Railway Association of Canada

A Decade to Deliver: Policy Choices in Canada's Export Diversification Strategy

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Contents

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Introduction

Canada's economic prosperity has long depended on its ability to trade. Today, that model faces a new test. A strained trading relationship with the United States, Canada's largest trading partner, has prompted the federal government to pursue an ambitious objective: doubling exports to markets outside the U.S. within the next decade.

Canada is well positioned to meet growing global demand. Canadian producers supply commodities essential to modern economies. Yet geography presents a fundamental challenge. Canada's resource base is dispersed across one of the world's largest landmasses, often far from export gateways. To reach global markets, Canadian goods often travel hundreds to thousands of kilometres from inland production sites to ports on the Pacific, Atlantic, and Arctic coasts.

For this reason, transportation infrastructure is a central pillar of Canada's trade competitiveness. Multimodal supply chains support Canadian producers to deliver goods to global markets efficiently, reliably, and at competitive cost. World-class freight railways play a critical role in enabling export growth by connecting Canadian farms, mines, and manufacturers to export gateways, with amongst the lowest average freight rates in the world.[i]

Achieving the government's export diversification goal will require decisive government action to identify infrastructure investment opportunities, streamline regulatory processes, ensure labour stability, and encourage private capital formation. With only a decade to deliver, decisions made today will determine whether Canada can translate ambition into sustained export growth.

The Government's Goal on Trade

Canada has long been recognized as a trading nation. International trade represents two-thirds of the country's gross domestic product (GDP), reflecting the importance of global markets to Canadian economic prosperity.[ii]

Now, the country stands at a critical moment of economic renewal. A strained trading relationship with the U.S. has motivated policymakers to prioritize greater diversification of export markets. Following the 2025 federal election, it was clear to the government that the country must diversify its trading partners to ensure the national economy is resilient to future shocks.

Prime Minister Mark Carney set an ambitious objective that would increase exports from roughly $300 billion (in 2024) to $600 billion worth of goods and services sent around the world.[iii] Doubling exports

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requires coordination across the entire supply chain, from production sites to railways, ports, transload facilities, and other logistics operators to handle the hundreds of additional million metric tonnes (MMT) of commodities each year. The success of the government's diversification strategy will be supported by negotiated trade agreements and strong diplomatic relationships with international partners, and the ability of Canadian companies to produce and deliver goods competitively to global markets. With a decade to deliver, the government must take decisive action to stimulate investment in Canadian supply chains to seize global opportunities.

The Critical Role of Transportation Infrastructure

Canada's geography presents both an opportunity and a challenge for exporters. The country possesses vast reserves of natural resources, including high-protein grain from the Prairies, a diversity of metals and minerals, natural gas, crude oil, lumber, and other commodities that are in high demand in international markets.

However, these resources are often located far from coastal export gateways. As the second-largest country in the world by landmass, goods must travel long distances from inland production sites southbound to the U.S. and Mexico and to ports on the Pacific, Atlantic, and Arctic coasts. Efficient transportation networks are therefore fundamental to Canada's ability to compete in global markets. Without reliable and cost-effective supply chains, Canadian exporters face higher costs and reduced competitiveness against their international competitors.

The government recognizes the importance of transportation infrastructure. In March 2026, the government launched the Trade Diversification Corridors Fund (TDCF), allocating $5 billion dollars to support transportation infrastructure projects across the country and $1 billion for the Arctic Infrastructure Fund to support dual-use (civilian and military) infrastructure.[iv] Together, these programs represent a $6 billion investment in Canada's trade and transportation infrastructure, which the government estimates could increase productivity and contribute up to $21 billion in GDP.[v] While these investments represent an important step forward, the government must consider industry recommendations to incentivize further private sector investment to ensure the long-term strength of Canada's supply chains.

Canada's Railways Enable Trade Diversification

Canada's railway network plays a critical role in connecting the country's resource-producing regions to global markets. The network consists of 43,000 kilometres of freight rail track, linking farms, mines, and industrial producers across the country with ports on the East, West, and Arctic coasts.

Operating across rugged terrain and in challenging weather conditions, Canadian railways are critical to the country's export supply chains. Each year, railways move approximately $400 billion worth of goods, much of which is destined for export markets. Canadian shippers benefit from the lowest average rail freight rates compared to other major market economies, supporting exporters' competitiveness.[vi]

Between 2015 and 2024, the Canadian rail industry made a substantial, $35.5 billion investment in the rail network.[vii] In 2024 alone, railways invested $4.5 billion, including more than $2.4 billion dedicated to track and roadway infrastructure, strengthening the system used to move Canadian goods across the country.[viii] These investments support a transportation system that connects Canada's inland resource base with coastal export gateways and directly to its partners to the south. Large volumes of commodities are moved through rail-port connections. Collectively, shortline railways move approximately $50 billion in goods annually. Many of these goods reach international markets through Canada's port system.

By linking inland production with coastal export gateways, Canada's railways enable the efficient movement of large volumes of goods over long distances. As Canada seeks to expand exports to markets beyond the U.S., the rail network will remain as a critical enabler.

Doubling Exports in a Decade – a Deeper Look at the Data

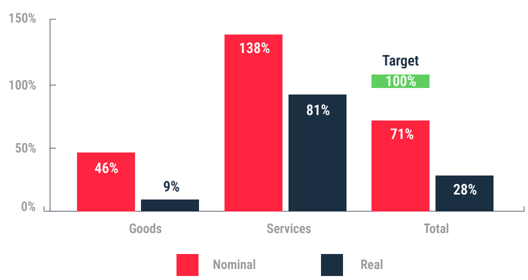
UNDERSTANDING THE AMBITION

There are several important factors that determine the scope of the government's ambition. These include whether the goal is specific to:

- The export of goods vs goods *and* services;
- Nominal (allow inflation to contribute to the goal) vs real growth; and
- Value ($) vs volume (tonnes) growth.

Canada's goal is to double non-U.S. goods and services export value, in nominal terms. Over the past decade (2014-2024), such exports increased by 71% (Fig. 1). Much of the growth was driven by the services sector, which more than doubled its exports to non-U.S. markets (+138%), but a lot was also the result of inflation. From 2020 to 2022, the prices of Canada's exports increased by roughly 40% (Fig. 2). From 2014 to 2024, real exports (removing the impact of inflation) to non-U.S. markets increased by 28%. Real services exports increased by 81% while real goods exports increased by just 9%.

Fig. 1: Growth of Canada's Non-U.S. Exports, 2014–2024

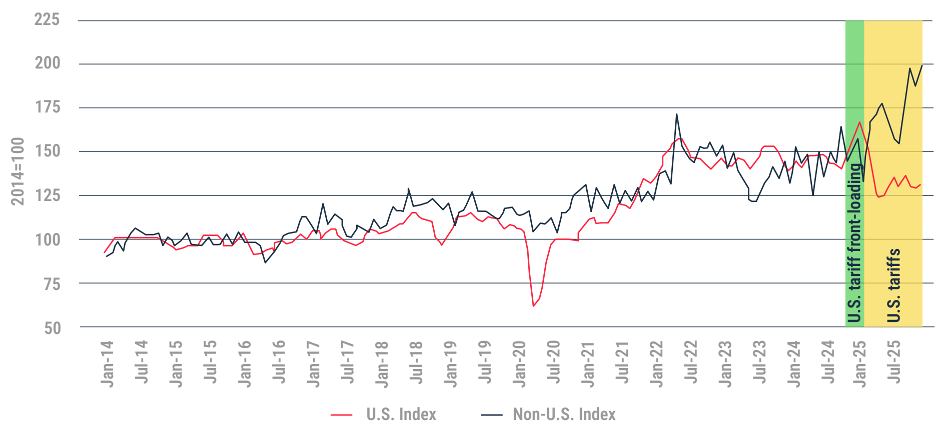


Source: RAC analysis based on data from Statistics Canada Table 36-10-0130-01.

Fig. 2: Canada's Export Price Indices, 2014–2024

Source: RAC analysis based on data from Statistics Canada Tables 12-10-0011-01, 36-10-0007-01, and 36-10-0130-01.

Fig. 3: Merchandise Exports (Value) to the U.S. vs Non-U.S.



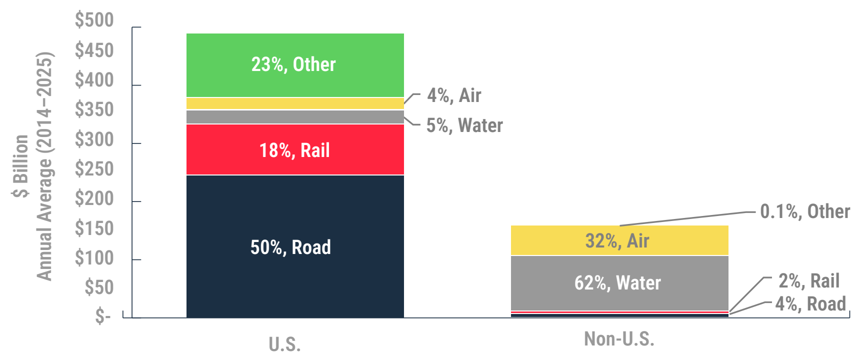
Source: RAC analysis based on data from Statistics Canada Table 12-10-0011-01.

Trade disruptions in 2025, brought on by U.S. tariffs, have given Canada a kickstart to diversifying its exports. Compared to 2024, merchandise exports (nominal value) to the U.S. were down 6% (-$34 billion), almost completely offset by a 17% ($32 billion) increase to non-U.S. markets (Fig. 3).[ix] This provides confidence that the world has an interest in Canada's products and that the supply chain can adjust to changes in global demand and tariffs.

HOW DO CANADA'S GOODS MOVE TO EXPORT POSITION?

Standard trade data reflect the mode *by which the goods leave Canada*. Unfortunately, this does not tell us much about how products move from production site to export position *within Canada*. As a result, exports to non-U.S. markets are almost exclusively attributed to air and water modes (Fig. 4). The smaller share of non-U.S. exports by rail and road move across the U.S. border and advance either to Mexico or to a U.S. or Mexican port for export.

Fig. 4: Merchandise Exports (Value), by Market and Mode



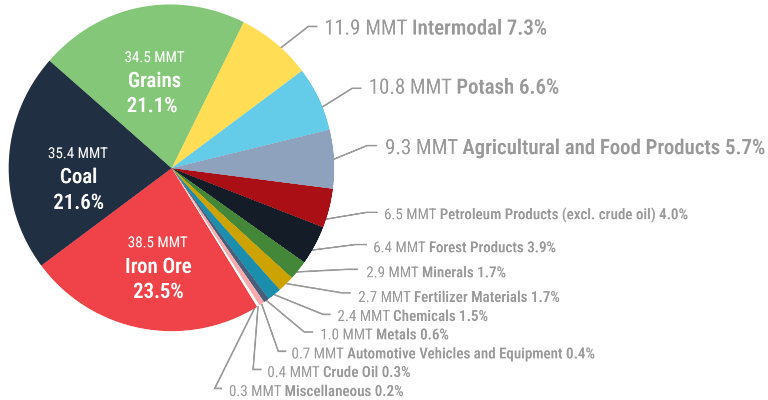
Source: RAC analysis based on data from Statistics Canada Table 12-10-0177-01.

Canadian railways enable trade along the North-South and East-West corridors of the networks. There is an increasing opportunity for growing trade by rail between Canada and Mexico. By moving Canada's resources long distances at competitive freight rates, Canada's railways support the competitiveness of Canada's exports. Considering all rail movements (transborder imports and exports, rail-marine imports and exports, domestic, and transhipments), approximately half of all traffic is composed of rail-marine exports to overseas markets.

To better understand the role that rail plays in supporting non-U.S. exports, we turn to Transport Canada's rail-marine exports data (Fig. 5). This data measures the volume (tonnage, not dollar value) of goods moved by rail to ports for export. This is an important distinction as value-to-weight ratios vary significantly across commodities (this is evident with respect to intermodal and automotive, which make up a large share of export value but a small share of export volume).

In 2024, Canadian Port Authorities (CPAs) handled a total of 361 million metric tonnes of cargo (in-bound and out-bound traffic). In that same year, railways brought approximately 170 million metric tonnes (MMT) of goods to ports for export, and received about 27 MMT in imports from CPAs.[x] Canada's most significant rail-marine exports by rail (volume) include, iron ore, grain, and coal, followed by notable volumes of intermodal, potash, agri-food (non-grain), petroleum products, and forest products.

Fig. 5: Rail-Marine Exports (Volume), by Commodity, 2015–2024 Average



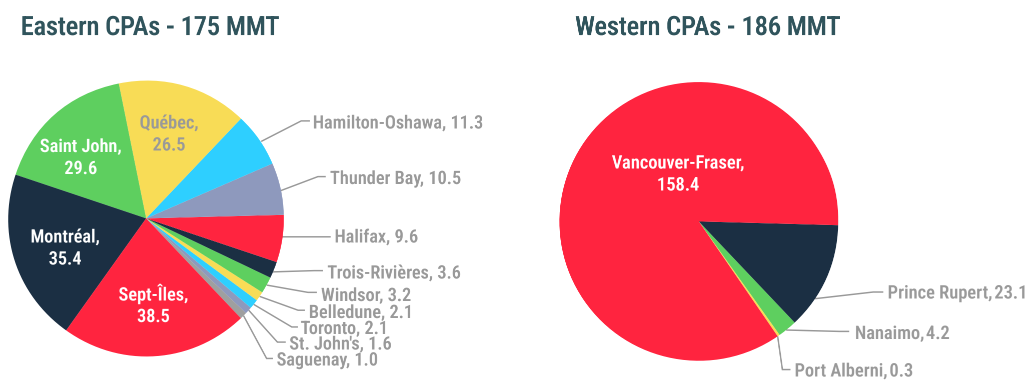
Source: RAC analysis based on data from Transport Canada Addendum Tables to the 2024 Annual Report and Statistics Canada Table 23-10-0216-01.

LOOKING EAST, WEST, AND SOUTH

Canada's rail-marine exports to non-U.S. markets can, for the most part, be divided into East and West. In 2024, 186 MMT was handled by CPAs in the West, and 175 MMT by CPAs in the East (Fig. 6). Vancouver-Fraser is by far Canada's busiest port, handling 158.4 of the total 361 MMT in 2024. Volumes in the East are spread out, with the next four busiest ports – Sept-Iles, Montreal, Saint John, and Quebec – each handling more than 25 MMT in 2024.

Over the past decade, two-thirds of CPA volume growth has been concentrated at Vancouver-Fraser (+20.2 MMT) and Sept-Iles (+15.8 MMT).[xi] Canada's railways are deeply connected to CPAs, including Vancouver-Fraser being served by CN, CPKC, Southern Railway of British Columbia, and BNSF, while Sept-Iles is served by QNSL and SFP Pointe-Noire. Other Canadian ports that have experienced growth greater than 10% and greater than 1 MMT include: Quebec City, Prince Rupert, Montreal, Saint John, Halifax, Hamilton-Oshawa, and Thunder Bay.

Fig. 6: 2024 CPA Cargo Volumes

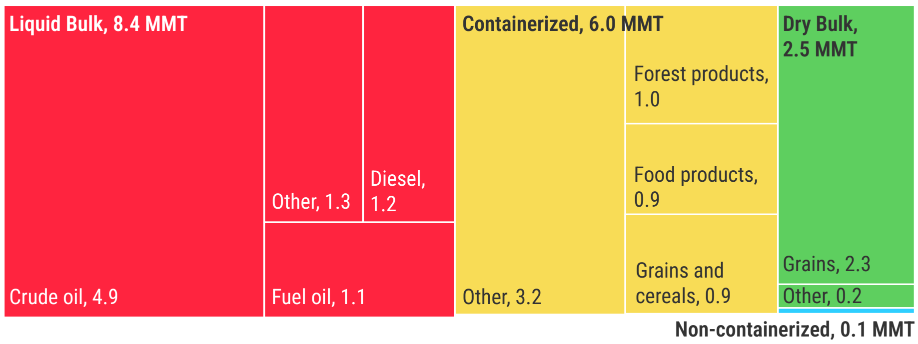


Source: RAC analysis based on data from Transport Canada Addendum Tables to the 2024 Annual Report.

Eastern CPAs – liquid bulk, iron ore, containers, and potash

Montreal's outbound cargo is diversified (Fig. 7), with high volumes of liquid bulk products, containerized goods, and grain. Quebec handles agri-food, energy, metals and minerals, and construction materials. Saint John handles high volumes of liquid bulk, along with containers and potash. Sept-Iles is almost exclusively focused on the export of iron ore, with smaller volumes of other metals, including aluminum.

Fig. 7: Montreal Outbound Cargo, 2024

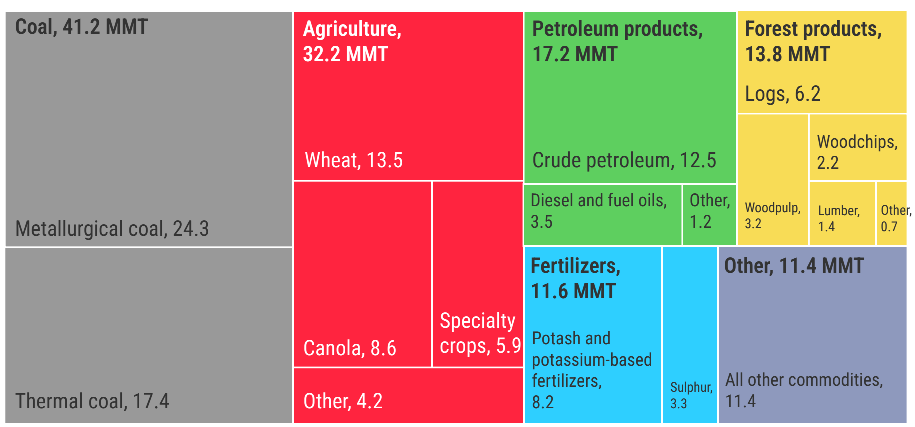


Source: RAC analysis based on data from Port of Montreal, Detailed statistics, history and summaries.

Western CPAs – coal, grain, petroleum products, forest products, and fertilizers

Vancouver-Fraser's outbound cargo is diversified (Fig. 8), with coal, grain, petroleum products, forest products, and fertilizers (including potash), among other commodities. Further north, coal, grain, petroleum products, forest products, and intermodal containers move through Prince Rupert.[xii]

Fig. 8: Vancouver-Fraser Outbound Cargo, 2024



Source: RAC analysis based on data from Port of Vancouver, 2024 statistics overview, March 10, 2025.

South to Mexico *(Note that data in this section on Mexico are in dollar value, not tonnes.)*

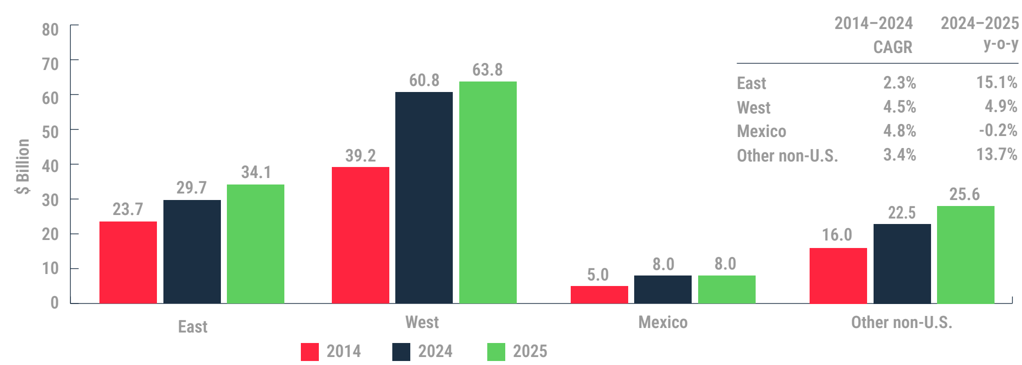
Canadian railways facilitate trade with Mexico through rail-marine exports as well as direct movements by land. Over the past decade, marine exports to Mexico have averaged about $1.5 billion per year, and direct rail exports by land have averaged a little over $2.1 billion per year.[xiii] The most significant direct rail export commodities to Mexico include steel, aluminum, automotive, and food products.[xiv]

CANADA'S TOP PARTNERS

With an understanding of the commodities moved by railways, handled by ports, and divided east and west, we take a closer look at our top trading partners that will be key for Canada to double its non-U.S. exports.

The analysis below divides Canada's top 26 non-U.S. trading partners into East and West – determined by the most likely Canadian coast of export (Fig. 9). The analysis examines the compound annual growth rate (CAGR) over the 2014-2024 period to observe the trend, as well as from 2024 to 2025 to understand which markets Canadian exporters were able to pivot to in the wake of punishing U.S. tariffs. Data is of trade value, not volume. In the analysis below, exports by air are not included.[xv]

Fig. 9: Canada's Goods Exports to Non-U.S. Trading Partners, by Corridor (Excluding by Air)



Source: RAC analysis based on data from Statistics Canada Table 12-10-0177-01.

East

From 2014 to 2024, Canada's non-air exports to its top Eastern partners grew at an annual rate of 2.3%. The strongest growth (in absolute terms) was recorded with the Netherlands and Germany.

In 2025, when the U.S. imposed steep tariffs on several Canadian products, Canadian businesses were able to successfully pivot and export their products to top trading partners in the East. Non-air exports to the East increased by 15.1% year-over-year, the strongest increase of any region. From 2024 to 2025, supported by the Canada-European Union Comprehensive Economic and Trade Agreement (CETA), Canada's non-air exports enjoyed double-digit growth to Spain (40%), Italy (36%), the Netherlands (33%), Germany (29%), Belgium (11%), and France (11%). Non-air exports to Brazil also surged by 38%. Encouragingly, export growth to Europe was diversified and strong across the board. Year-over-year, exports to the EU (including air) increased for 23 of the top 25 HS-2 products.[xvi]

West

From 2014 to 2024, Canada's non-air exports to its top Western partners grew at 4.5% per year. The strongest growth (in absolute terms) was recorded with China, followed by Japan, South Korea, and India.

In 2025, Canada exported (non-air) nearly $4 billion more to China than it did in 2024 (+14%). Big gains in petroleum products, copper, iron ore, wheat, and soya more than offset reductions in tariffed products like canola and lobster. Canada also achieved strong non-air export growth to Hong Kong (95%), Singapore (63%), and Indonesia (29%), followed by a relatively modest increase to Australia (11%). Non-air exports to other top Western partners decreased, including a 35% reduction to India, driven mostly by significant reductions in peas and lentils.

Mexico

Mexico is an important trading partner for Canada, with non-air exports increasing at an annual rate of 4.8% from 2014 to 2024. Canadian goods are exported to Mexico via either the East coast, West coast, or transborder by land. In 2025, U.S. tariffs impacted the North American steel, aluminum, and automotive sectors.

Other non-U.S. (outside top 26 partners)

Non-air exports to all other non-U.S. countries combined increased by an average rate of 3.4% per year between 2014 and 2024, and by 13.7% in 2025.

Transforming Ambition Into Action

Achieving the government's objective of doubling exports to non-U.S. markets will be supported by strong collaboration across Canada's transportation supply chains. Canadian industries are well positioned to supply global markets.

The ability to deliver goods efficiently and reliably will improve based on collaboration between industry and the federal government to identify high-impact infrastructure investment opportunities, develop effective regulatory processes, ensure labour stability, and implement policies that encourage private capital formation.

Improving fluidity throughout the supply chain, from end to end, will support increasing volumes of exports through the East, West, and Arctic coasts. This includes public investment in publicly owned infrastructure as well as policies that strengthen investor confidence and support private sector infrastructure investment.

INFRASTRUCTURE INVESTMENTS

The Association of Canadian Port Authorities estimates that fulfilling the government's trade agenda will require between $15 and $21 billion in infrastructure investment by 2040.[xvii] With this cost in mind, private sector investment is essential to meet Canada's long-term trade infrastructure needs. The government's investments must support the private sector to meet global demand.

REGULATORY REFORM

In addition to funding infrastructure, regulatory processes must support timely development of critical projects. The importance of expanding capacity at key trade gateways, such as the Port of Vancouver and the Port of Montreal, has been identified by Canadian businesses as necessary to support export growth. The permit for the Roberts Bank Terminal 2 expansion at the Port of Vancouver was stalled for nearly a decade. Such delays prevent Canadian businesses from building new infrastructure quickly enough to react to global market opportunities. To support trade diversification, Canada must ensure that its regulatory processes provide timely, transparent, and predictable decisions for infrastructure and industrial projects. Improvements should include clearer timelines, stronger coordination between jurisdictions, and more efficient consultation processes that support both economic growth and the public interest.

ENSURING LABOUR STABILITY

Canada's exporters expect reliable, uninterrupted rail and marine transportation services to get their goods to global market. Recent work stoppages in 2023 and throughout 2024 demonstrated the widespread impacts of stoppages across national logistics networks, resulting in immediate impacts on workers, businesses, and Canada's reputation as a reliable trading partner. In 2023 and 2024, there were more than 60 work stoppages in Canada's transportation sector, resulting in 230,000 lost workdays in 2023 and 1.3 million lost workdays in 2024, marking the highest number of person-days lost in the sector since 1966.[xviii] Work stoppages in the railway industry are particularly impactful on trade volumes. Disruptions raise costs for consumers and can discourage international companies from doing business with Canada.

The Government of Canada must modernize the Canada Labour Code to reduce the likelihood of work stoppages and strengthen supply chain reliability. A modernized framework should include the appointment of a special mediator to make recommendations to the parties in dispute on the terms of a new agreement. If parties are unable to reach an agreement with the special mediator, the modernized labour code should provide that the government may directly and rapidly impose, via an explicit and purpose-built statutory authority, final binding arbitration when a work stoppage would cause national or disproportionate economic harm.

ACCELERATED (IMMEDIATE) DEPRECIATION

Canada's ability to attract private investment in infrastructure and productive assets is critical to supporting export growth. Over the past decade, Canada's economy has underperformed relative to its OECD peers in both business investment and productivity growth. According to economist Trevor Tombe, if Canada's productivity growth had kept pace with other major economies, the country's economy would be approximately 12% larger today.[xix]

Recent policy developments in the United States have further intensified this competitive challenge. The passage of the *One Big Beautiful Bill Act* permanently introduced 100% bonus depreciation across the U.S. economy, significantly improving investment incentives for capital-intensive industries. This policy shift materially alters the competitive landscape, particularly for businesses operating on both sides of the border.

In response, many industry groups have called on the Canadian government to introduce competitive tax policies that unlock private sector investment.[xx] Introducing 100% immediate depreciation across industries could encourage capital renewal, improve productivity, and support domestic production in an environment of heightened trade uncertainty. Canadian railways already make substantial investments in infrastructure; in 2024 alone, railways invested $4.5 billion, including $2.4 billion in track and roadway infrastructure. Expanding accelerated depreciation policies could help build on these investments by encouraging additional private capital formation that supports the diversification of exports.

INVESTMENT TAX CREDIT FOR SHORTLINE RAILWAYS

Shortline railways are an essential component of Canada's transportation network and play an important role in supporting export diversification. Collectively, Canadian shortlines move $49.2 billion in goods annually, much of which is exported to non-U.S. markets. These railways provide critical connections between regional industries and the mainline rail network, supporting economic activity in agriculture, forestry, mining, and manufacturing.

However, shortline railways face significant challenges. Many operate low-density branch lines that require substantial maintenance and capital investment. High fixed costs, aging infrastructure, commodity volatility, and policies that favour other transportation modes, such as trucking, place financial pressure on these operators.

Tax credits have proven to be an effective tool for addressing infrastructure investment gaps. The United States has supported its shortline rail sector through the Section 45G tax credit, which has been in place for more than 20 years and was recently made permanent.

Canada has begun to address this policy gap. In Budget 2025, the Province of Ontario introduced a 50 percent tax credit of up to $8,500 per track mile to support the province's shortline railways.[xxi] Expanding a similar program nationally would strengthen Canada's shortline network and support export supply chains. Based on the size of the shortline rail network, a national program offering a 50 percent tax credit of up to $8,500 per track mile would cost up to $53 million annually while leveraging tens of millions of dollars in private sector investment.[xxii]

Conclusion

Canada's goal of doubling exports to non-U.S. markets within the next decade reflects a strategic shift in the country's economic outlook. Recent trade disruptions have underscored the importance of resilient and diversified supply chains. Encouragingly, global demand for Canadian commodities remains strong, and Canadian exporters and transportation service providers have demonstrated their ability to pivot quickly to new markets when necessary.

Achieving this objective will involve not only trade diplomacy but also on Canada's ability to move goods efficiently to global markets. The evidence presented in this paper demonstrates that railways play a central role in enabling non-U.S. export growth. Canada's rail network connects resource-producing regions with coastal gateways and handles a substantial share of goods destined for overseas markets.

To transform ambition into reality, Canada must strengthen investor confidence and introduce policies that encourage private investment—such as accelerated (immediate) depreciation and a tax credit for shortline railways—while also reforming the regulatory process to make it more timely, transparent, and predictable, and modernizing labour laws to address disruptions.

Trade diversification is delivered through infrastructure, investment, and efficient supply chains that connect Canadian producers with global customer demand. With a decade to deliver, Canada must act to position its exporters for long-term success in global markets.

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xi RAC analysis based on data from Transport Canada *Addendum Tables to the 2024 Annual Report.*
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xiv Ibid.
xv Exports by air are mainly comprised of high-value, low-weight goods (e.g. precious metals, medical equipment, pharmaceutical products, etc.). The infrastructure requirements and transportation costs (as a share of product value) are relatively small. As such, supply chain infrastructure is generally not a limiting factor.
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