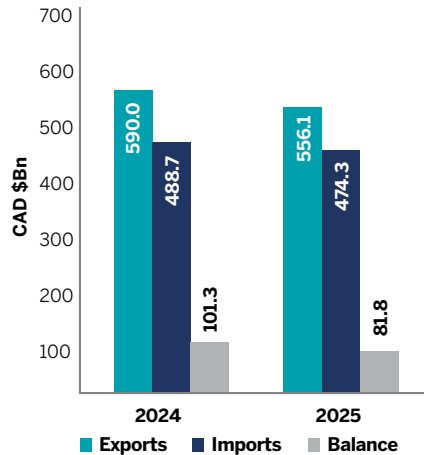


Leading up to Inauguration Day in January 2025, President Trump threatened to impose punitive tariffs on Canada along with other nations citing various justifications from illegal fentanyl drug exports to unfair trade practices to national security concerns. Over the course of 2025, the Trump Administration issued some 50 trade-related actions that culminated in the sweeping Global Reciprocal Tariffs on "Liberation Day". While the majority of Canadian exports were protected by CUSMA, steel, aluminum, automobiles, and softwood lumber were significantly impacted by the high sectoral tariffs. Canada initially responded with some retaliatory tariffs, but most were removed during year in the interest of easing trade tensions. With the 2026 CUSMA review negotiations underway, there is much uncertainty about the future of one of the most effective global trading partnerships. The data below highlights the adverse impacts of the Trump administration tariffs on Canada-U.S. trade.

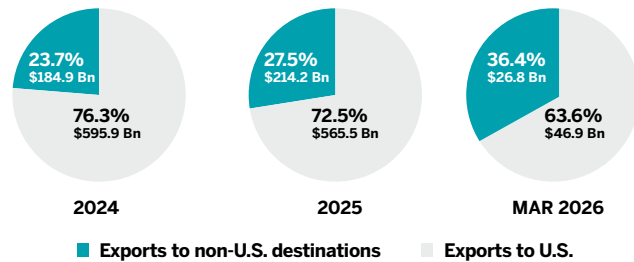
ECONOMIC TRENDS

Declining Canada-U.S. trade



Exports to U.S. **-5.7%**
Imports from U.S. **-2.9%**
Canada's trade surplus **-19.2%** (19.5 \$Bn)

Early signs of increased non-U.S. trade



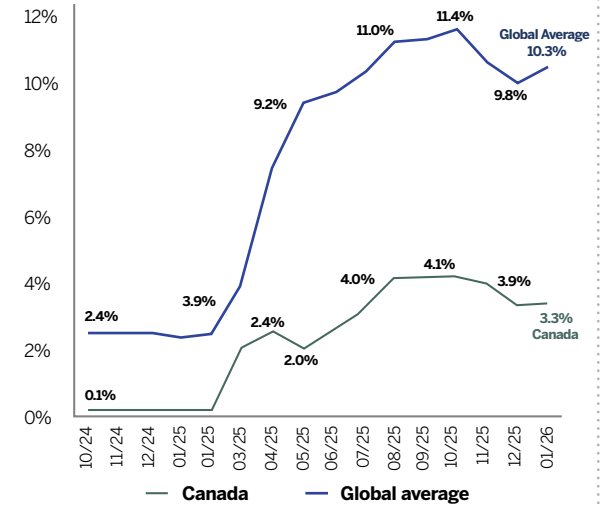
23.7% in 2024 → 36.4% in March 2026

Tariff-free exports to the U.S. declined

> 90% eligible in 2024* → 85% actual in 2025

*CUSMA-preference

Dramatic increase of effective tariff rate



Effective Tariff Rate on imports to U.S. by country of origin

Sources: Government of Canada (2026a, 2025a); Statistics Canada (2026a), (2026b), (2025a); University of Pennsylvania (2026).

Canada-U.S. trade prior to 2025

Key Features

- Governed by 2020 CUSMA
- Over 90% tariff-free movement of goods
- De minimis* active (\$800 threshold)
- Integrated supply chains

Joint Irritants

- Supply management system (dairy, poultry, & eggs)
- Softwood lumber tariffs → -14%
- Past sectoral disputes (e.g., steel/aluminum)

State of Canada-U.S. trade under Trump trade policy (May 2026)

Tariffs

- Section 122 of the Trade Act of 1974**
 - Non-CUSMA compliant goods → 10%
- Section 232 of the Trade Expansion Act (1962)**
 - Aluminum & steel imports → 50%
 - Copper → 50% (steel, aluminum, copper derivatives 25% on full value of product)
 - Upholstered furniture & cabinetry → 25%
 - Certain semiconductors → 25%
 - Autos/trucks built elsewhere → 25%
 - Buses → 10%
 - Timber & softwood lumber → 10%

Additional Duties

- Softwood Lumber: 35.16% (anti-dumping) + 10% S. 232
- No *de minimis* threshold

Counter tariffs

- Certain steel & aluminum products → 25%
- Non-CUSMA compliant vehicles → 25%
- Global tariff on steel derivative imports → 25%
- Remissions & Import Restrictions**
 - Temporary tariff relief extended to June 2026 (steel, aluminum, & essential goods).
 - Steel import quotas reduced:
 - Non-FTA: 20% of 2024 levels
 - Non-CUSMA partners: 75% of 2025 levels

USTR Trade Irritants

- Online streaming
- Sovereign cloud initiative
- Provincial alcohol distribution
- Agricultural supply management system
- Forced labour
- Energy preferences
- French Language rules

Sources: Global Affairs Canada (2020); Office of the United States Trade Representative (2024); Canadian Federation of Independent Business (2026); Trade Commissioner Service (2026); Global Affairs Canada (2026); Government of Canada (2025b); RBC Economics (2026); Office of the United States Trade Representative (2025).

CANADA-U.S. TRADE TENSIONS: PROFILE OF CANADIAN SECTORS MOST IMPACTED BY TRUMP TARIFFS

Despite the fact that between 85 to 90% of Canadian exports to the U.S. today are tariff-free, four major sectors have been disproportionately impacted by the unfair and unjust Trump tariffs. The U.S. market accounts for nearly 90% of the automotive, steel, aluminum and softwood lumber Canadian exports. Consequently, the tariffs have reduced production and exports, and led to the loss of thousands of jobs significantly impacting certain regions. While these four sectors represent the largest part of the manufacturing sector, they account for less than 1.5% of Canada's GDP.



AUTOMOTIVE (VEHICLES & PARTS) - TARIFF: 25%

Economic contribution* (0.73% of GDP)	\$17.3B (2024) → \$17.1B (2025) → \$15.7B (Feb 2026 EST)
Employment	<ul style="list-style-type: none"> Direct jobs: 125,000+ and indirect jobs: 427,000+ in 2024 Approx. 30,000 manufacturing jobs lost in 2025
Production	Vehicle assembly down: 1.3M (2024) - 1.2M (2025)
Trade	Passenger vehicles exports down by 32.5%
Trade with the U.S.	90% of vehicles, 60% of parts exported to U.S.
Counter actions	<ul style="list-style-type: none"> 25% surtax on non-CUSMA vehicles Includes non-North American content in compliant vehicles Liquidity + labour supports



STEEL AND STEEL PRODUCTS - TARIFF: 50%

Economic contribution* (0.13% of GDP)	declining: \$3.1B (2024) → \$2.9B (2025) → \$3.05B (Feb 2026 EST)
Employment	<ul style="list-style-type: none"> 23,000 direct jobs, ~100,000 supported Employment down ~1,000 jobs since tariffs
Production	<ul style="list-style-type: none"> 12.3M (2024) - 11.5M (2025) 17th largest global producer
Trade	Canada is a net importer
Trade with the U.S.	>90% of exports go to U.S. Exports down 24% YoY
Counter actions	<ul style="list-style-type: none"> Import quotas tightened 25% tariffs on steel derivatives Worker and firm supports



ALUMINUM (PRIMARY & PROCESSED) - TARIFF: 50%

Economic contribution* (0.17% of GDP)	declining: \$4.6B (2024) → \$3.9B (2025) → \$3.9B (Feb 2026 EST)
Employment	Primary aluminium industry: 9,800+ jobs (7,700+ in Quebec)
Production	• 4th largest global producer
Trade	<ul style="list-style-type: none"> #1 global exporter 5% of world production
Trade with the U.S.	<ul style="list-style-type: none"> >50% of U.S. aluminum demand supplied by Canada (2023) 94% to U.S.; ~80% from Quebec (2024)
Counter actions	<ul style="list-style-type: none"> 25% retaliatory tariffs Procurement preferences for Canadian aluminum Liquidity + targeted supports



SOFTWOOD LUMBER** - TARIFF: UP TO 45.16%

Economic contribution* (0.13% of GDP)	declining: \$3.3B (2024) → \$3.1B (2025) → \$2.9B (Feb 2026 EST)
Employment	<ul style="list-style-type: none"> ~200,000 workers Approx. 30,000 jobs at risk
Production	<ul style="list-style-type: none"> Output down ~26% (2017–2024) Capacity use: ~75% (↓ from ~90%)
Trade	• 66% exported globally
Trade with the U.S. **	• Share of U.S. imports declined from 87% (2017) → 71% (2025)
Counter actions	<ul style="list-style-type: none"> \$1.7B support (loans/guarantees) \$500M sector transformation Demand support measures

Notes:

*GDP figures are shown at basic prices, by industry, as annual averages and are seasonally adjusted. The figures include GDP for iron, steel and ferro-alloy production; alumina and aluminum production; and forestry and logging.

**2017 marks both the start of the current U.S. AD/CVD regime on Canadian softwood lumber and the beginning of President Trump's first term in office.

Sources: Statistics Canada (2026c, 2026d, 2026e, 2026f); Government of Canada (2025c, 2026b); Auto News (2024); Trillium Network for Advanced Manufacturing (2026); Employment and Social Development Canada (2026); Office of the Prime Minister of Canada (2025, 2026); Canadian Steel Producers Association; World Steel Association (2026); Aluminium Association of Canada (2025); C.D. Howe Institute (2025); Department of Finance Canada (2025); The Globe and Mail (2025); RBC Economics (2026).