

**TRADE MAY
CREATE
'HISTORIC TURN'**
for Canada
as separate
economy
from U.S., say
economists
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Trade, Tariffs, & the Border



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TRADE, TARIFFS, & THE BORDER Special Report

Trade war may create 'historic turn' for Canada as separate economy from U.S., say economists



Canada needs a national strategy intended to boost investment, business development and manufacturing in Canada, according to economist Jim Stanford.

BY JESSE CNOCKAERT

Canada may need to promote itself as an economy separate from the United States in order to avoid long-term economic damage, regardless of how the current trade war unfolds, some economists argue.

"Even if [U.S. President Donald] Trump changed his mind tomorrow and said, 'OK, no tariffs after all,' the reliance of Canada on the argument 'Come to Canada, produce here and sell in America'—that just doesn't work anymore. No one believes that that's secure anymore, and no one is going to invest billions of dollars in capacity knowing that it's not secure," said Jim Stanford, an economist and director of the Centre for Future Work. "No matter how this turns out right now, we are going to have to build a more diversified and self-reliant economy."

Trade tensions between Canada and the U.S. have been high since January, when U.S. President Donald Trump threat-

ened 25 per cent tariffs on all Canadian and Mexican imports, with a lower 10 per cent tariff on Canadian energy. However, Trump and Prime Minister Justin Trudeau (Papineau, Que.) reached an agreement in early February to post-pone those levies until March 4. The U.S. president later signed off on a set of executive orders on Feb. 11 to impose 25 per cent tariffs on all steel and aluminum imports into the U.S., including from Canada, starting on March 12. Trump has also suggested that tariffs on imported cars could be coming in April, and would be "in the neighbourhood of 25 per cent."

Stanford told *The Hill Times* that Trump's tariff decisions, especially in regard to aluminum, are "impossible to comprehend."

"The Americans don't make very much aluminum, and there's long-standing reasons for it. The idea that 'we'll smack a tariff in order to suddenly grow a U.S. aluminum-smelting industry from the ashes of the past' is ridiculous. It would take a decade to do that, and they'd have to overcome the fundamental factors, including cheap electricity, which caused them to lose a smelting industry in the first place," said Stanford. "This could be a situation where the tariff for Canada will be a problem, but most of the pain will be borne by Americans because they can't find alternative supplies."

Trump previously imposed tariffs in 2018 on steel (25 per cent) and aluminum (10 per cent), which lasted about a year. However, Stanford said that, at the time, those tariffs were expected to be temporary, and

in the current trade war it is "so much harder to read what Trump is on about."

"The implications for investment confidence and investment decisions are far worse this time than they were in 2018," he said. "It will be a catastrophe for Canada's economy if the Americans tariff everything. We would see, I would guess, a million jobs lost in the first year across the whole range of export industries in all parts of Canada."

To contend with the damage to investor confidence, Canada will need a national strategy intended to boost investment, business development and manufacturing domestically, according to Stanford.

"We're going to need a big emergency strategy for, 'how do we protect and reorient our economy in the face of this, including emergency assistance for the affected industries and workers,' but also this vision of, 'how do we create a business-case for Canada as a separate economy?'" he said.

Pau Pujolas, an associate professor at the Department of Economics with McMaster University in Hamilton, Ont., said that responding to Trump with retaliatory tariffs is a terrible idea that would hurt Canada along with the U.S.

"You have the Canadian government coming and saying, 'oh, we are going to retaliate,' and that word is terrible," he said. "It's not like the U.S. is coming with a rock and throwing at our heads. What the U.S. is doing is saying to its own citizens, 'you are now going to have to pay more for the same product.' What they are doing is they're shoot-



Jim Stanford, an economist and director of the Centre for Future Work, says, 'this could be a situation where the tariff for Canada will be a problem, but most of the pain will be borne by Americans.' Photograph courtesy of Jim Stanford



McMaster University economics professor Pau Pujolas says retaliatory tariffs are a terrible idea. Photograph courtesy of Pau Pujolas

ing their foot. So, what Canada does, if they come and say, 'we're also going to put tariffs against American products,' what they are doing is they're shooting the foot

of themselves. They're hurting us, the citizens of Canada."

Pujolas argues that Canada's best strategy in a trade war with the U.S. is to instead find ways

Special Report **TRADE, TARIFFS, & THE BORDER**

Prime Minister Justin Trudeau arrives at the West Block on Feb. 1, 2025, for a press conference on the government's response to U.S. President Donald Trump's tariffs on Canadian imports. *The Hill Times* photograph by Andrew Meade

to make trade easier within this country's borders.

"No matter what Trump does, the best strategy for us is to not pay that much attention to the Americans, [and] to look at ourselves, to compare all the different provinces, regulations and particular exclusions on how to operate from one province to the next, and erase all that. Erase all the cross-province barriers that we have," he said.

Pujolas said that, as the world developed into a more sophisticated economy, each province in Canada began regulating the economy in the way that they saw

fit, resulting in a lack of regulatory alignment across the country.

"I don't think that there is anything wrong with any particular regulation. What's problematic is when the regulation of Ontario and the regulation of Alberta are different because what that means is that if I'm in Alberta and I want to go to Ontario, I need to abide by both the code of Alberta and the code of Ontario," he said.

"We all understand that ... the government of the United States is trying to hurt us. So, let's get united, and the best way to unite ourselves is to make sure that we can trade without barriers

between B.C. and Ontario, Ontario and New Brunswick, and New Brunswick and Alberta."

Pujolas argued that, according to his own research, a strategy of retaliatory tariffs could cost Canada between one to two percentage points in GDP, but improving trade between provinces and territories could boost the economy between three and seven per cent of GDP.

Stanford argued that retaliatory tariffs may be painful, but still essential to give the country a bargaining chip in negotiations.

"A counter tariff doesn't solve the problem. What it does is it

hits back at the other side. In that regard, you can say, 'well, it makes things worse.' But in a war, you have to be prepared to hurt the other side, even if that hurts you, too. There's no doubt that we have to be ready to tit-for-tat on the tariffs side, but that should just be the first step," he said.

"We've got a digital services tax in Canada that Trump hates, and guess what? That is a tax on all of the tech bros who were in the front row at Trump's inauguration. Let's make that 25 per cent, and that will get their attention. It will make our Netflix much more expensive, but I think Canadians can handle that."

Transport and Internal Trade Minister Anita Anand (Oakville, Ont.) was asked by a reporter at the Port of Halifax on Feb. 5 if interprovincial trade barriers could be wiped away in 30 days. Anand responded that the short answer was yes, and that "We are making incredible, fast-paced progress with all of the provinces and territories."

Anand also said in January that removing existing barriers between provinces "could lower prices by up to 15 per cent, boost productivity by up to seven per cent, and add up to \$200-billion to the domestic economy," as reported by CBC News.

On Feb. 3, Conservative Leader Pierre Poilievre (Carleton, Ont.) pledged that, were he to form government, he would implement a plan to boost internal trade for Canada. His plan includes a proposal to bring together premiers within the first 30 days to discuss removing trade barriers, and to work on developing a national standard for trucking rules to encourage east-west shipping over north-south shipping.

"With President Trump's new tariffs on Canada's economy, it is reckless to remain so helplessly dependent on just one export market, the United States," said Poilievre in a video posted to X on Feb. 3. "Our new top trading partner will be Canada."

Unifor president Lana Payne told *The Hill Times* that, under the trade war, there is "a fair level of anxiety among workers, particularly workers in in trade-dependent areas of the economy."

"I've repeatedly said the threat of tariffs are almost as dangerous as the tariffs themselves because you're getting a chilling impact on things like investment, [with] businesses not being too sure about where things are headed, so they're holding back on, either investment plans, [or] expansion plans, those sorts of things," she said.

"Just people planning around that uncertainty can often have negative implications, and this is what we have to be concerned about in the long run ... is the ongoing impact that this could have on investment in the country."

Payne said a rethink of Canada's economy will be required to ensure long-term resiliency.

"There are billions and billions and billions of dollars that we spend in Canada every year on procurement. The money that government spends in the economy to buy things and build things, making sure that it is Canadians who are benefiting from that and

being really pro-Canadian about it," she said.

"I think if we had that approach with every single dollar that we spent, we would see enormous dividends in building up the industrial sectors of our economy. That has to be key here, some really centralized planning around industry and really building Canadian champions in all those spaces, whether it's aerospace or wherever it might be."

Rebecca Bligh, president of the Federation of Canadian Municipalities (FCM), told *The Hill Times* that communities were already struggling with deficits related to infrastructure, budgets, and housing affordability before the trade war, which will now become more serious. She said her group is currently determining the extent of the impacts, which is made more difficult by new tariff-related announcements coming out so frequently.

"I don't need to tell you or anybody that this is incredibly uncertain times for us, and so looking at the overall region-to-region ... economic impact is the work we're doing actually right now in Washington [D.C.] as we meet with our counterparts down there," she said.

"As that data becomes available, we'll certainly be sharing it more broadly speaking. But right now, we're focused on building those bridges, building those relationships."

Bligh said that the FCM's engagement with government officials has included a message that municipalities form the backbone of a national economy.

"We have to be careful about the downstream impacts on municipal budgets when it comes to strategies related to how to tackle these tariffs. Namely, countermeasures or retaliatory tariffs, has been one example," she said.

"We also recognize that we are at a moment in time that is highlighting the need to build resilient municipalities from a foundational perspective, not unlike [during] COVID. We know that stimulus projects and initiatives like that are important in times of unexpected economic downturn, and it also highlights the need for a much more sustainable long-term approach to how municipalities are funded."

Flavio Volpe, president of the Automotive Parts Manufacturers' Association, told *The Hill Times* that, so far, he thinks the federal government has done as well as it could in response to the tariff threats, which included convening a Canada-U.S. Economic Summit in Toronto on Feb. 7.

"The scenario planning that we've done—that I've had some insight into—is quite robust, but everybody's plans change the moment you get punched in the nose by the enemy, so we'll see," he said.

"That summit was a good first chapter. I think we need to make sure that we follow-up on what I felt was very good, high-level material engagement. But those scenarios will have to be tested by what the Americans come with, if anything."

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Lana Payne, president of Unifor, says, 'I've repeatedly said the threat of tariffs are almost as dangerous as the tariffs themselves because you're getting a chilling impact on things like investment.' *The Hill Times* photograph by Andrew Meade

TRADE, TARIFFS, & THE BORDER Special Report



Conservative Leader Pierre Poilievre, left, U.S. President Donald Trump, and Liberal leadership front-runner candidate Mark Carney. Not only can we no longer rely on what was the greatest military alliance in the world to defend us writ large, we can't be sure our former bestie won't suddenly show up to annex us, writes Jamie Carroll. *The Hill Times* photographs by Andrew Meade and courtesy of Wikimedia Commons

This new, reinvigorated strain of nativism will not end with Trump

The fact is Canadians have had an easy ride on defence spending. But the ride is over. Whether or not Trump actually introduces tariffs, the United States is simply no longer reliable in the way it was.

Jamie Carroll



Opinion

The defence of the realm is the most serious obligation of any democratic government—even Canada.

And yet, the fact is that at the end of the Second World War, Canada had the world's third-largest Navy, and almost 10 per cent of our total population was in uniform. Our contributions in both wars were exceptional, especially for a sparsely populated, relatively new country.

During the Cold War we pulled our weight: anti-submarine patrols in the North Atlantic; the invention of peace keeping; active land and air personnel forward deployed in West Germany with a mechanized brigade and

squadrons of fighter jets. We even had our own CFB Lahr in West Germany.

The fall of the Berlin Wall resulted in the so-called “decade of darkness” in the 1990s that left the CAF in undeniably bad shape. The terrorist attacks on 9/11 and the subsequent war in Afghanistan re-energized, re-equipped, and re-focused the CAF for new, asymmetrical threat environments.

But now, the world has changed again.

Geography is destiny and Canada, more than any other developed nation in the world, has been able to subcontract its national defence to the United States as a result. Our defence has been their defence and vice versa.

But now it isn't.

Not only can we no longer rely on what was the greatest military alliance in the world to defend us writ large, but also we can't be sure our former bestie won't suddenly show up to annex us.

Every actual or aspiring political leader in Canada should draw two inescapable conclusions from the first weeks of the second Trump administration: first, there's no doubt that Americans knew what they were voting for this time; and second, this new, reinvigorated strain of nativism will not end with Trump.

In other words, for planning purposes, we must assume this is our new relationship with America for the foreseeable future.

The current Canadian climate is not much better when it comes to the prospect of a mature, rational discussion about something

as important as the defence of the realm. But let's try and establish some baselines.

While the Trudeau government has increased spending in real terms over the previous Harper government, Canada is still billions of dollars and years short of the two per cent of GDP metric all NATO countries have committed—and recommitted—to meet, and billions more short of the three per cent Trump is now sort of demanding.

The U.S. currently only spends about 3.4 per cent of its GDP on defence, declining to 2.8 per cent by 2033. I, for one, was surprised to learn that.

But here's the point: just spending money shouldn't be good enough. The global threat environment is very real and very fluid. Canada should be preparing to meet those threats in a range of ways.

Do we need to be able to deploy a brigade-sized force rapidly to a trouble spot and support missions ranging from humanitarian relief, to peace-keeping, to counter-insurgency? Yes.

Do we need new land, sea, and air capabilities necessary for such a deployment in a modern theatre? Yes.

The Harper government was absolutely right to buy C-17s for heavy airlift capability to get troops and gear to places around the world quickly, but refused to acquire similar sea capacity when France offered two of their *Mistral* helicopter carriers/amphibious landing platforms to Canada instead of Russia (Egypt ended up buying them). Those are the sort of remote-basing, mobile hospital

and force-projection platforms we now need.

We also need to be smarter about how what we organize our national defence. Again, the Harper government was right to focus on Canada's Arctic as a priority—a policy the Trudeau government has adopted somewhat belatedly. I'll never say Steve Bannon was right, but in this case, he wasn't wrong.

A big part of that would necessarily fall on the Canadian Coast Guard. It should also require significant investment in a network of polar-orbiting satellites, long-endurance UAVs, ice breakers, the Coast Guard AOPS variants, increased search-and-rescue capacity, and so on.

As a result, we should rethink the role of the Canadian Coast Guard to include some armed capacity on most vessels. The U.S. does this and includes its Coast Guard as a branch of the Pentagon—why shouldn't we? That's about \$2.4-billion a year towards our goal without any real change.

Canada also has about \$135-billion in procurement projects at various stages with large, American prime contractors. This includes 88 F-35 Joint Strike Fighter (Lockheed), 16 P-8 Poseidon Maritime Patrol Aircraft (Boeing), and the combat systems for the 12 *River*-class destroyers (also Lockheed). If Trump proceeds with more tariffs, we should cancel these immediately, and select alternatives from non-U.S. suppliers. In some cases, we should be willing to consider the additional risk and expense of jointly funding the develop-

ment of a new solution with European allies.

At least as importantly, Canada needs to invest in emerging technology like quantum computing as a critical piece of the defence of information. Investing in new tech is a way for Canada to use its hyper-educated workforce to its advantage, create significant private sector spin-offs and attract top talent from those disaffected by Trump.

This is going to be expensive at a time when Trump's tariffs could shrink Canada's GDP by three per cent per year or more. Pierre Poilievre has said he'll cut foreign aid to pay for it. That's about \$15-billion per year which isn't enough, not to mention that ending funding to the poorest people in the world is far more likely to make those people radicalized and create future problems.

No, to do this Canada, will need to up its spending on defence by about \$27-billion a year by fiscal 2026-27 according to the Parliamentary Budget Office. That's a big nut: about six per cent of the \$449-billion in the 2024-25 federal government's main estimates. But it isn't impossible.

First, a bit of pain: time to put the GST back to seven per cent. That would bring in almost \$9-billion a year alone (that plus the Coast Guard move would get us most of the way to the lower end of the PBO estimate of what's needed to meet the two per cent). We lived with it for 30-plus years, we can live with it again.

Second, if Trump wants to play the tariff game, let's play: the United States buys 6.5 million barrels of WCS oil from Canada every single day. The refineries on the Gulf Coast need that heavy crude. It only comes from Canada, Mexico or Venezuela. The light Bakken Shale product Trump talks about can't be used in those refineries without hugely expensive upgrades. A 10 per cent tariff at an average price of \$60-billion would net \$14-billion a year. The price to refineries would still be below the Western Canada Select-West Texas Intermediate differential that gives them a massive incentive to use Canadian oil.

That basically closes the gap without a single cut to other programs. These are big decisions that will have an impact on Canadians for at least a couple of generations. We're here because of a series of choices over the preceding decades—some ours, some not—but how we choose to meet the moment is the real question.

The fact is Canadians have had an easy ride on defence spending. But the ride is over. Whether or not Trump actually introduces tariffs, the United States is simply no longer reliable in the way it was.

As a result, it's time for Canada's leaders to step up and make the choices their predecessors avoided for decades.

Sorry for the bad news, eh.

Jamie Carroll is a former national director of the Liberal Party of Canada who sat on the board of the CDA Institute for about a decade.

The Hill Times

Special Report **TRADE, TARIFFS, & THE BORDER**

U.S. President Donald Trump, pictured. Canada should approach its relationship with the U.S.—and, yes, even the Trump administration—with pragmatism and confidence, ensuring that it remains an indispensable partner in shaping the future of the continent, writes Andrew Latham. Photograph courtesy of Wikimedia Commons

Canada is in a deep moral panic regarding Donald Trump

Rather than succumbing to moral panic, Canada should focus on enhancing North American security and prosperity in partnership with the United States while cultivating a more self-assured national identity—one that is rooted in its own strengths rather than defined by its anxieties about its neighbour.

Andrew Latham



Opinion

SAIN'T PAUL, MINNESOTA—Canada is in the grip of a full-blown moral panic over U.S. President Donald Trump. The latest spark came when Prime Minister Justin Trudeau was caught on a hot mic expressing concern about Trump's tongue-in-cheek suggestion to annex Canada as the 51st American state. This was classic Trump: provocative, bombastic, and designed to elicit a reaction. But in Canada, the response has been nothing short of hysteria. Rather than treating it as mere trolling, Canadian politicians and pundits have seized upon it as proof of a looming existential threat, further amplifying an already irrational fear of Trump since his return to power.

Moral panics have a curious way of gripping nations, sending societies into fits of irrational fear, often untethered from reality. They emerge when a society, spurred by sensationalized media and political rhetoric, becomes convinced that a particular figure or event poses an outsized threat to its fundamental values or identity. These panics tend to follow a predictable pattern: an initial triggering event, rapid amplification by elites and the press, and a disproportionate societal response that often ignores nuance or strategic reasoning. The sociologist Stanley Cohen coined the term to describe public

reactions to perceived threats that are exaggerated and distorted, typically by the media and political elites. Canada is in the throes of just such a panic—one fixated not on strategic or structural realities, but on Trump as a villainous caricature. This reflects a deeper pathology in Canadian political culture: an insecurity about this country's geopolitical standing and identity an over-reliance on “othering” America in order to validate its own self-image.

Trump's remark was unserious, but Canada's overreaction is telling. Media outlets have churned out endless op-eds warning of U.S. imperialism, while some politicians have called for a fundamental rethinking of the U.S.-Canada relationship. There has been talk of economic decoupling, bolstering defence autonomy, and even—absurdly—finding new international partners to hedge against an America led by Trump. This is not serious strategic thinking; it is a performance of anxiety designed to reinforce Canada's preferred narrative of moral superiority over the U.S.

The real issue is not Trump, but Canada's strategic incoherence. The U.S.-Canada relationship is not a matter of sentiment; it is a geopolitical reality. No amount of performative hand-wringing will change the fact that Canada's economy is deeply integrated

with the U.S., that its security is underwritten by NORAD and NATO, and that its sovereignty in the Arctic depends on American co-operation. Instead of fixating on Trump's provocations, Canada should be taking stock of its own weaknesses.

Ottawa has long preferred rhetorical grandstanding to real policy action. Rather than meeting its NATO obligations, investing in Arctic security, or strengthening North American defence, the Trudeau government has chosen to engage in emotional reactions to U.S. politics. This is a luxury Canada can no longer afford. The world is changing not because of Trump, but because of the rise of China, Russia's assertiveness, and the weakening of the old liberal order. Canada's focus should be on navigating these realities, not indulging in anti-Trump theatrics.

With Trump's return to office, Canada is facing pressure—not due to annexation jokes, but because Washington expects its allies to pull their weight. Trump's first term made it clear that allies must step up, and there is no reason to believe his second term would be different. The U.S. will demand that Canada meet its defence commitments, take a firmer stance on Arctic security, and contribute meaningfully to North American defence. Canada can either rise to the occa-

sion or continue indulging in moral panic, but one path leads to credibility, and the other to irrelevance.

The irony of Canada's Trump panic is that it exposes the very insecurity it claims to reject. A confident country does not spiral into crisis over a U.S. president's offhand remarks. A serious nation does not define itself in opposition to another country's domestic politics. The real challenge for Canada is not Trump—it is the nation's unwillingness to confront the realities of its own strategic position.

The United States will remain Canada's most important partner, regardless of who sits in the Oval Office. While tensions and political frictions will always exist, they do not define the broader U.S.-Canada relationship, which remains both structurally sound and mutually beneficial. Canada should not only focus on strengthening its role as a reliable partner in North American security and prosperity, but also embrace a more confident and self-assured national identity—one that does not rely on reflexive anti-Americanism, but instead acknowledges its own strengths and contributions to the continent's stability and success. Rather than succumbing to moral panic, Canada should focus on enhancing North American security and prosperity in partnership with the U.S. while cultivating a more self-assured national identity—one that is rooted in its own strengths rather than defined by its anxieties about its neighbour. Recognizing the deep structural ties that bind the two nations, Canada should approach its relationship with the U.S.—and, yes, even the Trump administration—with pragmatism and confidence, ensuring that it remains an indispensable partner in shaping the future of the continent.

Andrew A. Latham is a professor of international relations and political theory at Macalester College in Saint Paul, Minnesota. *The Hill Times*

TRADE, TARIFFS, & THE BORDER Special Report

U.S. President Donald Trump, pictured. Hound Washington in ways difficult to counter. A tit-for-tat tariff battle is unwinnable when the world's tenth largest economy is pitted against No. 1. Try playing poker with a multi-millionaire when all you've got in your pocket is a \$50 bill and a lucky rabbit's foot, writes Peter Saracino. Photograph courtesy of Gage Skidmore/Flickr



How to beat the MAGA-maniacs

First, stop reacting to Donald Trump. You don't beat a megalomaniac by kicking him in the orange juice industry after he has just finished pummelling your entire economy. Any competent strategist knows that to win wars, you must seize, and keep, the initiative. Surprise the Trump cabal.

BY PETER SARACINO

LONDON, ONT.—In the emerging trade war with the United States, one thing is certain: Can-

ada can't bomb Donald J. Trump into submission. Not only is the Royal Canadian Air Force puny compared to its American counterpart, but the RCAF relies on U.S. suppliers because there is no domestic bomb manufacturer.

How, then, to beat the MAGA-maniacs?

First, stop reacting to Trump. You don't beat a megalomaniac by kicking him in the orange juice industry after he has just finished pummelling your entire economy. Any competent strategist knows that to win wars, you must seize—and keep—the initiative. Surprise the Trump cabal. Currently, when they wake up in the morning, they have time to count the social media likes garnered by their latest outrage.

Second, hound Washington in ways difficult to counter. A tit-for-tat tariff battle is unwinnable when the world's 10th-largest economy is pitted against No. 1. Try playing poker with a multi-millionaire when all you've got in your pocket is a \$50 bill and a lucky rabbit's foot. The results are similar.

Third, economic war—like its mortal equivalent—is not a mere

numbers game. The 19th-century military theorist Carl von Clausewitz believed: "Military activity is never directed against material force alone; it is always aimed simultaneously at the moral forces which give it life, and the two cannot be separated." Trump and the plutocrats around him love money; they also care a lot about maintaining their followers' loyalty.

Here are several ways Canada can challenge Washington:

- **Withdraw from NORAD.** North American Aerospace Defence Command is a joint military effort by Canada and the U.S. to defend the continent against potential air attack. NORAD operates 54 radar stations (47 in Canada). Ottawa wants to spend \$38.6-billion (the number fluctuates) over 20 years to modernize NORAD. Ever since the Cold War, Canadians have been hoodwinked into believing the Russians want to steal our snowmobiles and nuke our hockey rinks. The real target is—and always was—America. Let Uncle Sam pay for his own defence.

- **Charge non-Canadian trucking firms to use the 401.**

By accident of geography, the shortest route from Midwestern states to New England is through southern Ontario. Shortest also means cheapest, as any trucker will tell you. Unfortunately for Canadians, this results in extra air pollution and ownership of Highway 401, the busiest expressway on the planet. Other than fuel taxes, American shippers and trucking companies don't pay to maintain Highway 401. A user fee for foreign trucks would end the freeloading.

- **Re-nationalize Canadian National Railway.** The people of Canada owned CNR until 1995, when a myopic government privatized it. The railway has expanded since and owns more than 32,000 km of track, much of it in the central and southern U.S. CNR remains registered and headquartered in Canada. Take the company back into public ownership then increase the fees it charges American customers. Use the additional revenues to benefit Canadians. Think of it as a Canada First™ policy.

- **Make U.S. airlines pay more to use our airspace.** Nav Canada is the arm's-length firm created by Parliament to provide navigation services to aircraft operating in Canadian airspace. Its rules state that all aircraft, whether Canadian or foreign owned, are charged the same rate for services. Every day, more than 1,000 passenger and cargo flights between U.S. and Europe use our airspace. Canadian flights to Europe don't need to use U.S. airspace at all. Change Nav Canada's rules.

- **Find other friends to play with.** "My enemy's enemy is my friend," goes the maxim beloved of think-tank pontificators. The U.S. has the biggest economy, but it is not the only big economy. Canada could turn to Europe and other countries for trade and security deals.

"Lions led by donkeys" is a metaphor about capable people who suffer avoidable catastrophes. It is commonly applied to the thousands of British soldiers sent to their deaths by feckless generals during the First World War. A similar metaphor applies today. Canadians are moose led by squirrels. The moose is a large, normally peaceful, ruminant capable of demolishing an F-150 pickup if threatened. However, the moose is led by squirrels, rodents skilled at stealing food intended for other wildlife, but useless at most other tasks. (Hence the number of squirrels who end their careers as road kill.)

Canada needs a Winston Churchill or an Isaac Brock; at least a government with brains, imagination, and a little audacity. At the moment, all we have are squirrels.

Peter Saracino is a former senior analyst at the Center for Nonproliferation Studies in California. Previously, he was managing editor of the U.K. magazine International Defence Review, and for 12 years he was a contributing author to Encyclopedia Britannica's Book of the Year. He is retired but his teeth are all still his own.

The Hill Times

Special Report **TRADE, TARIFFS, & THE BORDER**

Trump's assault on Canada can actually make us stronger and better

But we will have to work at it.

David Crane

Canada & the 21st Century



TORONTO—Countering the brazen efforts by the Trump administration to reduce our country to an American vassal state and making us subservient to American policies and interests will require a sustained and bold response that goes far beyond retaliation to American tariffs.

Leadership, unity, and a steely determination to persevere in the face of threats, coercion and hostile actions from the White House will be critical. This makes it essential, then, that Canada have a federal election soon to elect a government with a clear mandate to reshape this country, and put us on a much stronger footing not only in negotiations with the United States on the future continental relationship, but also to adjust to a new world order. This new reality will emerge not only from a great power conflict, but also from the emergence of new power centres in the developing world as well as from dramatic technological change.

The possibility of across-the-board tariffs on all imports from Canada into America effective March 4, the imposition of global 25-per-cent tariffs on aluminum and steel effective March 12, and threats of tariffs of 25-per-cent or higher globally on imports of autos, semiconductors and pharmaceuticals by April are the immediate risks. All would impose high costs on U.S. trading partners, but also impose pain on American businesses and consumers. For example, the risk to Canada's auto industry is clear, with the risk of plant shutdowns, high unemployment, and a shift of investment out of Canada and into the U.S.

Even potentially more threatening as a disruption to world trade is the Trump administration's reciprocal tariff threat, with a report expected by early April. Tariffs charged by the U.S., measured on a country-by-country basis, would be as high as tariffs charged trading partners—say Korea—on a product-by-product basis. But sales taxes (including the GST) would also be counted by the U.S. as a tariff against American exporters. While such a system would be almost impos-



sible to implement, and contrary to every trade agreement the U.S. has ever signed, the resulting uncertainty would chill investment, generate unemployment, and boost inflation worldwide. Interest rates and exchange rates would also be impacted.

Canada is especially vulnerable, given the hostile animus towards our nation by Trump and some of those around him. Yet appeasement is not the answer. At some point there has to be an adult conversation between Canada, the United States, and Mexico on the future

continental relationship. But the Trump administration is still focused on coercion rather than negotiation.

In the meantime, a Canadian plan should focus on long-term initiatives to build a stronger country. We need an economic growth strategy to make us a much more innovative nation, with higher productivity and a higher potential growth rate, one that generates the wealth not only to improve incomes, but also to provide the tax revenues needed for improved education, health care, infrastructure, national

security, and other public goods. We also need a growth strategy that's environmentally sustainable, and seen as fair in the sharing of success. To make this happen, we will need policies that will help ambitious entrepreneurs build successful companies that can develop the high-value goods and services we can sell to the world.

We will need to focus on defence because it is in our own interest. Here, much of the focus needs to be on our longest coastline: the Arctic. We need to promote an Arctic strategy that

combines defence and economic activity. We should use this as an opportunity to strengthen the defence industrial base with the recognition that technology developed for defence can also have a dual use in civilian markets, and vice versa. This commitment should be implicit in every defence investment we make. And what applies in defence or the unique needs of Arctic development can apply to other areas, including health care, medical technologies, and pharmaceuticals, and to strategic minerals.

Why not make it a national goal to ensure that strategic minerals we find and extract here are also processed at home before they are exported? The same with many agricultural commodities: we could become more competitive as a food-processing nation rather than just a commodity exporter.

We also need to take on what has been called "network imperialism," the growth and power of the American Big Tech oligopolists—including Alphabet/Google, Meta/Facebook, Amazon/Prime, not to mention Elon Musk's X, as well as streamers distributing video and music, such as Netflix, Prime, and Disney. These firms are extracting billions of dollars each year from countries including Canada, while doing all they can to avoid taxes or—in the case of streamers—putting anything back into local culture and media. These corporations are counting on the U.S. government to protect their interests, and to punish nations trying to collect taxes or impose cultural obligations, hence the obsequious role of their top executives at the Trump inauguration.

Diplomatically, Canada will need to give high priority to working with like-minded nations to sustain global institutions like the International Monetary Fund, the World Trade Organization, and the World Health Organization. These groups are essential for the functioning of the world economy, supporting foreign aid and international development, and actively pursuing domestic and internal programmes to address the accelerating threat of catastrophic climate change. We also need to review our relationship with China—rather than simply adopting U.S. policy.

All of this will require rebuilding the public service. We have allowed our public service's policymaking capacity to decline from neglect in both the Harper and Trudeau years. Yet as Martin Wolf reminded us recently in *The Financial Times*, "a complex society is best served by a competent, professional and neutral public service." Restoring Canada's public service should improve the quality of public policy, improve the deliverability of public services, and restore confidence in government. Instead of "Canada is broken" we would get "Canada works." This is critical as we face deep change.

This is the great opportunity. Trump's assault on Canada can actually make us stronger and better. But we will have to work at it.

David Crane can be reached at crane@interlog.com.

The Hill Times

At some point there has to be an adult conversation between Canada, the United States, and Mexico on the future continental relationship. But the Trump administration is still focused on coercion rather than negotiation, writes David Crane. Image courtesy of Pixabay

TRADE, TARIFFS, & THE BORDER Special Report



Canadians were prepared for a less than diplomatic second Trump presidency. We could not have predicted—and should not have to endure—routine threats of annexation or immiseration, writes Stuart Trew. *Image courtesy Pixabay/Tiburi*

No deal under duress

Ottawa shouldn't be in a rush to review the Canada-U.S.-Mexico Agreement.

Stuart Trew

Opinion



U.S. President Donald Trump's ridiculous trade war on the world, alongside military threats against Canada, have sent North American relations into a tailspin. Recovering from it will take patience, national co-ordination, and an openness to challenging Canada-U.S. trade dogmas.

The last thing Canada should do is rush into a renegotiation of the new NAFTA, as Quebec Premier François Legault and the Macdonald-Laurier Institute have proposed. On the contrary, Canada should refuse to participate in

any review of the Canada-U.S.-Mexico Agreement (CUSMA) until Trump backs down from his threats.

Canadians were prepared for a less than diplomatic second Trump presidency. We could not have predicted—and should not have to endure—routine threats of annexation or immiseration.

If implemented, Trump's threatened 25-per-cent tariff on all Canadian and Mexican imports would sabotage both countries' economies, throwing millions of people out of work. His more recently promised tariffs on automotive imports would grind production in the critically important North American sector to a halt.

Separate steel and aluminum tariffs, while more manageable for Canada, could eventually shutter steel mills serving the U.S. market. His "reciprocal" tariff plan, which will target all kinds of overseas policies that Trump doesn't like, makes a mockery of the idea of negotiated international trade relations.

What is the end game in all of this? We still don't quite know. In North America, at least, it's possible the president really does want to cut Mexico and Canada out of manufacturing supply chains. In fact, there is evidence this is happening already.

American steel buyers are reportedly cancelling Canadian orders. Quebec manufacturers are laying off hundreds of staff in anticipation of tariff-related pain ahead. The Bank of Canada predicts business investment will dry up if tariffs are eventually imposed, and stagnate anyway due to the vagueness of Trump's plans.

It's possible the president's North American bullying will be tied to the mandatory six-year review of the CUSMA next year. A review clause was put into the new NAFTA by Trump's first trade team—to give the U.S. a way to routinely secure better terms for itself under the threat of allowing the deal to expire after 16 years.

Forcing Canada and Mexico to go into the upcoming review

under the duress of high tariffs would also be a familiar tactic for Trump. The U.S. only granted Canada and Mexico exemptions from national security tariffs on steel and aluminum, imposed in 2018, once the CUSMA was locked in.

Fearing the loss of NAFTA, business groups in Canada called for a deal at any cost, and Canada delivered. Patents were again lengthened on brand name drugs, pushing up costs for Canadians, while the CUSMA digital trade chapter restricts our ability to regulate and tax big tech firms.

The federal government agreed to these concessions to save an independent review process in NAFTA for challenging U.S. countervailing duties and anti-dumping measures that is no more effective than going through American courts.

The obvious question this time around is: why should we negotiate anything with a president who does not believe in rules, even ones he agreed to a few years ago? Canada would be better off letting the CUSMA sit in limbo

than agreeing to another round of concessions in exchange for the illusion of stable, "rules-based" market access to the U.S.

That choice would come with important short and long-term considerations. In the short-term, it would mean steeling ourselves for a potentially difficult trade war. Effective retaliatory measures—including export taxes on energy, potash and aluminum—would help and come with revenue-generating benefits for Canada.

Workers in the automotive, steel and aluminum, and specialty manufacturing sectors must be protected from any eventual tariffs affecting those sectors. Canadian content requirements on major public- and private-sector infrastructure and resource projects would keep production levels stable.

In the medium-term, we need to make our country less vulnerable to the whims of U.S. belligerents while maintaining strong personal, cultural and economic ties with our American and Mexican friends. Not an easy conversation, but one Canadians are clearly ready to have.

Stuart Trew is a senior researcher with the Canadian Centre for Policy Alternatives. *The Hill Times*

Special Report **TRADE, TARIFFS, & THE BORDER**

Since 2001, U.S. administrations—both Democrat and Republican—have thickened their borders with the rest of the world, whether in response to security concerns resulting from the 9/11 attacks, or in response to growing popular disillusionment with the economic system, writes Julian Karaguesian. *The Hill Times* photograph by Jake Wright

The American alone scenario: what brought us here and what should Canada do?

Whatever the ultimate agenda of the current U.S. administration, Canadians cannot leave their prosperity and sovereignty to the vagaries of Donald Trump.

Julian Karaguesian

Opinion



“The sheep spend its whole life fearing the wolf Only to be eaten by the shepherd” – Tosin Adeoti

One idea that most economists agree on is that trade, whether inside a country or across borders, is a key driver of GDP growth and prosperity. This is certainly true for Canada, whose prosperity is in significant part derived from external trade, 80 per cent of which is with the United States. President Donald Trump—with his belief in “Making America Great Again,” by building tariff walls between America and rest of the world, and through intimidation—is visibly threatening Canada’s prosperity.

As our nation weighs its policy options, it would be good to remember the economic developments that set the stage for Trumpism in the first place: the sharp rise in inequality along with the steady dismantling of worker and social protections, the financial crisis of 2007-2011, the opioids crisis, the tidal wave of popular economic disillusionment and anger, and—the critical factor driving all these developments—the deindustrialization of the economy between the early 1980s and the late 2000s.

It is worth noting here, that unlike Germany or Japan, the U.S. traded its factories away to China instead of its products over the course of the 1980s, 1990s and 2000s—a period known in economics as hyperglobalization. The wilful, profit-based deindustrialization of the U.S., and its wider economic, social and political consequences, gave birth to Trumpism in the aftermath of the financial crisis.

Trump’s apparent objective of reindustrializing America—if that’s the aim—is thus understandable. No country can remain wealthy and sustain a large middle class without a sizable manufacturing sector, which typically contains many of the highest-productivity industries and provides work for skilled (but mostly non-college-educated) workers. But using tariffs or the constant threat of tariffs, and extreme policy uncertainty and fear, to achieve this in a world

where 25 per cent of world GDP is traded across borders—often through complex supply chains—will make all nations worse off.

Simple solutions to complex problems rarely, if ever, work.

Trump has made it clear, however, that he cares nothing for this or other facts. This is why presenting him with logical reasons about the harmful effects of tariffs is thus a waste of time and effort. Trump is following a program—a simple rule—in which the world economy is a zero-sum game, and thus America’s apparent gain from tariffs is the rest of the world’s loss. In this very real sense, Trump has no allies, but only vassals like Canada, or adversaries like China.

Trump’s on-again, off-again trade war is not only a gravely misguided and thus destructive response to American deindustrialization, but also a sign of economic weakness and decline—despite the current and apparent strength of the U.S.

Since 2001, U.S. administrations—both Democrat and Republican—have thickened their borders with the rest of the world, whether in response to security concerns resulting from the 9/11 attacks, or in response to growing popular disillusionment with the economic system. It was then-president Barack Obama who decided to drop the Trans-Pacific Partnership trade agreement in 2016. Viewed in this context, Trump’s first term and his tariff wars were an acceleration of

an already deeply-rooted trend towards isolationism. The Biden administration made no move back towards supporting global free trade; rather, they used the vast tax, spending, borrowing and money-printing powers of the federal government to tilt global investment towards the U.S. with industrial policies such as the Inflation Reduction Act.

In this regard, blaming Canada, Mexico, and other countries, or demonizing China, for the U.S.’s chronic large trade deficits, for the erosion of its middle class, for its opioids crisis, for its large budget deficits and debt, amount to the same thing: the U.S. not taking responsibility for its own actions—whether its low national savings rate, its own massive production of fentanyl, its extreme inequality, or its lack of investment in public education and infrastructure.

In view of these developments and—most of all—the uncertainty being generated by Trump, what should Canada do? First, it is necessary to remember that Canada was a rich country before it had free trade with the U.S. In 1960, Canada’s real personal income was 77 per cent of the U.S. level. Today, it is only 64 per cent of the U.S. level. Yes, a key part of this falling behind is our weak productivity growth. But wasn’t free trade with the U.S. supposed to make our nation more productive? It didn’t.

Second, Canadians should look beyond North America for

trade and investment opportunities. It’s a big (economic) world out there. The European Union is one of the world’s three largest economic blocs, and yet Canada’s trade with Europe is negligible. By some measures, China is the world’s largest economy, and yet we export 20 times more to the U.S. than to China. Why? Part of the reason is geography, and part is the fact that Washington didn’t want us to. We are now free of the second constraint. And, what about the immense opportunities to expand trade with India, south-east Asia, and other fast-growing regions?

Third, we cannot be a single nation without having a single economy: eliminating internal barriers to trade can no longer be a discussion or negotiation; it must happen, otherwise we have only ourselves to blame.

Fourth, Canada needs to demonopolize its economy, which—like creating a single internal economy—is a crucial element in boosting productivity and affordability.

Fifth, federal and provincial governments need to draw on their large spending and borrowing powers to formulate and implement a national reindustrialization program, perhaps using the rapid creation of defence industries during the Second World War as a template.

Whatever the ultimate agenda of the current U.S. administration, Canadians cannot leave their prosperity and sovereignty to the vagaries of Donald Trump. Canada is a natural resource superpower that can use its freedom from Washington as an opportunity to forge a new place in the 21st-century global system.

Julian Karaguesian is currently a visiting lecturer in the department of economics at McGill University, and is former special adviser in the International Trade and Finance Branch of Finance Canada.

The Hill Times

TRADE, TARIFFS, & THE BORDER Special Report

Turning trade challenges into opportunities: Canada must leverage diversity to build a resilient economy



Export Promotion and International Trade Minister Mary Ng, pictured on the Hill, said in a Bloomberg interview in Singapore last week that Trump's tariffs 'make no sense.' *The Hill Times* photograph by Andrew Meade

The goal ought to be to move beyond simply responding to immediate trade conflicts.

Sui Sui

Opinion



The recent imposition of tariffs by U.S. President Donald Trump highlights that Canada remains highly vulnerable to U.S. economic pressure. Trump has repeatedly used trade as leverage, including in the long-standing softwood lumber dispute, steel and aluminum tariffs, or political rhetoric about Canada's dependence. This vulnerability is not new, and it is unlikely to disappear. Trump, for instance, has suggested that Canada would be "better off" as his country's 51st state, invoking the 19th-century concept of "Manifest Destiny," which promotes American

territorial expansion across North America. Such rhetoric is a stark reminder that Canada cannot afford to remain economically tied to a single dominant trading partner. Instead, we must break free from this cycle by diversifying trade relationships, strengthening domestic industries, and leveraging our diverse population to expand into new markets.

Canada's economy has been heavily dependent on the U.S. for decades, with more than 73 per cent of exports flowing south. This deep reliance means that U.S. policy decisions can send shockwaves through key Canadian industries, leaving businesses scrambling to adjust to shifting trade conditions. While agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and the Canada-EU Trade Agreement have been steps toward reducing dependence on the U.S., more must be done to establish a genuinely resilient and self-sustaining economy. Canada must intentionally pursue a long-term strategy aimed at expanding its global trade footprint and investing in industries that can compete on the world stage.

“This country has the talent, resources, and potential to thrive in global markets, but we must be willing to take bold steps toward economic diversification. The time to act is now.”

A major Canadian advantage in trade diversification is our diverse population. As an example, immigrants play a critical role in expanding trade beyond North America. Their thorough understanding of foreign markets, business customs, and consumer preferences is valuable to Canadian companies seeking to expand in foreign markets. Many immigrant entrepreneurs maintain strong ties to their home countries. These ties provide a natural edge in forging new trade partnerships. Their multilingual skills, cross-cultural knowledge, and global networks position Canadian businesses to thrive in international markets.

Research backs this up. My previous research shows that Canadian small and medium-sized enterprises (SMEs) owned by recent immigrants are significantly more likely to export beyond the U.S. than their non-immigrant counterparts. This presents Canada's huge but under-utilized opportunity to establish stronger global trade connections, particularly in emerging markets. Better leveraging the expertise and networks of immigrant entrepreneurs can accelerate the shift away

from American dependence and help tap into new, fast-growing economies.

However, trade diversification alone is not enough. My previous research shows that Canadian businesses must also remain competitive in quality, cost, and innovation to expand into global markets successfully. One key challenge is this country's fragmented internal market, where interprovincial trade barriers often make it easier for businesses to trade with the U.S. than with neighbouring provinces. Outdated regulations and restrictions continue to stifle economic growth by preventing Canadian firms from scaling efficiently. A well-integrated domestic market would allow SMEs to expand more effectively and compete globally. Reducing internal barriers should be a priority in any strategy to strengthen Canada's trade resilience.

Beyond domestic regulatory challenges, Canada must also modernize our trade infrastructure. In an increasingly digital world, e-commerce and online trade platforms offer new opportunities for domestic firms to reach international customers without relying on traditional supply chains. The competitiveness of Canadian businesses to compete in the global marketplace can be strengthened by investing in digital trade infrastructure, such as AI-driven logistics, fintech solutions, and multilingual online platforms. Programs like CanExport, which provide financial and logistical support to businesses seeking to enter new markets, are essential; expanding these should be a priority.

Economic protectionism and trade coercion are not new, or likely to disappear. Simply waiting and reacting defensively each time the U.S. imposes new tariffs or trade restrictions is not the most effective strategy for Canada. Proactive steps to safeguard our economic future are needed. Such steps include reducing reliance on any single market, fostering stronger global trade connections, and ensuring our industries remain competitive. Canada can build a resilient and globally integrated economy. Critical next steps include leveraging the knowledge and networks of its diverse population, removing domestic trade barriers, and embracing digital trade opportunities.

The goal ought to be to move beyond simply responding to immediate trade conflicts. Instead, the objective should be to—it's about shaping the future of Canada's economy to ensure long-term security and independence. This country has the talent, resources, and potential to thrive in global markets, but we must be willing to take bold steps toward economic diversification. The time to act is now.

Dr. Sui Sui is a professor at the Ted Rogers School of Management at Toronto Metropolitan University. Her research examines the impact of equity, diversity, and inclusion (EDI) on businesses, with a focus on international business, entrepreneurship, and corporate strategy.

The Hill Times

Canada's Border Community Businesses are Paying the Price for a U.S. Travel Boycott

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ASSOCIATION FRONTIERE HORS TAXES

By **Barbara Barrett**,
Executive Director,
Frontier Duty Free
Association

Canada's border communities and their businesses are once again being left behind. During the pandemic, border businesses were among the hardest hit, enduring a 20-month border closure while air travel between Canada and the U.S. continued. Now, as the looming threat of U.S. tariffs sparks calls for Canadians to boycott cross-border travel, we are being hit again.

It is understandable that Canadians are frustrated by the possibility of U.S. tariffs. We share that frustration and support efforts to stand up for Canadian businesses. But we must also recognize that discouraging cross-border travel does not punish American politicians—it punishes Canadian businesses first. Land border duty free stores are not U.S. retailers; we are small, Canadian-owned export businesses, regulated by the Canadian government, that exist to keep money in Canada.

There are no-cost solutions the government can act on immediately. Land border duty free stores have long been placed at a competitive disadvantage due to misapplied domestic regulations and taxes that our U.S. counterparts do not face. While we are governed by the Canadian government and operate under strict regulations, our only competition is American duty-free stores and U.S. retailers, which do not face the same hurdles.

The government must cut the red tape and immediately align excise tax policies for duty free businesses to allow us to compete fairly with U.S. retailers and ultimately survive. This solution requires no subsidy—just fairness. If the government fails to act, closures, job losses, and the erosion of economic activity in border communities will follow.

Border MPs and Border Mayors are calling for fairness and federal action. The federal government has the power to act now. The question is—will they?



Auto Consumers on both sides of the Border in the Crosshairs of U.S. Tariffs

By **Tim Reuss**,
President and CEO
of the Canadian
Automobile Dealers
Association



The potential U.S. tariffs that were recently announced would have an immediate negative effect on consumers on both sides of the border as the prices of vehicles and parts used for servicing them would skyrocket. Vehicle, parts production, and distribution across North America is highly integrated and the result of decades-long efforts and cooperation by the U.S./Canada/Mexico governments and manufacturers. Automotive dealers and the over 178,000 people they employ depend on functioning supply chains in order to sell and properly maintain the vital automotive infrastructure of Canada. All efforts should be undertaken to avoid tariffs.

To be clear: tariffs are bad for both the Canadian and U.S. economies. Tariffs will kill jobs within the most successful trading relationship in history. Canadian consumers and their American counterparts are already in the midst of an affordability crisis. Consumers have been crushed by high housing costs and interest rates. Slapping tariffs on the second most important household purchase will be felt across the North American economy.

In this complex and uncalled for policy tug of war, Canada cannot take actions that make the situation worse. Finally, and most importantly, this crisis must galvanize the federal government to end the illogical taxes and regulatory burden on the auto sector. Canadian households would be severely impacted if electric vehicle mandates remain in place without charging infrastructure or purchase incentives. We need a government that cuts taxes and red tape. Car consumers and the auto sector cannot take on U.S. Tariffs and our own government at the same time.

CADA is and will continue to advocate on both sides of the border to avoid these tariffs and protect dealers, and most importantly, our consumers.

CADA
Canadian Automobile Dealers Association
Corporation des associations de détaillants d'automobiles

Tariffs Undermine North America's Auto Industry

By **Brian Kingston**,
President and
CEO of the
Canadian Vehicle
Manufacturers'
Association



For over 60 years, the importance of North American integration has been recognized and supported by governments on both sides of the border, with aligned regulations and policies designed to support a continental supply chain. The result is a more competitive industry, greater consumer choice of affordable vehicles, and access to leading edge vehicle technology. Tariffs threatened by the U.S. could undo decades of progress, weakening North America's competitiveness as a global automotive powerhouse.

Bilateral trade in the industry is mutually beneficial and well-balanced. Since 2020, when the CUSMA came into force, the U.S. has run a small trade surplus in vehicles and parts with Canada.

Canada has become an important market for U.S.-manufactured vehicles thanks to annual new vehicle sales of around 1.8 million. In fact, the U.S. sends more passenger vehicle and light truck exports to Canada than to Germany, Mexico, and China combined.

In addition to supporting seamless automotive trade across the continent, the CUSMA helped unlock a wave of new investment. Automakers and suppliers have announced

approximately \$288 billion USD in new North American investments since the agreement's implementation. The overwhelming majority of that investment has gone to the U.S. (81%) followed by Mexico (11.5%) and Canada (7.6%).

Given the high level of integration in the North American auto sector, U.S. tariffs on all imports from Canada and Mexico would reduce North American vehicle production, increase vehicle prices, and lead to job losses at manufacturing facilities across the continent. With over half of the parts and components in Canadian-manufactured vehicles originating in America, tariffs on Canadian-produced vehicles are the very definition of a self-inflicted wound.

The CUSMA is working as intended with auto production, trade, and investment on the rise across North America. Tariffs will undermine decades of progress and threaten the long-term success of the industry.



**Canadian Vehicle
Manufacturers' Association**
Association canadienne
des constructeurs de véhicules

U.S. Tariffs: A Death Blow to an Industry Health Canada Already Has on the Ropes.

chfa

By **Aaron Skelton**,
President and CEO of
the Canadian Health
Food Association

To the Canadian Natural Health Products (NHP) sector, U.S. tariffs came like a gut punch to an industry already navigating an uneven playing field with U.S. companies.

The Canadian NHP industry is at risk of collapse due to an aggressive cost recovery program directed by the Minister of Health. Although Canadian companies uphold rigorous safety standards, this program adds huge fees to maintain compliance, with zero impact on health outcomes. Small supplement businesses with multiple product licenses face hundreds of thousands in additional costs.

U.S. products shipped under a 90-day personal import loophole avoid these fees, placing Canadian companies at a severe disadvantage. Tariffs will worsen the situation, forcing companies to consider relocating or closing. Our consumers will face fewer high-quality options while foreign suppliers dominate the market.

And still, Canada's Minister of Health ignores Canadians. The Save Our Supplements campaign and similar initiatives have mobilized nearly 2 million postcards to MPs, demanding fair treatment for Canadian businesses and reversal of cost recovery.

Government inaction is not an option. It's time to give Canadians, the NHP sector, and its dedicated entrepreneurs a healthier, stronger future.



TRADE, TARIFFS, & THE BORDER Special Report



A winter aerial view of Toronto highways. The World Economic Forum's Competitiveness Index shows an alarming decline in Canada's transport infrastructure—our ranking fell from its peak of 10th in the world in 2008, down to 32nd in 2019, writes Pascal Chan. *Image courtesy of Pexels/Avijit Singh*

Canada's transportation infrastructure: time to get serious or pay the price

This moment of national importance demands that we focus on our national interests. It starts with getting goods to and from market via reliable transportation infrastructure. Because if we can't move it, we can't sell it.

Pascal Chan



Opinion

Against the backdrop of an unprovoked trade war with our largest trading partner and closest ally, concerns about Canada's economic future have brought the integration of Canada-U.S. supply chains—and the \$3.6-billion in daily cross-border trade they enable—into question.

Canada's success is rooted in being a trading nation. In 2022, World Bank data shows trade

accounted for more than two-thirds of this country's GDP. In 2023, two of every three dollars we made was due to trade. The evidence is telling. Increasing our capacity for trade—domestic and international—should be the top priority for decision-makers. Canadians are counting on it to secure their economic futures.

However, the transportation of goods across Canada and beyond has been anything but straightforward. The list of challenges that impact our supply chains yet sit outside of our control continues to grow: the COVID-19 pandemic, extreme weather events such as wildfires or floods, Russia's invasion of Ukraine, American dockworkers shutting down ports all along the U.S. coastline, attacks on merchant vessels in the Red Sea, and a historic drought in the Panama canal. The next obstacle—aside from the one we're facing now—is surely just around the corner.

Here at home, you'd be forgiven for thinking we must be doing everything in our power to protect our ability to trade—but you would be mistaken. In 2023, repeated labour disruptions resulted in the most working days lost in nearly four decades. Last year, the Canadian rail network ground to a halt, and then later, our largest East and West Coast ports shut down simultaneously.

Throw in the shutdown of Vancouver grain terminals, along with overwhelming strike

“
WE NEED TO GET SERIOUS ABOUT CUTTING DOWN THE REGULATORY BURDEN THAT PREVENTS US FROM TRANSPORTING AND SELLING GOODS WITHIN OUR OWN BORDERS.”

mandates from Canada Border Services agents and Air Canada pilots, and it feels as though we've progressed to outright flaunting how little we care about delivering the goods that help businesses keep the lights on and cut the paychecks Canadian workers use to provide for their families.

This has not gone unnoticed, and Canadians are concerned. A recent survey conducted by Nanos Research revealed that Canadians are over 11 times more likely to say that the federal government is doing too little when it comes to ensuring labour stability and reliability of our nation's critical supply chain, while a majority of respondents are concerned about the impact of labour disputes on the affordability and availability of goods.

The World Economic Forum's Competitiveness Index shows an alarming decline in Canada's transport infrastructure—our ranking fell from its peak of 10th in the world in 2008, down to 32nd in 2019. Additionally, an Ipsos survey showed 90 per cent of Canadians believe trade is important for our economy, but only nine per cent think our trade infrastructure is in good shape.

Clearly, we have work to do, and the fracture in our most important trading relationship should be the catalyst for getting our own house in order.

First, we need to diversify our trading partners to reduce our dependency on the United States. To do that, we need to see coherent, long-term trade infrastructure planning, and that begins with the release of the long-awaited National Supply Chain Strategy, as well as a complimentary National Infrastructure Assessment focused on identifying where additional capacity is needed with regard to trade enabling infrastructure.

Second, we need reliable and resilient supply chains that buck the trend of repeated shutdowns of major trade arteries in recent years. Our trading partners around the world are looking to us to meet global demand for food and energy security. We have the resources to do it, but risk playing into a growing belief that we are well-meaning but unserious player on the international scene if we don't act quickly.

Finally, we need to get serious about cutting down the regulatory burden that prevents us from transporting and selling goods within our own borders. If we can't trade south, we have to be able to trade east, west and north. It also shouldn't take over a decade to secure approval for major infrastructure projects that will enable us to ship more Canadian products to buyers in the Indo-Pacific, the European Union, and beyond.

This moment of national importance demands that we focus on our national interests. We have to do what's in our control to build a stronger, more resilient economy while also establishing ourselves as serious player on the international stage. It starts with getting goods to and from market via reliable transportation infrastructure. Because if we can't move it, we can't sell it.

Pascal Chan is the senior director, transportation, infrastructure and construction at the Canadian Chamber of Commerce. The Hill Times

Special Report **TRADE, TARIFFS, & THE BORDER**

A view of the Port of Vancouver, B.C., pictured in 2017. With a few exceptions, Canada's ports have not kept pace with the efficiency and productivity of the world's greatest international ports, writes John Gradek. Photograph courtesy of Ted McGrath/Flickr

Canada is not short of opportunities to build efficient and effective supply networks

The time has probably come for Canada to be recognized for more than just 'hewers of wood and drawers of water.'

John Gradek

Opinion



Amid the angst being expressed by Canadians on the implications of potential economic actions proposed by the new U.S. administration, we find a conversation focused on supply chains and this country's ability—or lack thereof—to diversify the relationship that Canada and the United States have evolved over the last 60-odd years. This relationship has resulted in a friendly and trusting trade environment with Canada producing materials destined to go across the border, and industrial and food industries flowing without impediment in both directions. This relationship has been estimated to be valued at close to \$2-trillion annually.

This trade relationship has resulted in supply chains that are the envy of trading nations worldwide. These supply chains

feature resiliency and flexibility that come from trading with geographically close business partners. Canada's trading supply chains have focused on a north-south relationship with our resources and lower-cost labour product heading south, and American finished goods coming north.

Canada has been comfortable with this relationship, some 60 years in the making, and with the turmoil and uncertainty currently working its way through our society because of threatened economic warfare, our supply chains need to refocus and re-engineer themselves to satisfy an east-west paradigm, along with diversifying its international trading partners. What does this effort require of Canadian policymakers and our industrial elite?

Canadians have long sought economic safety by introducing interprovincial trade restrictions, letting the north-south flow of product get a "free ride." We have created "10 little markets" in the hope of strengthening each province's economic prowess. For an effective trading practice to evolve, we need to focus on a unified national economy, one that focuses on developing and enhancing trading blocs with communities worldwide. While we've seen progress in negotiators crafting Canada's framework agreements, we have been quite lax in actioning our trading actions to fully take advantage of

“GIVEN THIS REDESIGN OF TRADE ROUTES, WE NOW HAVE THE OPPORTUNITY TO UPDATE OUR SUPPLY CHAIN PROCESSES AND BRING THEM INTO THE 21ST CENTURY.

such agreements, falling back on our heretofore trusting north-south trade routes.

Given this redesign of trade routes, we now have the opportunity to update our supply chain processes and bring them into the 21st century. Data, automation, and visibility are the buzz words of the new supply "networks," borrowing a telecommunications term that underscores the need to build resilience and recovery into trade practices. While the supply chain paradigm served its purpose in communicating the need of linkages across in business, this model has outlived its usefulness in today's world of constant disruption and the need to undertake scenario-planning as a key tool to ensure business continuity and survivability. Other tools, including digital twins and network simulations, are becoming de-facto best practices in supply networks. As we rebuild to the supply network model, we need the vision and the commitment to enhance the management of these networks to fully participate in new trading relationships.

Transportation continues to underpin the success or failure of an effective supply network approach. Canada's track record as a trusted supply network partner, able to cost-effectively meet the commitments made in international trade, has been abysmal, to say the least. With a few exceptions, our ports have not kept pace with the efficiency

and productivity of the world's greatest international ports. Technology has been shuffled to the backburner of port development opportunities, more often by pressure from entrenched labour. Robotics and automated ports have become this generation's answers to productivity improvements and efficiencies in port handling, and Canada must not be left any further behind.

The same can be said for productivity improvement opportunities in logistics, distribution, and rail operations. Unions have exercised their rights to disrupt supply networks, wreaking havoc on contractual commitments, and tarnishing Canada's ability to hold its own in negotiating enhanced trade agreements.

Canada needs to develop an alternative supply networks labour relations mindset that looks at means other than work stoppages to gain labor improvements. The traditional fallbacks of banning strikes or mandating essential services have outlived their usefulness and innovative alternatives are needed. Hence the challenge!

Canada is not short of chances to build efficient and effective supply networks. We need to build such networks while we redesign our trade routes and develop new relationships in markets that are attracted by our offerings. The time has probably come for Canada to be recognized for more than just "hewers of wood and drawers of water." We need to move up the "food chain" and convert more traditional export resources into products that enhance the value the world is willing to pay for our efforts. Hence, another challenge!

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