



Canada and U.S. Prosperity at Risk in the Shadow of New Tariffs, Says Canadian Chamber Report

OTTAWA, October 8, 2024 – A month before a critical U.S. election, a new report from the Canadian Chamber of Commerce’s Business Data Lab (BDL) highlights just how mutually beneficial the Canada-U.S. trade relationship is and offers a stark warning about the serious economic consequences of enacting protectionist policies.

The BDL report, [*Partners in Prosperity: Exploring the Significance of Canada-U.S. Trade*](#), authored by Trevor Tombe, Professor, Department of Economics at the University of Calgary, explores the trade relationship with our closest neighbour, in addition to the consequences if former U.S. President Donald Trump were to win the election and follow through on his 10% across-the-board tariff on U.S. imports.

“If enacted, Trump’s tariff would have a significant negative impact, not only for Canada’s economy, but also for the U.S. economy,” says Tombe, explaining that if other countries retaliated with tariffs of their own, the ensuing trade war would result in roughly \$800 USD (\$1,100 CAD) in foregone income annually for people on both sides of the border. “There’s an opportunity to learn from long-forgotten history, here. It turns out that the 10% tariff recently proposed by Trump has some echoes of a tariff that was enacted by President Nixon back in 1971. That policy—which was much narrower than Trump’s recent proposal—was a disaster and was quickly reversed.”

Tombe says that while the critical importance of trade with the U.S. is generally understood by Canadians, many Americans do not realize that Canada is such a critical and reliable supply chain partner for U.S. companies and consumers and serves as the top export destination for 34 U.S. states.

“Several U.S. state economies are surprisingly dependent on Canadian trade. In Montana, trade with Canada accounts for 16% of the state economy, in Michigan it’s 14% and in Illinois it’s 10%. Even as far away as Texas, trade with Canada still accounts for 4% of the state economy.” Meanwhile, in Canada, the report reveals just how much provincial economies depend on trade with the U.S., with New Brunswick at 62%, Manitoba and Alberta at 42%, Ontario at 41%, and Quebec at 23%.

Challenging some common narratives, the report shows that most of this two-way trade involves inputs to production for businesses, rather than finished goods for consumers.

“When you dig into the data, you immediately see the high degree of integration between the two economies, and how much they rely on each other to make things. That’s why maintaining efficient supply chains ultimately makes both countries more competitive and increases economic security and resilience to global shocks. With continued partnership, and by rejecting protectionism, Canada and the U.S. can ensure their shared economic security and prosperity well beyond the upcoming election.”



About the Canadian Chamber of Commerce — The Future of Business Success

The Canadian Chamber of Commerce is Canada's largest and most activated business network — representing over 400 chambers of commerce and boards of trade and more than 200,000 business of all sizes, from all sectors of the economy and from every part of the country — working to create the conditions for our collective success. The Canadian Chamber of Commerce is the undisputed champion and catalyst for the future of business success. From working with government on economy-friendly policy to providing services that inform commerce and enable trade, we give each of our members more of what they need to succeed: insight into markets, competitors and trends, influence over the decisions and policies that drive business success and impact on business and economic performance.

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