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Intelligence MEMOS

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From: Catherine Beaudry

To: Concerned Canadians

Re: HOW TO GET CANADA'S INNOVATION SKATERS BACK IN THE GAME

Business and hockey share the same playbook: innovation, agility, and speed. If we want to keep our talent, intellectual property, firms, and revenues here at home, Canada needs to move from defending to scoring.

The second quarter of 2025 saw a drop in both GDP and labour productivity. One way to turn that around is to help Canadian firms transform ideas into valuable intellectual property (IP) and products by removing the barriers that block innovation, as I outline in my recent C.D. Howe Institute **study**.

Faced with uncertainty and fears of moving into the offensive zone with no support, our businesses have stopped investing in innovation. At the same time, government staff numbers and programs are being cut, thereby maintaining this uncertainty. We eagerly await next week's budget!

Canadian firms are ready to compete, but they need a clear signal that policy stability and targeted support will back them up. In times of fiscal constraint, companies that take deliberate steps to overcome innovation barriers – and that make effective use of available programs – are significantly more likely to innovate than those that stand still.

Doing nothing is the surest way to lose ground.

The evidence is clear: One-size-fits-all programs no longer work. Government support must be tailored to firms' actual needs, with measurable objectives and transparent results. Programs that focus on training and hiring recent graduates are particularly effective, boosting both innovation capacity and youth employment (which is currently showing a worrying trend). Ensuring access to public research infrastructure – labs, testing facilities, and collaboration platforms – has a similar impact, helping firms develop and retain Canadian IP instead of seeking partnerships abroad.

Export supports also matter, but the rules of global trade are changing. Canada should double down on diversifying markets through "friendshoring" with trusted partners who share our values. That shift will help our innovators reach new customers while reducing exposure to geopolitical risk.

Strong policy design depends on strong data. Yet, as ministries reduce analytical capacity, we risk cutting programs without understanding their true impact. Evidence-based innovation policy requires the opposite approach: Collecting more and better data on what works. Without measurement, we're skating blind.

Hockey analysts explore all aspects of the game and the performance of different players with increasingly sophisticated statistics and analytical tools, including artificial intelligence. Similarly, both firms and governments require official statistics, validated data and new tools to adjust innovation and industrial policy, as well as innovation and growth support mechanisms.

The Canadian Statistics Advisory Council's **latest report** to Innovation Minister Mélanie Joly paves the way for a new game plan.

Governments create the conditions for play, but companies score the goals. Firms should not wait for signals to invest, protect their IP, or recruit and retain talent. They need stability and predictability to take calculated risks. Defencemen rarely score, it is not their role, but often assist the lead trio.

Finally, firms should resist the temptation to absorb tariff costs by lowering prices. Competing on price is short-sighted; competing on innovation builds enduring strength.

Canada has produced legends known for creativity and speed – the Rocket, the Great One and the Blonde Comet. We can channel that same drive into our innovation economy. If we invest in our talent, safeguard our IP, and back our firms with smart, stable policy, Canada can get on the scoreboard. It's time to go on the offensive.

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To send a comment or leave feedback, email us at **blog@cdhowe.org**.

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