



Canada's Federal Election: Implications for Cross-Border Legal and Trade Strategies

Employment and Labor

Government

Corporate, Securities, and Governance



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In a closely watched federal election, Canadian Prime Minister Mark Carney's Liberal Party secured a minority government, signaling both continuity and transformation in the country's political and economic trajectory.

While falling short of a majority, the new government appears poised to advance a more business-friendly agenda than in previous years, including the reversal of a proposed capital gains tax hike and plans to liberalize internal trade. At the same time, this transition takes place in a complex landscape marked by heightened trade tensions with the United States, increased deficit spending, and slowing economic growth.

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For in-house counsel and the businesses they serve, these developments present a mix of opportunity and uncertainty across regulatory, tax, trade, and project-development domains. The

following key takeaways outline possibilities for legal teams to consider as they navigate the implications of Canada's evolving policy environment.

Liberal minority government ushers in pro-business shift with fiscal trade-offs

- Prime Minister Mark Carney's Liberals have retained power with a **minority government** (167 of 343 seats, short of the 172 required for a majority), maintaining political continuity while **pivoting toward more business-friendly policies**.
- Carney's background in **central banking and global finance** has reassured markets. He has **canceled a proposed capital gains tax increase**, signaling a **pro-investment stance** favorable to corporate entities.

Fiscal expansion ahead, with regulatory and trade complexity

- The Liberal platform includes **additional deficit spending of around 2.5 percent of GDP over four years**, compared to 0.3 percent proposed by the Conservatives.
- This has **implications for tax policy, infrastructure contracts, and public-private partnerships**, and could increase **federal regulatory activity** — especially in sectors dependent on public funds or oversight.

Cross-border trade risks elevated amid US tariff uncertainty

- With about 75 percent of Canadian exports going to the US, and many industries (steel, autos, oil) affected by Trump-era tariffs, **legal counsel may anticipate intensified trade enforcement and are likely to focus increasingly on tariff mitigation strategies**.
- Carney's stance marks a **departure from US-led trade integration**, suggesting new **domestic trade liberalization** and **diversification of export markets**.

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Energy and infrastructure acceleration offers legal opportunity

- Both major parties have committed to **fast-tracking energy projects**, especially those **reducing US dependency** — creating potential demand for legal support in **project finance, environmental law, and indigenous consultations**.

Minority government means policy fluidity and potential legal uncertainty

- With no majority in Parliament, the Liberals will need **support from smaller parties** to pass key legislation, increasing the likelihood of **policy concessions or delays**, particularly in areas like **corporate taxation, financial regulation, and ESG mandates**.
- Minority governments in Canada historically last **no more than 2.5 years**, so businesses should prepare for **evolving legal landscapes, such as in connection with potential early elections**.

Investor sentiment remains mixed

- Investors may react cautiously to increased debt issuance. A more aggressive fiscal approach could **affect monetary policy, bond markets, and corporate borrowing costs**, with downstream impacts on **transaction structuring, debt covenants, and regulatory reporting**.

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