



THE INS AND OUTS OF CANADA-U.S. TRADE AND THE POTENTIAL IMPACT OF TRUMP'S (EVER-CHANGING) TARIFFS

CSLS Seminar
April 15, 2025
Ottawa, ON



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



Business
Data Lab

Laboratoire de données
sur les entreprises

Stephen Tapp, PhD

OUTLINE

- 1** Context
- 2** Canada-U.S. integration
- 3** Trump's tariff threats
- 4** Assessing tariff exposure
- 5** Reasons for optimism
- 6** Data tools and resources





OPINION

The Dumbest Trade War in History

Trump will impose 25% tariffs on Canada and Mexico for no good reason.

By [The Editorial Board](#)

Jan. 31, 2025





ELBOWS
UP
CANADA

Canada-U.S. integration



HIGHLY INTEGRATED PRODUCTION



HAMBURGER EXAMPLE



- Manufacturing
- Energy markets
- Financial systems

MOST CAN-U.S. TRADE IN MANUFACTURING AND ENERGY



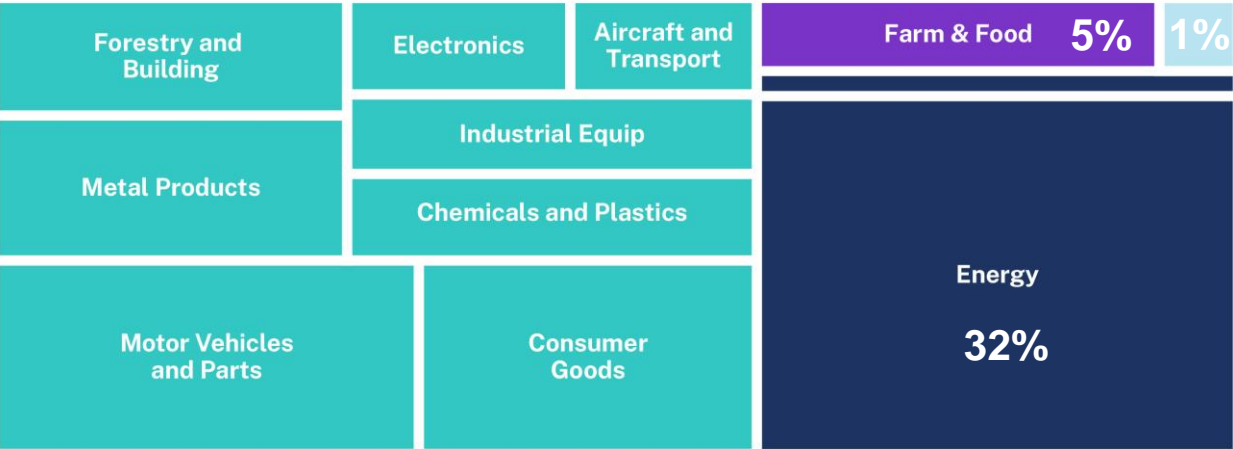
Composition of Canada-U.S. goods trade

% of total, first half of 2024



Canadian goods exports to the U.S.

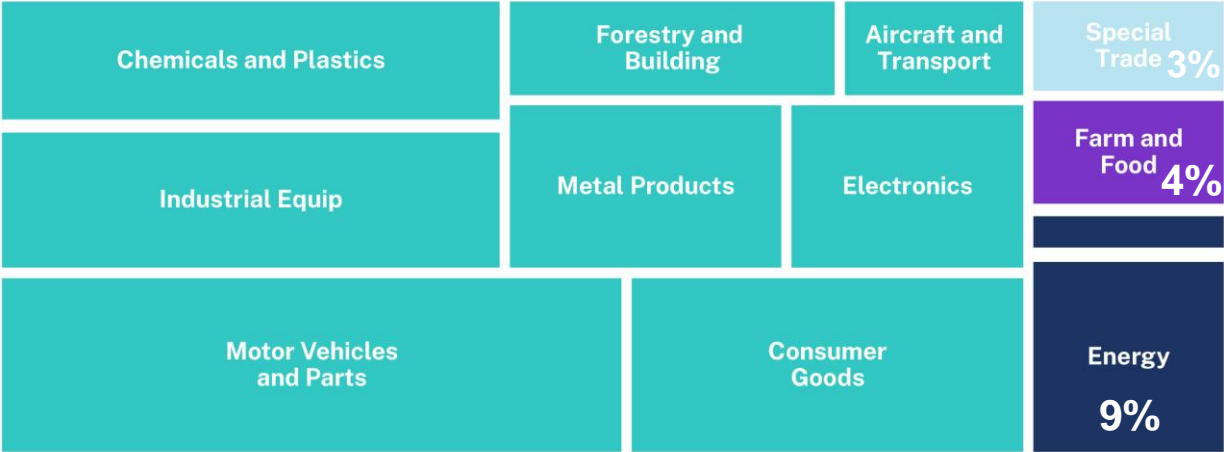
% of total, first half of 2024



All manufacturing, 61%

Canadian goods imports from the U.S.

% of total, first half of 2024



All manufacturing, 84%

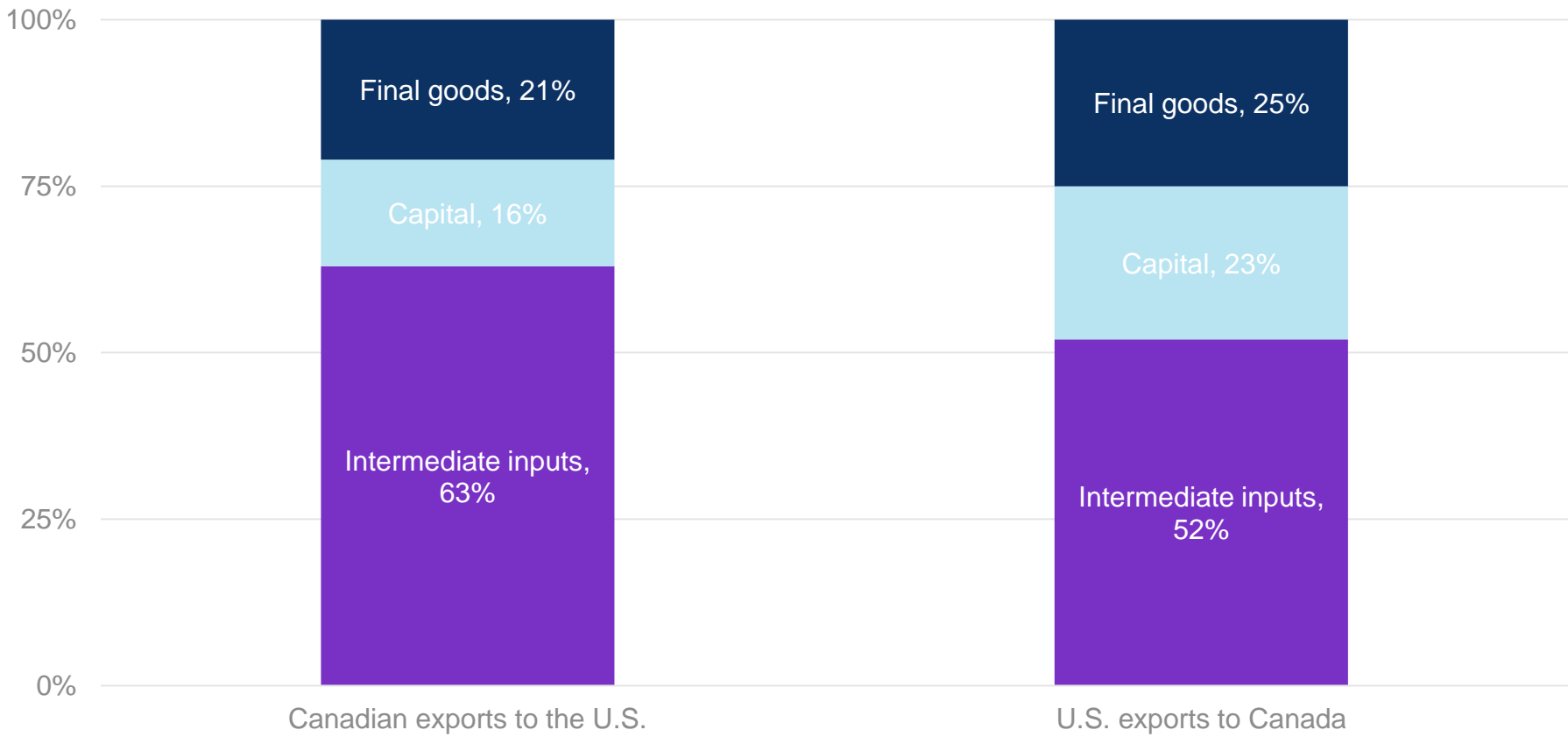
Source: BDL's *Partners in Prosperity* report.
Note: BDL calculations using StatCan Table 12-10-0175-01. Numbers may not sum to 100% because of rounding.

MOST CAN-U.S. TRADE IS BUSINESS INPUTS



Broad economic categories of Canada-U.S. trade

% of total, 2023

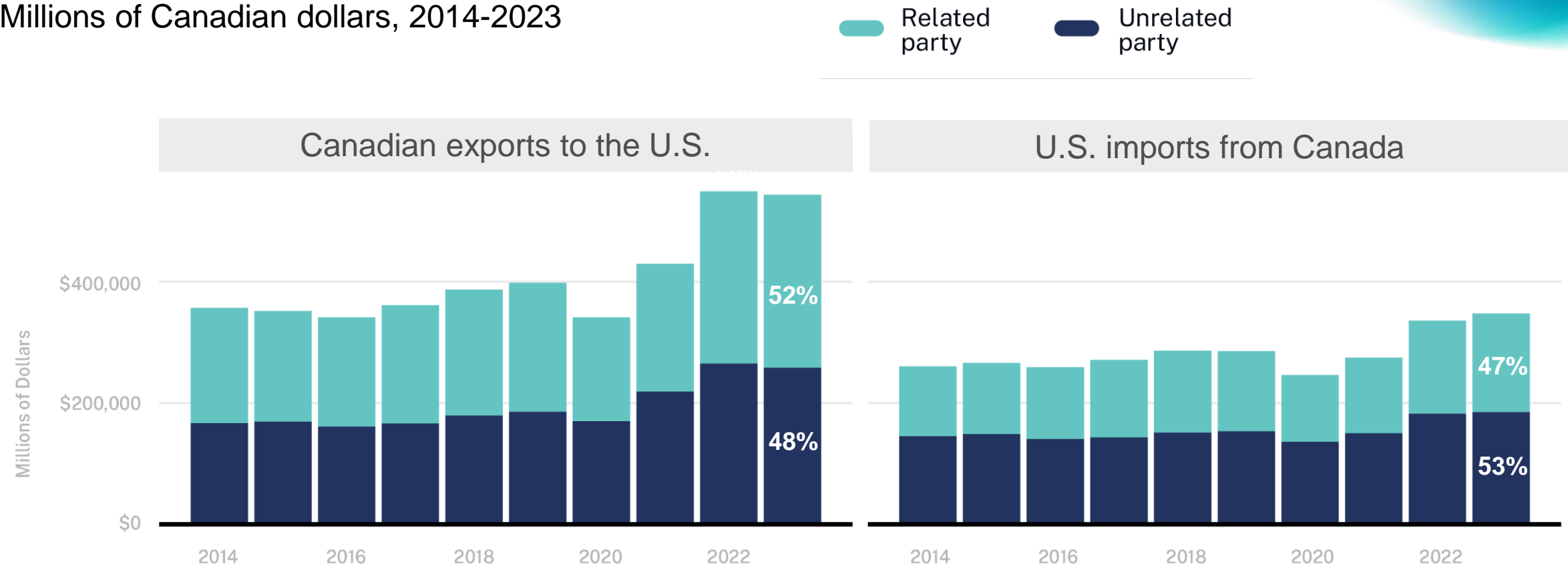


Source: BDL’s *Partners in Prosperity* report.
Note: Items are classified by their eventual end use. Final goods are consumed. Intermediate inputs and capital items are used by businesses to produce other goods and services.

HALF OF TRADE IS VIA “RELATED PARTIES”

Canada-U.S. related and unrelated party trade

Millions of Canadian dollars, 2014-2023



Source: BDL’s *Partners in Prosperity* report.

Note: A “related party” holds an ownership stake in the party it is buy from or selling to. BDL calculations using StatCan Tables 12-10-0158-01 and 12-10-0160-01.

CANADA IS A KEY EXPORT MARKET AND SUPPLIER THROUGHOUT THE U.S.

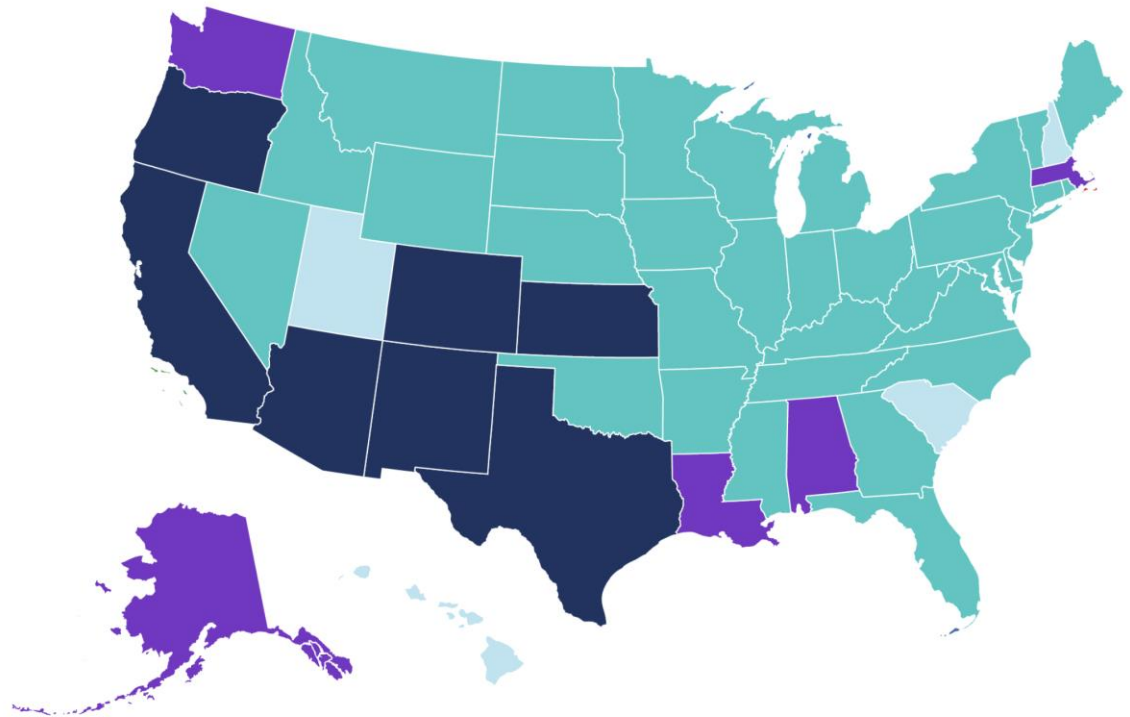


Top trade partners for U.S. states

U.S. Exports

Top export destination

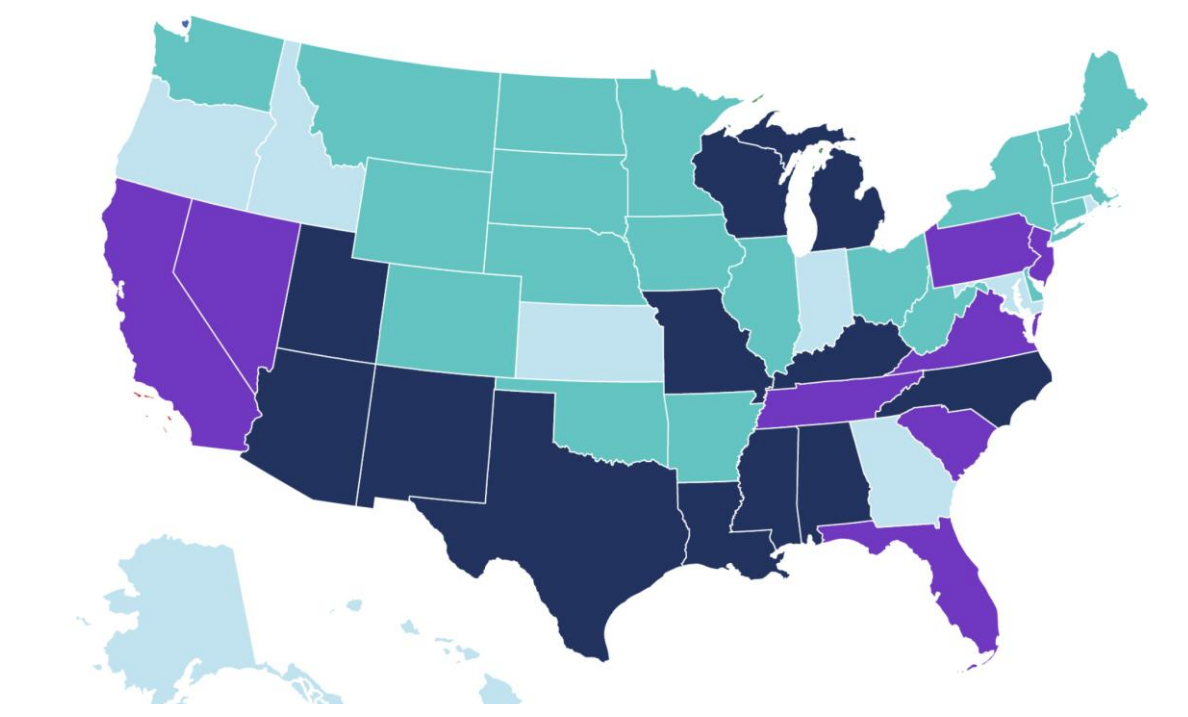
 Canada	 China	 Mexico	 Other
(34 states)	(5 states)	(7 states)	(4 states)



U.S. Imports

Top import supplier

 Canada	 China	 Mexico	 Other
(21 states)	(8 states)	(12 states)	(9 states)

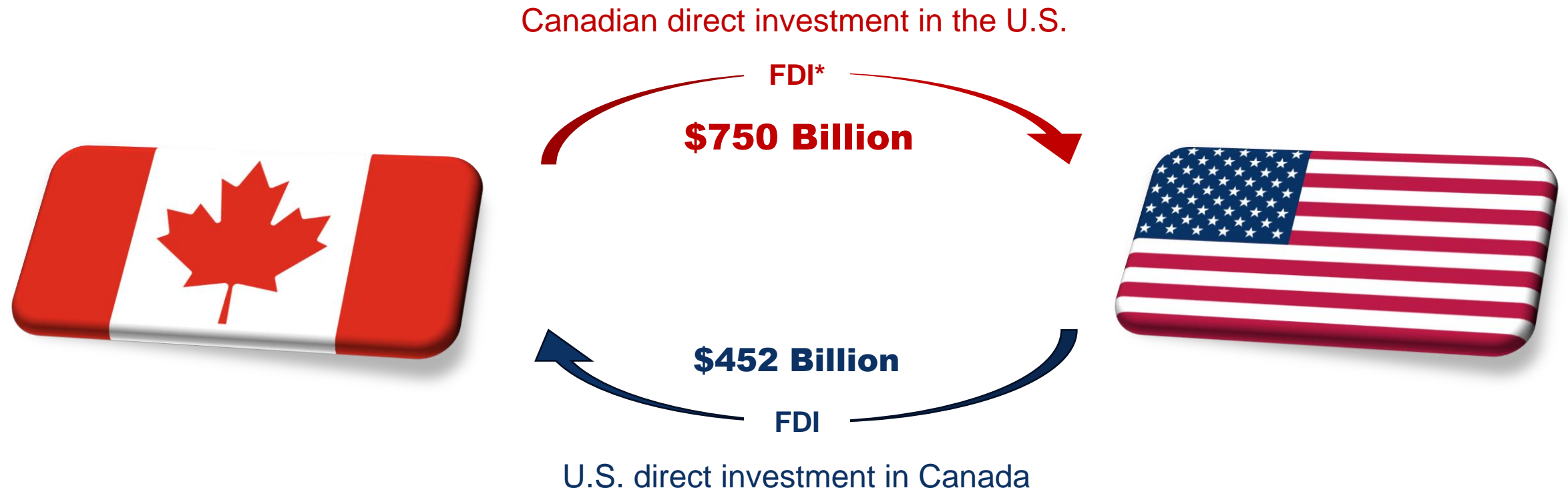


Source: BDL's *Partners in Prosperity* report.

CANADA INVESTS MORE IN THE U.S. THAN THE U.S. INVESTS IN CANADA

Stock of foreign direct investment

2023, billions of US dollars



Note: BDL calculations using U.S. Bureau of Economic Analysis [data](#).

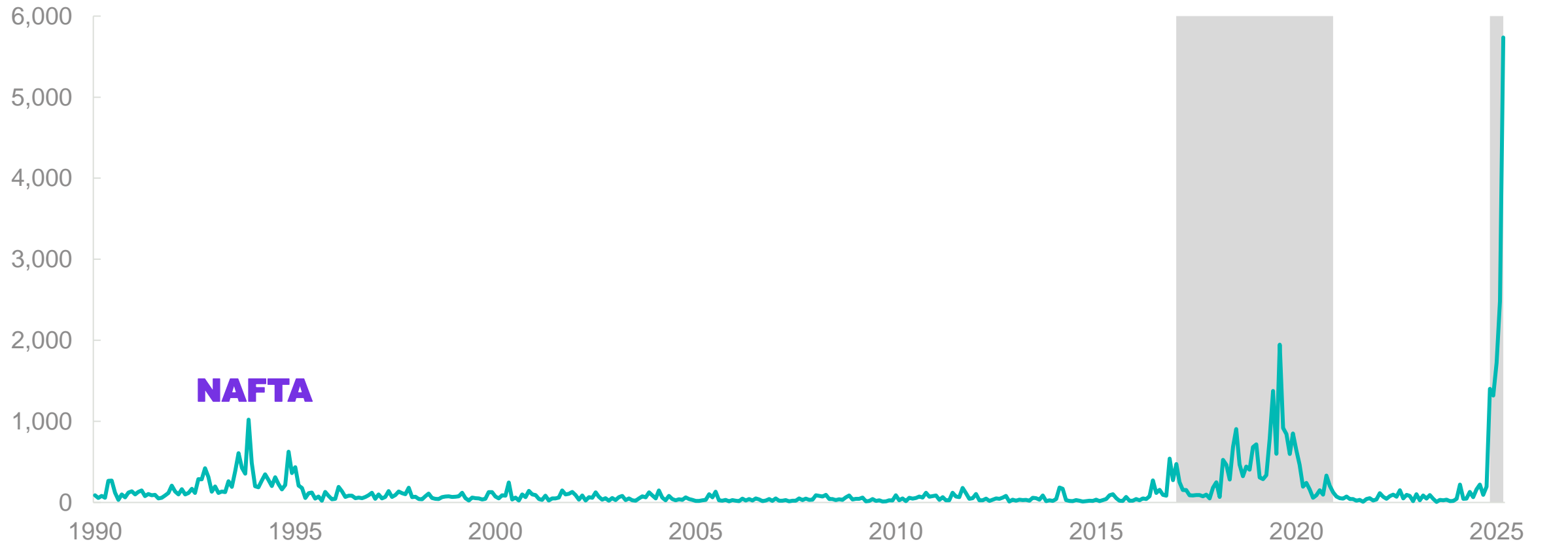
*Ultimate beneficial owner basis for Canadian FDI in the U.S.



Tariff-ied

U.S. TRADE POLICY UNCERTAINTY...

U.S. Trade Policy Uncertainty 1985-2010 = 100



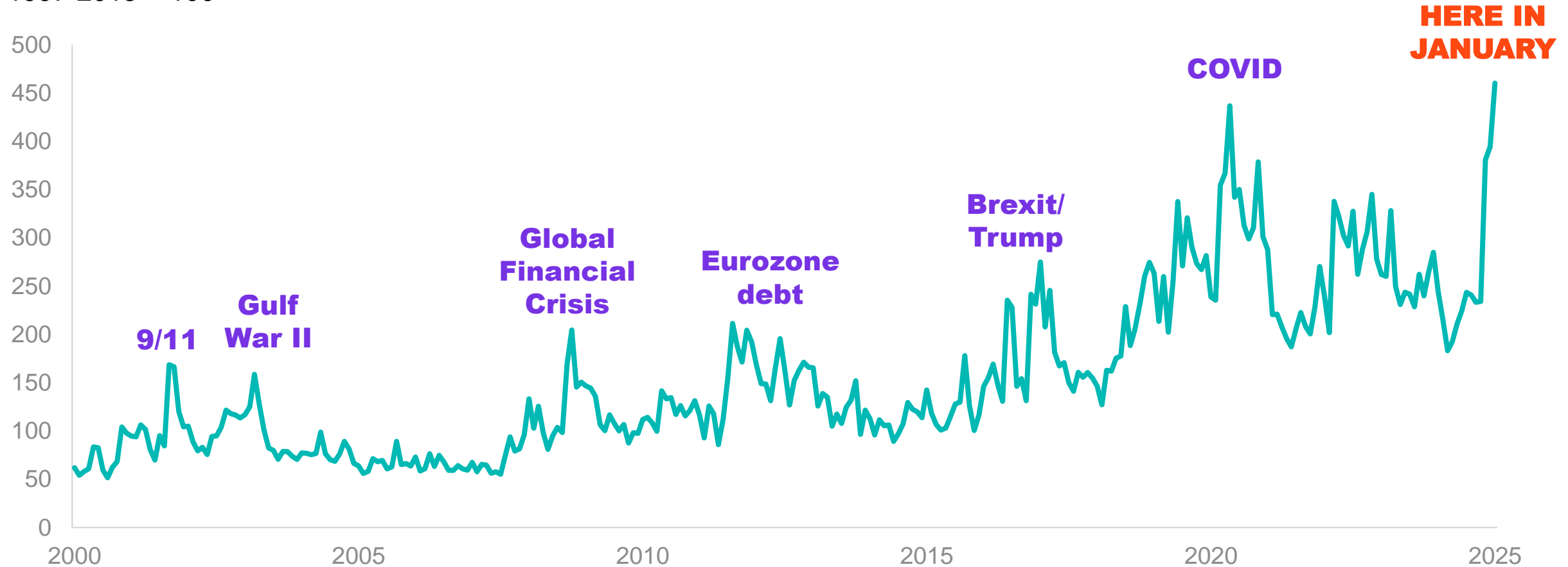
Source: Baker, Bloom and Davis via Haver.

Business Data Lab

...EXTREME UNCERTAINTY GLOBALLY...

Global Economic Policy Uncertainty Index

1997-2015 = 100



Note: Last data point January 2025.
Source: Bloom, Baker and Davis via Economic Policy Uncertainty.

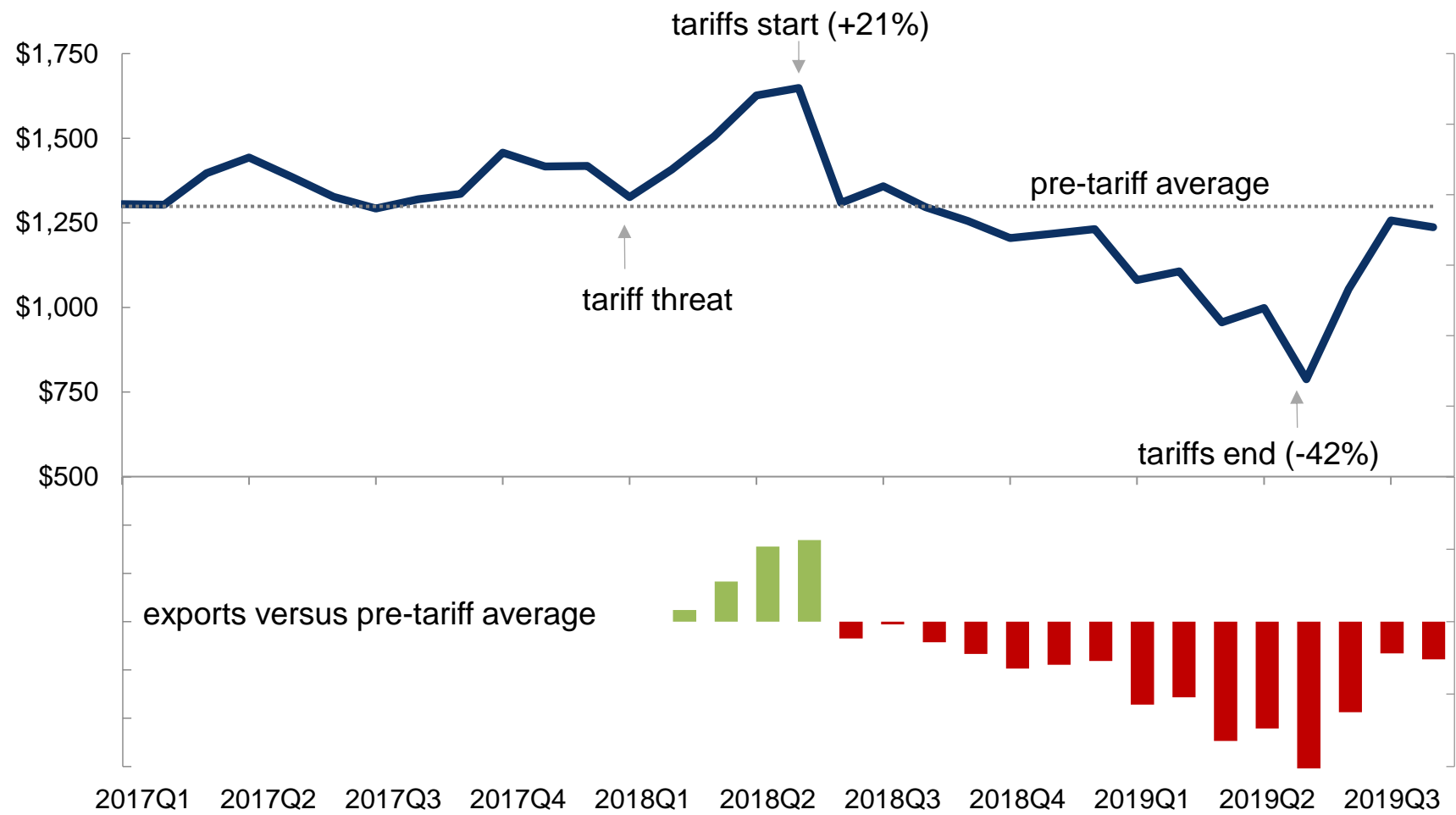
Business Data Lab

PAST TARIFFS TOOK A TOLL



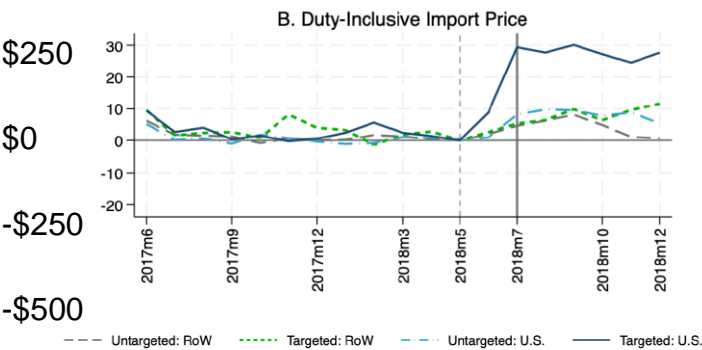
Canadian exports of tariffed steel and aluminum products to the U.S.

Millions of Canadian dollars



\$2.4B
(-16%)

Retaliation caused higher
🍁 import prices on targeted
U.S. goods



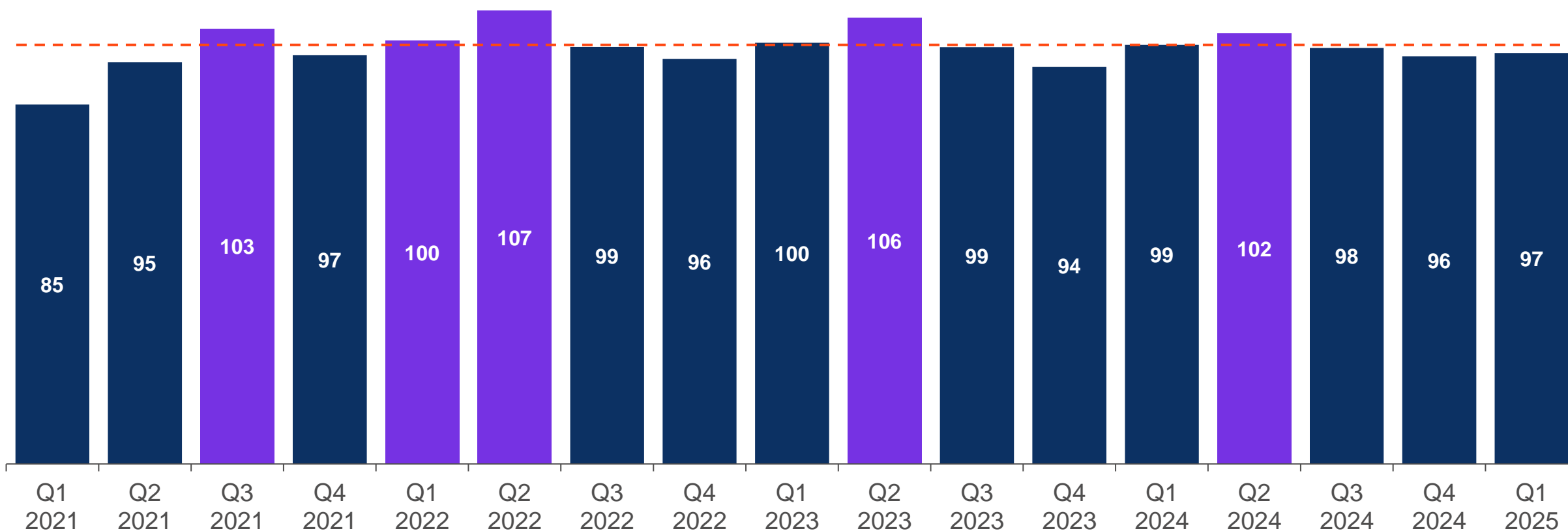
Source: Calculations using Statistics Canada trade data.

WEAKENING BUSINESS SENTIMENT LAST 3 QUARTERS

Business Expectations Index, Canada

Next three months, < 100 = business expecting weaker performance

■ Deteriorating ■ Improving



Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

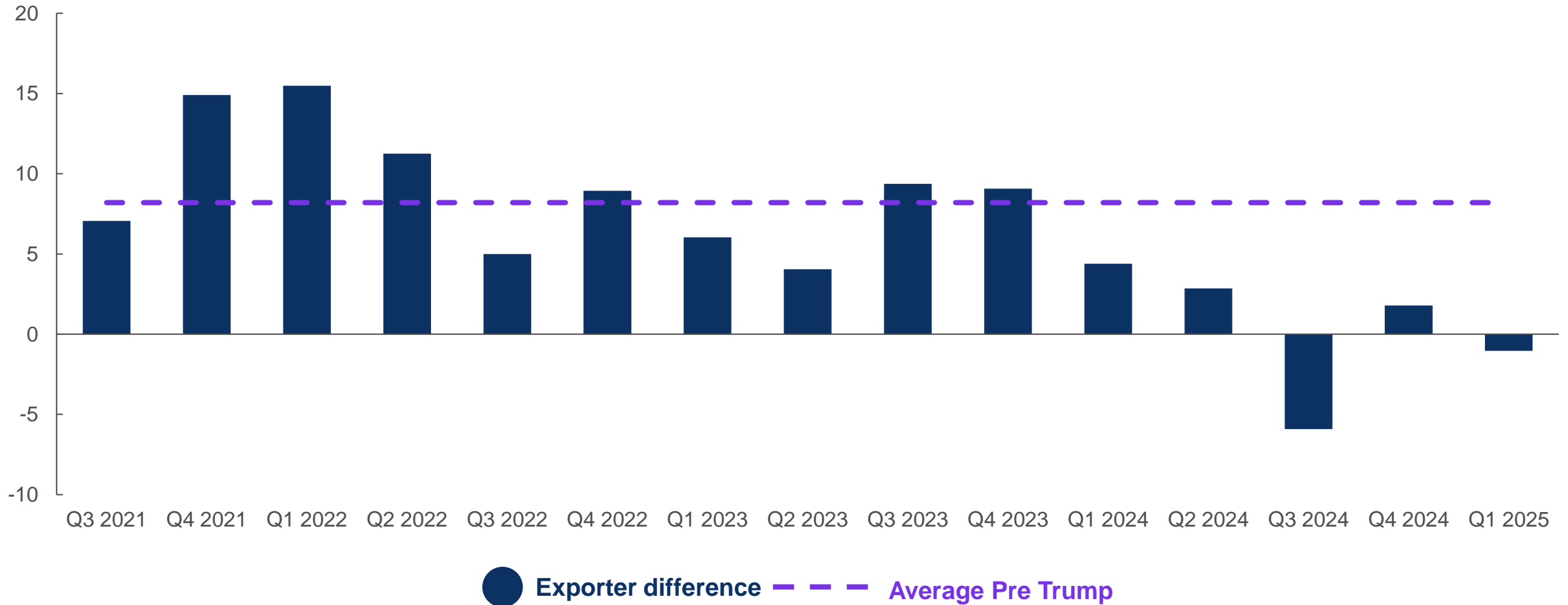
Business Data Lab



EXPORTERS HAVE LOST THEIR OPTIMISTIC ADVANTAGE

Business Expectations Index, difference between goods exporters and all businesses

Difference in sentiment between exporters and all businesses. Positive values mean exporters are more optimistic; negative values mean they are less optimistic.

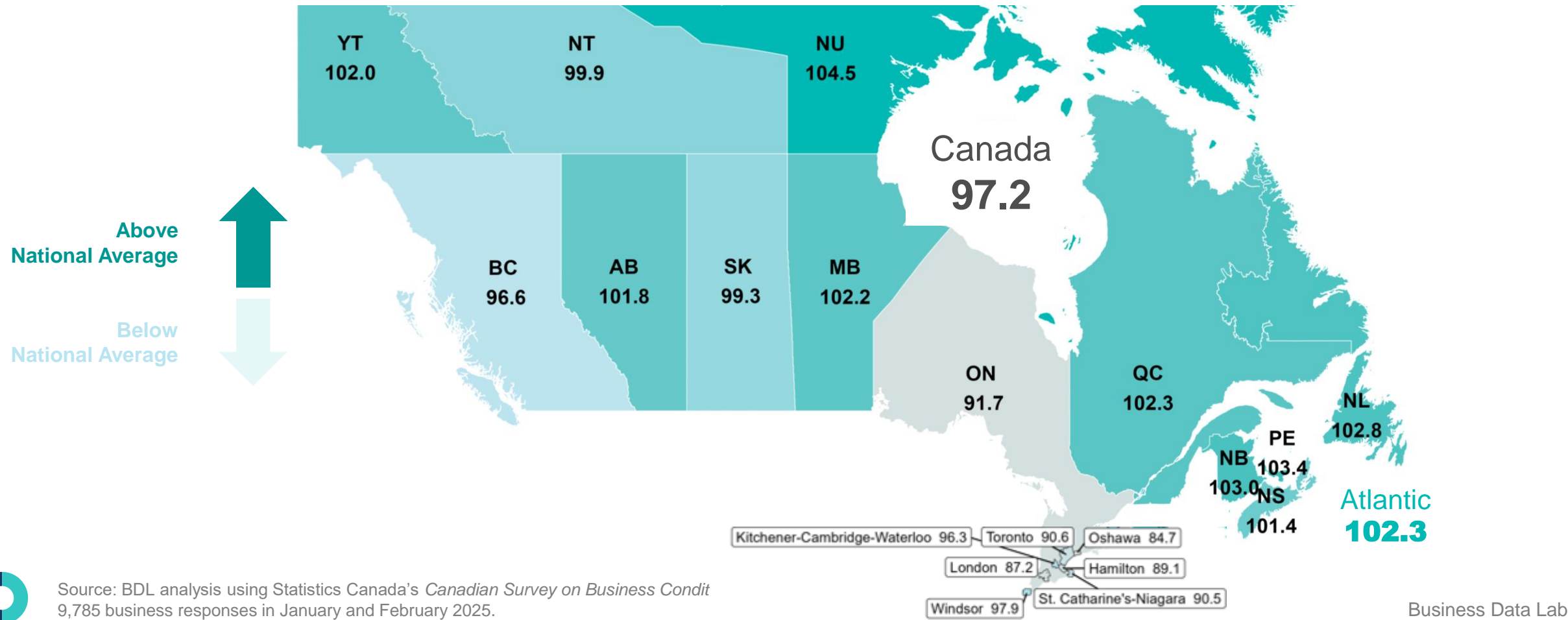


Source: BDL analysis using Statistics Canada's *Canadian Survey on Business Conditions*.

WEAKNESS CONCENTRATED IN SW ONTARIO

Business Expectations Index, regional

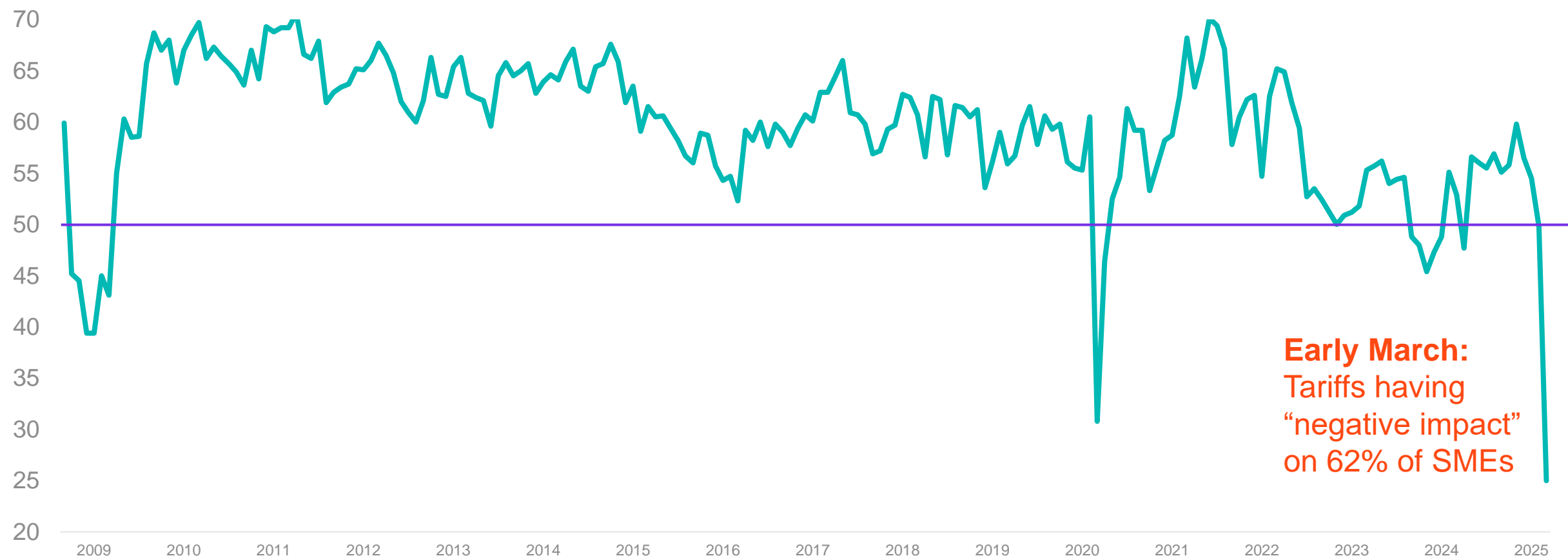
Next three months, < 100 = business expecting weaker performance



SMALL BUSINESS CONFIDENCE COLLAPSE

Canadian SME business confidence index

Next 12-months, < 50 = business expecting weaker performance



Early March:
Tariffs having
“negative impact”
on 62% of SMEs



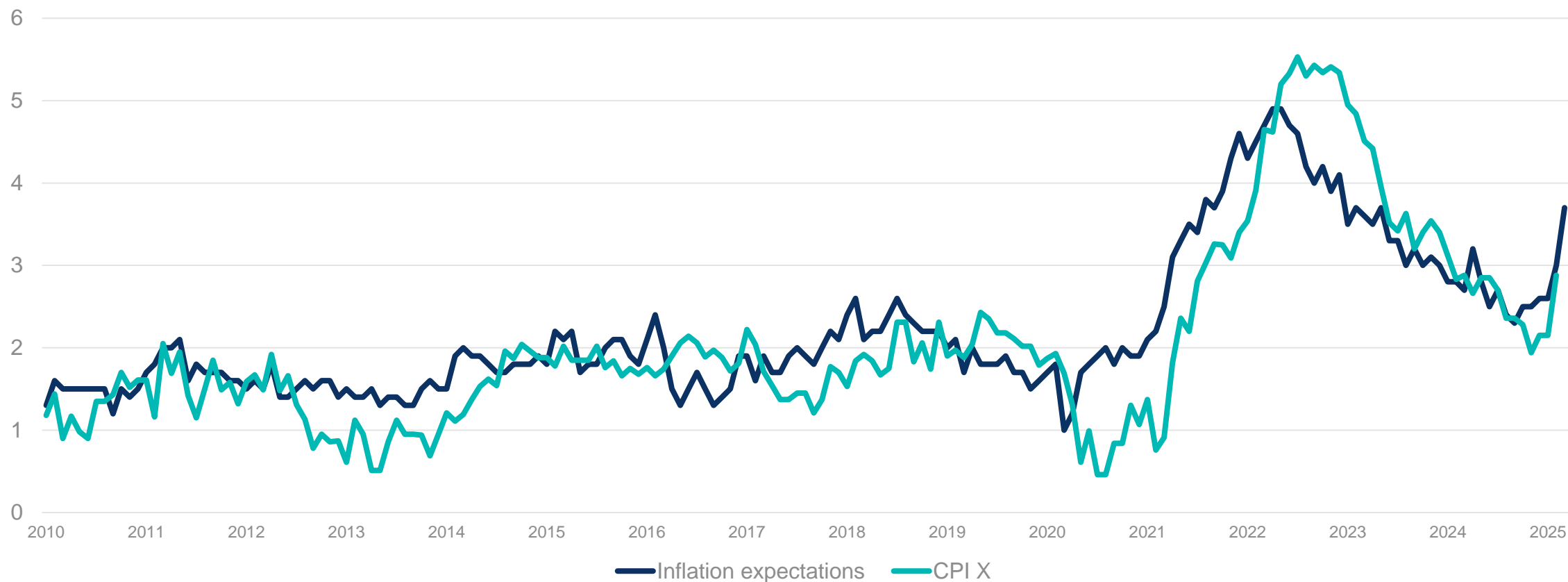
Source: CFIB Business Barometer, as of March 2025.

Business Data Lab

BUSINESSES NOW EXPECT HIGHER INFLATION

SME inflation expectations vs. core inflation

Avg. selling price expectations, next year, CPI inflation excluding food and energy

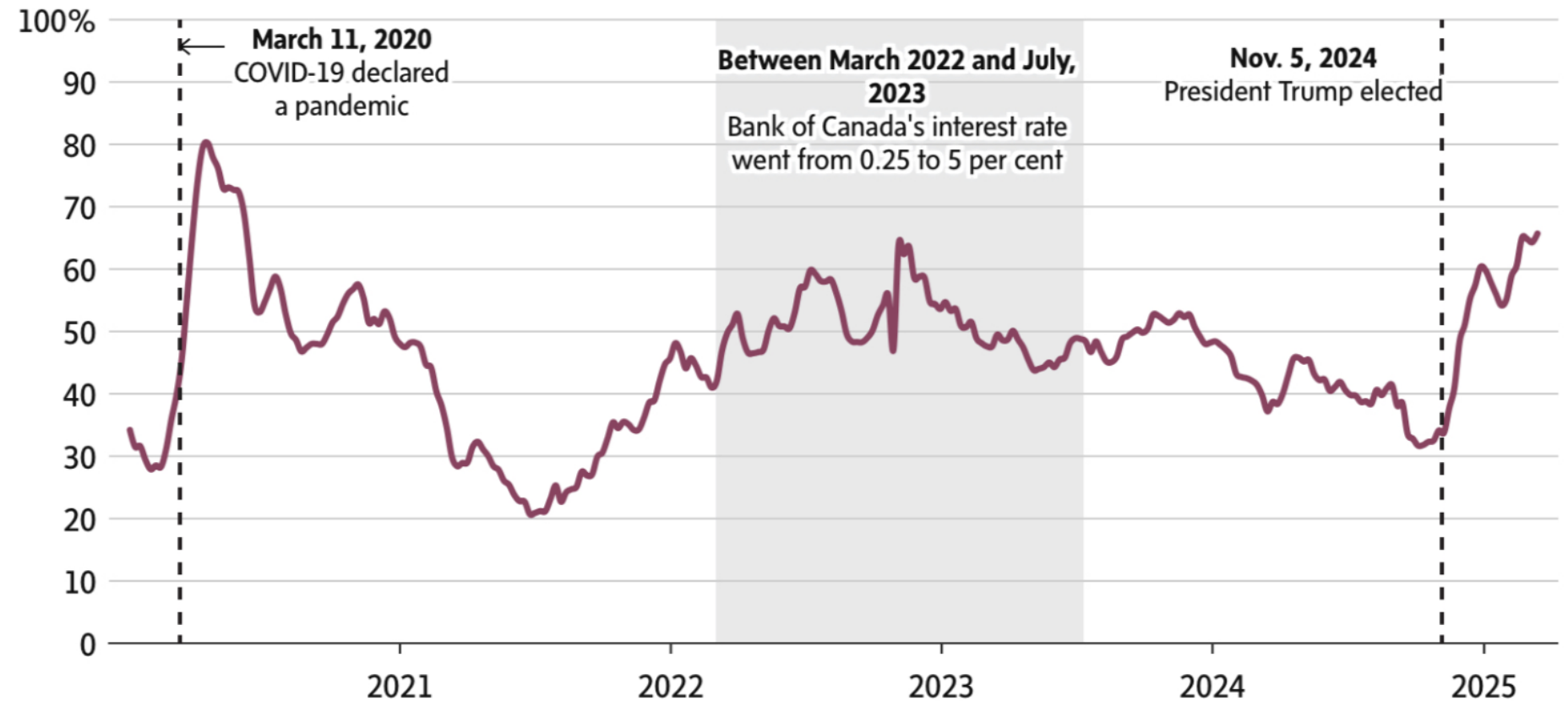


Source: CFIB Business Barometer, as of March 2025.

CONSUMER CONFIDENCE CONCERNS

Canadian consumer confidence

Share of respondents who believe the economy will weaken, next six months

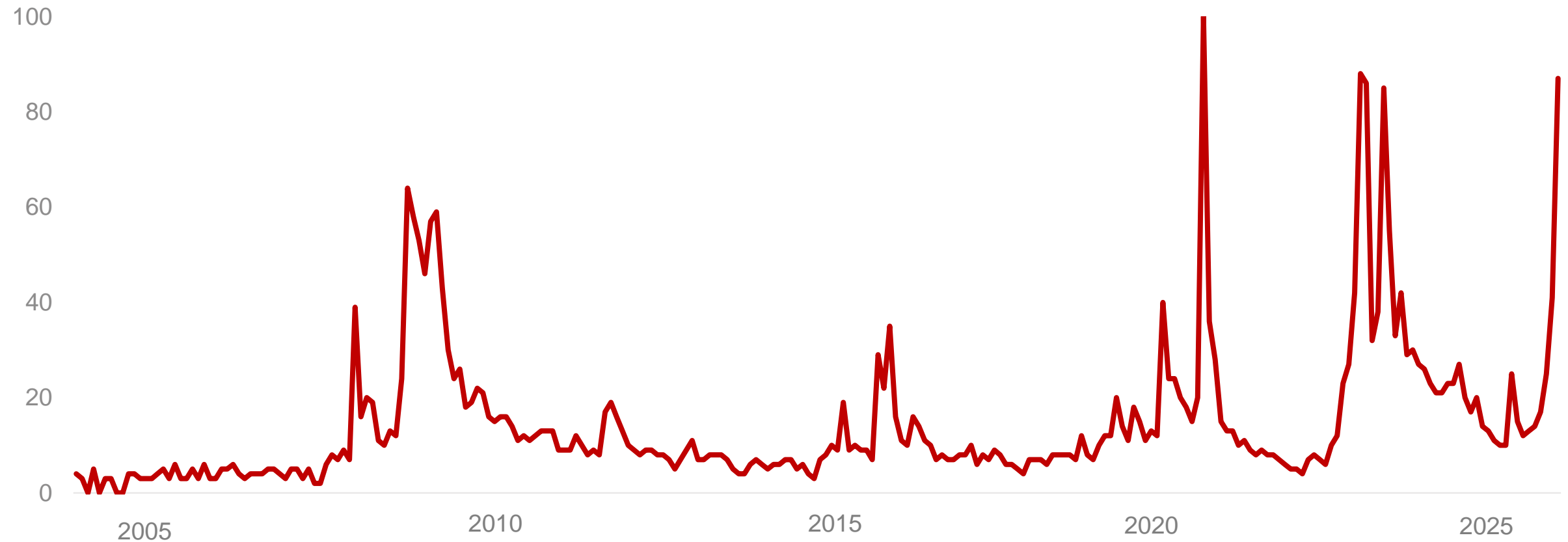


Source: Bloomberg/Nanos Canadian consumer confidence survey, via The Globe and Mail.

“RECESSION” WORRIES

Search activity in Canada for “Recession”

Index, max =100



Sources: BDL Business Conditions Terminal; Google Search Trends, Canada as of April 11, 2025.

Business Data Lab



Assessing tariff exposure

TRUMP TARIFFS WILL HURT CANADA AND U.S.



Simulated Effects of a 25% U.S. Import Tariff With Retaliation

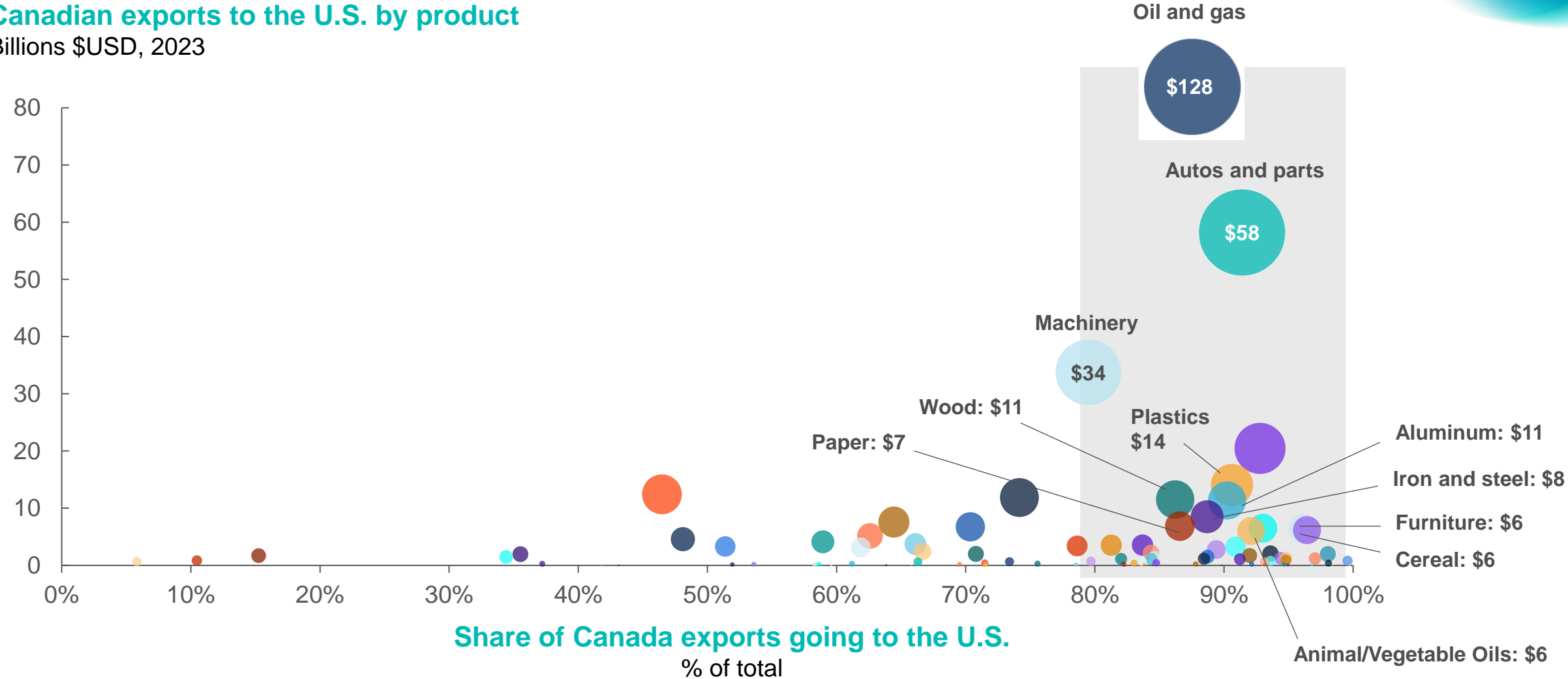
	Real GDP shock, %	Economic cost, per person
Canada	-2.6%	\$1,900 CAD
United States	-1.6%	\$1,300 USD

Source: Update of the BDL's *Partners in Prosperity* report.
Note: BDL calculations using a general equilibrium model of the global economy.

MOST CANADIAN EXPORT SECTORS ARE OVER 80% DEPENDENT ON THE U.S. MARKET



Canadian exports to the U.S. by product
Billions \$USD, 2023



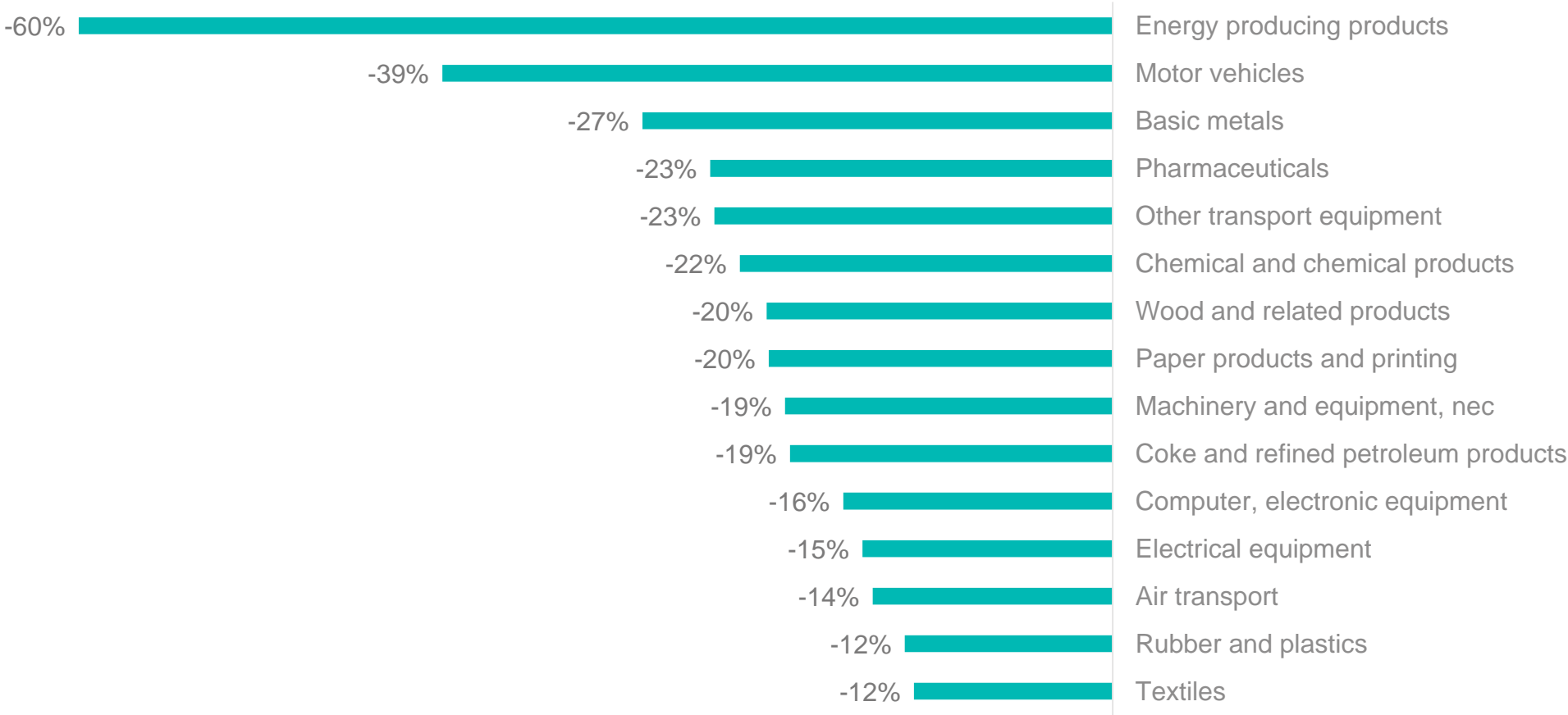
Sources: Bloomberg, UN Comtrade

HIT TO ENERGY, AUTO, METALS EXPORTS



Canadian exports to the U.S. by sector

Percentage point change as a share of each sector's output under a 25% U.S. across-the-board tariff with retaliation



Source: Update of the BDL's *Partners in Prosperity* report.
Note: BDL calculations using a general equilibrium model of the global economy.

TARIFFS PULLED FORWARD U.S. IMPORTS, LIKELY TO FALL FURTHER



Canada's goods trade to the U.S.

Seasonally adjusted, billions CAD



Source: Statistics Canada



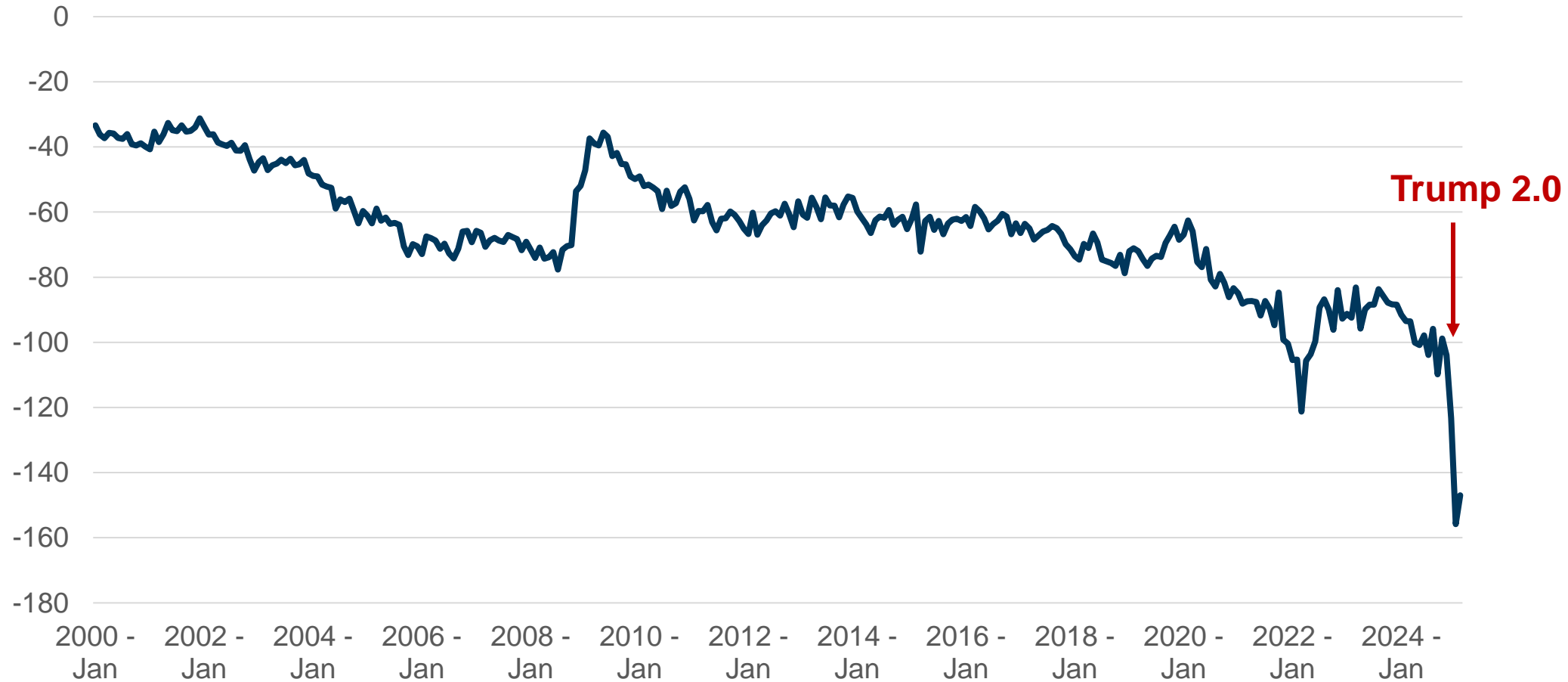
Business Data Lab
Laboratoire de données
sur les entreprises

SO MUCH FOR REDUCING THE U.S. TRADE DEFICIT



U.S. merchandise trade balance

Billions of U.S. dollars



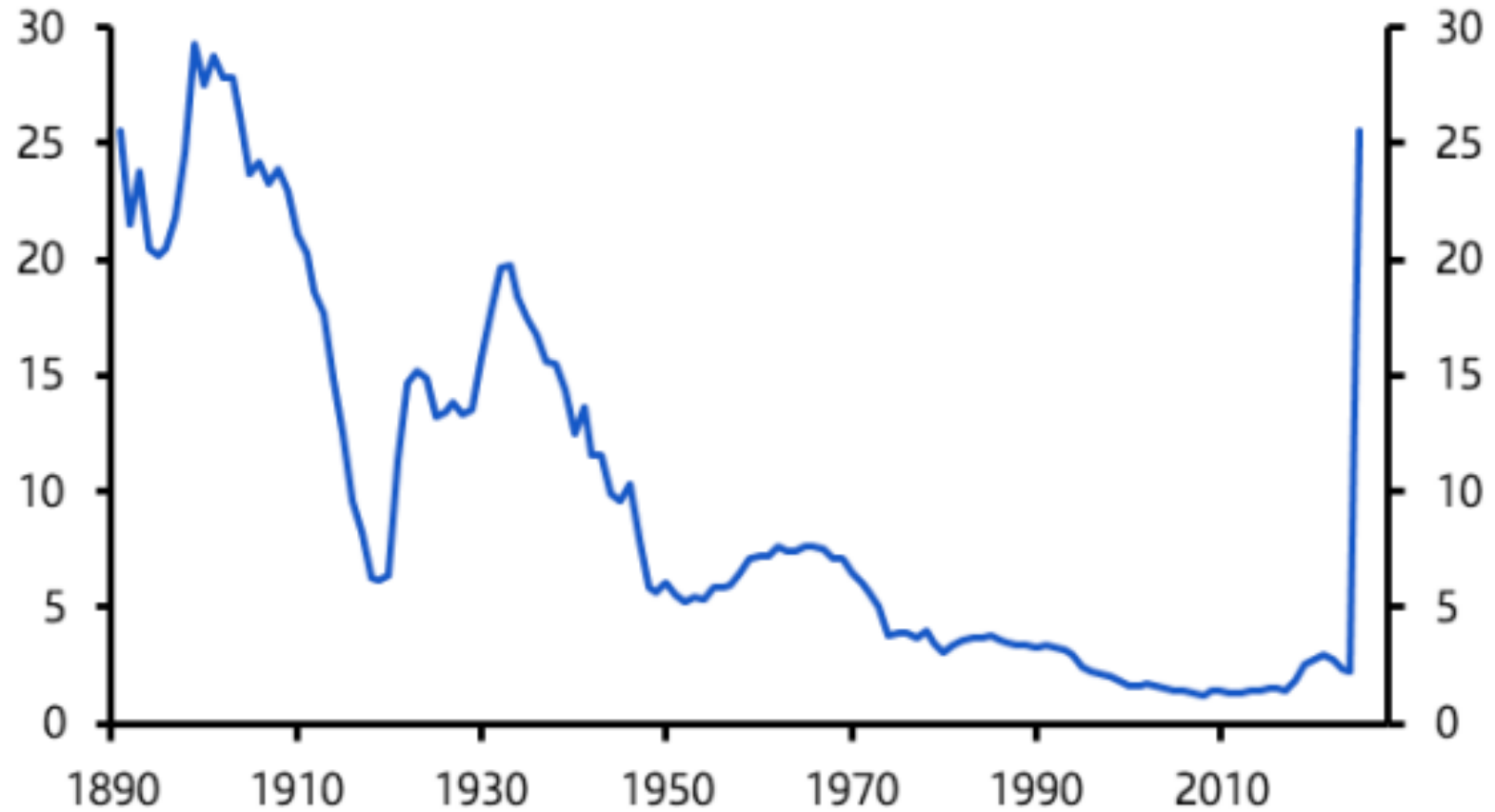
...ALL BEFORE U.S. TARIFF RATE RISES TO HIGHEST LEVEL IN OVER 100 YEARS!



A farcical announcement and a tragic day for the rules-based global trading system.



U.S. average effective tariff rate
Percent

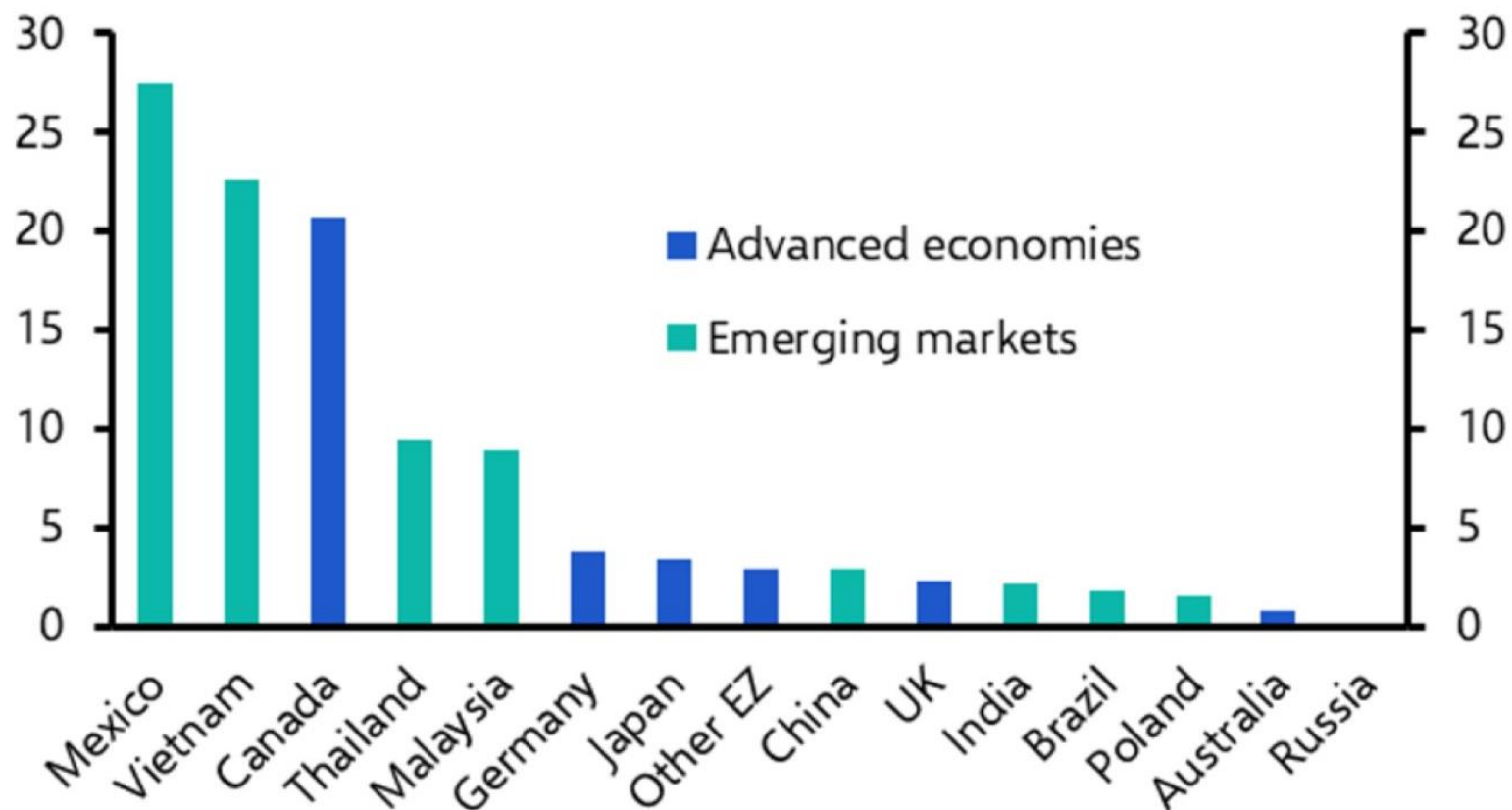


U.S. EXPORT EXPOSURE ACROSS THE WORLD



Goods exports to the U.S.

Percent of home country GDP, 2023



Massive U.S. (145%) – China (125%)
tariff escalation
→ trade diversion concerns

(EVER-CHANGING) U.S. TARIFF TIMELINE FOR CANADA



	U.S. action	Canadian response
“Fentanyl” tariff (March 4, IEEPA)	25% initially all goods,* then full exemptions for USMCA compliant 10% on energy and potash	25% on U.S. goods such as: tires, tool, motorcycles (Duty drawback for re-exports, remission applications)
Steel and aluminum (March 12, Sec. 232)	25% revives and broadens scope from 2018 S&A tariff	25% on U.S. goods such as: S&A, metals
Autos (April 3) Auto parts (May 3)	0% for USMCA compliant goods 25% for non-USMCA compliant autos and auto parts (may stack on fentanyl tariff to 50%)	25% on U.S. vehicle imports that do not originate in Canada or Mexico
“Reciprocal” tariff (April 3, IEEPA)	12%** on non-USMCA compliant goods, if fentanyl tariff is lifted	
Potential for more sector-specific tariffs (e.g., lumber, semiconductors, pharmaceuticals, agriculture, copper)		

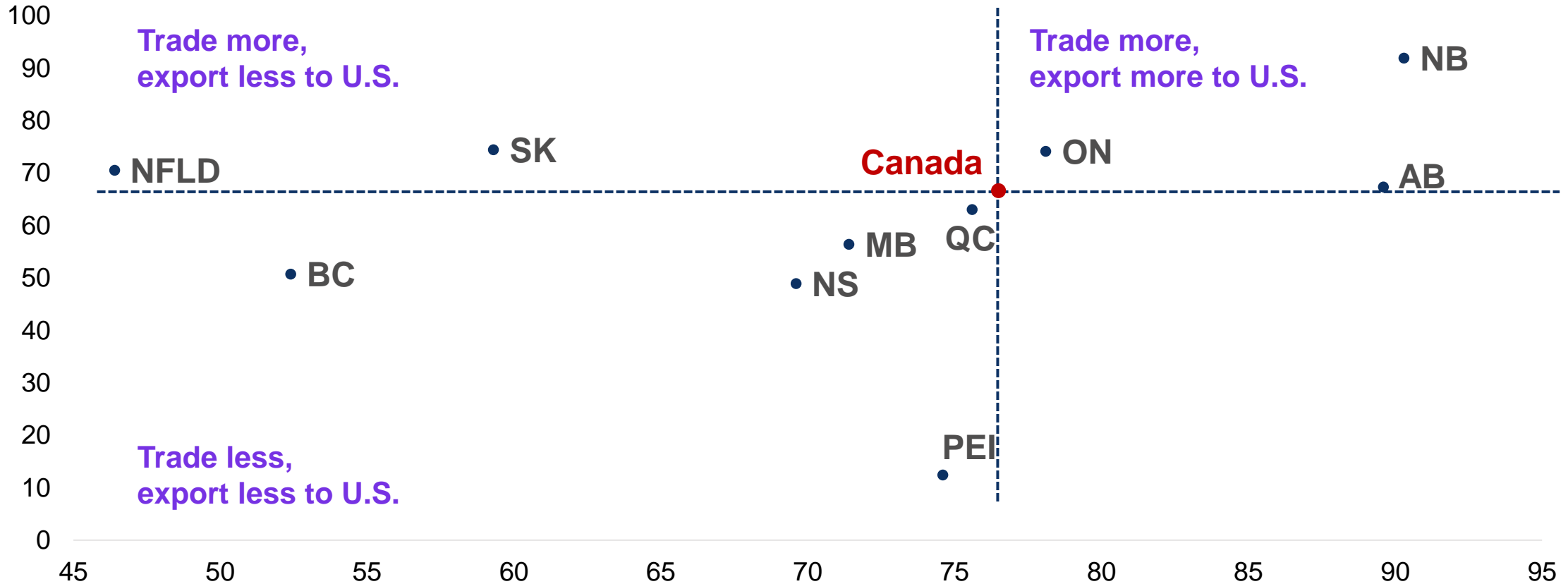
Note: As of April 9, 2025

Source: Also see Peterson Institute for International Economics, “Trump's trade war timeline 2.0: An up-to-date guide”

VULNERABLE PROVINCES: NB, AB, ON

Trade intensity

Goods exports plus imports, relative to GDP in 2023



Goods exports to the U.S.
Share of total, as of September 2024

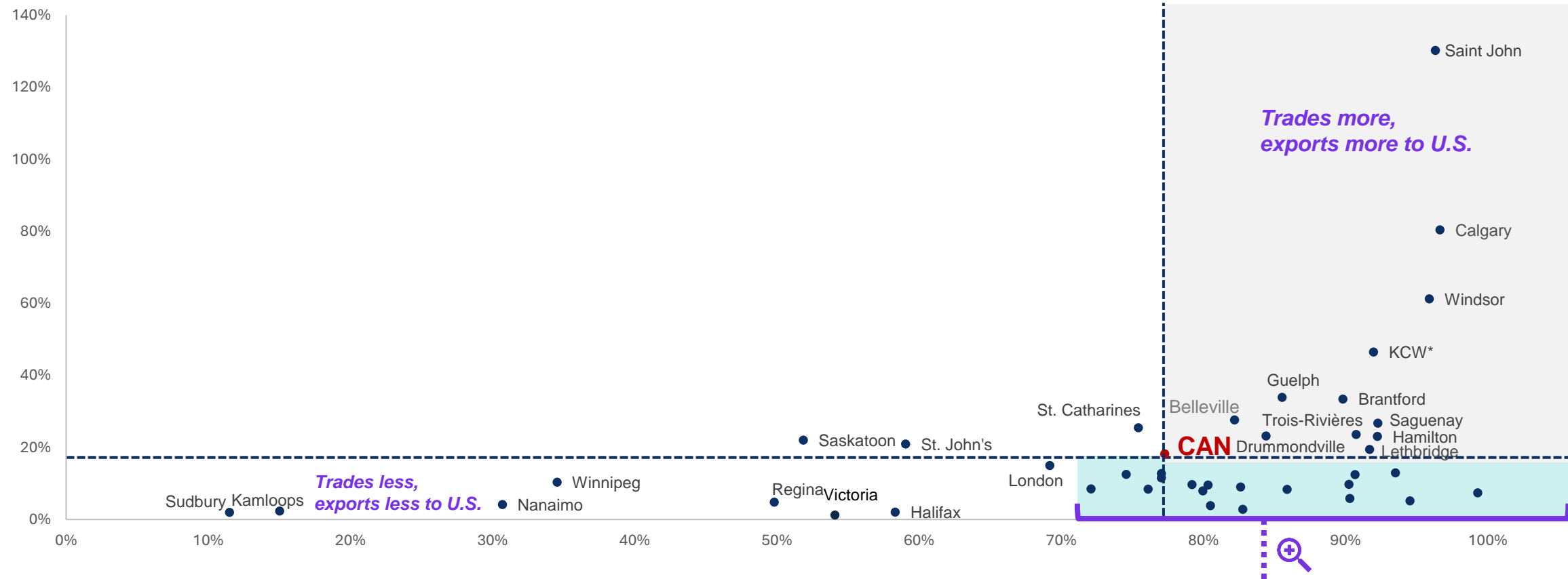


CITIES' U.S. TARIFF VULNERABILITY



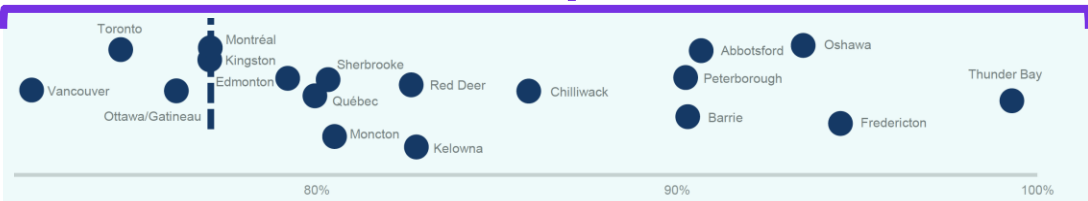
U.S. export intensity

Goods exports to the U.S. as a share of GDP, 2021



U.S. export dependence

U.S. exports share of total goods, 2023



*KCW=Kitchener-Cambridge-Waterloo
Source: Canadian Chamber of Commerce Business Data Lab calculations using Statistics Canada custom Trade by Exporter Characteristics data.

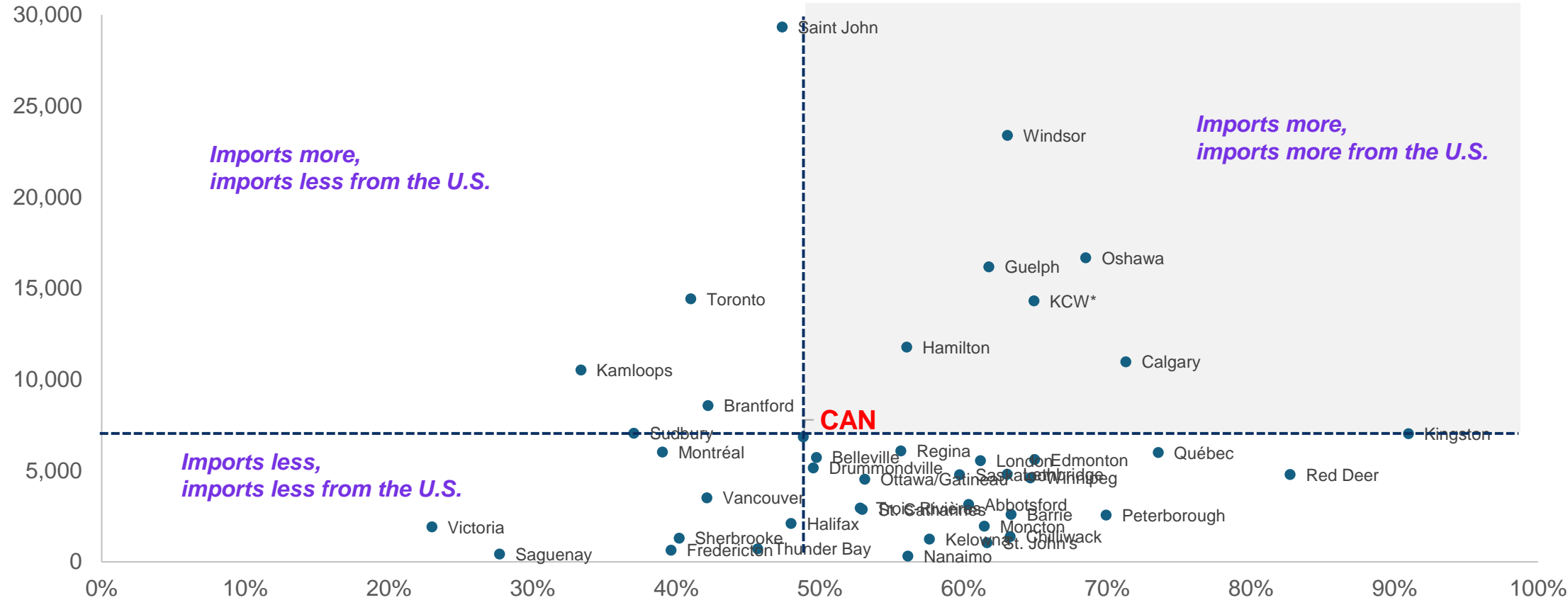


CITIES' U.S. IMPORT DEPENDENCE



U.S. import intensity

Value of goods imported from the U.S. per capita, 2023

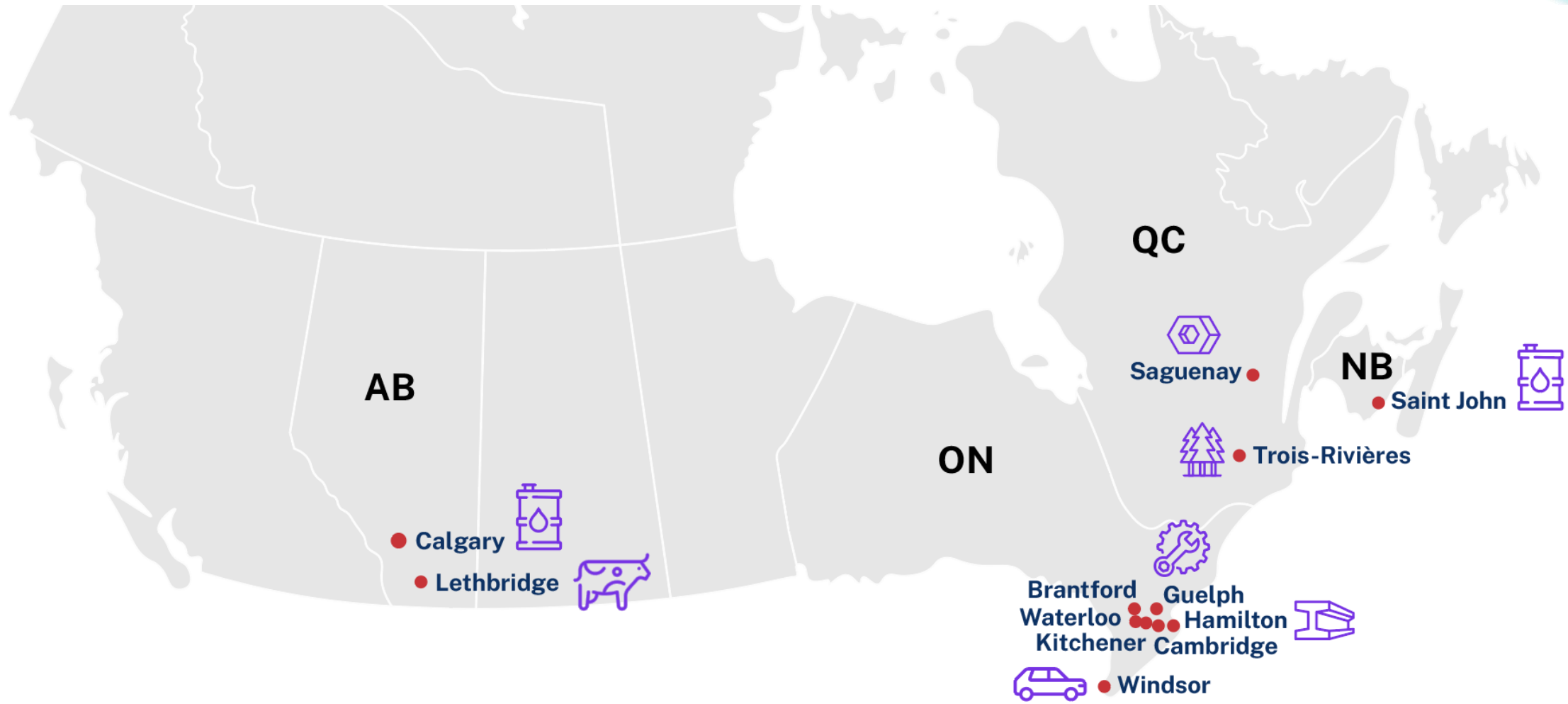


U.S. import dependence

U.S. goods import share of total, 2023

*KCW=Kitchener-Cambridge-Waterloo
Source: Canadian Chamber of Commerce Business Data Lab calculations using Statistics Canada custom Trade by Importer Characteristics data.

“HOTSPOTS” MOST VULNERABLE TO U.S. TARIFFS



Source: BDL calculations using custom Statistics Canada trade data by exporter characteristics.
Based on goods export intensity to U.S. (relative to local GDP), and export dependence on U.S. market (relative to total exports).



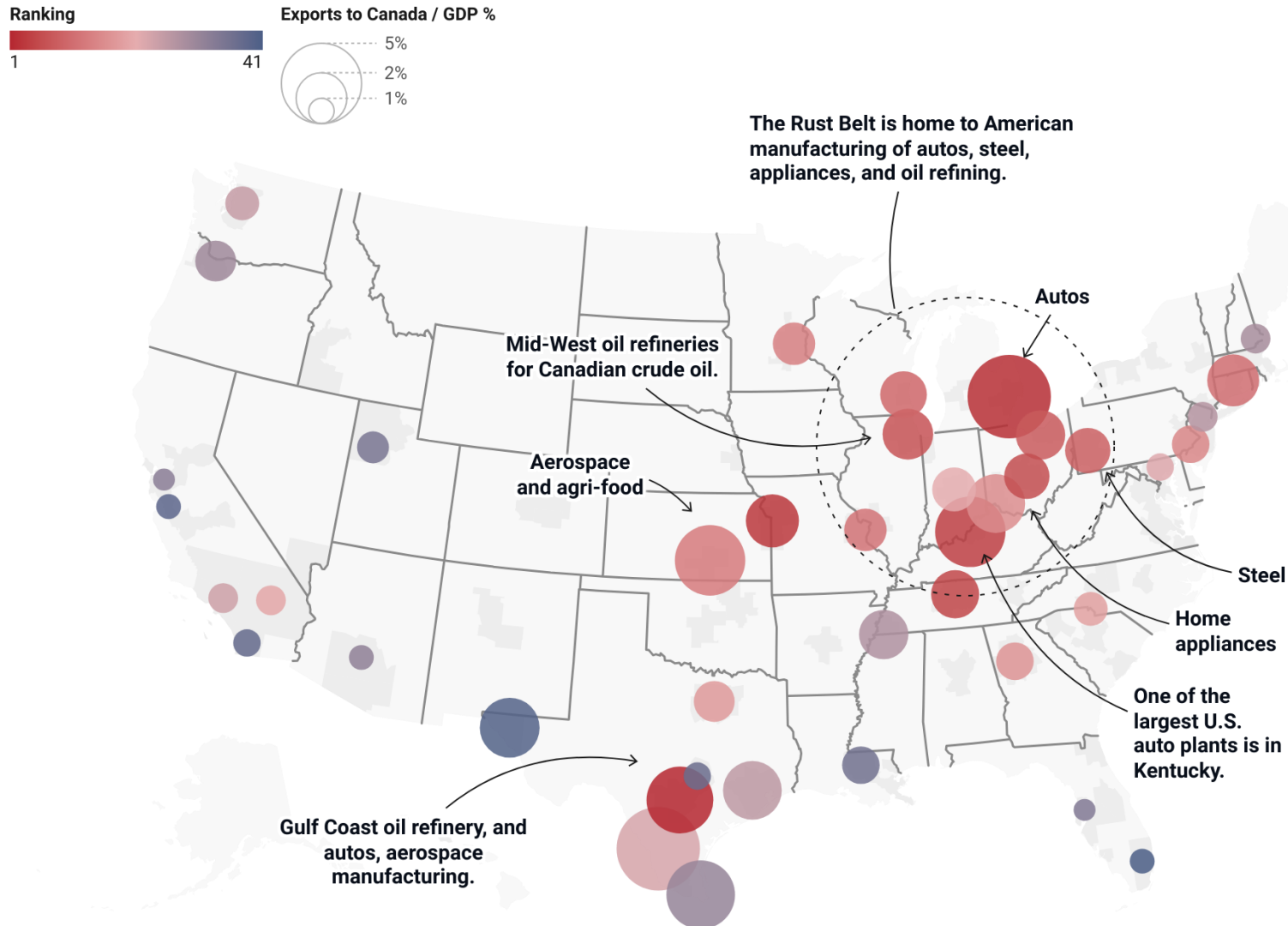
EXPORT-DEPENDENCE FOR U.S. CITIES



	Metropolitan area	Canada exports / GDP	Canada share of exports	Relative Canada- dependence measure ▼
1	San Antonio-New Braunfels, TX	3.4%	48%	32
2	Detroit-Warren-Dearborn, MI	5.4%	39%	26
3	Kansas City, MO-KS	2.1%	37%	20
4	Louisville/Jefferson County, KY-IN	3.8%	34%	19
5	Nashville-Davidson--Murfreesboro--Franklin, TN	1.7%	33%	16
6	Columbus, OH	1.5%	33%	15
7	Chicago-Naperville-Elgin, IL-IN	1.9%	31%	14
8	Cleveland, OH	1.8%	30%	13
9	Pittsburgh, PA	1.5%	25%	7
10	Milwaukee-Waukesha, WI	1.6%	23%	6
11	Hartford-West Hartford-East Hartford, CT	2.0%	22%	5
12	St. Louis, MO-IL	1.3%	21%	4
13	Wichita, KS	3.8%	19%	4
14	Minneapolis-St. Paul-Bloomington, MN-WI	1.3%	20%	2
15	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	1.0%	19%	1
42	United States	1.3%	18%	

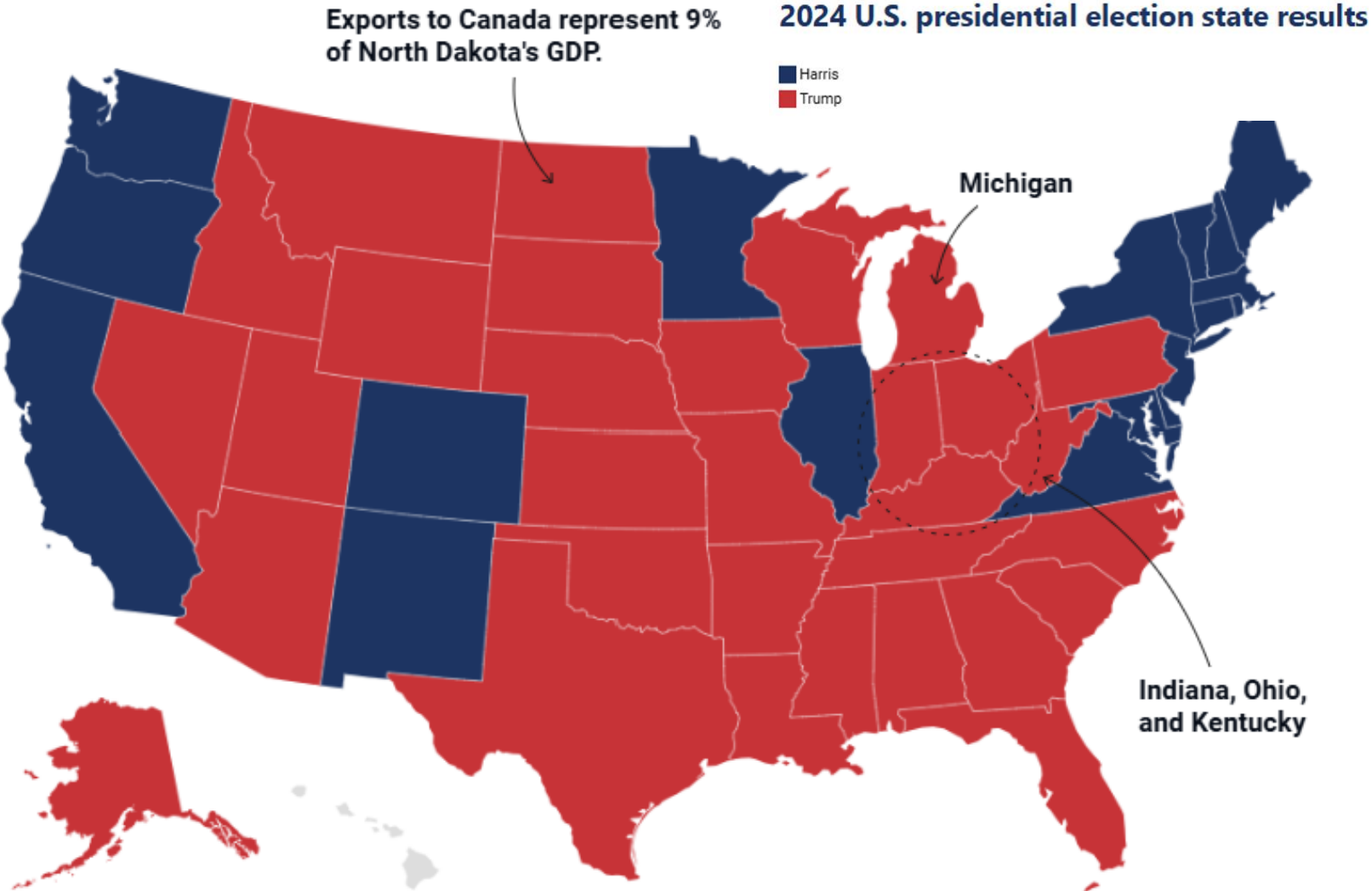
Source: Canadian Chamber of Commerce Business Data Lab calculations using U.S. Census and ITA data.

U.S. CITIES: EXPORT EXPOSURE



Sources: Canadian Chamber of Commerce Data Lab calculations using U.S. Census Bureau and U.S. ITA trade data.
Note: Cities in red have a higher export-dependence on Canada.

MORE EXPOSURE IN RED STATES



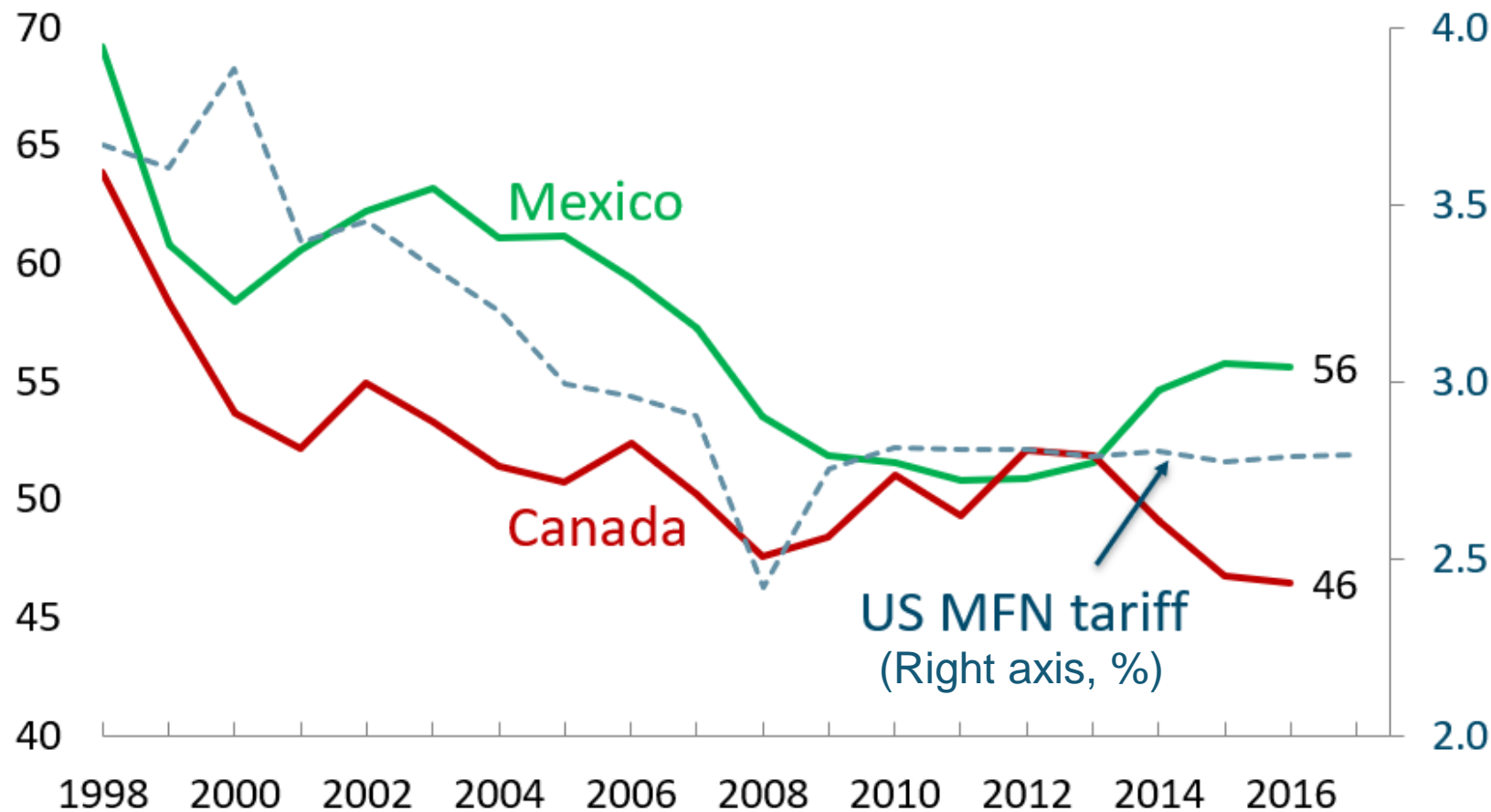
Sources: Canadian Chamb
Note: Cities in red have a h

Note: Highlighted states have higher export dependance on Canada. Trade and GDP data is 2023 annual.
Created with [Datawrapper](#)

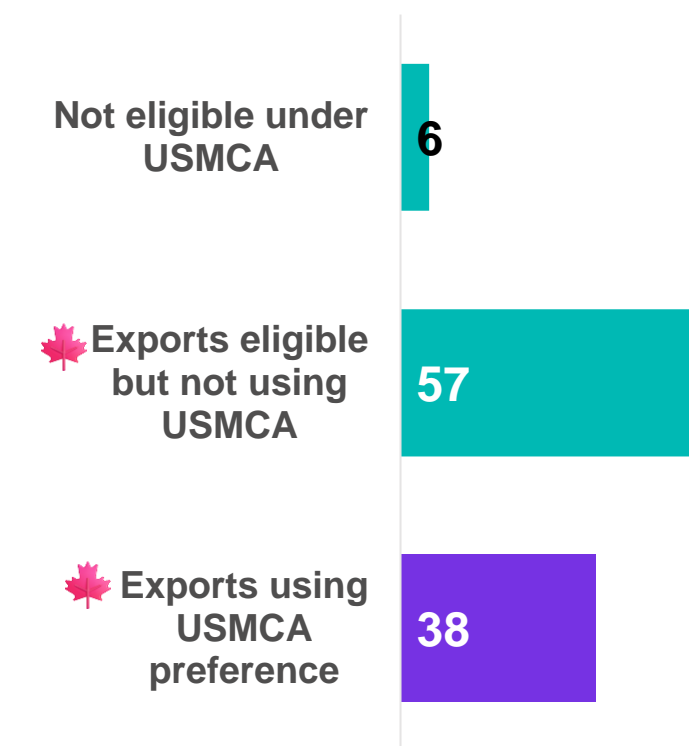
EXEMPTIONS FOR USMCA-COMPLIANCE TO INCREASE TARIFF PREFERENCE USE



Share of goods exports to the U.S. claiming
NAFTA tariff preferences vs. U.S. MFN rate



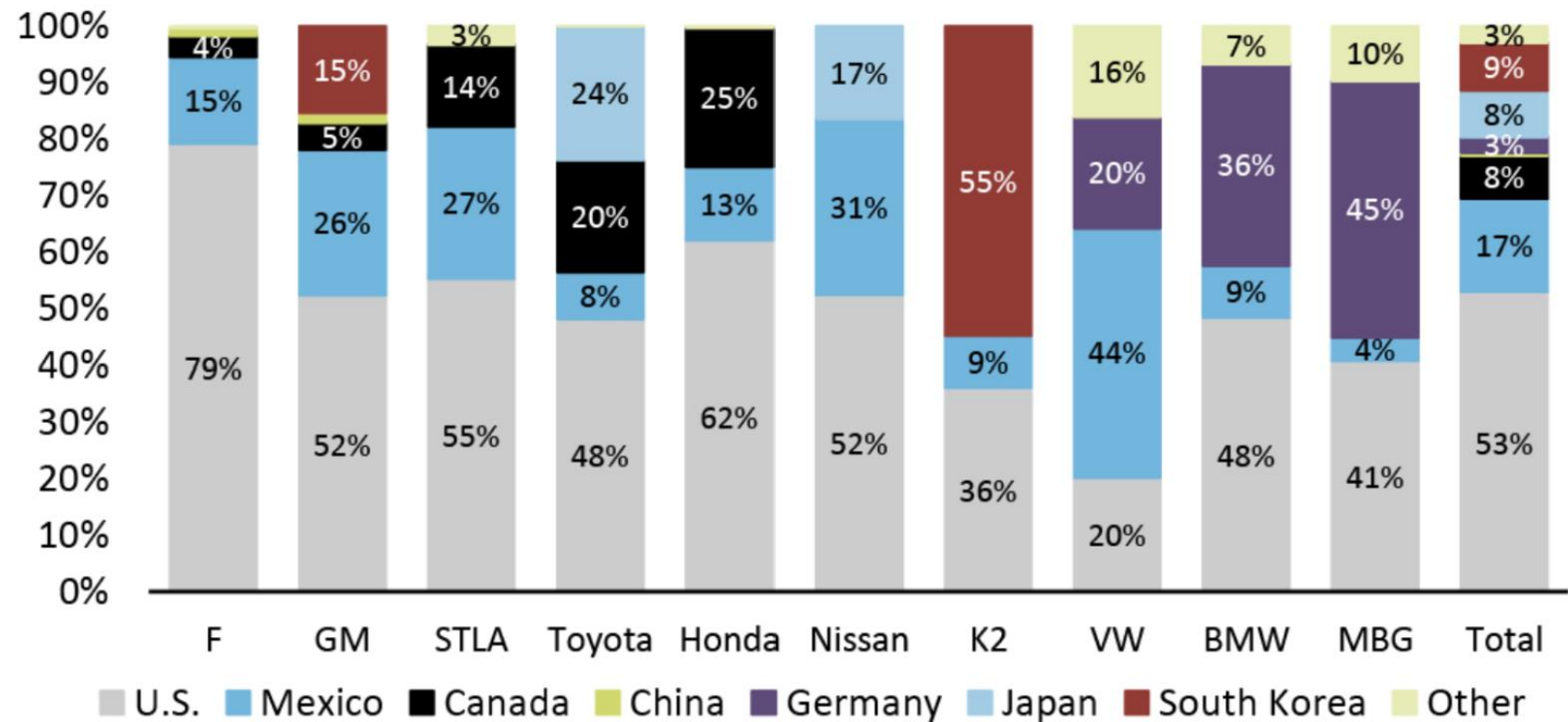
Share of goods entering U.S.
under USMCA preference, %



Sources: EDC Economics (left chart); Estimates from RBC Economics (right chart)

Tariffs on U.S. autos and parts imports could hurt

2024 U.S. autos sales by product country of origin
Share of total



Key  assembly locations:

- Ford: Oakville
- GM: Oshawa, Ingersoll
- Stellantis: Windsor, Brampton
- Toyota: Cambridge, Woodstock
- Honda: Alliston



Source: Wards Intelligence, UBS estimate, via Bloomberg.

BIG CHALLENGES RESHORING U.S. PRODUCTION



	Auto parts and assembly	Crude oil	Aluminum
🇨🇦 supplies to the U.S.	1.5 million vehicles per year plus key components (engines, gearboxes, suspension)	<p>\$97B worth of Cdn crude oil imports in 2023; 60% of U.S. imports</p> <p>70% of U.S. refining capacity is not equipped for U.S. light crude</p>	\$7.6B of raw Cdn aluminum in 2023; 64% of U.S. aluminum imports
Replacing 🇨🇦 supplies domestically would require...	<p>Building 6 factories, costs \$2B+ per factory, 1.5-3 years to build, cancel supplier contracts (\$500M termination costs per facility). Need land 1.6M square feet per plant, more for EVs.</p> <p>Would incur higher U.S. labour cost (+~20-30%) ongoing</p> <p>Avg. vehicle costs could increase by ~\$3k-\$9k</p>	<p>Developing 60+ new oil fields, \$50B-\$240B in refinery upgrades, major new pipeline infrastructure, a 7-10 year undertaking.</p> <p>Int'l oil alternatives such as Venezuela and Russia are high risk due to political instability and sanctions, costly transportation costs</p>	<p>U.S. production would need to increase by ~1.2M tons/year</p> <p>Electricity ~40% of production costs, ~32% higher in US than Cda, labour costs 9% higher</p> <p>Int'l alternatives China, UAE raise geopolitical risks</p>

SUMMARY

- **2025 a difficult year for most Canadian businesses**
- **Extreme uncertainty**
- **Tariffs and trade disruptions and diversion coming**
- **Confidence plummeting**
- **Investment on pause**
- **Potential inflection point; significant recession risk**
- **Big push on USMCA compliance for 🍁 exports**





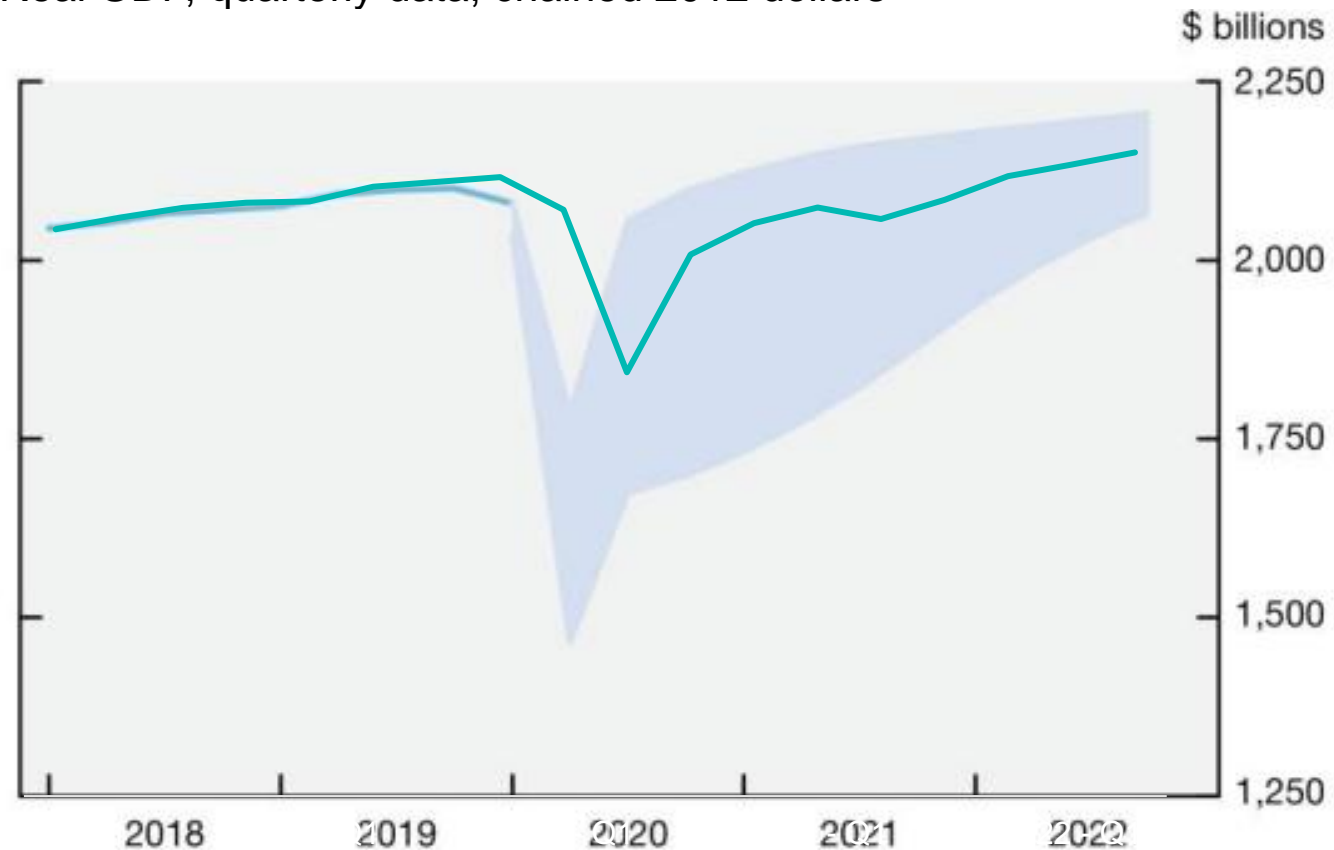
Reasons for optimism

WE'VE BEEN HERE BEFORE (SORT OF)...

AND TURNED OUT BETTER THAN FEARED

Bank of Canada initial forecast scenarios

Real GDP, quarterly data, chained 2012 dollars



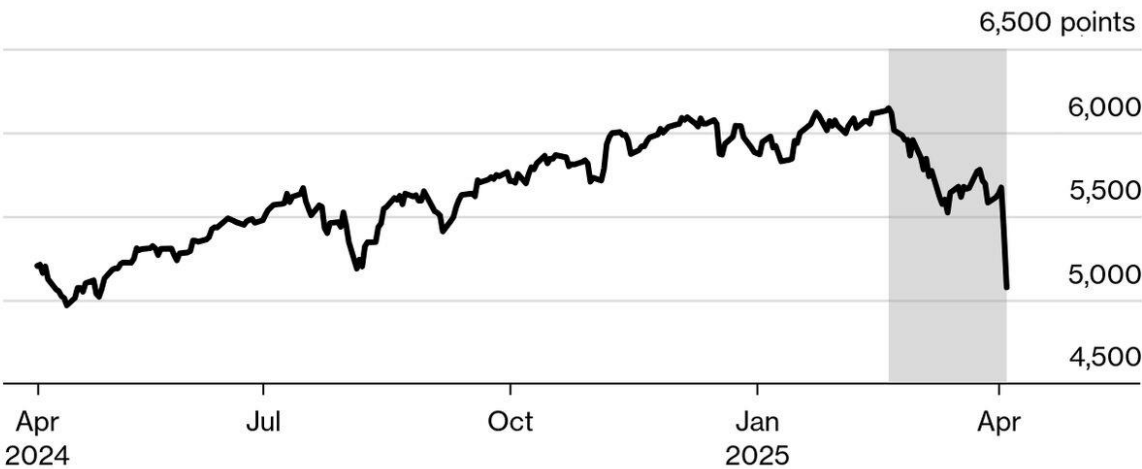
Sources: Bank of Canada April 2020 Monetary Policy Report; Statistics Canada

FINANCIAL MARKETS MAY DISCIPLINE TRUMP



S&P 500 Index Inches Towards Bear Market

✓ S&P 500 Index



Key Global Financial Indicators

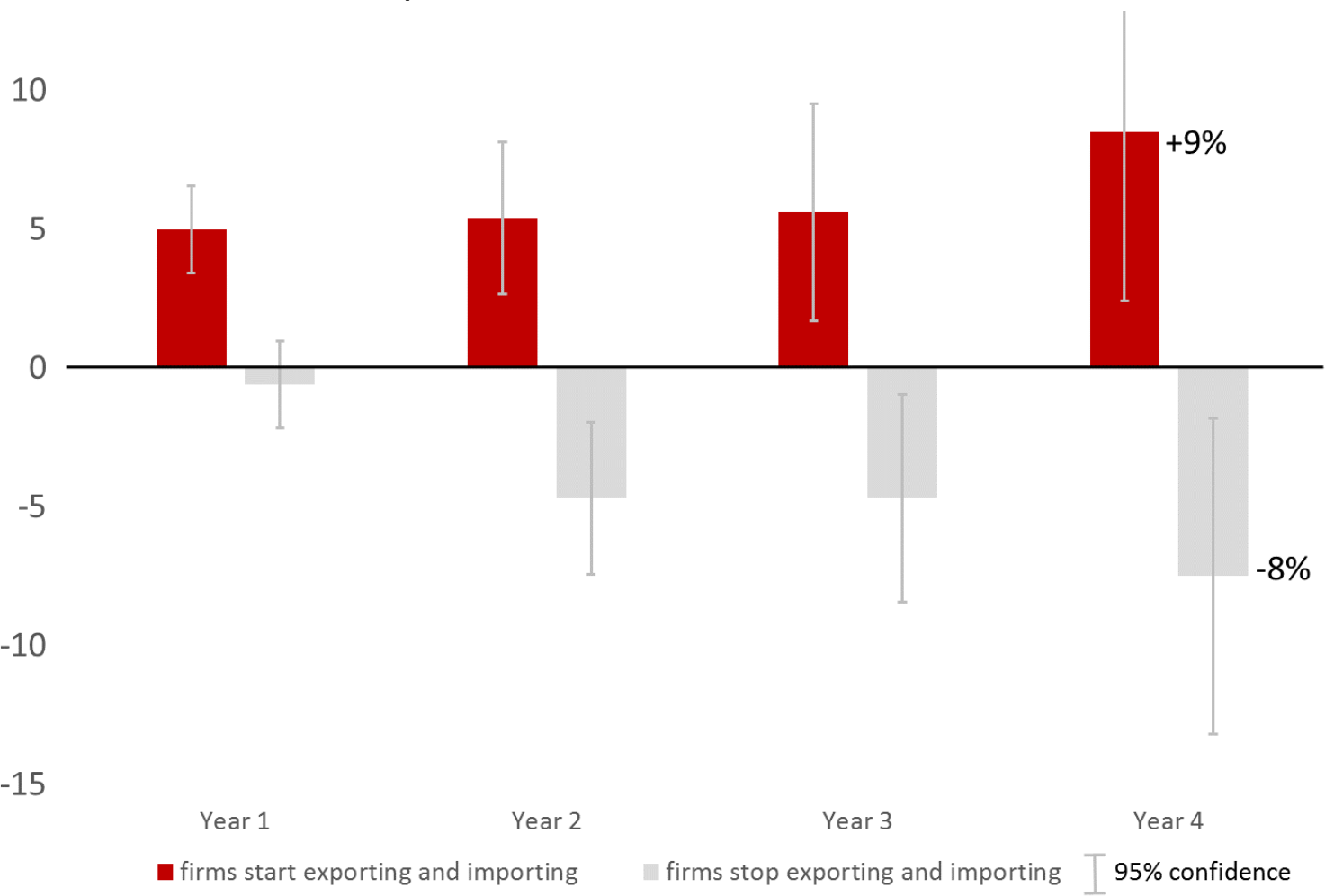
Last updated: 4/9/25 8:11 AM	Level		Change from Market Close				
	Last 12m	Latest	1 Day	7 Days	30 Days	12 M	YTD
Equities			%				
S&P 500		4983	-1.6	-12	-14	-4	-15
Eurostoxx 50		4590	-3.8	-13	-16	-8	-6
Nikkei 225		31714	-3.9	-11	-14	-20	-21
MSCI EM		39	-1.4	-12	-13	-8	-8
Yields and Spreads			bps				
US 10y Yield		4.44	15.2	31	14	8	-12
Germany 10y Yield		2.61	-2.3	-11	-23	24	24
EMBIG Sovereign Spread		386	-7	39	59	55	61
FX / Commodities / Volatility			%				
EM FX vs. USD, (+) = appreciation		43.4	-0.1	-3	-3	-8	1
Dollar index, (+) = \$ appreciation		102.3	-0.7	-1	-2	-2	-6
Brent Crude Oil (\$/barrel)		58.8	-6.5	-22	-17	-34	-21
VIX Index (% change in pp)		56.3	4.0	35	33	41	39

Colors denote tightening/easing financial conditions for observations greater than ± 1.5 standard deviations. Data source: Bloomberg.

TRADE IMPROVES PRODUCTIVITY



Change in trade status and productivity gaps among Canadian manufacturing firms
2002-2006, cumulative percent differentials



Source: Baldwin and Yan (2014).

PLENTY OF TRADE POTENTIAL TO UNLOCK

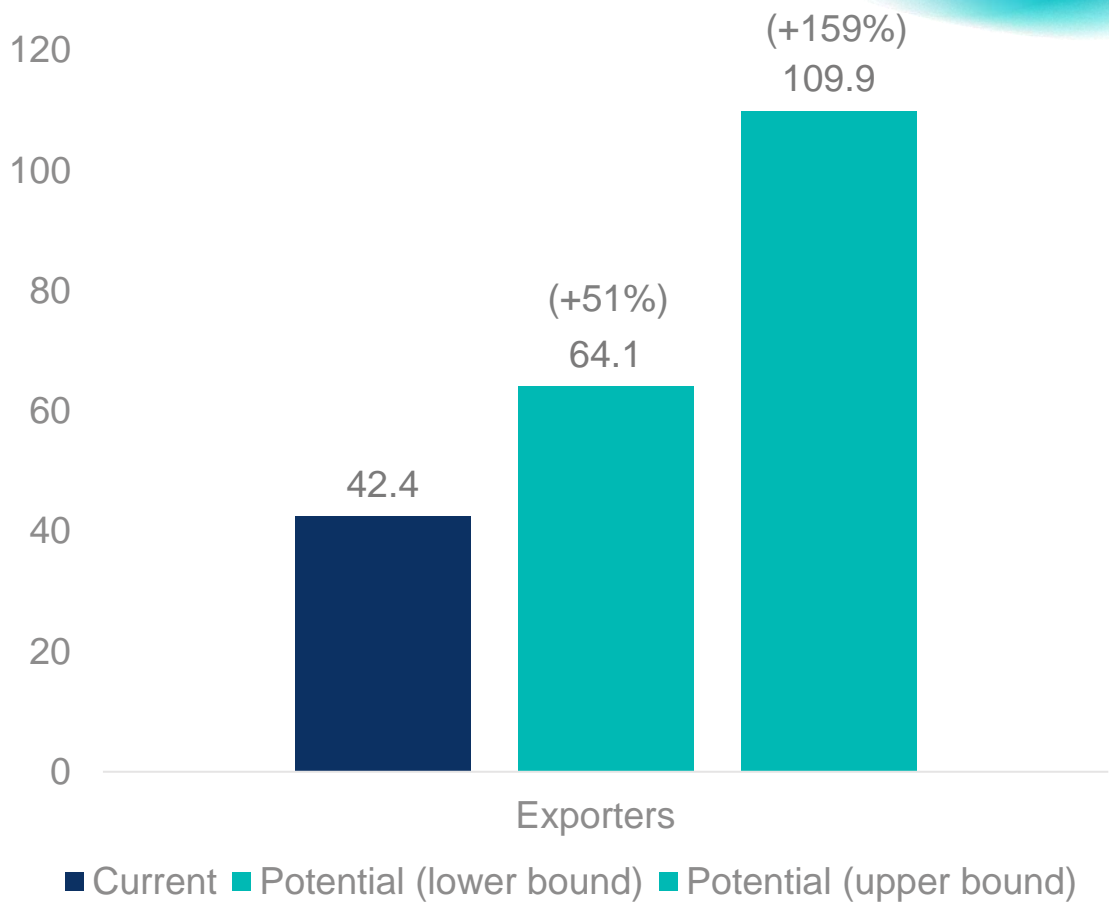


Universe of firms operating in Canada



Current and potential exporters

Thousands of firms, annual average 2010-2015



Source: Tapp and Yan (2021).

FOCUS TO MAKE 🍁 MORE DYNAMIC, RESILIENT



Only a crisis - actual or perceived - produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe, is our basic function: to develop alternatives to existing policies, to keep them alive and available until the politically impossible becomes the politically inevitable.

— *Milton Friedman* —

AZ QUOTES





CANADIAN TRADE POLICY STRATEGY

- **Canada/North America is best situated to support U.S. economic security**
- **Appear ready, but don't rush into talks with the U.S., near-term demands high, pressure on U.S. will grow**
- **Cooperate internationally with like-minded allies (Mexico, EU, CPTPP)**
- **Use the WTO to support and modernize the rules-based global trading system**
- **Get ready to deal with significant trade diversion with temporary, rules-based safeguards**



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



Business
Data Lab

Laboratoire de données
sur les entreprises

Stephen Tapp

Chief Economist,
Canadian Chamber of Commerce



[Stephen-Tapp](#)



BusinessDataLab.ca
Chamber.ca

Explore real-time data on Canadian business conditions



**DISCOVER
HOW THE BDL
CAN HELP YOU**



**EXPLORE
INTERACTIVE
TOOLS**



**ACCESS
DATA-DRIVEN
INSIGHTS**



**STAY UP
TO DATE**



The BDL is made possible through our collaboration with Statistics Canada and financial support from Innovation, Science and Economic Development Canada.

Funded by the
Government
of Canada





Tools

TOOLS

➡ **Partners in Prosperity report**



➡ **Canada-U.S. Trade Tracker**

➡ **Canadian and U.S. cities' dependence**

➡ **Blogs:**

- Monthly Canadian trade data commentaries
- Let's keep trade moving
- Return of the “tariff man”
- Back to the future: steel and aluminum tariffs

BusinessDataLab.ca



CANADA-U.S. TRADE TRACKER



SEE THE
BIGGER
PICTURE!



Canadian
Chamber of
Commerce

Chambre de
Commerce
du Canada



Business
Data Lab

Laboratoire de données
sur les entreprises



CANADA-U.S. TRADE TRACKER: EXPLORE TRADE PATTERNS

Choose a Province: Ontario



\$446,575
2023 (Millions CAD)

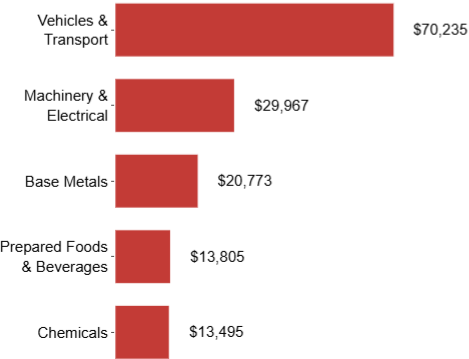
TWO-WAY GOODS TRADE BETWEEN THE U.S.
AND ONTARIO

985,865
CANADIAN JOBS SUPPORTED BY ONTARIO'S
EXPORTS TO THE U.S.

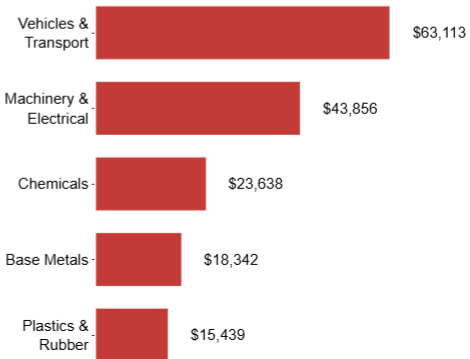
19,927
COMPANIES IN ONTARIO EXPORT TO THE
U.S.

MICHIGAN
ONTARIO'S #1 AMERICAN TRADING PARTNER

Ontario's top 5 export products
2023 (Millions CAD)



Ontario's top 5 import products
2023 (Millions CAD)



Choose a U.S. State: Michigan



\$78,750
2023 (Millions USD)

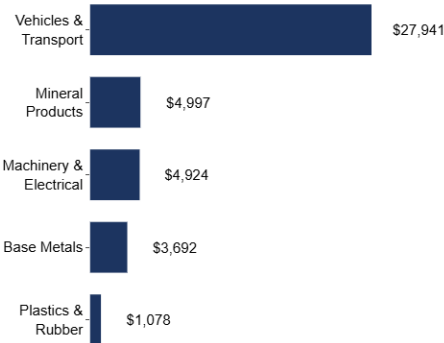
TWO-WAY GOODS TRADE BETWEEN
CANADA AND MICHIGAN

32,200
AMERICAN JOBS SUPPORTED BY CANADIAN
INVESTMENT IN MICHIGAN

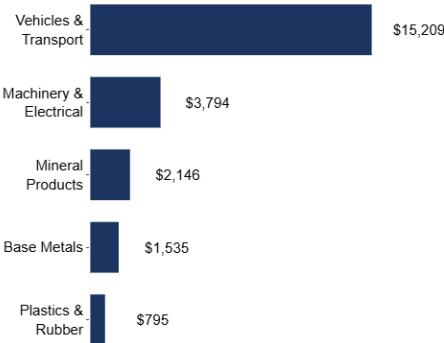
ONTARIO
MICHIGAN'S #1 CANADIAN TRADING
PARTNER

VEHICLES & TRANSPORT
\$27,941
2023 (Millions USD)
MICHIGAN'S TOP EXPORT TO CANADA

Michigan's top 5 export products
2023 (Millions USD)



Michigan's top 5 import products
2023 (Millions USD)



ILLUSTRATIVE LOCAL TRADE STATISTICS



U.S. Tariff Exposure Index ranking for St. Catharine's-Niagara

(Ranks 16 of 41 cities)

CMA map for St. Catharine's-Niagara, as highlighted in red



Goods exports from St. Catharine's-Niagara to the U.S.

\$6,164.6 Million

(Ranks 14 of 41 cities)

\$12,890 per capita

(Ranks 14 of 41 cities)

25.4% of GDP

(Ranks 9 of 41 cities)

75.4% of total exports

(Ranks 29 of 41 cities)

St. Catharine's-Niagara's population

478,261

(Ranks 13 of 41 cities)

Number of exporters from St. Catharine's-Niagara to the U.S.

552

(Ranks 13 of 41 cities)

St. Catharine's-Niagara's GDP

\$18.7 Billion

(Ranks 16 of 41 cities)

St. Catharine's-Niagara's GDP per capita

\$41,506

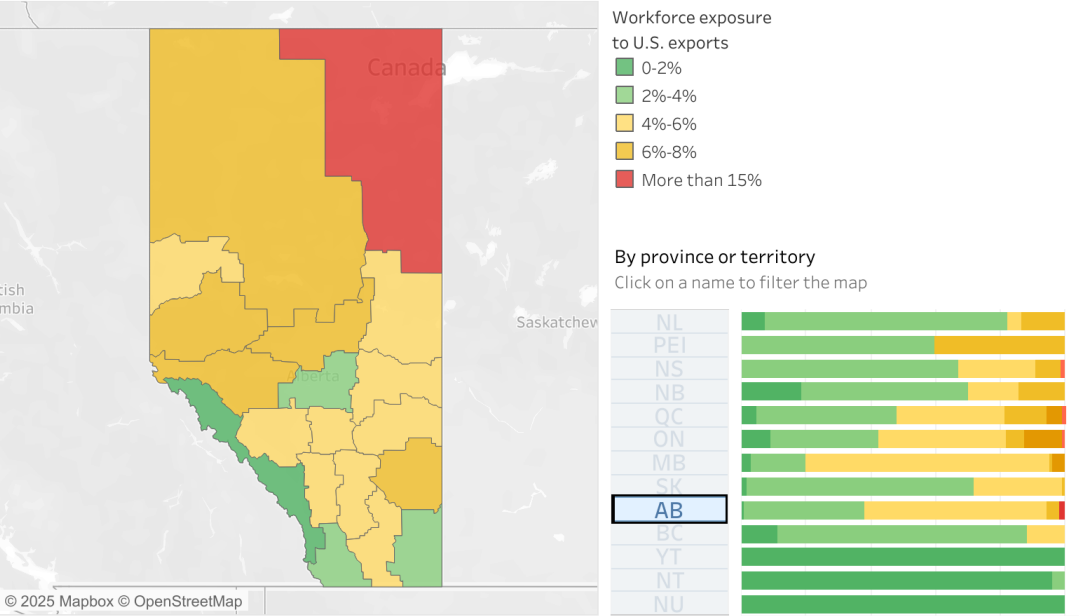
(Ranks 37 of 41 cities)



293 CENSUS DIVISIONS WORKFORCE EXPOSURE



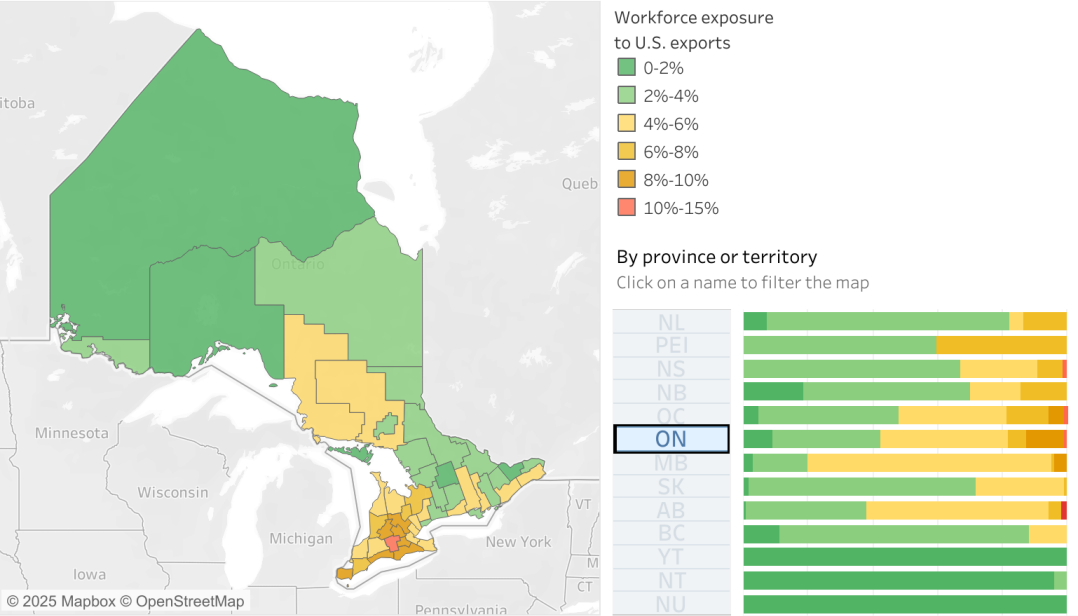
Canadian census divisions by workforce exposure to U.S. exports



By census division
Click on a census division on the map to learn more

CDUID	Census division name	Largest census subdivision	Industry	Number of workers in all industries	Number of workers in goods exporting industries	Share of local workforce	Average industry exposure	Workforce exposure
4816	Division No. 12	Wood Buffalo	Total	39,480	14,565	36.9%	46%	17.1%
4814	Division No. 13	Yellowhead C.	Total	13,535	4,095	30.3%	26%	7.8%
4818	Division No. 14	Greenview No.	Total	5,910	1,825	30.9%	21%	6.6%
4804	Division No. 15	Hanna	Total	4,285	1,965	45.9%	14%	6.6%
4813	Division No. 16	Lac Ste. Anne	Total	31,060	9,445	30.4%	21%	6.3%

Canadian census divisions by workforce exposure to U.S. exports



By census division
Click on a census division on the map to learn more

CDUID	Census division name	Largest census subdivision	Industry	Number of workers in all industries	Number of workers in goods exporting industries	Share of local workforce	Average industry exposure	Workforce exposure
3532	Oxford, Ont.	Woodstock	Total	56,445	22,605	40.0%	28%	11.4%
3537	Essex, Ont.	Windsor	Total	171,705	53,530	31.2%	32%	9.8%
3531	Perth, Ont.	Stratford	Total	40,140	15,725	39.2%	25%	9.8%
3523	Wellington, ..	Guelph	Total	120,020	38,765	32.3%	29%	9.4%
3534	Elgin, Ont.	St. Thomas	Total	42,160	13,780	32.7%	28%	9.3%

OTHER RELEVANT SOURCES OF TRADE DATA



Measuring community exposure to U.S. exports (IRPP)

International Trade Tracker (Statistics Canada)

Trade Data Online (ISED)