are committed to “minimise the impact of natural and man-made disasters and increase the resilience of society and infrastructure”.

Cooperation under the SPA takes place in the form of a *Joint Ministerial Committee* (JMC), which is “co-chaired by the Minister of Foreign Affairs of Canada and the High Representative of the Union for Foreign Affairs and Security Policy [and] meets on an annual basis, or as mutually agreed as circumstances require”. To support the JMC, the SPA created the *Joint Cooperation Committee* (JCC), which is co-chaired by senior officials from Canada and the EU and meets at least once per year.

The **CETA and the SPA provide robust foundations** that have allowed Canada and the EU to further deepen their economic security cooperation in

specific sectors as detailed below. In addition, it should be noted that bilateral relations between Canada and individual EU members also provide strong bases for economic security cooperation. For example, in the area of raw materials, bilateral cooperation with Germany and France is taking place alongside cooperation between the EU and Canada.<sup>121</sup> In January 2026, the EU Commission approved a €200 million German scheme to support the production in Canada of renewable hydrogen and its derivatives, which will be imported to Germany and sold in the EU.<sup>122</sup>

## 2. Economic security cooperation in specific areas

Economic security featured explicitly for the first time during the Canada-EU summit of 15 June 2021. In their joint statement, Canada and the EU committed to **cooperate on several economic security matters** and introduced several specific initiatives:<sup>123</sup>

- *Canada-EU Strategic Partnership on Raw Materials:* To ensure “the security of critical minerals and metals value chains – which are essential to the transition to a climate-neutral and digital economy, as well as to creating and supporting good jobs of the future”, Canada and the EU inaugurated a new partnership to work alongside the CETA’s annual bilateral dialogue on raw materials established under the CETA, with a view to enhance the “security and sustainability of trade and investment; integration of raw material value chains; science, technology and innovation collaboration; and environmental, social, governance (ESG) criteria and standards”.
- *Canada-EU Digital Dialogue and the Global Partnership on Artificial Intelligence:*<sup>124</sup> The partnership was created to support “a free, secure and open Internet”, “global standards and regulatory approaches for digital trade and technologies, in particular regarding [...] secure 5G and 6G networks, blockchain, cybersecurity and trustworthy artificial intelligence” as well as closer cooperation “on secure cross-border data flows through strong security and privacy safeguards”.

After the summit, Canada and the EU maintained their commitment to cooperate on matters of economic security. In May 2022, the *EU-Canada Joint Ministerial Committee* under the SPA held its third meeting. In terms of economic security,

the JMC's joint declaration focused on two areas: 1) “**security of supply chains for minerals and metals** that are critical to achieving the transition to climate-neutral and digitalised economies” and 2) energy security following Russia's invasion of Ukraine and economic sanctions imposed on Russia.<sup>125</sup> On the second issue area, the JMC set up the *Canada-EU energy security working group* (also known as the green transition and liquefied natural gas working group [WGGTL]) under the *EU-Canada High Level Energy Dialogue* (HLED) to “develop a concrete action plan to deepen EU-Canada cooperation towards a net zero energy transition, enhance security of supply and work to eliminate the EU and its Member States' dependence on Russian energy”.

Six months later, the SPA's JCC issued its third report on the state of the Canada-EU relationship.<sup>126</sup> This report mentioned that six rounds of high-level calls took place in the WGGTL's framework between April and October 2022, “to review Canada's offer to engage further on LNG, hydrogen, uranium, biomass, potash and critical raw materials”. A WGGTL sub-working group on uranium and nuclear fuel had also been “working on evaluating [Canada's and the EU's] respective nuclear fuel capabilities, and those of other like-minded countries, on improving the security of supply of nuclear fuel, and exploring opportunities to modernise their treaty relations to facilitate increased trade and partnership in the nuclear energy and technology space”. With respect to the *Strategic Partnership on Raw Materials*, the JCC reported that important investment and production decisions, both by European companies in Canada and Canadian companies in the EU, as well as partnerships, were announced in strategic areas such as the battery value chain, rare earth elements and potash.

At the 2023 Canada-EU leaders' summit, held in St. John's, Newfoundland and Labrador on 23-24 November, several announcements relevant to economic security were made. First, the leaders launched the *Canada-EU Digital Partnership* to strengthen their cooperation on artificial intelligence, research and innovation, and on secure international connectivity and cyber security. Second, both sides announced that they would set up a bilateral *Canada-EU Economic Security Dialogue*, whose inaugural meeting took place in Brussels on 15 January 2025 to define the scope and structure of the initiative.<sup>127</sup>

The *Canada-EU Digital Partnership* has the “potential to increase Canada and EU economic security, including by increasing cooperation on supply chain resilience and digital emerging and critical technologies and to create a shared

understanding of risks”.<sup>128</sup> A *Digital Partnership Council* (DPC) is responsible for steering the partnership. It is expected to meet yearly. The existing *Canada-EU Digital Dialogue* continues to be responsible for technical-level work, including dialogues with stakeholders (e.g., academia, industry associations and not-for-profit organizations). The Partnership’s deliverables are expected to feed into the yearly Canada-EU summits.<sup>129</sup> The initial set of issues that Canada and the EU identified as possible areas of joint action are wide-ranging, but also include specific economic security matters, including “supply chain monitoring and effective early warning mechanisms with a view to addressing disruptions to the semiconductor supply chain” and cooperation on cyber security.<sup>130</sup>

On 8 December 2025, the DPC held its first meeting. The DPC’s joint statement mentioned three areas of focus to advance “their interests to boost competitiveness, innovation and economic resilience”: (1) enabling innovation and research, (2) promoting fair, predictable and trust-based digital economies, and (3) promoting sovereign technological capacity.<sup>131</sup> On the latter, the joint statement, notably, reaffirmed the DPC’s commitment to resilient semi-conductor supply chains by, for example, “identifying vulnerabilities and advancing cooperation on the development of effective early warning mechanisms to identify potential disruptions”. It also mentioned the DPC’s support for “secure and high-quality connectivity between the EU and Canada and with other world regions” and highlighted the need of “operationalizing a concrete vision for Arctic connectivity, with a view to advancing economic security, unlocking opportunities for communities in the Far North and enabling climate monitoring of the Arctic region.”<sup>132</sup>

At the 2025 Canada-EU leaders’ summit, which took place in Brussels on 23 June, the two sides decided to reinforce their strategic partnership through **two new initiatives**:<sup>133</sup>

- *EU-Canada Security and Defence Partnership*: The document states that Canada and the EU’s security is “interconnected and interdependent”. It also underlines that “[i]t is not limited to traditional military and defence-related issues, but is increasingly multidimensional, ranging from the rapidly evolving cyber, emerging tech and hybrid threats to maritime and outer space, including the protection of critical infrastructure, societal resilience, and economic security”.<sup>134</sup> Specifically, with respect to economic security, the Security and Defence

Partnership notes cyber issues, the climate-change and security nexus, and external aspects of economic security. The Canada-EU Economic Security Dialogue was reaffirmed as the platform for strategic and technical discussions related to key economic security issues including “energy security, strengthening the resilience of supply chains and ensuring the secure sourcing of critical minerals essential for defence, and their economic and technological security, as well as protecting our most sensitive research and technology, while promoting stability and supporting efforts to ensure the rules-based multilateral trading system is modernised and fit for purpose in addressing emerging challenges”.<sup>135</sup>

- *New EU-Canada Strategic Partnership for the Future* deepens cooperation between the EU and Canada on economic security, energy, industrial policy and strategic technologies.<sup>136</sup> Key priorities include: advancing the EU-Canada Economic Security Dialogue, strengthening resilient energy and clean-tech value chains (including LNG, renewables, low-carbon hydrogen, and nuclear cooperation through a modernized Canada-Euratom Nuclear Cooperation Agreement), launching a new EU-Canada Industrial Policy Dialogue, and promoting resilient, ESG-aligned projects in strategic sectors such as semiconductors. The agenda also highlights cooperation on critical minerals via the EU-Canada Strategic Partnership on Raw Materials, completing a renewed Canada-EU Competition Cooperation Agreement, and expanding collaboration on AI, cybersecurity, secure connectivity (5G, subsea cables) supported by joint research and innovation under the Canada-EU Digital Partnership and the EU-Canada Science and Technology Cooperation Agreement.

While several of these commitments for cooperation between Canada and the EU are not new, what is remarkable is that they are **regrouped under one document**. As such, the New EU-Canada Strategic Partnership for the Future brings together what Canada and the EU have accomplished, set out to do and are planning since the SPA and the CETA were concluded.

The importance of this comprehensive cooperation was again emphasized at the fourth meeting of the JMC in November 2025, where both sides “reaffirmed their determination to further strengthen their robust and enduring

partnership”.<sup>137</sup> At this meeting, Canada and the EU underlined, *inter alia*, “their shared commitment to countering hybrid threats, including foreign information manipulation and interference (FIMI) through international coordination mechanisms such as the G7 Rapid Response Mechanism (G7 RRM)”.<sup>138</sup> In this regard, both sides “underscored the importance of coordinated responses, including measures that raise the cost for malign actors, joint attributions when appropriate and public statements that shine light on these activities and help build international norms”.<sup>139</sup> They also made clear that cooperation on matters of economic security also relate to other geographic areas, such as the Indo-Pacific (“given the region’s importance to global stability and economic security”).

In short, **Canada and the EU have progressively expanded their cooperation on economic security issues since 2021.** Although economic security was not an original focus of the CETA and the SPA, it has increasingly shaped bilateral initiatives from securing critical mineral and energy supply chains to enhancing collaboration on digital technologies, cybersecurity, artificial intelligence and space. Successive joint statements, ministerial meetings and new mechanisms – including the Strategic Partnership on Raw Materials, the Digital Partnership, the Energy Security Working Group, the Economic Security Dialogue and the Industrial Policy Dialogue – have created broad and strong foundations for joint responses to emerging geopolitical, technological and climate-related risks. So far, these initiatives have focused for the most part on economic security’s “resilience” dimension (see Table 2); however, they could eventually serve as a basis for joint “defensive anti-coercion” actions in the future. **The main challenge that the two partners now face is implementing all these initiatives and commitments in an effective and coordinated manner** to make their respective economies and their economic exchanges more resilient in the face of an increasingly unpredictable and hostile environment. Today, we can safely conclude that economic security has become a key pillar of the relationship between Canada and the EU.

The main challenge that the two partners now face is implementing all these initiatives and commitments in an effective and coordinated manner.

**TABLE 2: Bilateral cooperation on economic security until 2025 (overview)**

| CANADA-EU INITIATIVES  | RESILIENCE  | DEFENSIVE ANTI-COERCION   | OFFENSIVE ECONOMIC STATECRAFT |
|--|---|---|-------------------------------|
| <b>Comprehensive Economic and Trade Agreement (September 2017)</b> | Information-sharing and coordination: <ul style="list-style-type: none"> <li>• Energy</li> <li>• Raw materials</li> <li>• Critical infrastructure</li> <li>• Science, technology, research and innovation</li> </ul>  | N/A   | N/A                           |
| <b>Strategic Partnership Agreement (April 2017)</b>                | Information-sharing and coordination: <ul style="list-style-type: none"> <li>• Energy</li> <li>• Climate change</li> <li>• Critical infrastructure</li> <li>• Space</li> </ul>  | Information-sharing and cooperation on hybrid threats   | N/A                           |
| <b>Strategic Partnership on Raw Material (June 2021)</b>           | Information-sharing, coordination and joint actions: <ul style="list-style-type: none"> <li>• Integration of Canada-EU raw materials value chains</li> <li>• Science, technology and innovation</li> <li>• Environmental, social, and governance (ESG) criteria and standards</li> </ul>  | N/A   | N/A                           |
| <b>Digital Dialogue (June 2021)</b>                                | Information-sharing and coordination: <ul style="list-style-type: none"> <li>• Leveraging digital tools and regulations to promote a sustainable post-COVID-19 recovery</li> <li>• Global standards on copyright, platforms and digital credentials, secure 5G and 6G networks, blockchain, cybersecurity to support digital trade and technologies</li> <li>• Global Partnership on Artificial Intelligence</li> </ul> | N/A   | N/A                           |
| <b>Energy Security Working Group (May 2022)</b>                    | Joint actions (investment and research) to "enhance security of supply"   | Joint actions (investment and research) to "work to eliminate the EU and its Member States' dependence on Russian energy" | N/A                           |

| CANADA-EU INITIATIVES   | RESILIENCE   | DEFENSIVE ANTI-COERCION | OFFENSIVE ECONOMIC STATECRAFT |
|---|--|-------------------------|-------------------------------|
| <b>Digital Partnership (November 2023)</b>                      | <p>Information-sharing, coordination and joint actions:</p> <ul style="list-style-type: none"> <li>• Identify vulnerabilities in supply chains and technologies to develop a shared understanding of risks</li> <li>• Promote supply chain resilience and digital emerging and critical technologies (e.g., supply chain monitoring and effective early warning mechanisms with respect to semiconductors)</li> <li>• Promote secure and high-quality connectivity between the EU and Canada and with otherworld regions (including in the Arctic)</li> <li>• Promote sovereign technological capability</li> <li>• Promote fair, predictable and trust-based digital economies</li> </ul> | N/A                     | N/A                           |
| <b>Economic Security Dialogue (November 2023)</b>               | <p>Exchange views:</p> <ul style="list-style-type: none"> <li>• To address shared risks on economic and energy security policies</li> <li>• To strengthen the resilience of supply chains</li> <li>• To ensure the secure sourcing of critical minerals essential for defence, and economic and technological security</li> <li>• To protect sensitive research and technology</li> <li>• To support efforts to modernize the rules-based multilateral trading system</li> </ul>   | N/A                     | N/A                           |
| <b>Industrial Policy Dialogue (June 2025)</b>                   | Strengthen and diversify trade and international partnerships  | N/A                     | N/A                           |
| <b>Competition Cooperation Agreement (June 2025)</b>            | Provide a legal framework to coordinate enforcement activities and share information obtained through investigative powers   | N/A                     | N/A                           |
| <b>Science and Technology Cooperation Agreement (June 2025)</b> | Support research and industrial collaboration in research security, artificial intelligence, semiconductors, quantum sciences, cyber security, climate change, oceans, circular economy, polar research and researcher mobility and training   | N/A                     | N/A                           |

– III –

## Building on Strong Economic Security Foundations

Canada and the EU have developed elaborate frameworks and initiatives for enhancing their own respective economic security as well as collaborating on economic-security matters. The challenge that they face is **making these frameworks and initiatives work together effectively**. In other words, they face a **governance challenge**, which the SPA and the CETA were not designed for, because economic security was not an issue of common concern when these agreements and their institutional architecture were negotiated more than a decade ago.

This section provides five recommendations to **create a more robust Canada-EU economic security relationship**. It proposes a new overarching, coordinating *Canada-EU Economic Security Council* overseeing bilateral economic security initiatives. It then offers concrete suggestions for cooperation and rulemaking across the four economic-security risk areas discussed in this report: (1) vulnerabilities in supply chains, (2) critical infrastructure, (3) emerging technologies and (4) economic coercion.

### **Recommendation 1:**

**Establish a *Canada-EU Economic Security Council* that brings together high-level Canadian, EU and member-state officials to discuss all matters related to economic security.**

To develop a coherent, coordinated and common economic-security agenda, the EU and Canada need to institutionalize their cooperation through a high-level council. A *Canada-EU Economic Security Council* would set the annual

**strategic agenda** for all economic-security related cooperation. It would map and “own” the ecosystem of dialogues and partnerships. It would **issue binding coordination mandates** to working groups, so they reinforce each other instead of duplicating efforts. It would **consolidate reporting and evaluation** from all relevant Canada-EU bodies and may also **coordinate parallel dialogue** with EU member states as well as Canadian provinces and territories when relevant. It would **build common definitions and taxonomies** for key concepts such as criticality, risk, sensitive technologies, etc. Also, it could **serve as forum** for conclusion of legally binding agreements on aspects of economic security. Such a council is necessary for four reasons.

First, **existing cooperative infrastructures** such as the CETA Joint Committee are too narrow in mandate to accommodate the wide-ranging nature of economic-security issues. As mentioned above, economic security cuts across numerous policy domains, including trade. Thus, it is difficult for Canada and the EU to develop common and coherent positions on economic security matters through the CETA’s and the SPA’s existing institutional structures. The best way to deal effectively with cross-cutting, economic-security concerns is to establish a central coordinating body that leverages existing institutions and structures for proper implementation.

Second, **no single department or ministry** is responsible for all dimensions of economic security. In Canada, diverse departments, including Public Safety, ISED, NRCan, Finance, and Global Affairs Canada, are jointly implicated. The same is true on the side of the EU and its member states with 27 national governments and administrative structures, some of which have differing preferences regarding economic security. A high-level Economic Security Council **could bridge bureaucratic silos, consolidate information, produce coherent recommendations for governments, and track implementation** across frameworks, initiatives and files.

Third, bilateral **economic-security initiatives are already diverse** and will continue to sprawl. An overarching framework that spans all areas of economic security cooperation, from promoting supply-chain resilience to securing reliable critical-raw-material supplies, would ensure complementarity and mutual reinforcement. Further, it may also help to streamline different bilateral discussions with member states.

Finally, **economic security is a new, emerging concept** with untested boundaries and evolving content. A high-level, coordinating council would **facilitate coordination and knowledge-sharing** between Canada and the EU and help build trust and predictability in this new era. It could also facilitate information sharing and coordination with third parties in minilateral and multilateral settings. Eventually, an Economic Security Council could also be called upon to design and coordinate defensive anti-coercion responses if both Canada and the EU face a similar threat from a third country.

### **Recommendation 2:**

#### **Bring the various supply-chain monitoring initiatives under one roof.**

The EU and Canada should create a joint *Supply Chains Arrangement*, modelled on parts of the *Indo-Pacific Economic Framework Supply Chain Agreement* (IPEF SCA).<sup>140</sup> This arrangement would support mutual notification of supply-chain vulnerabilities, **continuous monitoring and modelling** of potential disruptions, and commitments to **coordinated action** – both to mitigate crises when they arise and to prevent supply disruptions in the first place. It would be responsible for all critical supply chains identified by Canada and the EU, instead of having duplicate resilience mechanisms for each sector. Since supply chains are often interdependent, a common framework with sufficient resources and capacity would ensure that information is properly shared, that monitoring and modelling is done in a comprehensive manner and that actions are coordinated not only between Canada and the EU but also across sectors with all relevant stakeholders involved.

At the core of this framework should be a *Supply Chain De-Risking Network*, staffed by high-level officials from both sides and again inspired by the IPEF SCA. The network would **liaise with industry, facilitate matchmaking** between Canadian and European firms, **help strengthen and diversify supply chains**, and **advance standardization and interoperability** to make supply chains more resilient. To comply with (supra)national competition laws, this network could provide for specific online platforms where supply and demand are brought together without the risk of cartelization. Over time, trusted third parties could be invited to join the network to expand its effectiveness in making Canada's and the EU's supply chains more resilient.

The Canada-EU Economic Security Council would oversee the framework's application and the de-risking network's operation.

### **Recommendation 3:**

#### **Strengthen and secure the critical infrastructure that links Canada and the EU.**

Economic security depends on the existence and reliability of secure infrastructure. This is inherently a transnational concern. Disrupted infrastructure in one economy have ripple effects for others. For example, the absence or disruption of Canadian energy-export facilities would likely create economic security risks for the EU once energy cooperation deepens. Infrastructure-related cooperation should thus deepen and proceed along four lines.

Surprisingly, perhaps, the Canada-EU economic security initiatives mentioned in the previous section do not specifically address critical infrastructure. Only the CETA and the SPA mention critical infrastructure. The CETA talks about each party allowing non-discriminatory access to its critical infrastructure while the SPA uses vaguer language: dialogue and cooperation. Ultimately, Canada-EU cooperation with respect to critical infrastructure is left the CETA Joint Committee and the SPA Joint Cooperation Committee, which meet only once per year, as well as bilateral dialogue with EU member states, thereby not ensuring that critical-infrastructure matters, unless urgent (and perhaps too late), would be addressed. Therefore, Canada and the EU should empower the proposed Economic Security Council to undertake the following actions:

First, the two sides should **expand joint infrastructure financing** by leveraging existing export-development agencies and development-finance institutions to support the construction of mutually beneficial critical infrastructure in both jurisdictions, such as ports or LNG terminals.

Second, they should **coordinate on ownership and control of critical infrastructure**, including common standards for what constitutes secure and reliable infrastructure. This may require alignment on maximum allowable ownership stakes by third-country, state-owned enterprises in ports, transportation links, energy facilities or mines, as well as cooperation on

investment screening to ensure that joint critical infrastructure has no weak links. It may also involve the setting of common standards and exchange between authorities regarding specific cases and/or risk profiles.

Third, Canada and the EU should explore the **creation of new physical and digital infrastructure links** to reduce exposure to third-party actors who currently control key nodes. For example, most fibre-optic cables that connect and Europe currently run through the US.

Fourth, Canada and the EU should **deepen defence and security cooperation** to protect critical infrastructure from hostile state or non-state actors (e.g., telecommunications networks, ports, energy terminals, etc.).

#### **Recommendation 4:**

**Use the upcoming negotiations of Canada-EU Digital Trade Agreement to explicitly include provisions on economic security and emerging technologies.**

Building on existing digital cooperation, the EU and Canada should incorporate a dedicated **economic security chapter** into their Digital Trade Agreement (DTA). This chapter should systematically address technology-related risks, like cybersecurity and emerging technologies such as quantum computing and artificial intelligence.

Because cybersecurity is essential to maintaining trust in digital trade, Canadian and European consumers and businesses must be confident that their data and transactions are secure. The Canada-EU DPA/DTA should, therefore, promote cooperation on information-sharing, cybersecurity standards, joint incident response protocols, risk-based regulation and sovereign capacity-building. These agreements should also provide the opportunity for firms in each jurisdiction that offer cybersecurity hardware and/or software to face a common certification process so that their products and services can be supplied seamlessly in both Canadian and EU markets. Cybersecurity should be addressed through a risk-based approach that balances innovation with resilience.

### **Recommendation 5:**

**Deter and mitigate economic coercion by committing to avoid alignment with coercive actors and by jointly redirecting supply chains away from disruptors.**

Canada and the EU are more likely to be victims of economic coercion than perpetrators. At the same time, their respective global economic and security relationships may limit their ability to fully coordinate countermeasures in every instance, although an Economic Security Council would eventually make such coordination easier. Still, they can take meaningful steps immediately to prevent third countries from weaponizing economic linkages in ways that undermine their shared economic security.

First, Canada and the EU should commit **not to weaponize economic ties against one another**. This should include a commitment to refrain from aligning with third countries in a way that would make either Canada or the EU a vehicle for the economic coercion of the other. Such a commitment should be made openly and timely to set guardrails around the upcoming review of the United States-Canada-Mexico Agreement (USMCA), which is set to begin in the summer of 2026.

Second, Canada and the EU should deepen supply linkages by **systematically incentivizing supplier and customer substitution away from disruptive countries**, using critical raw materials cooperation as a model and leveraging Canadian and European export credit agencies. While in principle the EU and Canadian economies have the depth and breadth to offer viable alternatives to US or Chinese suppliers and customers, companies alone may not have sufficient incentives to step away from existing business relations. Governments thus need to reduce the costs of substitution. Leveraging the Supply Chain De-Risking Network proposed above, the two sides should expand matchmaking mechanisms, enhanced by modern digital tools to enhance scale and efficiency, to help firms build Canada-EU supply chains that bypass partners in unreliable countries and make financial assistance in the form of tax credits or export finance available for that purpose. The overarching principle should be clear: if dependencies are unavoidable, it is better to be dependent on trusted partners. Both sides should also cooperate more closely in monitoring and discussing possible economic coercive measures with trusted third-party partners. ♦

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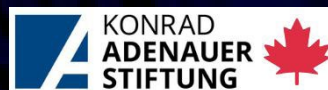




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