

White paper

From resources to resilience: How Canada can capture more value through trade

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Foreword from Alison Nankivell, EDC president and CEO



For decades, Canada's trade agenda has focused on growing exports and diversifying markets. Those objectives remain essential. Today, however, Canada has an opportunity to build on these strengths by pursuing a complementary goal: capturing a greater share of the value created along global value chains (GVCs) and increasing Canada's economic complexity.

Canada enters this moment from a position of considerable strength. We are one of the world's most trade-connected economies, endowed with natural resources, a highly educated workforce, and world-class research institutions. Global investors continue to recognize these advantages.

In 2025, Canada attracted \$93 billion in foreign direct investment, the highest level since 2007. Momentum has continued into 2026, with nearly \$26 billion in foreign investment flowing into Canada in the second quarter alone, much of it directed toward the manufacturing sector. These investments reflect growing confidence in Canada's economic fundamentals, industrial capabilities, and long-term growth potential.

Canada has benefited from its gravitational pull to the United States (U.S.). Being located next to the world's largest and most dynamic economy has afforded Canadian firms access to beneficial supply chains across North America. However, our competitive advantages extend well beyond geography. Canada possesses powerful sources of economic gravity within its own borders: abundant natural resources, leading research institutions, innovative companies, a highly skilled workforce, and a stable investment environment.

These strengths create a strong domestic pull that can support the development of more sophisticated industries, deeper links to global value chains, and greater value creation at home.

The difference in outcomes for Canadian companies is staggering. By exporting raw commodities rather than more complex, processed products, companies leave significant profits on the table. If we scaled these capabilities to produce unique, complex products that give Canada a competitive advantage, we could make a tangible difference for the economy—a nearly \$100-billion addition to gross domestic product (GDP) in today's dollars in the next decade, along with increased capabilities and higher productivity. This is a conservative estimate. The ability to sell more complex products generates gains that compound over time.

So, what can we do to turn these scenarios into reality?

Realizing this opportunity will require a sustained focus on value creation across global value chains. This means creating the right conditions for our companies to build the capabilities that allow them to move up the value chain. To do so, Canada should focus on several strategic priorities:

1. Our approach to trade diversification needs to be linked to integrative trade—i.e., we need to look beyond diversifying our export markets and mirror how companies operate on the ground. This means using a host of investments and value chain linkages to retain more value in Canada.
2. Our funding ecosystem needs to be incentivized to take risks, so we can capture real returns from our natural resources, research and development and human capital.
3. We need to build a base of skilled human capital, with a specific focus on developing entrepreneurial and managerial capabilities critical to scaling companies.
4. We must nurture Canadian services and our strong innovation ecosystem in a way that offers pathways for our intellectual property (IP) to be commercialized within Canada.
5. We must link our trade-enabling infrastructure investments to the goal of moving up the value chain and remaining cost competitive. Our infrastructure needs to connect every node of the Canadian value-added supply chain—from extraction to manufacturing to export gateways—and be affordable and accessible.
6. Finally, our companies must be able to [diversify their exports across multiple markets](#). The objective isn't simply to trade with more partners. Our focus should be on deeper participation in complex, knowledge-intensive activities that raise Canada's share of value capture.

Canada already possesses many of the ingredients to build globally competitive industries. The opportunity now is to build on our strengths, attract investment, develop capabilities and create conditions for Canadian firms to capture more value from the ideas, resources and innovation they bring to the world.



Alison Nankivell

President and CEO

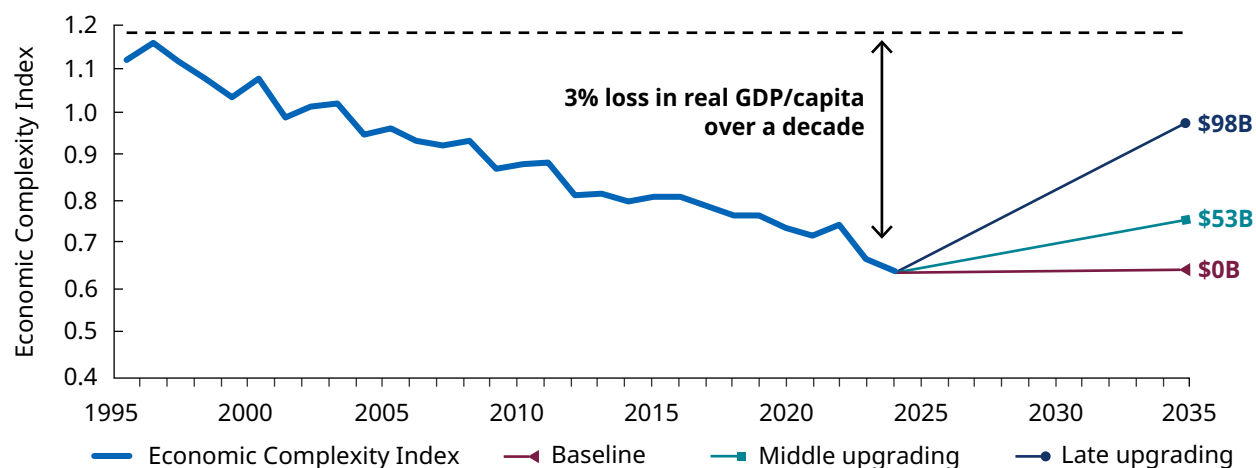
Export Development Canada (EDC)



Key takeaways

- Canada's long-term prosperity will depend less on how much it trades and more on how much value it captures from trade. Countries that secure stronger positions in global value chains earn higher margins and generate stronger national income growth over time.
- Moving up the value chain is complex and can't be done overnight. Higher value-added products require a deep well of capabilities, which countries can build through enabling conditions.
- Economic complexity provides a lens on value capture. Economies that produce differentiated, knowledge-intensive goods and services tend to be more prosperous and better able to sustain a competitive advantage.
- Since the mid-1990s, Canada's economic complexity has declined, while countries such as Japan, Germany, China and South Korea have built capabilities to move into higher-value activities.
- Canada's fall in economic complexity since 1996 has contributed to lower productivity and roughly 3% loss in real GDP per capita over a decade.
- Improving economic complexity would significantly raise Canada's growth trajectory. If Canada makes a sustained move into more sophisticated products and activities, GDP in 2035 could be up to \$98 billion larger than under a stagnant path, with increased capabilities driving higher productivity. This is roughly equivalent to an additional \$2,500 in income per person.

GDP gains to increasing economic complexity



Source: [Haver Analytics, The Growth Lab at Harvard University](#), EDC Economics

- Canada's challenge isn't its resource base; it's how to build on existing strengths by moving downstream, embedding services, technology and intellectual property-intensive activities.
- Improving our economic complexity will require co-ordinated enabling conditions: Integrative trade that includes goods, services and investments, efficient capital and funding ecosystems, stronger commercialization of innovation and intellectual property (IP), targeted skills development, competitive trade-enabling infrastructure and diversification that supports upgrading rather than simply shifting markets.
- When aligned, these conditions reinforce one another, allowing firms to scale, build capabilities and networks and move up the value chain.
- Progress is already underway across many sectors of the Canadian economy. At EDC, we see it firsthand through our customers, who are investing in new capabilities, scaling higher-value activities, and strengthening their position in global markets. Their ambition and innovation are helping build a more productive, resilient, and competitive Canada.
- EDC Economics will continue examining many of these themes, including the role of services, investment, productivity and innovation in strengthening Canada's long-term competitiveness.

Why Canada's trade strategy must focus on value capture

Canada's trade strategy has been anchored by two core objectives: Growing exports and diversifying markets. Both remain important, yet a third objective now warrants equal attention: Increasing Canada's share of value capture within global value chains and building the productive capabilities that underpin economic complexity.

These objectives are mutually reinforcing. Diversification expands opportunities to enter higher-value activities, while greater value capture within global value chains (GVCs) strengthens productivity, competitiveness and long-term export performance. Together, they provide a pathway toward a stronger, more resilient Canada.

This paper offers a framework for understanding Canada's current economic position through the lens of economic complexity. Many of the assumptions that shaped the postwar trading system are being challenged by geopolitical rivalry, technological competition, fragmented supply chains and a less predictable rules-based order.

In response, countries are increasingly adopting more co-ordinated approaches that align trade, investment, innovation, skills, infrastructure and capital to build national capabilities and secure strategic advantage.

Against this backdrop, the paper explores enabling conditions that could help Canada strengthen its economic complexity, move into higher-value segments of GVCs and capture greater returns from its resource base, talent, innovation and investment. While Canada's trade architecture was largely designed for a world of expanding globalization, today's environment demands a more deliberate, co-ordinated and capability-driven approach.

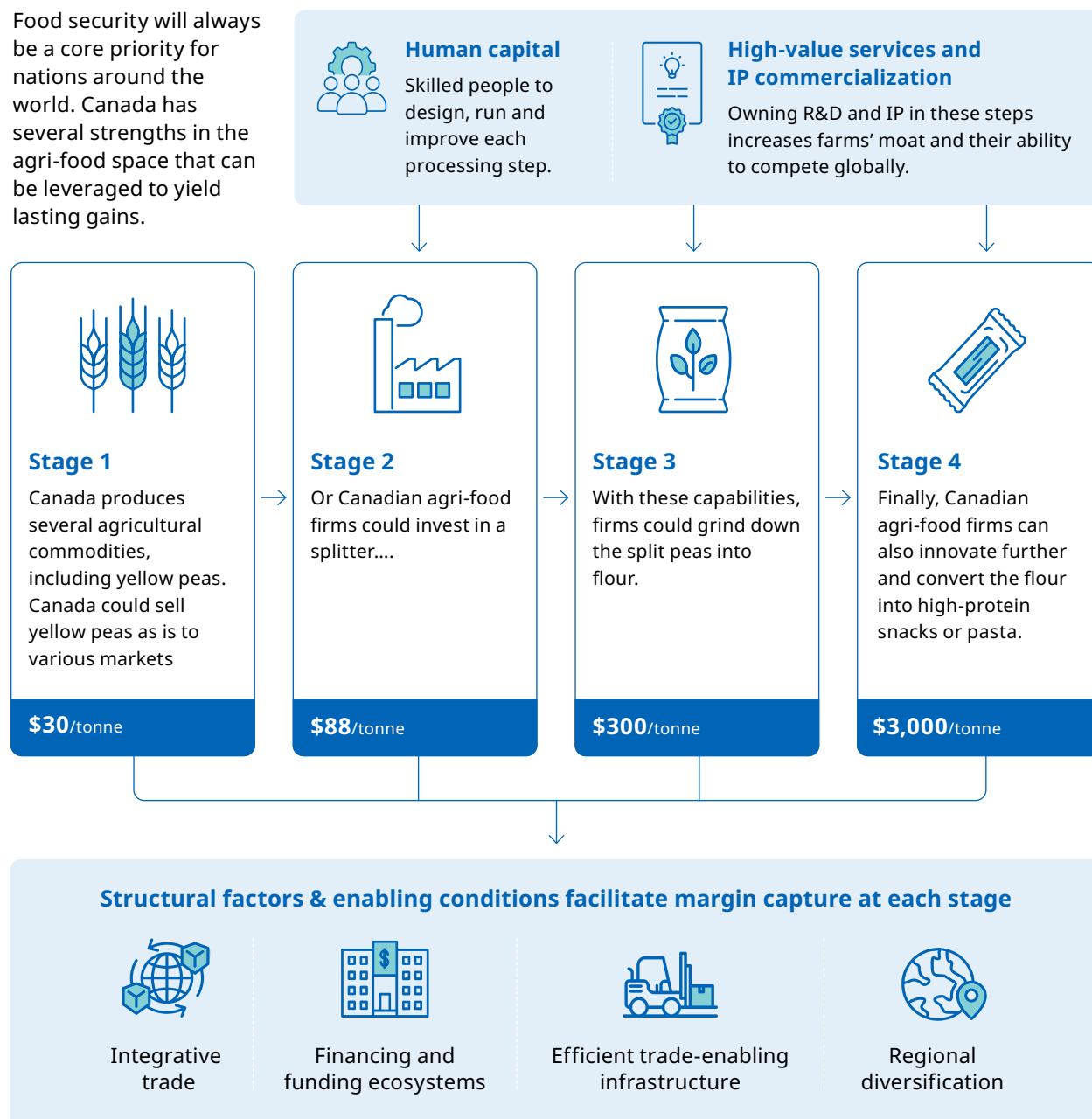


Why stronger positions in global value chains matter

Long-term economic prosperity stems from building strengths in the parts of the chain where margins are higher and capabilities run deeper. The greatest economic gains come not from extracting inputs, but from accumulating the capabilities needed to move up the value chain. Take yellow peas as an example (**Chart 1**). Each step from peas to flour to snacks adds knowledge, intellectual property (IP) and economic value.

Chart 1: Moving up the agri-food value chain is about capturing margin at every stage

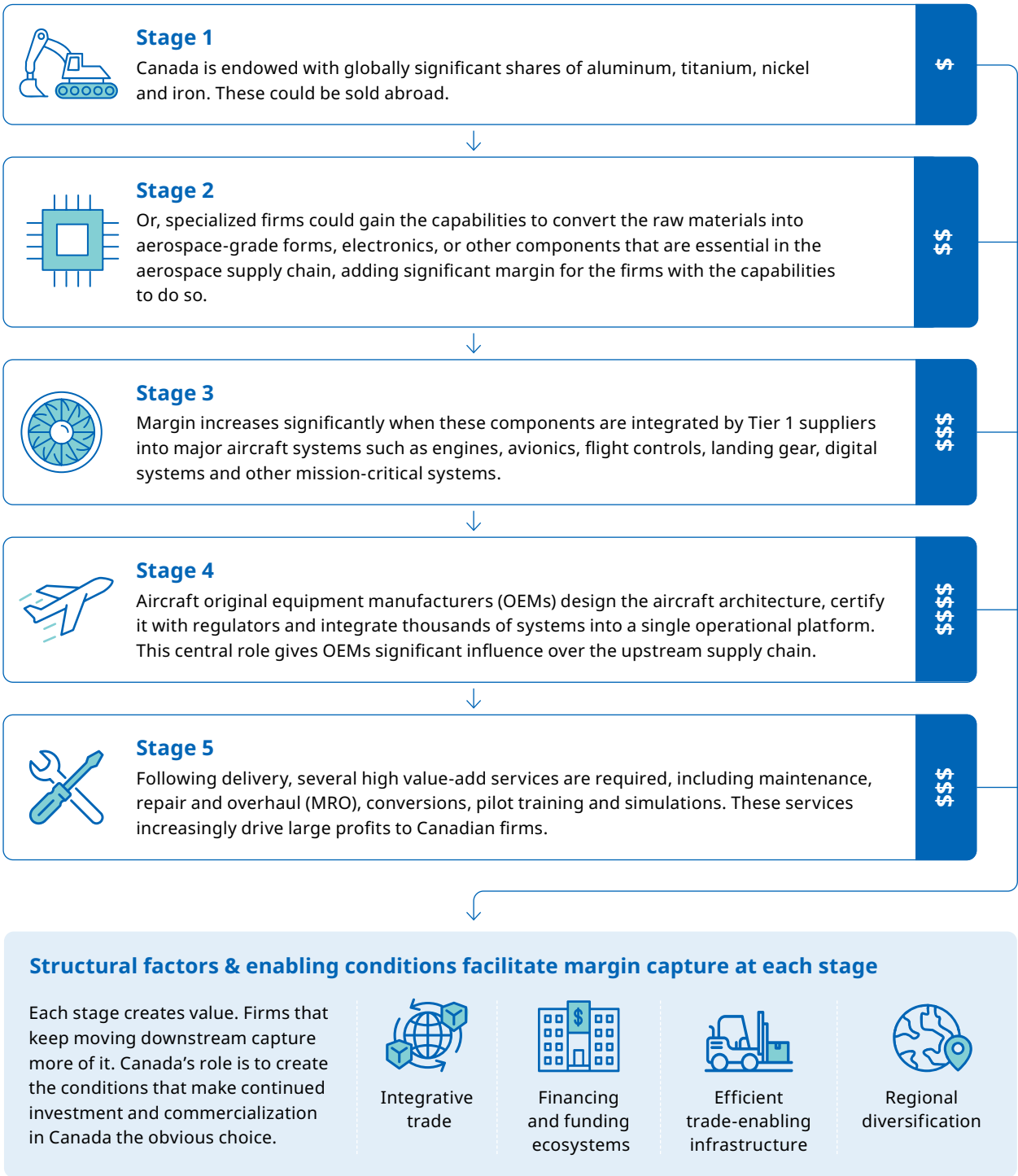
Food security will always be a core priority for nations around the world. Canada has several strengths in the agri-food space that can be leveraged to yield lasting gains.



Source: EDC Economics

The same logic applies to the [aerospace sector](#), where each step—from resource or commodity extraction to products and services—adds margins, knowledge and economic value. The principle applies across all Canadian sectors—from forestry to oil and gas and industrial metals.

Chart 2: Moving up the aerospace value chain is about capturing margin at every stage



Source: EDC Economics

Table 1: Illustrative value-chain progression in select sectors

Resource	Processed input	Component	Complex exports
Copper, steel and silicon	Electrical steel and specialty conductors	Transformer components and power equipment	Grid, data centre and AI infrastructure systems
Uranium	Nuclear fuel	Reactor components and control systems	Nuclear energy systems and lifecycle services
Timber	Engineered wood products	Prefabricated building components	Complete building systems
Canola	Canola oil and biofuel feedstocks	Specialty food and industrial ingredients	Consumer products and sustainable fuels

Source: EDC Economics

Going from a commodity to a more value-added product doesn't happen overnight. Moving across multiple global value chains (GVCs) requires a wide set of capabilities. The capabilities, in turn, are built through enabling conditions such as integrative trade, robust financing and funding ecosystems, innovation, services, skilled human capital, efficient trade infrastructure and regional diversification. Over time, the co-location and interaction of these enabling conditions can generate powerful compounding effects. Dense domestic ecosystems, where talent, finance, inputs and institutions reinforce one another, help lower barriers to innovation and enable cumulative capability-building, as evidenced in successful clusters across advanced economies. Together, these conditions expand what an economy can produce, build capabilities over time and enable firms to move into higher-value activities.

Which countries capture the most value in global value chains?

The [Economic Complexity Index \(ECI\)](#) provides a simple, yet powerful way of understanding which countries tend to do better at producing and selling more sophisticated products. This gives countries selling these products a strong competitive advantage and strategic leverage. While not explicitly included in the ECI framework, modern services underpin every aspect of global production networks and offer specialization opportunities. Recognizing their role, the report treats services as playing a foundational role in building capabilities.

What's economic complexity and why does it matter for Canada?

Economic complexity reflects how well an economy turns knowledge and know-how into competitive exports. A country's economic complexity depends on its underlying capabilities—the mix of skills, expertise, inputs, infrastructure and institutions—that allow firms to specialize and produce more sophisticated goods for global markets. Economic complexity is usually assessed through two dimensions:

- **Diversity:** Measures the breadth of products produced by an economy; and
- **Ubiquity:** Measures how common the products are.

Research has consistently shown that countries with higher economic complexity are more prosperous, resilient to shocks and build lasting competitive advantages. Canada can and must focus on improving its economic complexity.

Chart 3: The economic complexity framework

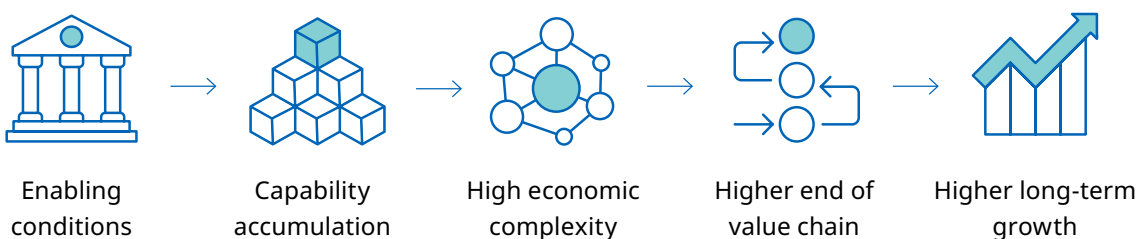


Table 2: Canada's peers have different economic complexity trajectories; ECI rankings by year

Year	Canada	China	France	Germany	Italy	Japan	Sweden	United States	South Korea
1995	17	42	11	4	15	1	2	14	21
2005	25	27	15	5	17	1	7	14	6
2015	30	16	15	5	18	1	9	13	4
2024	35	10	21	6	20	1	13	18	3

□ Complexity rank in 1995 ■ Complexity rank maintained ■ Complexity rank declined ■ Complexity rank gained

Note: The rankings are based on HS92 classifications

Source: [The Growth Lab at Harvard University, \(2026\) Growth Projections and Complexity Rankings](#), EDC Economics

Looking at [ECI rankings](#) over the past three decades provides important insights into which countries have built, retained, or lost the ability to produce complex goods. Key findings from **Table 2** include:

- Japan has dominated the rankings over the past decade; it exports a wide range of complex goods that are knowledge-intensive and produced by fewer countries. Japan has [substantial knowledge capital](#) embedded in firms and industries (through supply chains and research and development (R&D) licensing) and strong industrial clusters and supply chain networks (i.e., keiretsu) that have enabled Japan to remain in [highly complex activities despite slower growth](#).
- Countries such as China and South Korea have made impressive gains in upgrading their capabilities to produce highly complex products. This has happened through [“big push” industrial policies and state-level planning](#). For example, Korea’s rise reflects sequenced industrial upgrading in a few frontier industries (i.e., from heavy industry to electronics to semiconductors) and large firms (chaebols) that co-ordinate investments in R&D, foreign direct investment (FDI) and global market entry. China’s case points to a strong, state-led push from assembly to intermediate and high-tech manufacturing, reflecting more progressive capability building across value chains.
- Advanced European economies have had differing trajectories. Germany, for example, has maintained its ability to competitively produce more advanced goods through specific specializations in key manufacturing clusters (such as automotives) focusing on specialized tacit capabilities in engineering-intensive goods.
- Sweden ranked among the world’s most economically complex countries in the world in the mid-1990s, thanks to its sophisticated product mix. While it still performs relatively well, its [ECI has gradually declined](#) over the past two decades. This partly reflects Sweden’s shift toward rapidly growing services exports, which aren’t captured in ECI metrics¹, as well as increasing global competition in goods exports.

¹ Services are increasingly complex and central to global trade, but data limitations mean they aren’t fully captured in standard economic complexity models. This report treats services as a critical complement to the capabilities needed to move into higher-value, more complex production, but doesn’t include services in the economic model calculations referenced below.

- The U.S. made modest gains over two decades, but in the last nine years, appears to have lost some of its edge in economic complexity, possibly due to the relocation of manufacturing offshore. Even so, the U.S. remains an important outlier. Its world-leading innovation capabilities are highly concentrated in high-value services, which aren't fully captured in the ECI.
- In the past three decades, Canada has become less economically complex—i.e., Canada has produced fewer sophisticated goods competitively. Canada's resource-heavy exports skew its complexity score because many countries can export commodities and these products tend to be less knowledge-intensive than manufacturing or services.

The path for Canada: The industrial policies pursued by Japan, South Korea and China were shaped by economic and geopolitical conditions that no longer exist and can't simply be replicated in Canada. The lesson for Canada isn't to copy their policies, but to adopt the same long-term philosophy: Strategically building capabilities and economic complexity in sectors where we already have competitive strengths. A distinct Canadian approach is combining our strengths in services, advanced manufacturing and resource-based industries to create sophisticated value-added exports and globally competitive firms.

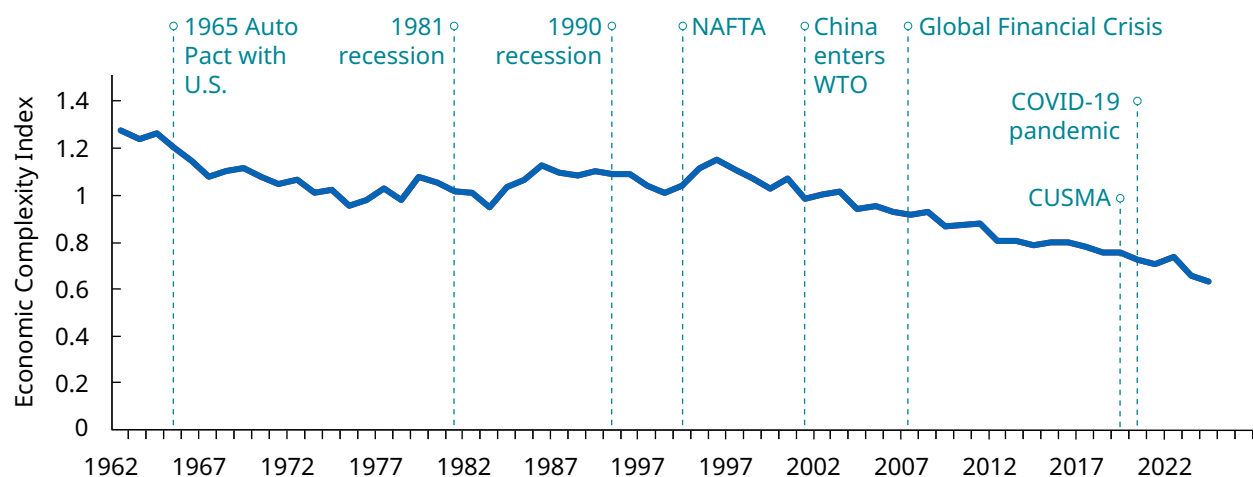


Why has Canada's economic complexity fallen since the 1990s?

Canada's economic complexity has been on a downward trajectory since the 1960s. The 1980s witnessed a slight recovery in Canada's capabilities to produce sophisticated goods competitively. However, since 1996, Canada's economic complexity has trended downward.

While Canada's position today is lower than it was in previous decades, there are encouraging signs of momentum. Initiatives aimed at strengthening industrial competitiveness, attracting investment, developing critical supply chains and advancing innovation are creating opportunities for Canadian firms. These developments underscore an important reality: Canada possesses many of the capabilities needed to build a more complex economy. By examining the history of Canada's economic complexity, we aim to shed light on some additional opportunities for Canada to strengthen its existing advantages.

Chart 4: Canada's ECI score (1962 to 2024) and key global and Canadian events



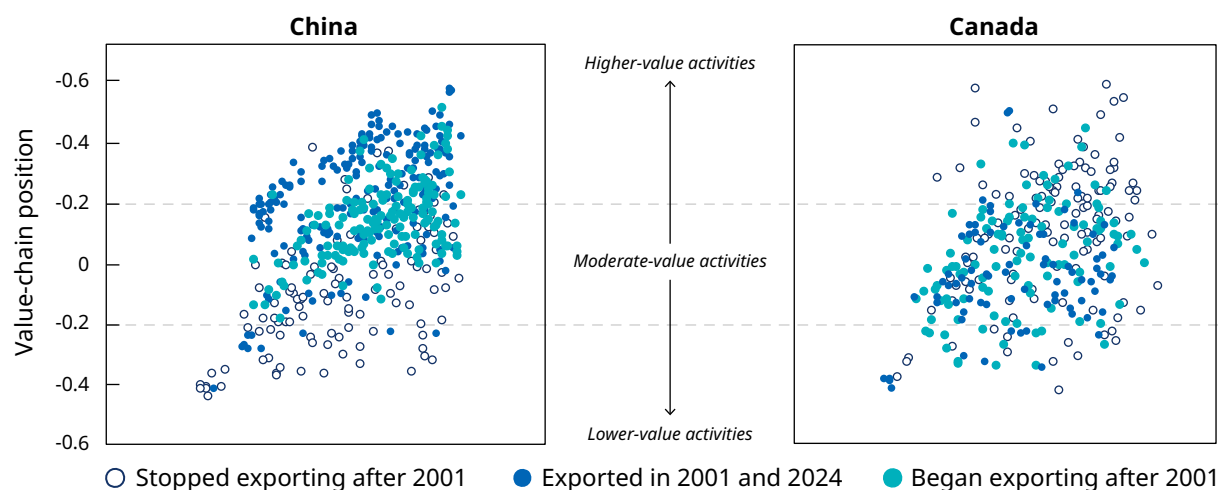
Source: [The Growth Lab at Harvard University, \(2026\) Growth Projections and Complexity Rankings](#), EDC Economics

Here are some hypotheses that could help explain the descent over the past three decades:

- **Canada has struggled to scale global champions:** Once world-leading innovators, Canadian global champions have often struggled to sustain their positions as global competitors scaled up, invested more aggressively and captured key markets. This pattern points not only to firm-level challenges, but to broader ecosystem gaps. Leading global champions typically emerge from and are sustained by well-co-ordinated ecosystems. Many of the countries that rank highly on complexity have large firms that serve as capability hubs. These firms create supplier networks, train workers, diffuse technology and anchor innovation ecosystems. For example, U.S. technology leaders benefit from tightly integrated networks of venture capital, research universities and specialized talent pools prioritizing managerial and entrepreneurial skills (i.e., Silicon Valley). Chinese firms have scaled rapidly with strong state support, domestic market depth and co-ordinated industrial policy. Canada has fewer firms that reach global scale and even fewer industrial clusters at the leading edge of innovation.

- The “**commodity trap**” is evident in both Canada and Australia’s low ECI scores. Exports for resource-rich economies remain concentrated in a narrow set of commodity-based goods. Without deliberate upgrading, [strong global demand for commodities](#) can reinforce this pattern over time rather than develop broader capabilities. For a resource-rich economy, like Canada, the answer isn’t to move away from resources, but to capture more value from them through downstream processing, resource-related technologies and knowledge-intensive services.
- **Economic gravity and the pull to the U.S.:** Countries that are larger economically and geographically, and culturally closer, tend to trade more with one another. For Canada, being next to the world’s largest and most dynamic economy has proven to be both a boon and a curse. A boon as it’s allowed Canadian companies easy access to sell their commodities to a large consumer base and enabled integration into very valuable North American supply chains. At the same time, the lack of dynamism has meant that Canada has prioritized efficiently extracting commodities at the expense of developing capabilities to refine them and capture more value through more complex products.
- **Open-market approaches** in Canada (and many advanced economies) delivered short-term gains, including lower prices and higher purchasing power. But that came at the cost of domestic production and industrial capacity. By focusing on following free-market rules, Canada may have lost sight of the bigger goal: Building wealth and economic strength.
- **China’s rise:** China’s industrial policies, targeted at identifying and strategically subsidizing products at the higher end of the value chain, have crowded out companies and innovations in advanced economies. China has progressively made the leap toward products at the higher end of the value chain (**Chart 5**). Canada, by contrast, has lost competitiveness in the most advanced part of the value chain, while adding products of only moderate complexity (mostly in the middle section of the chart below). Part of Canada’s underperformance likely reflects the absence of a coherent industrial strategy aimed at securing stronger positions in global value chains.

Chart 5: China and Canada’s evolution towards producing goods at different parts of the value chain



Note: Each dot represents a different product (SITC, 4-digit level) in each country’s export basket.

Source: [The Growth Lab at Harvard University \(2026\)](#), [Growth Projections and Complexity Rankings](#), EDC Economics

What will improving economic complexity mean for the Canadian economy?

Economic growth depends not only on participation in global value chains, but on where countries position themselves within them. Higher-value activities such as R&D, design, branding and advanced services capture a disproportionate share of profits and economic returns in global trade. Over time, [participation in these segments](#) builds the capabilities, skills, technology and know-how that underpin productivity, competitiveness and long-term prosperity.

For Canada, the goal is twofold:

1. Produce unique and differentiated products where we have some pricing power; and
2. Compete in more sophisticated, high-value activities—not just upstream resources, or midstream assembly.

A simple growth insight

We created a growth model (see [Technical Appendix](#) for more details) to show how economic complexity shapes Canada's long-term growth. Our model shows a clear relationship: Countries with higher economic complexity grow faster.

- A 1 standard deviation increase in complexity is associated with approximately 0.8 percentage points of higher annual real (i.e., inflation-adjusted) GDP-per-capita growth over the following decade.

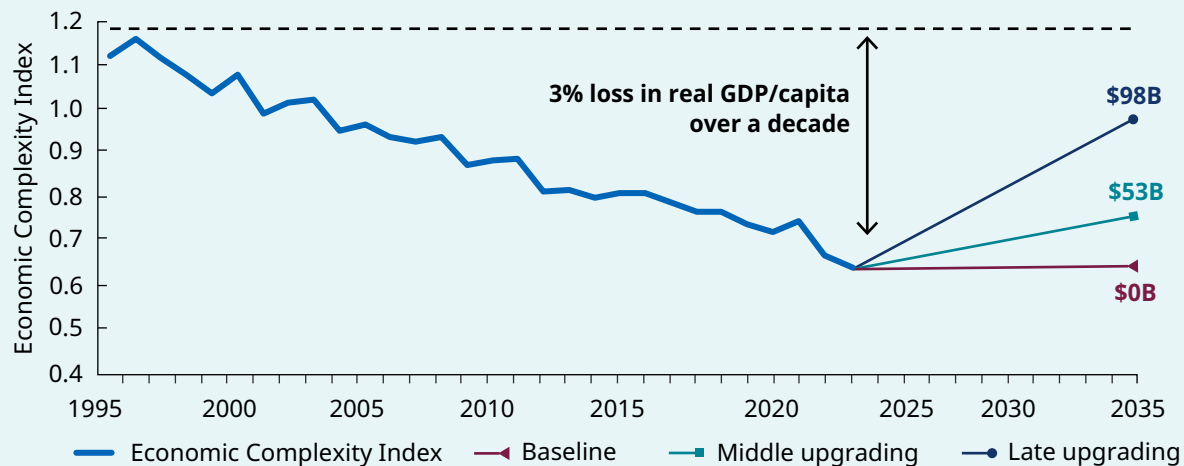
Canada's trajectory points in the opposite direction:

- Canada's decline in economic complexity since 1996 is associated with lower national productivity—roughly 3% less growth in real GDP per capita over a decade. This is about \$1,500 to \$2,000 less per year for the average Canadian during that period, which is a meaningful gap in household income.

As Canada's economy has become less complex, it's lost a key engine of long-term growth.

If Canada made a concerted effort to move up the value chain by producing and selling more sophisticated products (see thought experiment below), its GDP in 2035 could be anywhere from \$53 billion to \$98 billion larger than it would be if Canada's economic complexity remained stagnant. **(Chart 6)**²

Chart 6: Economic complexity can drive GDP growth



Baseline scenario: Canada's Economic Complexity Index (ECI) remains at its 2024 level, resulting in no additional gains.

Middle-stage upgrading scenario: Canada adds higher-complexity products to its export basket, increasing gross domestic product (GDP) by roughly \$53 billion by 2035. These products would be adjacent to those Canada already exports, suggesting the country already possesses most of the capabilities required to produce them.

Late-stage upgrading scenario: Canada adds even more higher-complexity products to its export basket, increasing GDP by \$98 billion by 2035. These products build on capabilities Canada already possesses, as well as those developed through the middle-stage upgrading scenario.

Source: Haver Analytics, [The Growth Lab at Harvard University](#) and EDC Economics

² For details on our econometric model, please refer to the [Technical Appendix](#). Our dependent variable is growth (compound annual growth rate, or CAGR) in purchasing power parity (PPP)-adjusted real GDP per capita over the subsequent 10 years. These independent variables include the starting level of real GDP per capita, *The Economic Complexity Index* (ECI), a complexity outlook index (with higher values associated with higher future ECI), human capital (based on years of education and returns to education) and time fixed effects to account for changes across time.

A thought experiment

Countries don't move into new industries randomly. They tend to build on what they already know, expanding into products that require similar skills, inputs and capabilities. In practice, this creates a natural path for upgrading: Start with adjacent opportunities that carry lower risk. Use these smaller leaps to build capabilities over time and then gradually make the larger leaps to more complex, higher value activities.

What this means for Canada

To show what this could look like, we built a simple feasibility model based on Canada's 2024 export mix. The model adds new export products higher up the value chain, prioritizing those that are both achievable and likely to strengthen Canada's capabilities. After each addition, we estimate how much Canada's growth potential improves and which new opportunities become easier to reach next.

What scale of gains can Canada achieve?

Using Canada's current position based on our growth model and early upgrading scenario:

- Baseline and early upgrading would yield limited growth in real GDP per capita. Without broader structural change, Canada is therefore likely to remain on a relatively flat growth path, adding little to GDP.

However, improving economic complexity can significantly shift this outlook:

- If we move into the next set of complexity enhancing product exports, we could see GDP increase by approximately \$53 billion by 2035.
- If we upgrade to the next frontier of more complex product exports, we could see GDP increase by approximately \$98 billion by 2035. Increased capabilities would lead to increased productivity. For context, for an average Canadian, this means roughly \$2,500 more per person per year, equivalent to the cost of a month's rent, a mortgage bill, or several months of groceries.

Given the compounding effects of building economic complexity, these figures are likely conservative estimates.

In practical terms, these results suggest that while incremental improvements in Canada's productive structure would yield limited gains, meaningful movements up the value chain, achieved through sustained increases in capabilities, could significantly improve Canada's long-run growth trajectory.

What Canadian exporters are doing to move up the value chain

Through our work with Canadian companies and international partners, we witness firsthand how firms move toward greater value creation through innovation, processing, advanced manufacturing, commercialization and global integration. Here are examples of customer stories:



1. Investing in advanced manufacturing and production

Canadian manufacturers are investing in advanced equipment and production technologies to develop more sophisticated products and compete in specialized global markets. For example, some firms in engineered wood products are making major investments in advanced manufacturing systems that enable greater precision, innovation and entry into higher-value market segments. These investments help companies compete globally based on quality and technical capabilities rather than cost alone. Advanced manufacturing is one of Canada's most important productivity engines, linking natural resources, technology and export markets.

What EDC is seeing

Moving up the value chain often requires investing in new capabilities before growth materializes.



2. Moving from commodities to value-added products

Some Canadian agri-food firms have moved from selling primary agricultural products toward manufacturing branded and processed food products, allowing them to capture a larger share of value creation. Others have invested in proprietary technologies and production capabilities to support long-term growth. Canada has a strong agricultural resource base and global reputation for food security, making agri-food an industry well-positioned for value creation.

What EDC is seeing

Value creation increasingly comes from what firms do with resources and ideas after they're produced. Processing, product development, branding and commercialization are often where the largest gains in revenues and export competitiveness occur.



3. Building critical mineral value chains

Canadian firms are increasingly looking beyond extraction and [investing in processing and refining capabilities for critical minerals](#) such as rare earth elements, graphite and lithium. These activities create higher-value products that support electric vehicles, advanced manufacturing, digital technologies and defence supply chains. Critical minerals, defence and aerospace are [sectors where the potential for value creation is high](#).

What EDC is seeing

The largest economic gains often come from moving downstream into processing, refining and advanced materials production, rather than exporting pure resources alone.



4. Participating in global clean technology systems

Canadian firms are participating in [large-scale international clean technology developments](#) that combine renewable energy, critical minerals processing and advanced manufacturing. These [projects connect Canadian companies](#) with global supply chains and create opportunities to export technology, expertise and specialized products.

What EDC is seeing

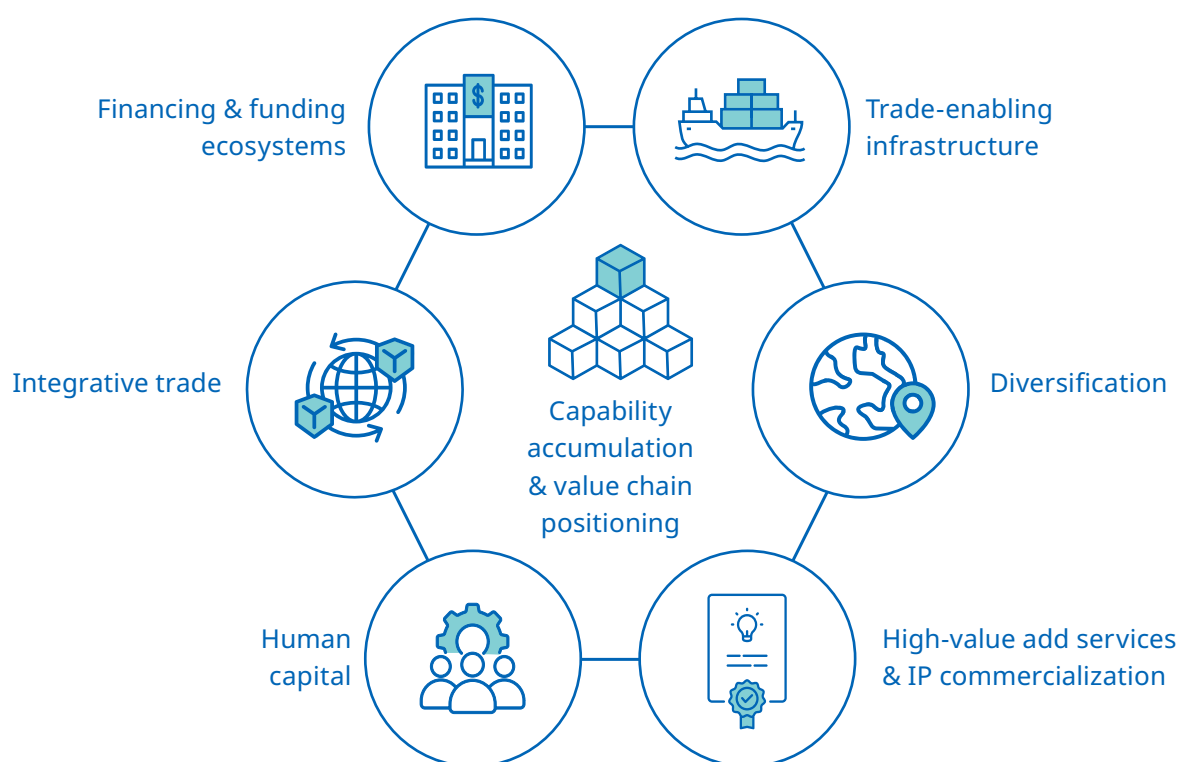
Integrating clean technology solutions in critical industries is a win-win for Canada, which has strategic strengths in [exporting clean technologies](#).

How Canada can move up the value chain: Six priorities for growth

Capabilities are built on core enabling conditions such as access to funding, skilled talent, innovation, infrastructure, diversified customers and the components of integrative trade. When these come together, they reinforce each other, helping firms grow, innovate and move into higher-value activities over time.

Encouragingly, many of these conditions are strengthening in Canada, with initiatives to support investment, innovation, skills, infrastructure, and trade diversification. Together, these efforts are creating the conditions for a more productive and resilient Canadian economy.

Chart 7: Enabling conditions



Source: EDC Economics

1. How integrative trade helps Canada capture more value

Canada's approach to trade should be built around one clear objective: Increasing the value Canadians capture from global commerce. Achieving this requires an **integrative trade** framework that looks beyond goods exports to the broader ecosystem, including services, imports and investments.

- **Services** contribute a growing share of value-added across manufacturing and knowledge-intensive industries.
- **Imports** support innovation and productivity by connecting firms to global technologies and inputs.
- **Canadian direct investment abroad (CDIA)** helps Canadian firms [establish commercial footholds in foreign markets](#) and participate more deeply in global value chains. Foreign direct investment (FDI) into Canada brings capital, technology, talent and productivity spillovers.

Together, these flows strengthen the productive capabilities that allow firms to scale, compete globally and move into higher-value segments of the economy. EDC's recent report, [Why Canadian direct investment abroad matters more than ever](#), found that on average, every dollar of CDIA generates roughly 77 cents in additional income for Canada over five years. Future EDC reports will highlight how inbound FDI, [foreign affiliate sales](#) (FAS) and imports contribute to strengthening the Canadian economy, when leveraged strategically in support of an overarching industrial policy.

Outside-in policies in South Korea and Taiwan: South Korea and Taiwan demonstrate how governments can use foreign investment to support industrial upgrading. In both cases, the state played a proactive role in developing strategic sectors such as heavy industry, electronics and machinery, while ensuring firms could access key imported inputs. This helped firms build capabilities over time, learn from global partners and gradually move into higher-value stages of production. For example, early government support for the electronics sector in South Korea helped lay the foundation for its globally competitive semiconductor industry today.

Implication for Canada: Building Canadian capabilities through integrative trade

Canada's integrative trade strategy should focus on maximizing the value captured in Canada from trade and investment. Inward investment should be targeted toward activities that drive knowledge diffusion, R&D, technology transfer and commercialization, ensuring that global firms embed high-value functions in Canada. Outward investment should support the growth of Canadian multinational enterprises by helping firms access new markets, technologies, talent and strategic assets, while retaining high-value activities, decision-making and income generation in Canada.

2. How growth capital can create more Canadian global champions

Building economic complexity is a long-term, capital-intensive endeavour. Without access to patient and risk-tolerant capital, firms tend to stay in familiar, lower-complexity activities. Strong funding ecosystems are essential to helping firms become global champions at the forefront of innovation and global competitiveness. Deep pools of domestic private capital can support capability accumulation, innovation and long-term competitiveness.

European Union (EU) family offices: A useful lesson for Canada comes from Northern Europe, where family offices, industrial foundations and sovereign wealth vehicles have become important sources of long-term, risk-tolerant capital. In countries such as Sweden and Denmark, organizations linked to the Wallenberg, LEGO (KIRKBI) and A.P. Moller groups have played a role far beyond wealth preservation, providing stable capital for innovation, industrial upgrading, scale-ups and global expansion. These institutions often invest with multi-decade horizons, helping firms retain ownership, commercialize intellectual property and grow into global champions.

Implication for Canada: Building the capital needed to scale globally

A key Canadian constraint is limited access to long-term and risk-tolerant capital, especially for firms expanding beyond the U.S. market. The main gaps are:

- Many firms lack the scale, networks and experience to expand into more complex markets.
- Canadian capital markets are often less risk-tolerant of emerging-market expansion or non-traditional business models.
- There are relatively few [domestic investors](#) with the appetite and expertise to back large-scale international growth.

These gaps create financing and structuring constraints, limiting firms' ability to pursue global growth opportunities and build higher value-added capabilities. When a Canadian software, artificial intelligence (AI), engineering or digital services firm is acquired by a non-Canadian parent, future revenues, IP ownership, licensing income and strategic decision-making occur outside Canada. Or, they get embedded inside multinational structures rather than showing up as independent Canadian service export growth.

Addressing this requires strengthening the ecosystem for growth capital, including mechanisms that support long-term investment horizons, greater risk-sharing and deeper expertise in global market expansion.

Canadian tech exits: U.S. buyers are highly active in Canadian tech exits. According to a study by Canadian law firm Fasken, between 2019 and 2024, American buyers were involved in 47% of Canadian tech exit transactions, strategic buyers accounted for 82% of deals and 77% of exits fell between \$50 million to \$500 million.

3. How services and intellectual property (IP) drive economic complexity

While economic complexity frameworks have traditionally focused on goods exports, they don't fully capture the role of services in enabling complexity and value creation. Modern goods are, in many ways, bundles of products and services. Services play a central role in product upgrading and, in many cases, high-value services such as research and development (R&D), intellectual property (IP), engineering, professional services and technical consulting reinforce [goods competitiveness](#) while generating proprietary knowledge that can be scaled.

Take advanced manufacturing as an example. It increasingly relies on digital services such as software, data, engineering services and systems integration. In fact, many modern technologies derive much of their value from patents and technical know-how rather than physical goods or components alone. These services enhance products, increase differentiation and support the development of capabilities that drive economic complexity.

In this sense, services aren't separate from economic complexity, but are an important mechanism through which complexity is created and monetized.

A forthcoming research article will examine how services power the Canadian economy, especially in higher-value segments. Additional research will explore Canada's innovation ecosystem and its connection to international trade competitiveness.

Implication for Canada: Promoting high-value service exports and setting global standards

Services have become an increasingly important pillar of Canadian trade, accounting for more than 20% of exports. However, recent performance suggests that underlying momentum may be weaker than headline figures imply, with growth concentrated in travel, education-related expenditures and price effects. The larger opportunity for Canada lies beyond exporting more services, but in leveraging knowledge-intensive services, intangible assets and intellectual property to increase value capture across the economy. Activities such as R&D, engineering, software, design, data analytics and commercialization can strengthen Canada's traditional advantages in resources and manufacturing, enabling firms to move into higher-value segments of global value chains and capture a greater share of economic returns.

However, capturing value from those knowledge-intensive services requires strong commercialization pathways, market access and the ability to influence the rules that govern how technologies are adopted globally. Canada should therefore strengthen its role in shaping international standards, particularly in information and communication technology (ICT) products, which have been [proven to net value-added advantages over time](#).³ Standards often determine how technologies interact across global markets and can influence where value is captured within a value chain. Countries that contribute to standards development are better positioned to embed their emerging champions' technologies in global systems, strengthen market access, and create commercial opportunities from innovation and intellectual property.

³ Firms that shape standards often embed their own patented technologies into GVCs, allowing them to earn licensing revenue globally.

Implication for Canada: A co-ordinated model of research and commercialization⁴

Canada should strengthen both mission-oriented research and commercialization through a more co-ordinated innovation model that better connects research and industry. While Canada has world-class research institutions and significant public support for innovation, the country continues to struggle to translate knowledge creation into commercial outcomes. Several indicators point to these challenges:

- In 2024, Canadian business expenditure on R&D (BERD) was approximately 1% of GDP, compared with an Organisation for Economic Co-operation and Development (OECD) average of roughly 2%.
- Canada has an estimated R&D funding gap of \$160 billion relative to the OECD over the past decade.⁵
- Canada remains a net importer of IP, with an estimated trade gap of \$71 billion in the last 10 years.⁶
- More than 50% of Canadian-developed IP is [foreign-owned](#).
- Many Canadian firms seeking foreign talent, financing, expertise and leadership (most notably from the U.S.), ultimately decide to relocate abroad to access stronger growth ecosystems.

Korea's IP Bank (KIBO): Helps small- and medium-sized firms commercialize innovation by using technology and IP as a basis for funding. KIBO issued more than 29.5 trillion won (approximately \$27 billion) in guarantees in 2025, enabling firms with valuable IP to access capital, scale and retain ownership.

While Canada has strong institutions and sector-specific innovation centres, the ecosystem remains fragmented and would benefit from greater co-ordination and industry integration. Successful international models demonstrate how dedicated intermediary organizations can bridge research and industry, align public and private priorities and accelerate commercialization.

Germany's Fraunhofer Institutes: These [institutes](#) act as intermediaries between universities and industry. They take promising research that's too applied for universities and too risky for private firms, then help develop it into market-ready technologies, products and processes.

⁴ Another research report on Canada's innovation ecosystem and its impact on international trade is forthcoming.

⁵ EDC Economics' calculation using World Bank data.

⁶ EDC Economics' calculation using World Bank data.

4. How skills and management capability support growth

While education and skills increase the range of activities workers can perform, specialization and division of labour expand as skills deepen. This helps firms build the capabilities required to produce more complex outputs.

Implication for Canada: Strengthening labour productivity and closing managerial capability gaps

Canada's human capital strengths are undeniable. It has the [highest share of working-age adults in the G7](#) with a post-secondary degree. Yet, persistent capability gaps remain in areas critical to innovation and industrial upgrading.

- For example, the number of working-age apprenticeship certificate holders has [stagnated or fallen](#) in major trades in Canada since 2016. At the same time, job vacancies in these trades have [surged to record](#) highs, widening the gap between labour demand and available skilled labour.
- Canada has the [lowest labour productivity](#) in the G7, reflecting a possible disconnect between [human capital and how it is leveraged in the economy](#).^{7, 8}
- A key challenge facing Canada is a shortage of firms with the scale to cultivate and diffuse entrepreneurial, managerial and commercialization capabilities across the economy. The [OECD](#) finds that management practices, organizational capital and workforce skills are strongly associated with productivity and better technology adoption.

Canada should, therefore, pursue a broader human capital strategy. One that complements science, technology, engineering and mathematics (STEM) and technical training with the entrepreneurial, managerial and commercialization capabilities needed to build and scale globally competitive companies. A forthcoming research piece will explore exporter productivity trends in Canada and identify ways to boost trade-related productivity.

⁷ Canada's low productivity is notably compounded by declining fixed capital formation.

⁸ A paper on exporter productivity is forthcoming.

5. How trade infrastructure improves Canada's competitiveness

[Trade-enabling infrastructure](#) supports both the movement of goods and the expansion of services exports. Physical and digital infrastructure are both critical to helping firms participate in more complex, higher-margin value chains. Efficient trade-enabling infrastructure also reduces costs at every stage of the value chain, increasing the expected return of every firm operating in Canada.

Australia's infrastructure policies: Australia offers a useful example of how infrastructure can be used as an instrument of economic strategy. Through its asset recycling program, Australia has monetized mature assets such as ports, electricity networks and toll roads and reinvested the proceeds into new productivity-enhancing infrastructure. This approach unlocked billions of dollars for freight corridors, logistics networks and export gateways, while creating a pipeline of investable assets attractive to pension funds and long-term institutional capital. The result was a virtuous cycle in which existing infrastructure funded future infrastructure, helping Australia strengthen trade competitiveness without relying exclusively on public borrowing.

Implication for Canada: Strengthening Canada's trade-enabling infrastructure

Infrastructure remains a major constraint on Canada's ability to scale value-added activity and integrate into complex value chains. Systems built for bulk commodities are less suited to higher-value trade, which depends on speed, flexibility and co-ordination across [modes](#). In Canada:

- Transport systems aren't fully aligned with emerging industrial patterns or production needs;
- Value-added supply chains require multi-modal logistics, including feeder systems linking production to international markets, which remain limited; and
- Port delays, weak digitization and limited automation are roadblocks that reduce competitiveness.

A key implication is the need for a forward-looking, integrated infrastructure strategy that aligns all transportation networks (rail, road, pipelines and ports) with Canada's evolving industrial structure and value-added ambitions. The goal should be to create investable projects and mobilize domestic private capital.

6. How trade diversification can increase value capture

Regional trade diversification is also critical. Exposure to a wider range of markets forces firms to meet higher standards, adapt to different customer needs and learn from global competitors. These pressures encourage firms to upgrade their products and processes. [Canada's strategic approach to trade diversification](#) should go beyond expanding the number of export destinations. The objective should be to [improve Canada's position in higher-value segments](#) across a larger number of global value chains (GVCs). This means deepening integration with markets that demand advanced capabilities and enable Canadian firms to embed into high-value segments across multiple GVCs.

Implication for Canada: Diversifying value-added trade

Canada's goal isn't simply more trade with different partners, but deeper participation in complex, knowledge-intensive activities that raise Canada's share of value capture. Diversification without upgrading risks exporting the same low value-added goods to different markets.

Conclusion

Canada's economic performance will depend not only on how much it trades and with whom, but on how much value it captures from that trade. The evidence is clear: Countries that succeed in global value chains build deep capabilities and position themselves in higher-value segments where knowledge, innovation and specialization drive margins. As the global economy evolves, Canada has an opportunity to build on its many strengths and accelerate its progress in these areas.

Improving Canada's economic complexity should be treated as a core national economic objective and a pathway to stronger long-term growth. Realizing this opportunity requires a co-ordinated approach across integrative trade, financing, innovation, human capital, infrastructure and diversification. Together, these conditions enable firms to scale, innovate and capture more value within global value chains.

To help Canadian companies capture more value from trade and compete in higher-value global markets, EDC offers [market intelligence](#), [financial solutions](#) and [advisory services](#) that support business growth, innovation and international expansion. Explore EDC's tools and expertise to strengthen your competitiveness, manage risk and seize new export opportunities.

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Disclosure

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