

Canadian Trade: *Never a Dull Moment*

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Centre for the Study
of Living Standards

**Queen's Institute
on Trade Policy**



Queen's
UNIVERSITY

Outline

- 1. Key Canadian trade facts**
- 2. Trump's tariffs**
- 3. Diversification**
- 4. CUSMA scenarios; reasons to avoid pessimism**

Annex: Resources, tools



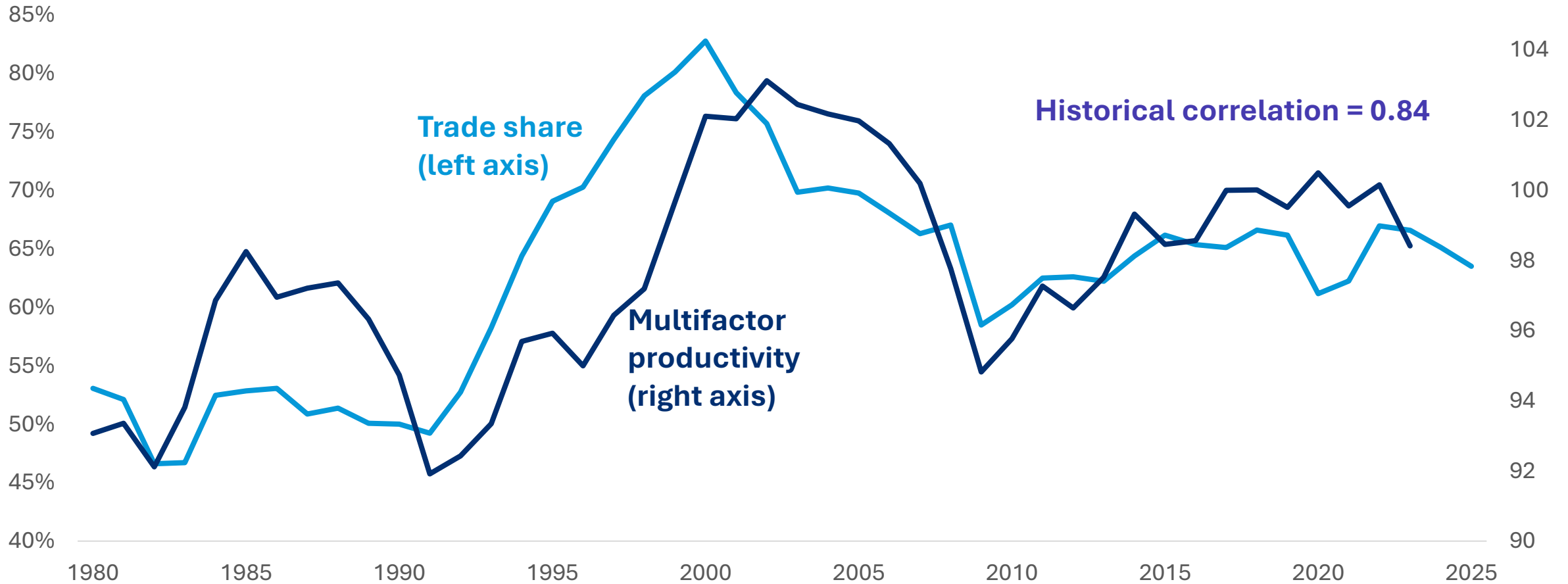


Key Canadian trade facts



Trade enhances productivity

Canada's trade share and productivity 1980-2025

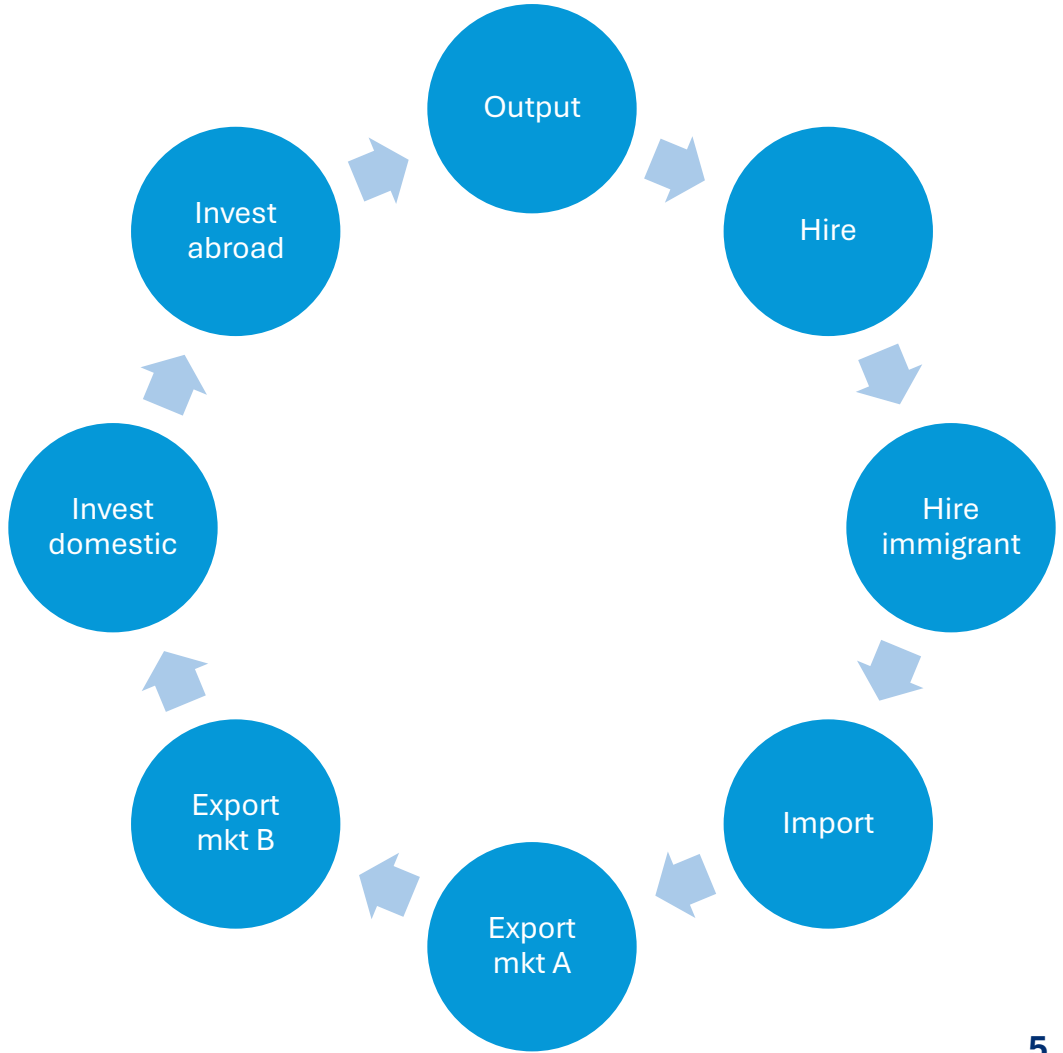
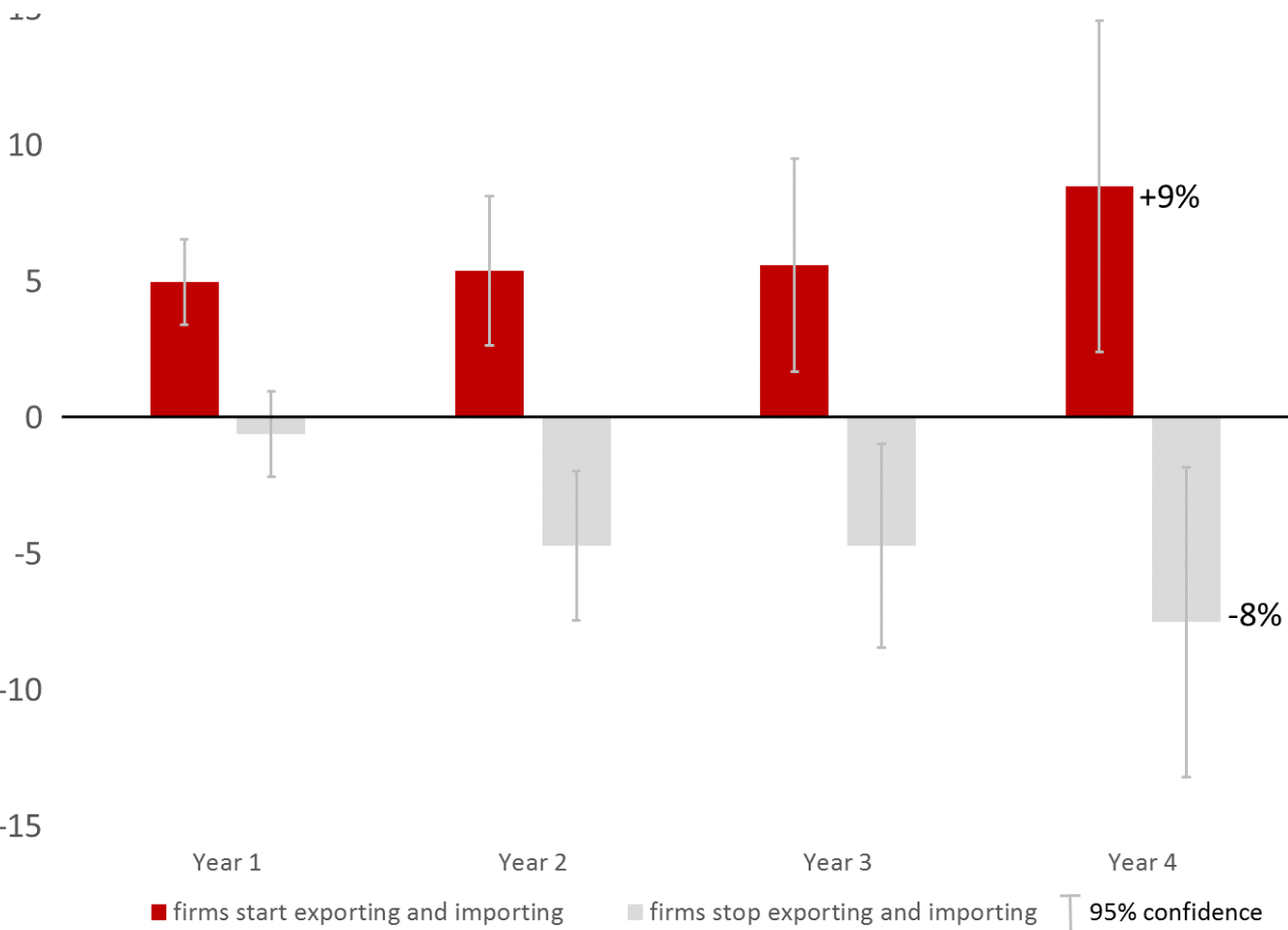


Notes: Trade share equals exports plus imports of goods and services divided by GDP, all in current dollars.
Multifactor productivity is the ratio of real GDP to combined labour and capital inputs (base year 2017 = 100)
Sources: CSLs calculations using StatCan Tables 36-10-0104 and 36-10-0208.

“Superstar firms” and flywheels

Change in trade status and productivity gaps among Canadian manufacturing firms

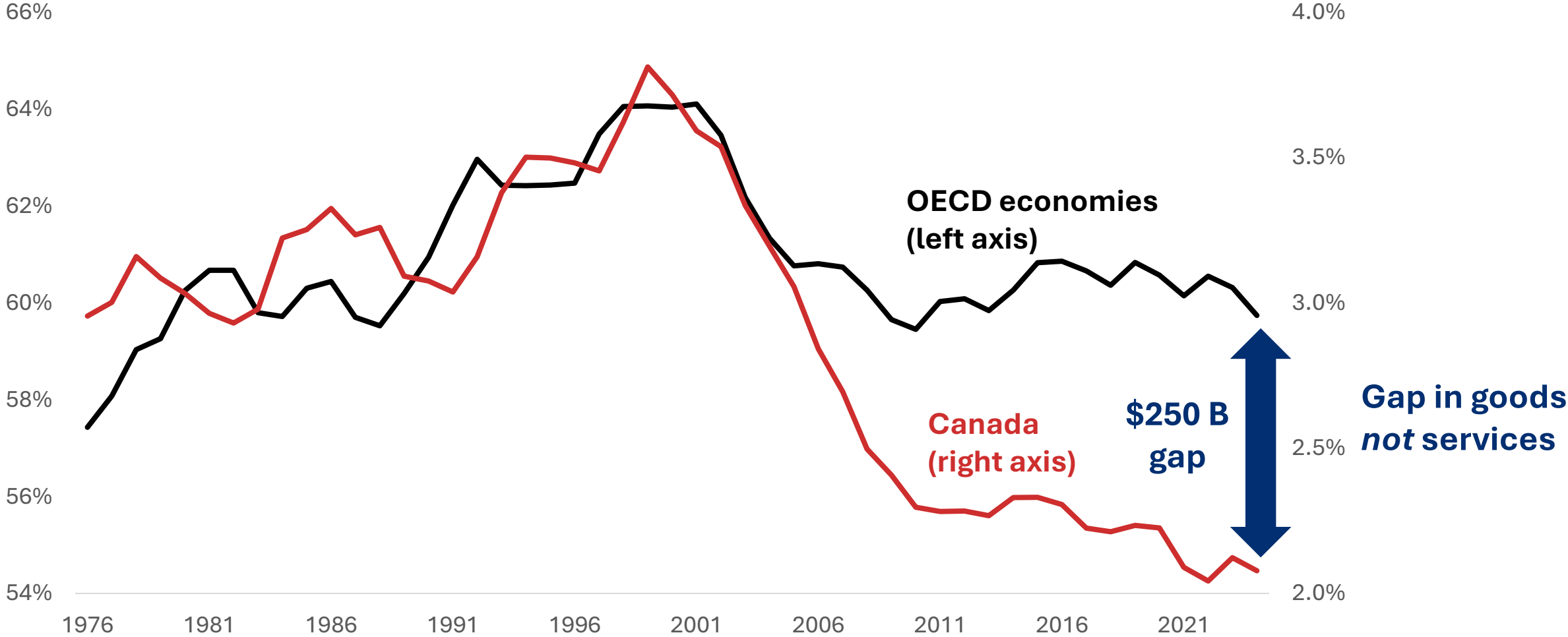
Cumulative percent differentials, 2002-2006



Sources: Baldwin and Yan (2014), and “Superstar firms” Autor et. al (2020)

Canada's exports lag peers since 2000

Goods and services export volumes
Percent of global trade, constant 2015 \$USD



Source: CSLS using World Bank's World Development Indicators data.

Structural shifts in Canada's trade from goods to services, cars to resources

Gaining

	Share of Canadian exports (%)		Δ trade share (ppts)
	2000	2024	
Services	12.7	22.9	+10.2
1. Energy	11.2	19.4	+8.2
2. Commercial services	6.6	13.7	+7.1
3. Metals, minerals	5.9	9.4	+3.5
4. Travel services	3.5	6.9	+3.5
5. Agriculture	3.3	5.8	+2.5
6. Metal ores	1.5	2.7	+1.2

Losing ground

	Share of Canadian exports (%)		Δ trade share (ppts)
	2000	2024	
Goods	87.3	77.1	-10.2
1. Autos	20.0	8.4	-11.7
2. Forestry	11.3	4.9	-6.4
3. Electronics	7.3	3.1	-4.1
4. Industrial M&E	6.3	4.6	-1.8

Investment growing faster than services



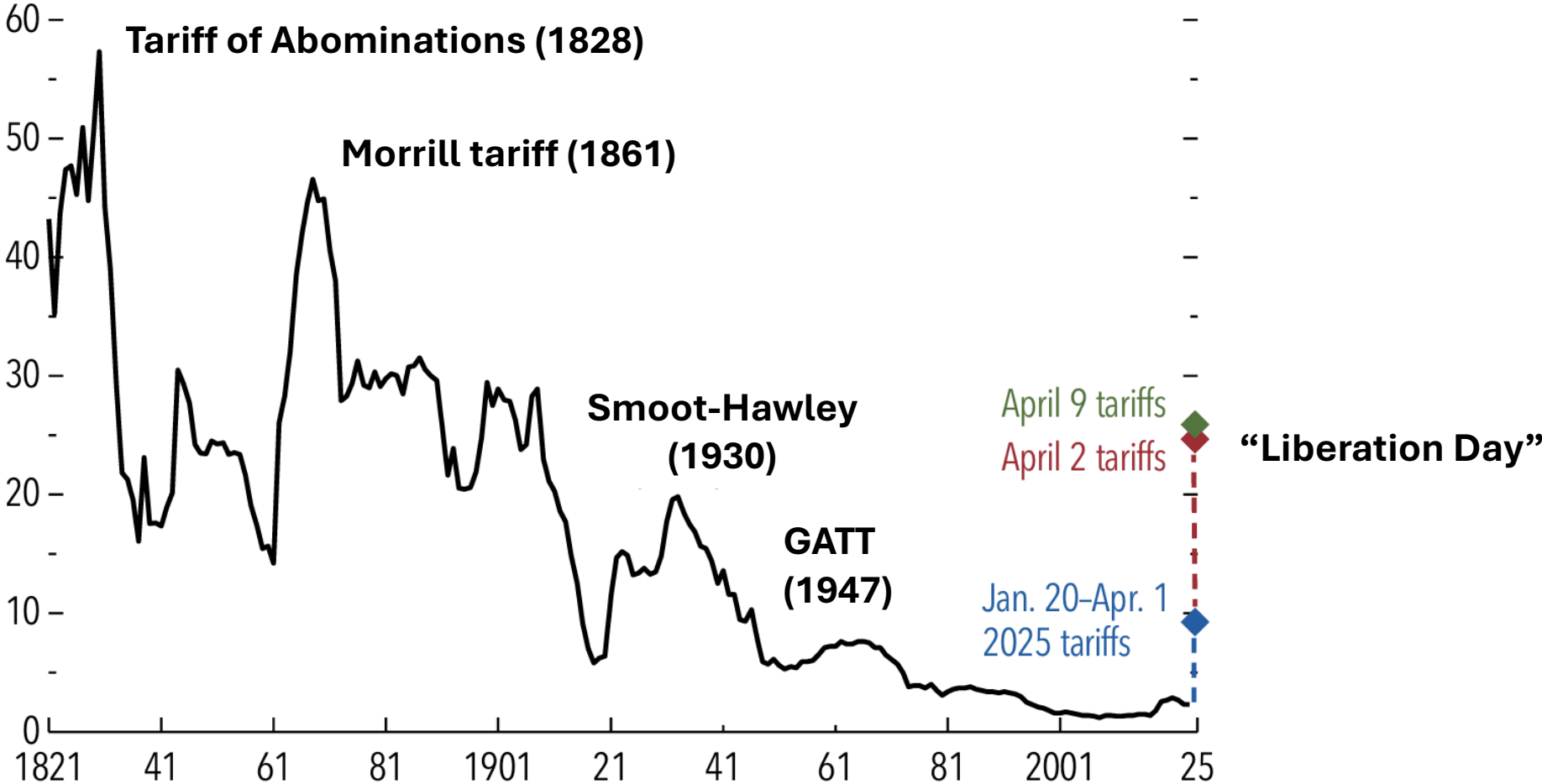
Tariffs



U.S. tariffs turn back the clock

U.S. effective tariff rate, 1821-2025

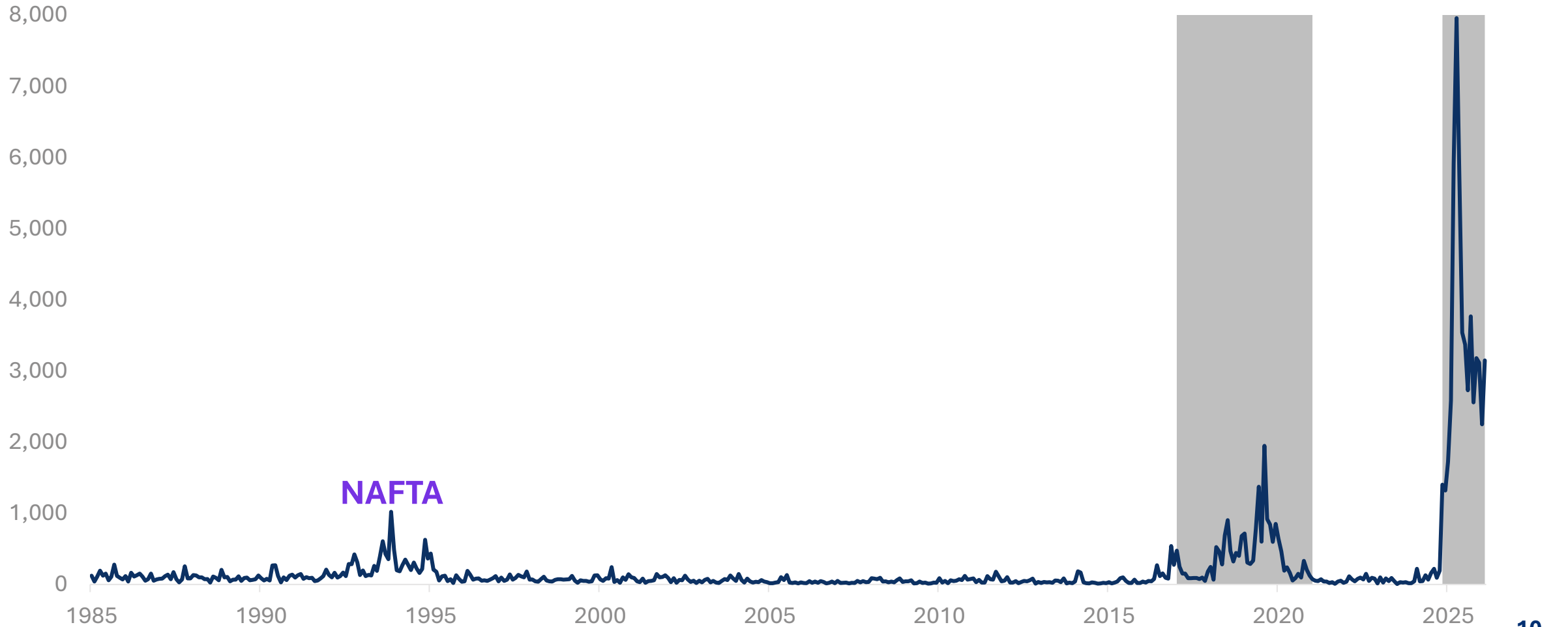
Percent



Source: IMF

Uncertainty shock

U.S. trade policy uncertainty index
1985-2010 = 100

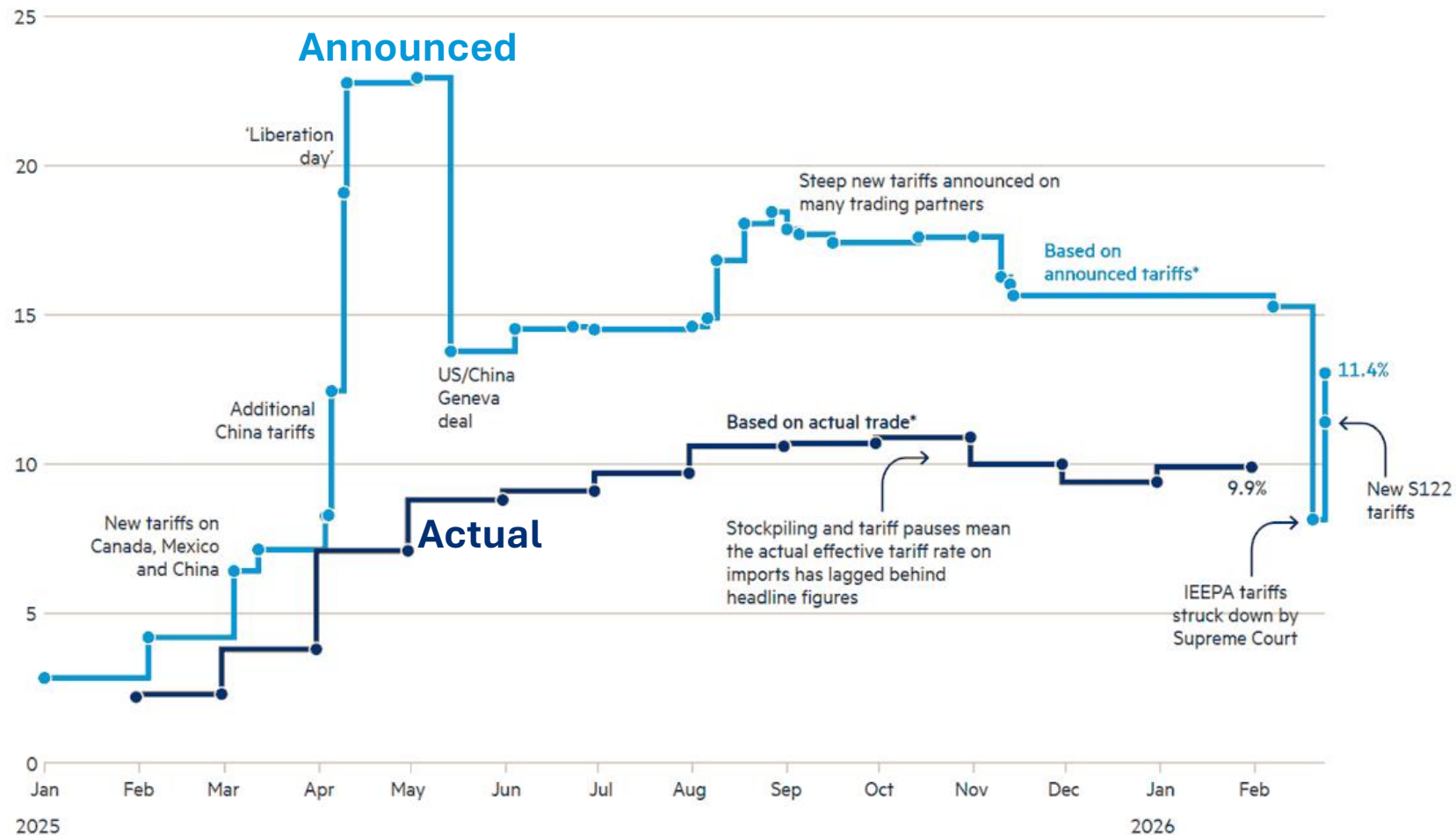


Source: Baker, Bloom and Davis. [Economic Policy Uncertainty](#)

Tariff threats vs. reality

U.S. effective tariff rate, 2025-2026

Percent

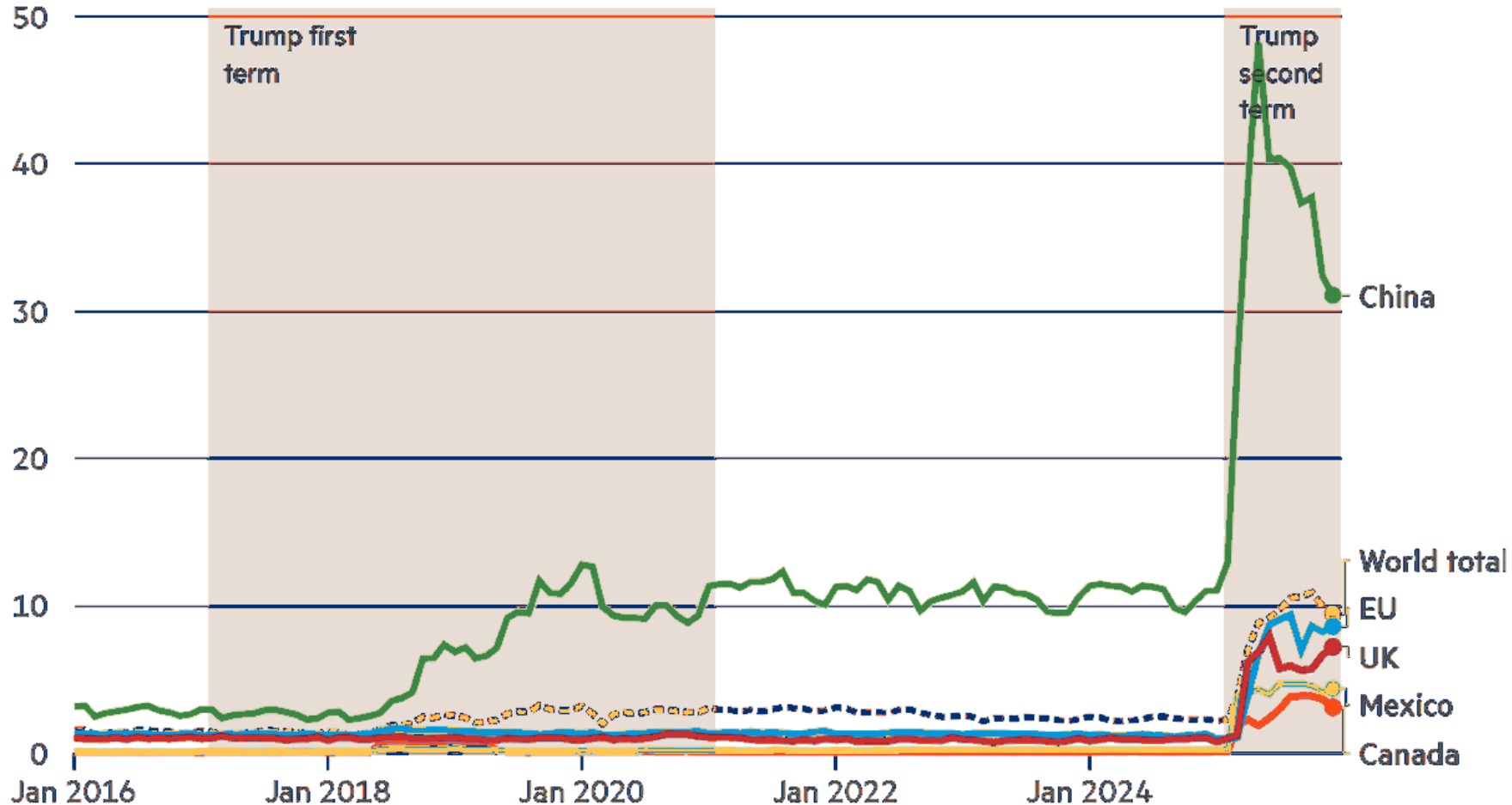


Source: Financial Times

..wide variance by country → trade diversion..

U.S. effective tariff rate, 2016-2026

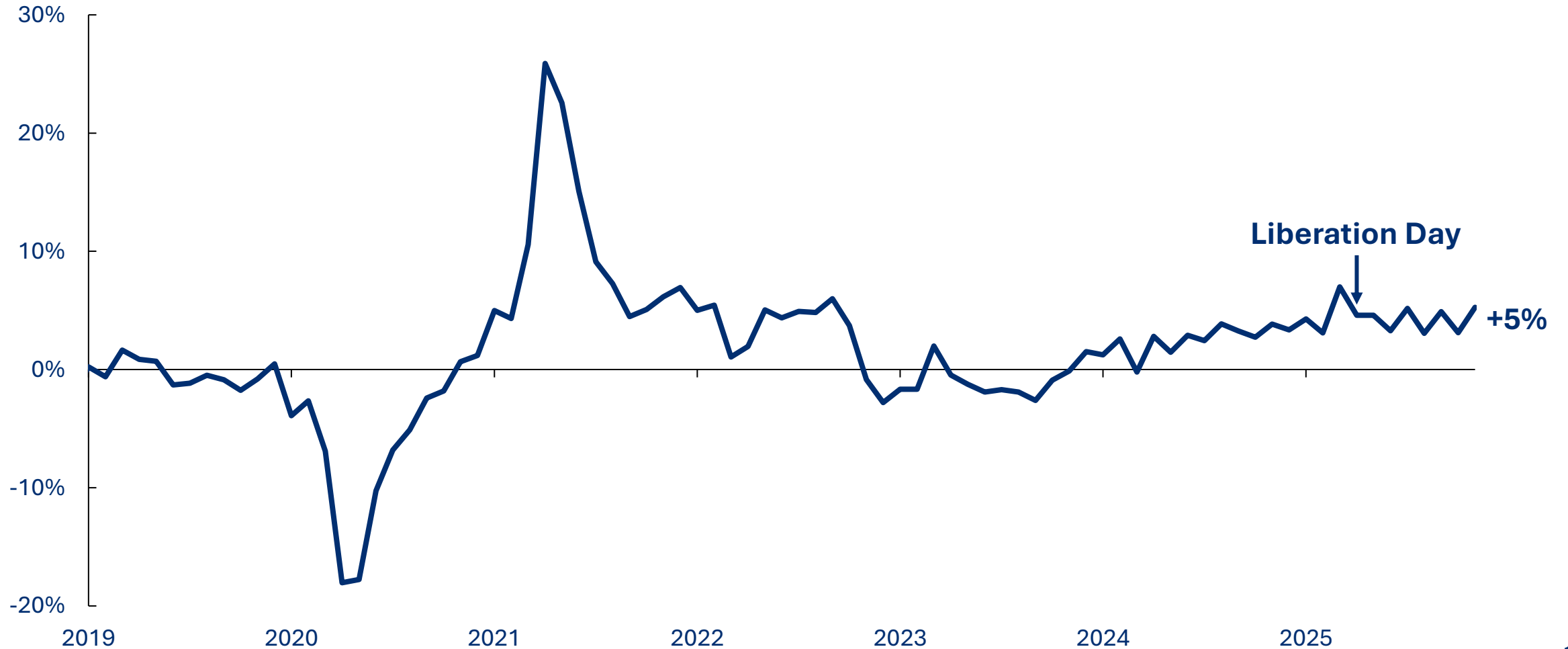
Percent



Global trade holding up...

Global merchandise trade volumes

Year-over-year percent change

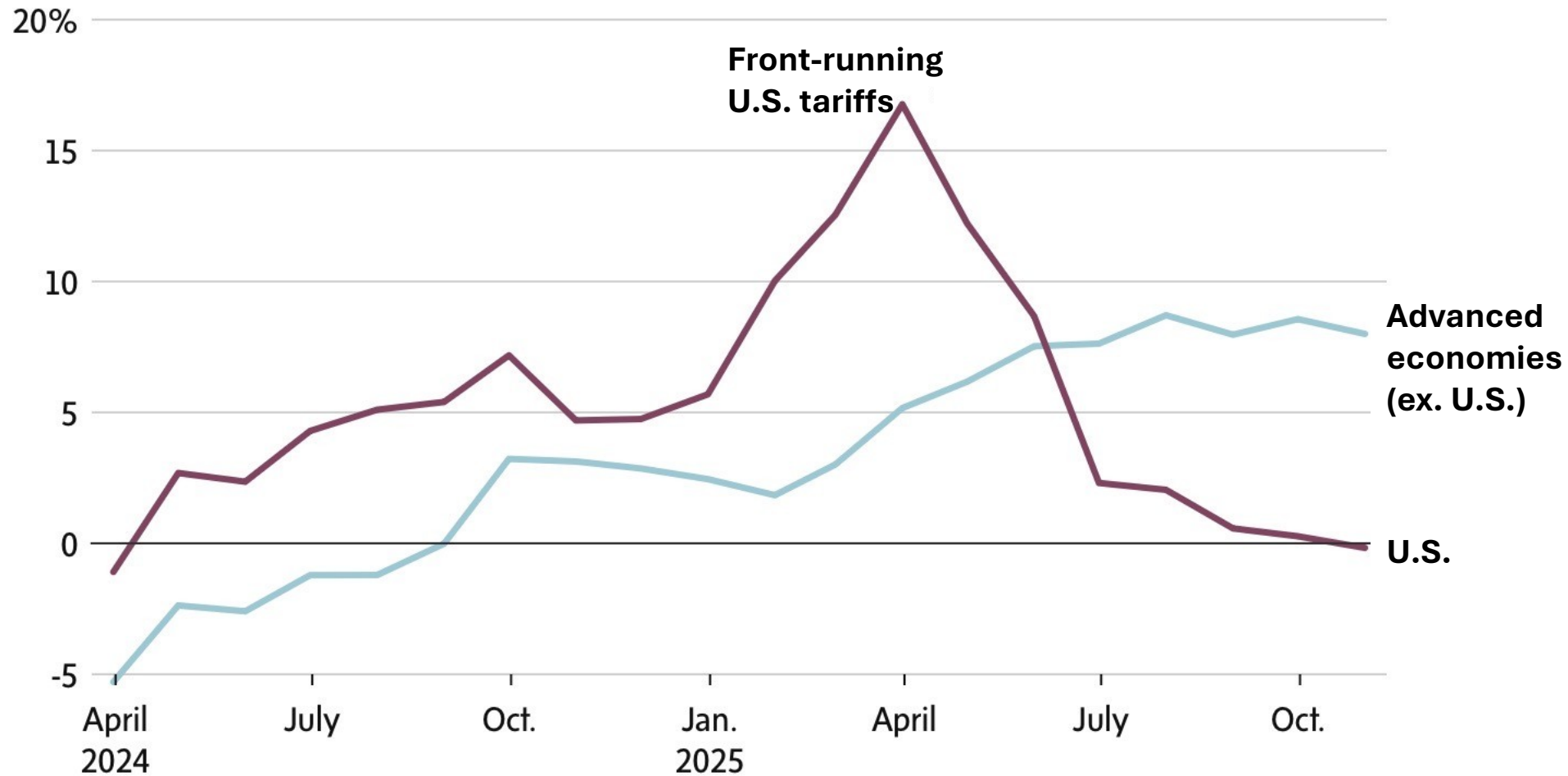


Source: CPB Netherlands World Trade Monitor

...but shifting geographically

Merchandise trade

Year-over-year nominal percent change



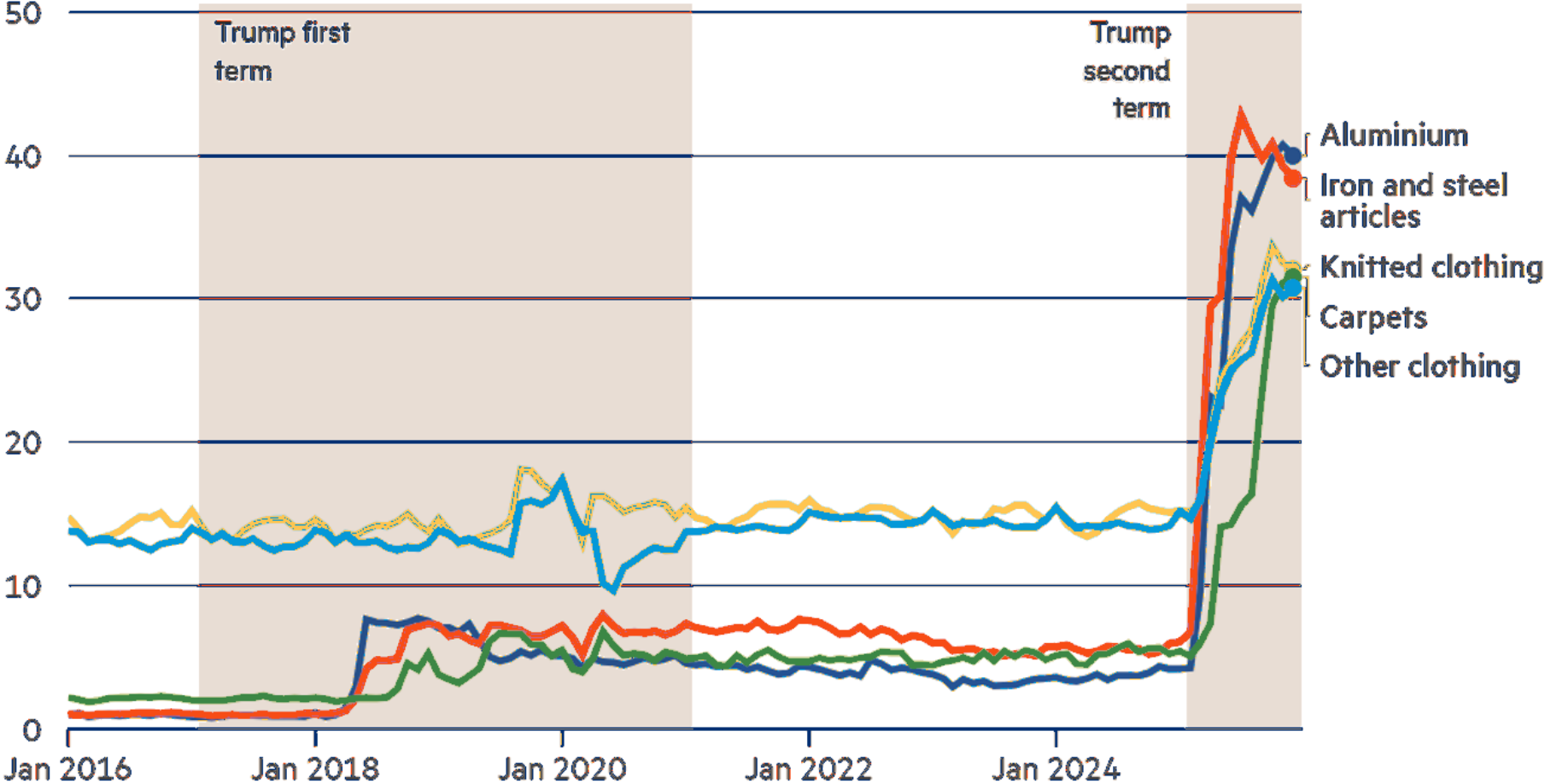
Note: 3-month moving average

Source: Globe and Mail using IMF and Bloomberg data

..variance by product → resource misallocation..

U.S. effective tariff rate, 2016-2026

Percent

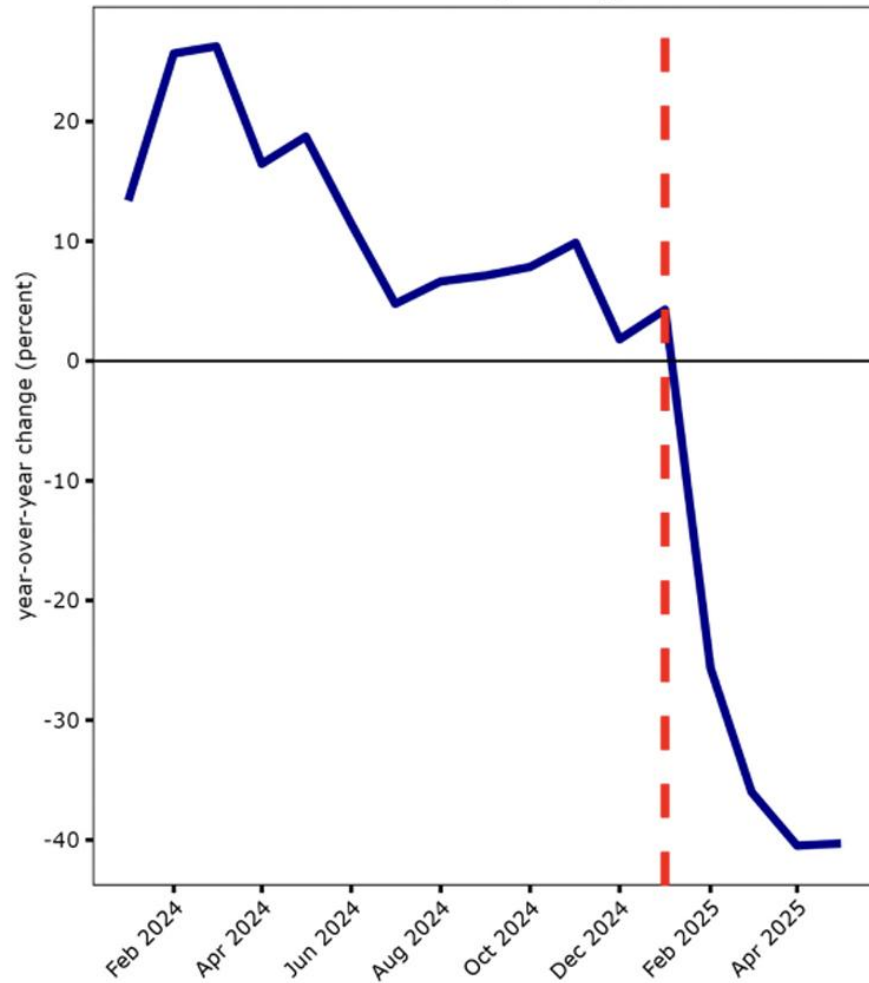


Sec. 232 “national security” on steel, aluminum, autos

Source: Financial Times

Canadians foregoing U.S. spending

Canadians returning from U.S. travel by automobile
Same-day travelers, Jan 2025=0



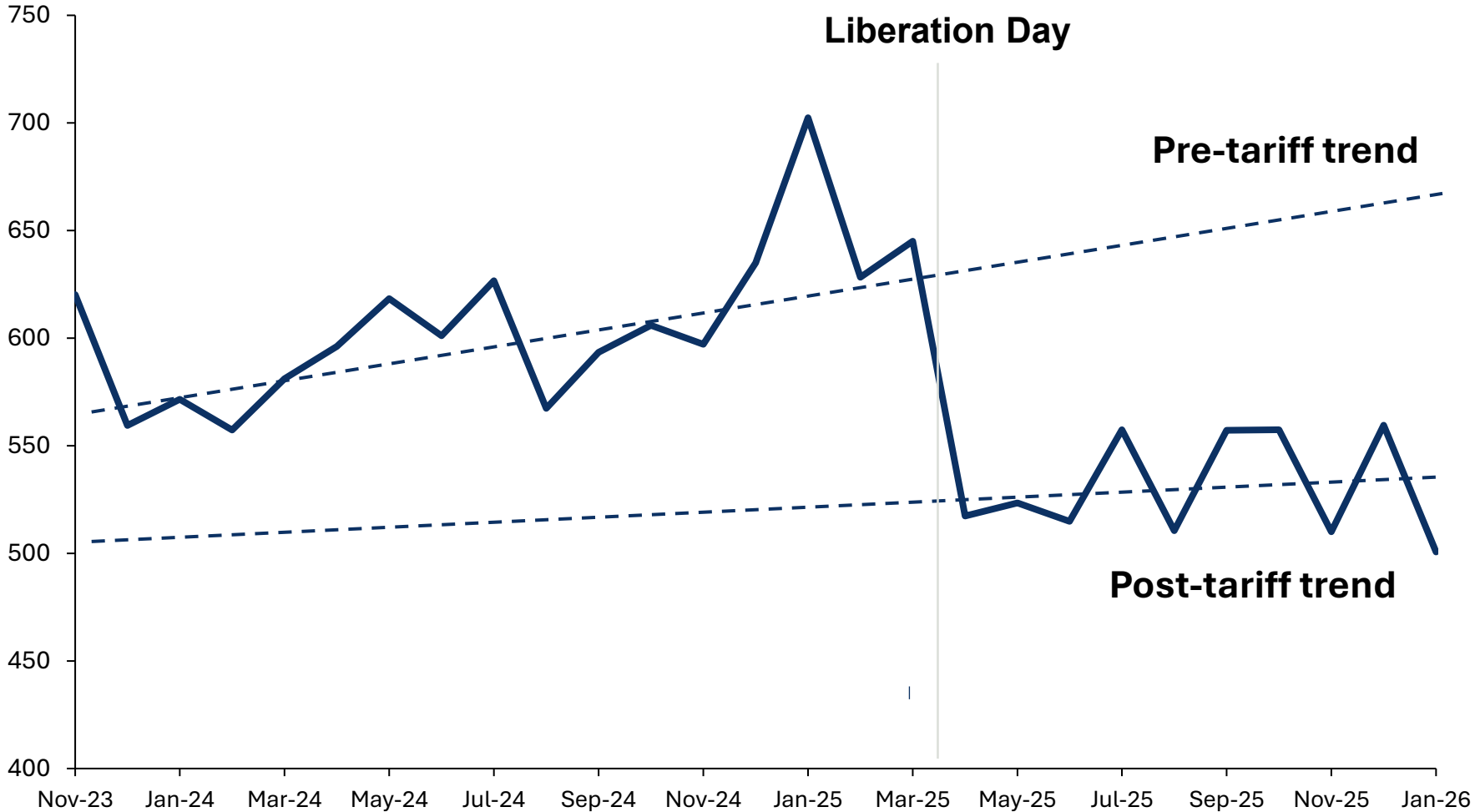
2025 vs. 2024
Canadian travelers:
U.S. -25%
Non-U.S. +9%



Canadian exports/economy on a lower path

Canadian goods exports to the U.S.

Billions of Canadian dollars, annualized



2025 vs. 2024
Total -10%
Auto -17%
Aluminum -20%
Steel -30%

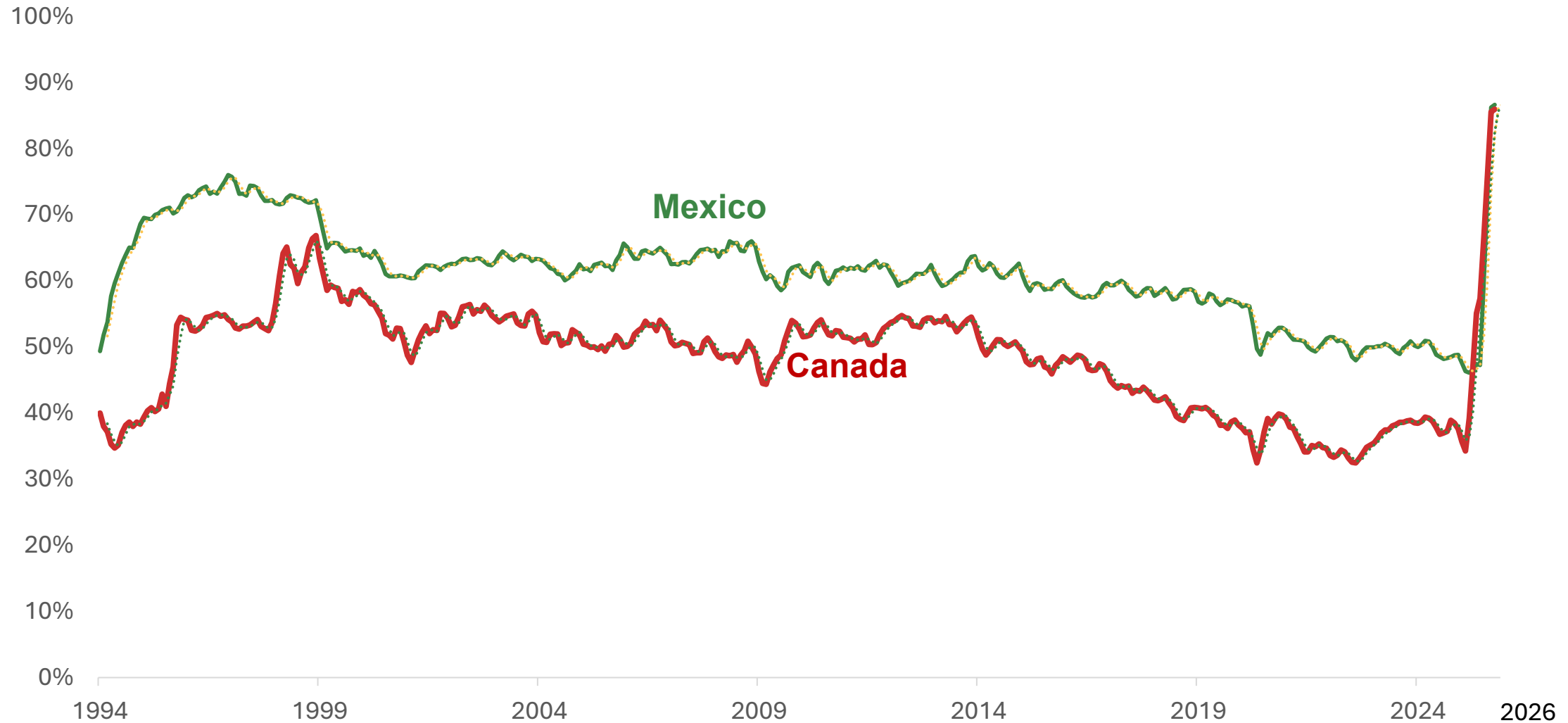
Cdn GDP ↓1.5%

Sources: Statistics Canada, Bank of Canada Monetary Policy Reports.

CUSMA cushioning impact (for now)

U.S. goods imports claiming North American tariff preferences, by country, 1994-2026

Percent of total value



Source: CCLS calculations using U.S. Census Bureau and U.S. Bureau of Economic Analysis accessed via Federal Reserve Bank of St. Louis



Diversification:

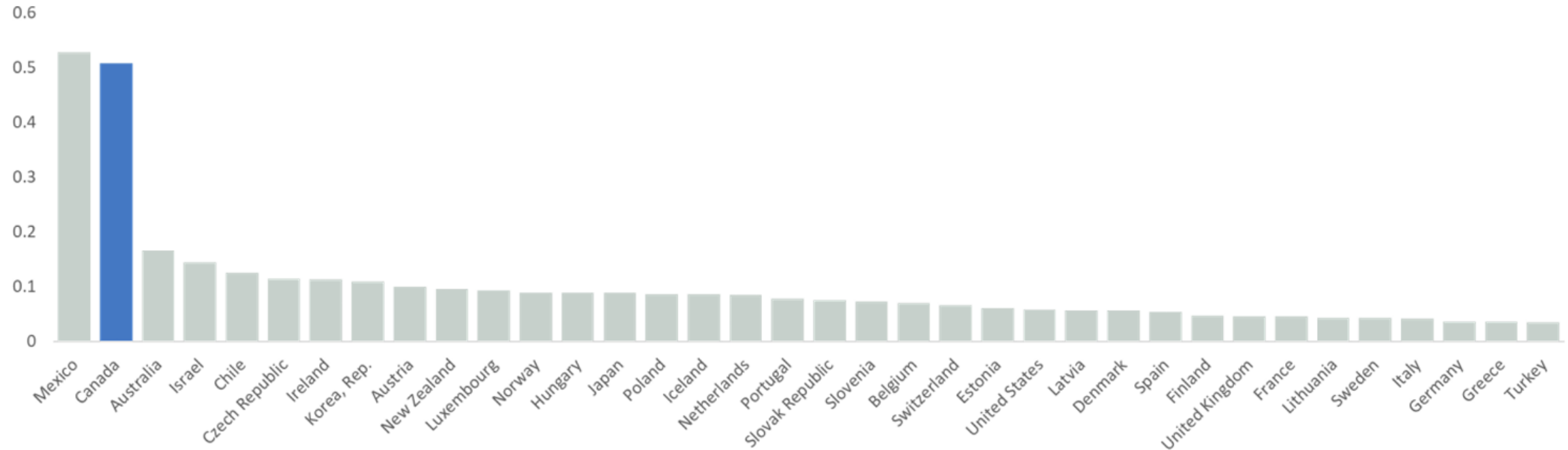
Is this time different?



Canada's high export concentration poses a risk

OECD countries merchandise trade market concentration

Herfindahl-Hirschman index



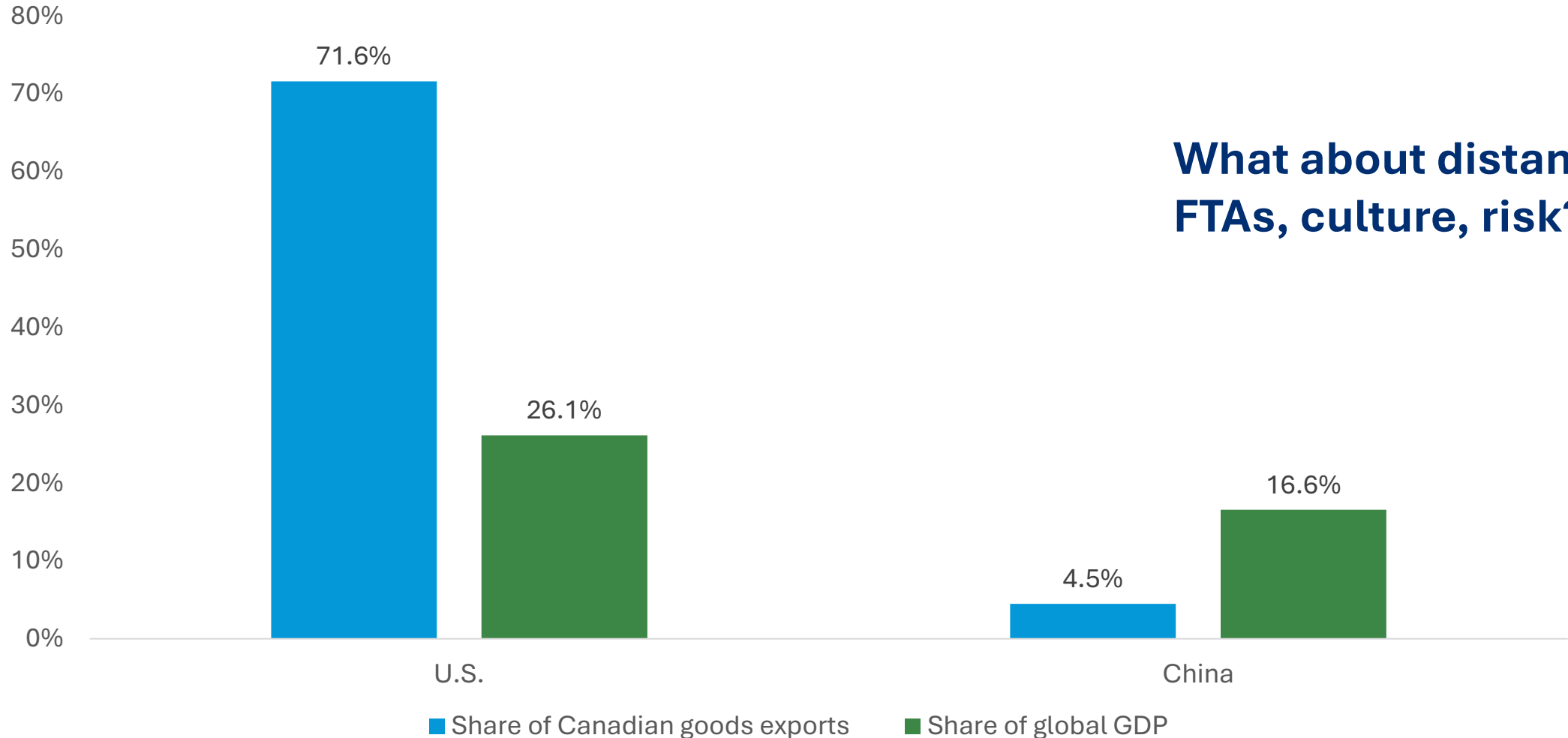
Trade diversification: mission critical

- **Nov 2025: Gov't goal to double non-U.S. exports (from \$300B to \$600B by 2035 → cagr 7%)**
- **Earlier 2025 target met mostly due to pandemic inflation**
- **To increase economic resilience, Canada should prioritize high-potential partners/sectors where trade is under-exploited**

Is Canada overweight U.S.; underweight China?

Shares of Canada's goods trade and global GDP in 2025

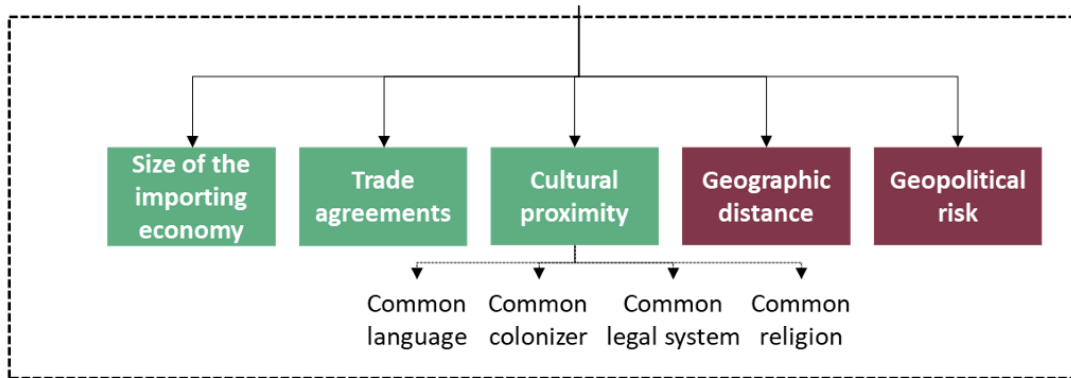
Percent of total



**What about distance,
FTAs, culture, risk?**

Identifying “markets of opportunity”

Gravity model’s key factors influencing trade



Parameter estimates

Dependent variable: Canadian Goods Exports ¹	Goods exports	Services exports
Importer GDP ³	0.92***	1.12***
Distance ³	-1.6***	-0.17***
Cultural Proximity (CP)	-	0.13*
Free Trade Agreement	0.13*	0.10**
Political Risk ³	-0.28**	-
Importer Fixed Effects	Yes	Yes
Sample Period	1990-2019	1990-2019
Number of Countries	178	59
Number of Observations	4,095	1,386
R ²	0.99	0.99

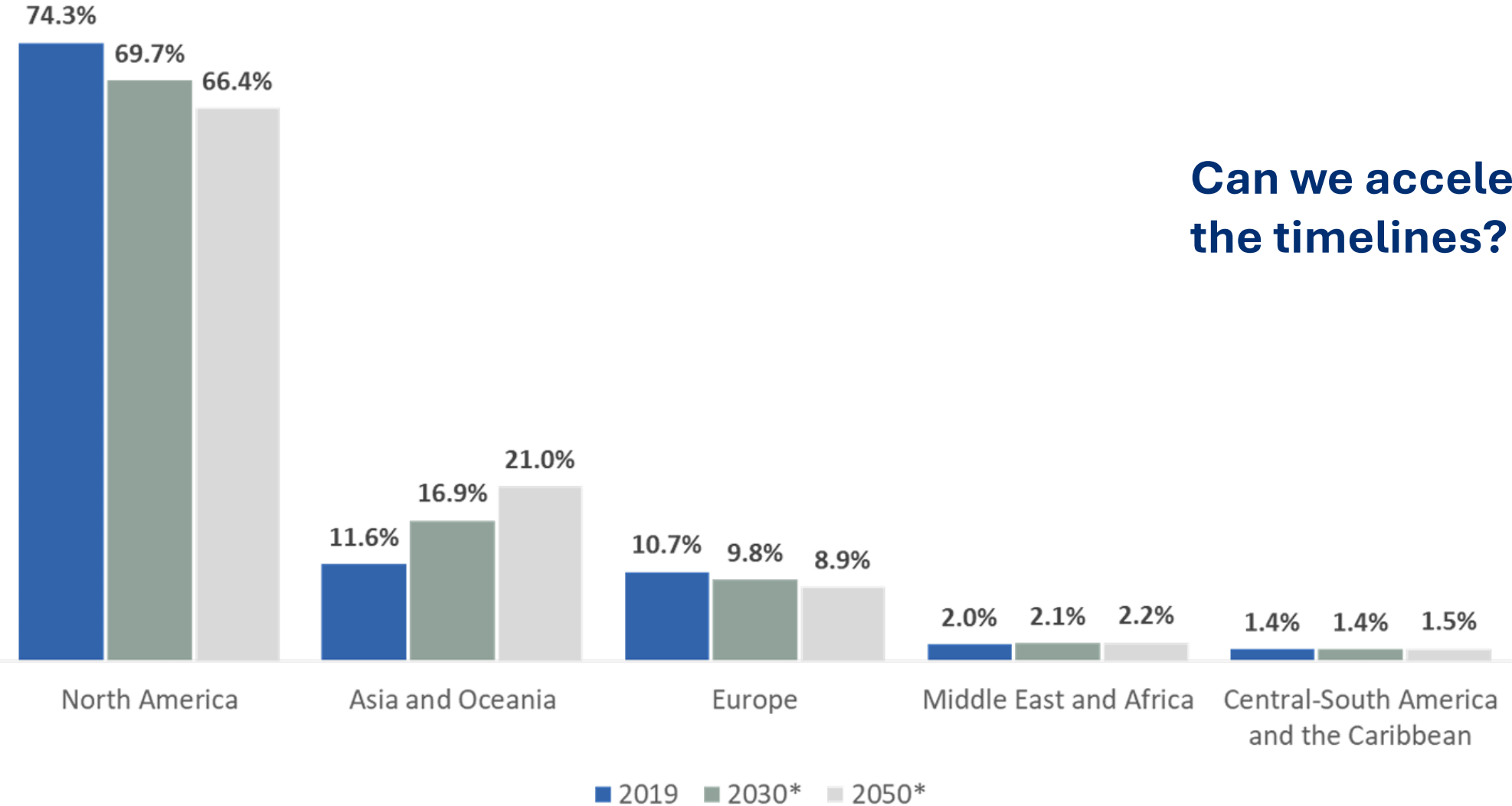
Source: EDC Economics, [Markets of Opportunity](#) (2021).

Note: Potentially-relevant factors not captured in the 2021 model: immigration and diaspora links, host country ease of doing business, Canadian expertise and production capacity, Canadian competitiveness relative to other producers.

Long-run North America share shrinks, Asia grows

Canada's trade and forecasted export potential by region

Percent of total



Can we accelerate the timelines?

Source: EDC Economics, [Markets of Opportunity](#) (2021).
Note: Star indicates forecast

Trump opened “Overton window” for Canada



Finance Minister to visit China on trade-diversification mission

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The Potential to Grow Canada-India Economic Linkages

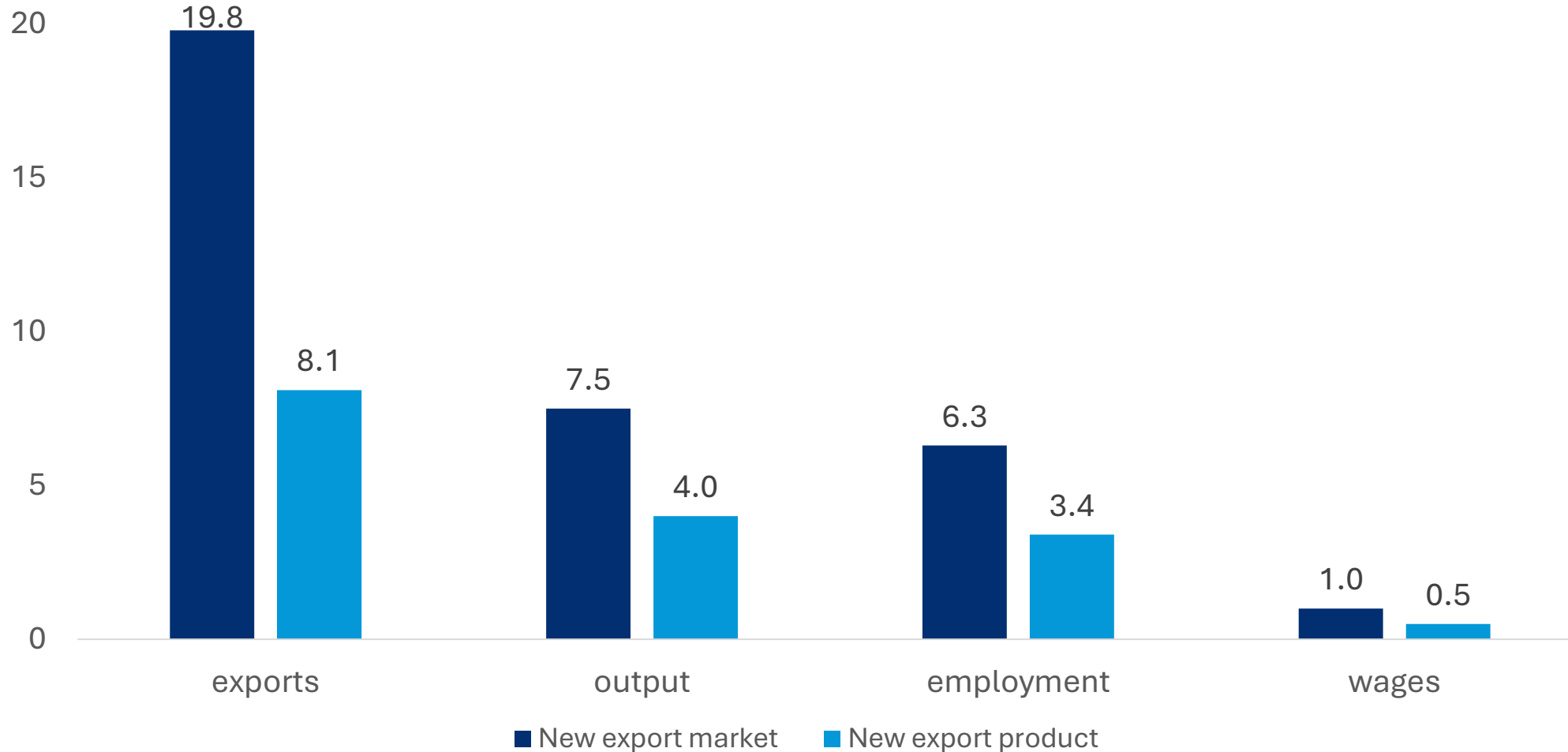
Overlooked or Oversold?

Someshwar Rao and Stephen Tapp

Diversification dividends

Benefits of adding a new export market or product

Percent gain



Source: EDC Economics, regression results controlling for year, industry and employment.



Scenarios; reasons to avoid pessimism

4

CUSMA scenarios

- **Renewal, broad exemptions**
- **Limited deal, sector specific tariffs, some managed trade**
- **Bilateral deals (Mexico first)**
- **Trump 6-month withdrawal notice**
- **No deal (life without CUSMA)**
- **Zombie CUSMA**



Early diversification progress (set in motion years ago)

U.S. share of Canadian goods trade
Percent of total



Cdn crude, LNG now heading to Asia (projects started 2012, 2016)
Natural resources before manufacturing

Source: Bloomberg

Note: 3-month moving average of monthly data on a balance of payments basis.

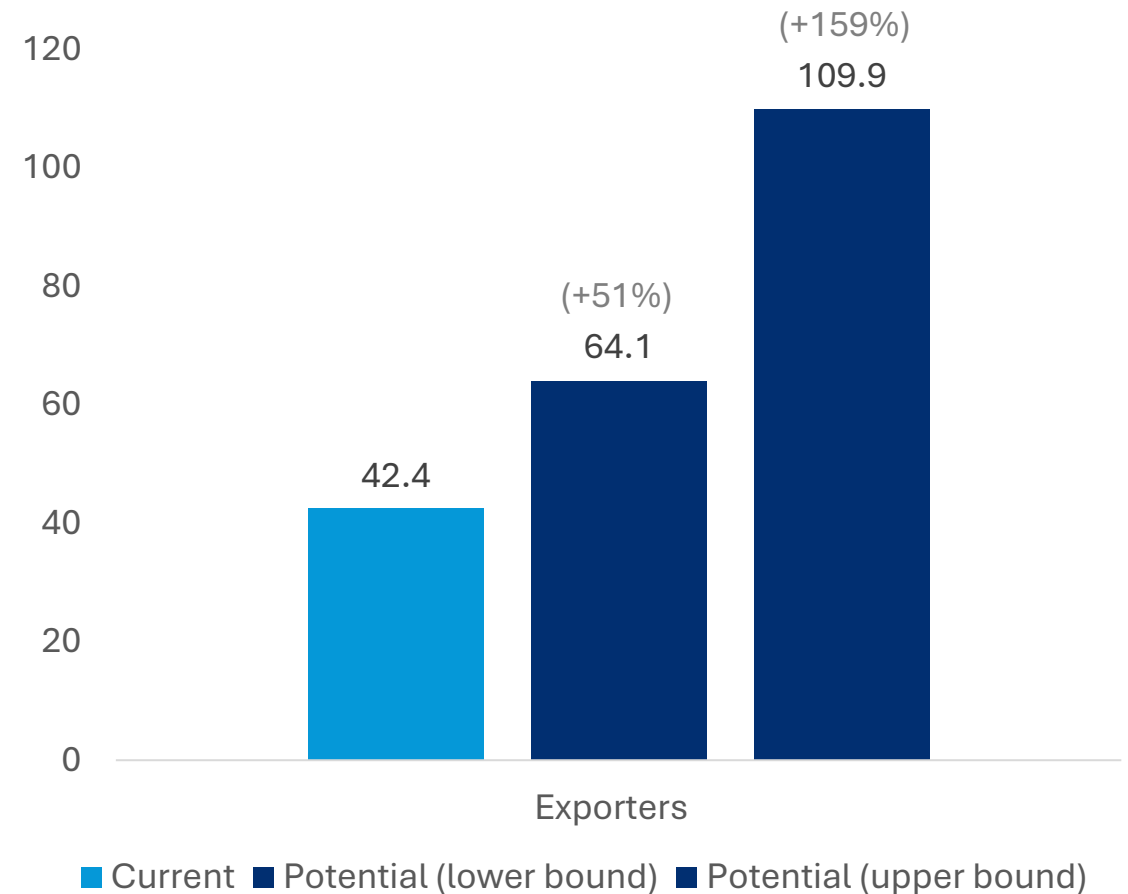
Untapped Canadian trade potential

Universe of firms in Canada



Current and potential exporters

Thousands of firms, annual average 2010-2015



Conclusions

- **Trade enhances productivity**
- **Canada's goods trade underperforming OECD**
- **Structural shift from manufacturing to investment, services, resources**



Conclusions (cont'd)

- **U.S. tariffs raise uncertainty, distort trade, chill Can-U.S. relations, reduce Cdn living standards**
- **CUSMA a critical buffer; renewal the next existential crisis**
- **Renewed urgency to diversify, but results will take years**
- **“Rupture” underway, but trade more resilient than expected**



Bending, not breaking

(from Bob Wolfe)





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A handwritten signature in black ink, appearing to read "Stephen Tapp".



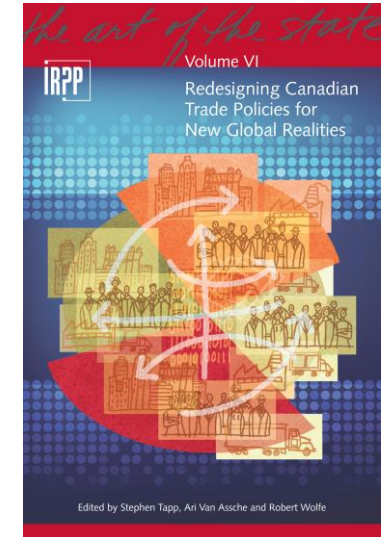


Annex: Resources



Background readings

- IRPP trade volume www.irpp.org/research/trade
- Partners in Prosperity [PartnersInProsperity_EN_Final.pdf](#)
- Canada's State of Trade [Canada's State of Trade 2025: Small and medium enterprises taking on the export challenge](#)
- EDC Trade Confidence Index [trade-confidence-index-2026.pdf](#)
- Superstar search: [Superstar Search: Studying the Current and Potential Populations of Canadian Exporters and Foreign Direct Investors Abroad | Canadian Public Policy](#)
- The untapped potential to grow Canada's commercial service exports [The untapped potential to grow Canada's commercial service export sector | EDC](#)
- Canada-US trade tracker [Canada-U.S. Trade Tracker - Business Data Lab](#)
- Canadian Cities Exposure to Trump Tariffs [Which Canadian Cities Are Most Exposed to Trump's Tariffs? - Business Data Lab](#)
- American Cities Export Dependence on Canada [Which American Cities Are the Most Export-Dependent on Canada? - Business Data Lab](#)



Tracking tariffs

Trump's trade war timeline 2.0: An up-to-date guide

Filter by category: [•Fentanyl and immigration](#) [•Trade deficits](#) [•Unfair trade](#) [•Brazil sanctions](#) [•Cuba sanctions](#) [•Russia sanctions](#) [•Venezuela sanctions](#) [•Section 122](#) [•Aircraft](#)

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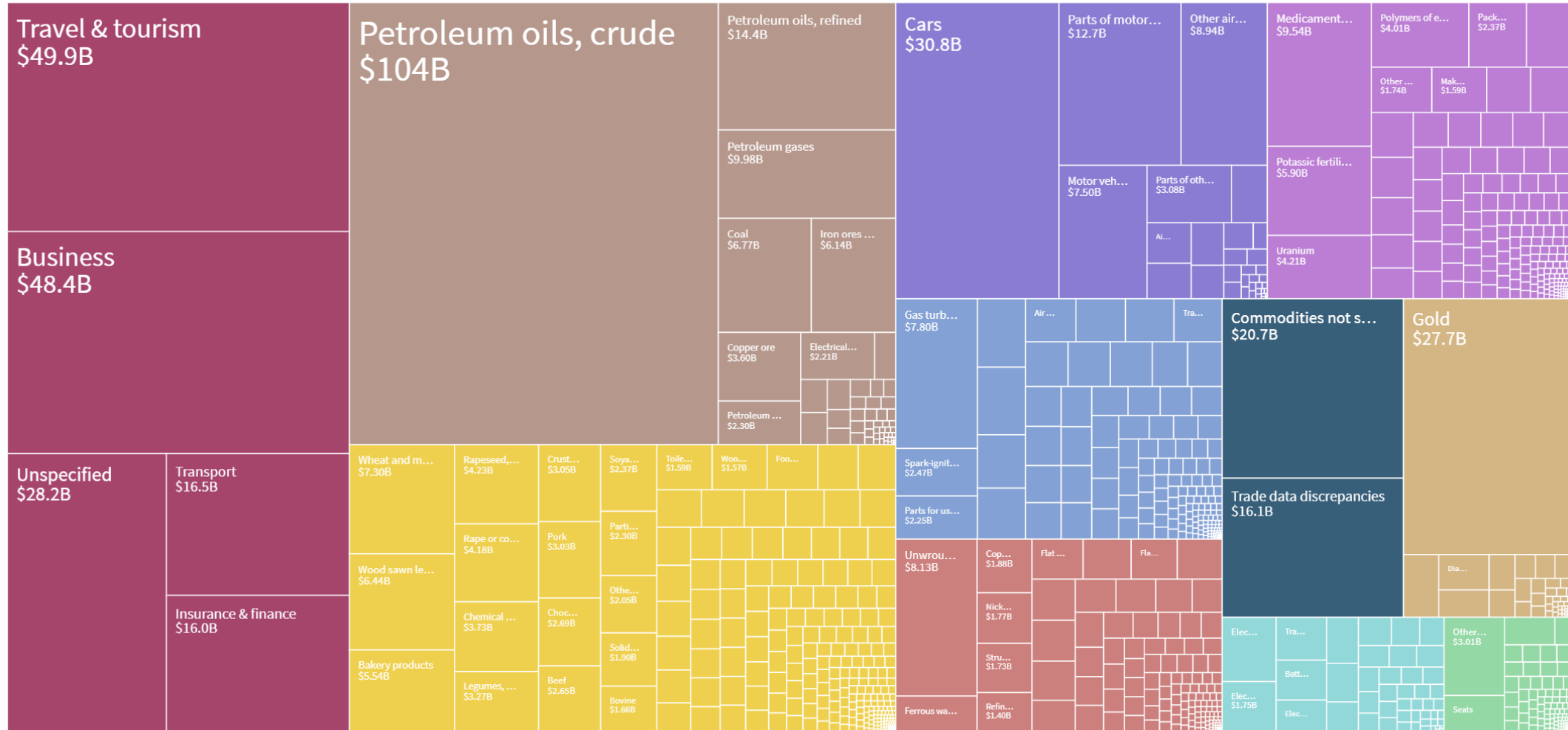
Date	Country	Category	Description
February 20, 2026	World	•Section 122	White House announces new 10 percent tariff under Section 122 The White House issues a proclamation and a fact sheet indicating it is imposing a 10 percent temporary surcharge on imports as of February 24, 2026, for 150 days under Section 122 of the Trade Act of 1974. The announcement also includes a list of excluded products.
February 20, 2026	World	•Fentanyl and immigration •Trade deficits	White House continues suspension of de minimis treatment The White House issues an executive order clarifying its intent to continue the suspension of the the de minimis exemption granting zero tariffs to low value shipments from all countries.
February 20, 2026	World Canada Mexico China India Brazil	•Fentanyl and immigration •Trade deficits •Brazil sanctions •Cuba sanctions •Russia sanctions •Venezuela sanctions	White House ends certain tariff actions The White House issues an executive order ending any tariffs imposed under Trump's use of the International Emergency Economic Powers Act (IEEPA) on imports from Canada, Mexico, and China (to address fentanyl and border security) and from the world (to address trade deficits), and to address sanctions on countries named in IEEPA announcements (Brazil, Cuba, Russia, and Venezuela).

Visualize Canadian trade data

Total Value: \$729B

What did Canada export in 2024?

 FIND IN VIZ



PRODUCT SECTORS | ■ SERVICES ■ TEXTILES ■ AGRICULTURE ■ STONE ■ MINERALS ■ METALS ■ CHEMICALS ■ VEHICLES ■ MACHINERY ■ ELECTRONICS ■ OTHER

Source: [The Atlas of Economic Complexity](#)

Illustrative local trade statistics: cities

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)

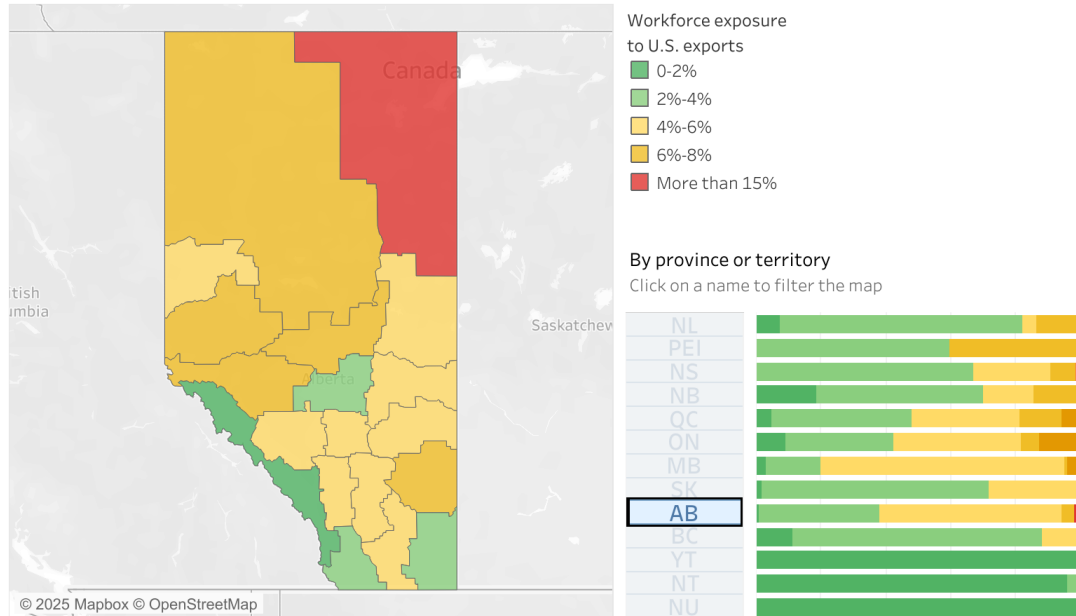
St. Catharine's-Niagara's GDP per capita

\$41,506

(Ranks 37 of 41 cities)

Illustrative local trade statistics: census divisions

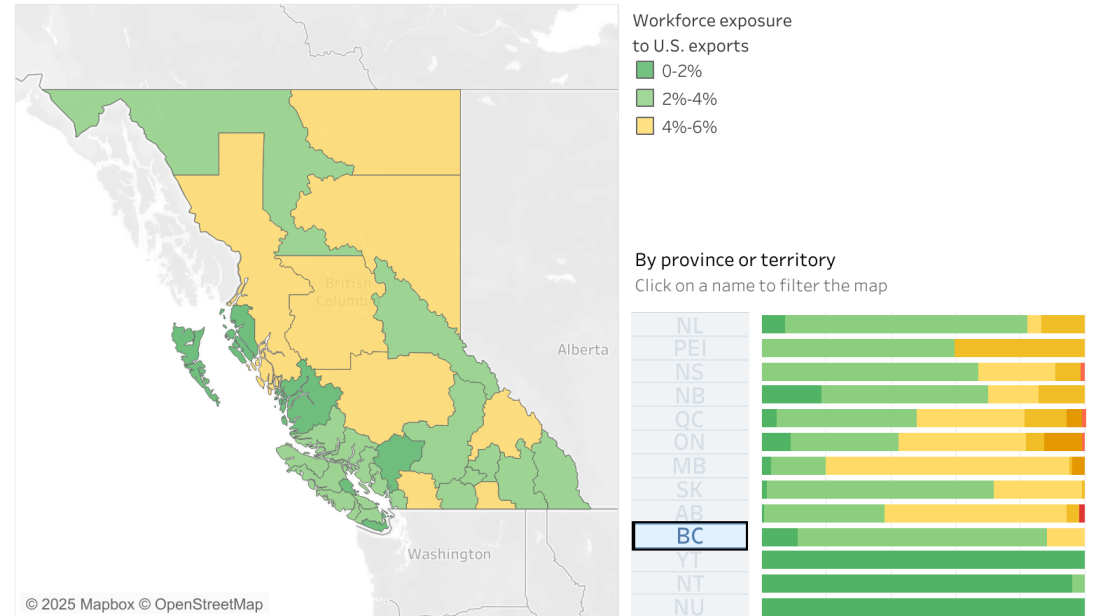
Canadian census divisions by workforce exposure to U.S. exports



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. ...	Wood Buffalo	Total	39,480	14,565	36.9%	46%	17.1%
4814	Division No. ...	Yellowhead C...	Total	13,535	4,095	30.3%	26%	7.8%
4818	Division No. ...	Greenview No...	Total	5,910	1,825	30.9%	21%	6.6%
4804	Division No. ...	Hanna	Total	4,285	1,965	45.9%	14%	6.6%
4813	Division No. ...	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
5951	Bulkley-Nec..	Bulkley-Nech..	Total	17,105	4,785	28.0%	20%	5.6%
5949	Kitimat-Stik..	Terrace	Total	16,890	2,990	17.7%	31%	5.6%
5955	Peace River,...	Fort St. John	Total	30,595	7,865	25.7%	22%	5.5%
5941	Cariboo, B.C.	Williams Lake	Total	25,650	6,795	26.5%	21%	5.5%
5905	Kootenay Bo..	Trail	Total	13,980	3,210	23.0%	23%	5.4%