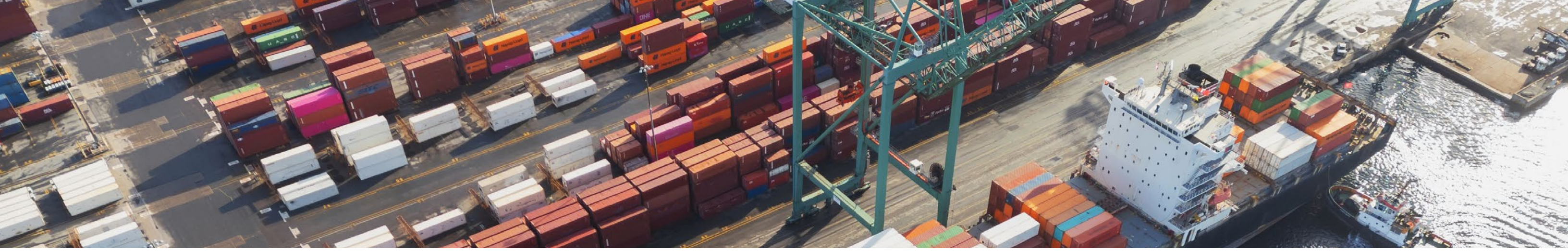
TORONTO REGION BOARD OF TRADE

BY THE NUMBERS

The Canada-US Relationship

FEBRUARY 25, 2025



Context

On February 1, 2025, U.S. President Donald Trump signed executive orders imposing 25% tariffs on products entering the United States from Canada and Mexico, with an exception for Canadian energy exports which are subject to 10% tariffs. Following negotiations, the implementation of these tariffs, initially set for February 4, has been postponed to March 4, 2025. As part of the agreement, Canada has committed to enhancing border security measures and efforts against drug trafficking.

The situation is constantly evolving, and further negotiations are anticipated as the new deadline approaches. President Trump's decision to impose tariffs on Canadian products marks a notable shift in trade relations, reinforcing the urgency for Canada to reassess its economic policies and relationship with the United States.

- Total trilateral merchandise trade between Canada, the U.S., and Mexico hit **$1.93 trillion** in 2023. Since CUSMA came into effect in 2020, trade in North America has increased by **47%.**
- Canada and the U.S. share one of the most integrated and beneficial trade relationships globally. Trade between the two nations amounts to over $950 billion annually, supporting millions of jobs on both sides of the border.
- The automotive sector exemplifies this shared prosperity, with parts crossing the Canada-U.S. border up to eight times before final assembly.
- Canada is the largest foreign energy supplier to the United States, accounting for **60% of U.S. crude oil imports.**

The rationale for the tariffs remains unclear, but among the reasons mentioned by the Trump administration are concerns over illegal immigration, drug trafficking, NATO spending commitments, and alleged trade deficits between Canada and the U.S. President Trump has framed these economic measures as tools to coerce action on broader social and border security challenges. This rhetoric is consistent with his first presidency but now comes with an expanded focus on social issues to push his administration's priorities on crime and public health concerns. Canada's high-cost environment leaves it particularly vulnerable to tariffs, highlighting the need to revisit key areas of economic policy, including regulatory reform, tax competitiveness, and a renewed industrial policy.

THE BOARD'S RECOMMENDED STRATEGIC ACTIONS

1. CONTINUED ENGAGEMENT AND UNITED EFFORTS:

- A proactive "Team Canada" approach continues to be critical. Canada must continue to engage with allies and influencers within the U.S. that are aligned with President Trump.
- A cohesive, central message that Canada is committed to addressing bilateral concerns can help strengthen our position.

2. PRIORITIZE KEY AREAS:

- Energy and Natural Resources: Accelerate critical mineral projects and pipeline initiatives to align with US strategic priorities.
- Security Collaboration: Maintain **recently announced investments** in border security and increase investment in Arctic defence.
- Policy Coordination: Avoid unnecessary trade conflicts, such as the current issue with the digital services tax, by aligning better with multinational norms.

3. BOOST PRODUCTIVITY:

- Canadian businesses must urgently adopt productivity-enhancing technology and innovation to remain competitive. Our Business Council of Toronto agenda has been banging this drum for over a year and now is the time for more urgent action. Government support in this area will likely be necessary to drive rapid change.

4. ADDRESS INTERPROVINCIAL TRADE BARRIERS:

- Provinces must align their efforts to eliminate barriers that restrict trade and economic integration. A key opportunity lies in the mutual recognition of regulatory standards, which would facilitate the seamless movement of goods and workers nationwide.
  - **On February 21, 2024**, the federal government announced plans to further streamline Canada's internal trade by eliminating 19 of the remaining 38 federal exceptions under the CFTA, building on the progress made in July 2024 with the removal of 17 exceptions.
- Removing interprovincial barriers could add as much as **$200 billion** to the Canadian economy, increasing Canada's GDP per capita by four percent and reducing the price of goods by **7.8% to 14.5%.**

In addition to this deep dive outlining pertinent facts and risks to be considered by the Toronto region's businesses and key sectors, the Board has also released the Complacency to Competitiveness: A Blueprint for Canada's Economic Future report, offering insights into ambitious pro-business across three priority areas:

- A tax and regulatory environment that attracts capital, rather than chase it away
- Smarter trade strategies that reduce over-reliance on the U.S
- A renewed commitment to nation-building—housing, infrastructure, and talent

Read the full report here.

KEY FACTS

Ontario – U.S. trade alone is valued at around **$500 billion** annually.

If Ontario were a country, it would be the **US's third-largest trading partner** — a testament to our mutual reliance.

In 2023, **82% of Ontario's exports went straight to the US**, and **roughly 77% of Canada's**.

According to the province, in 2023, Ontario was the **top export destination** for 17 U.S. states and second for 11 others.

Every day, **$320 million** in goods flow across the Ambassador Bridge between Windsor and Detroit.

Exports to the U.S. are responsible for **32% of Ontario's GDP.** In 2022, approximately **1.2 million** jobs in Ontario were attributable to U.S. trade.

Automotive

In 2023, Canada, Mexico, and the US produced over **16 million cars** (17.28% of the world's total).

Combined, Ontario and Michigan are responsible for approximately **22%** of North America's automotive output.

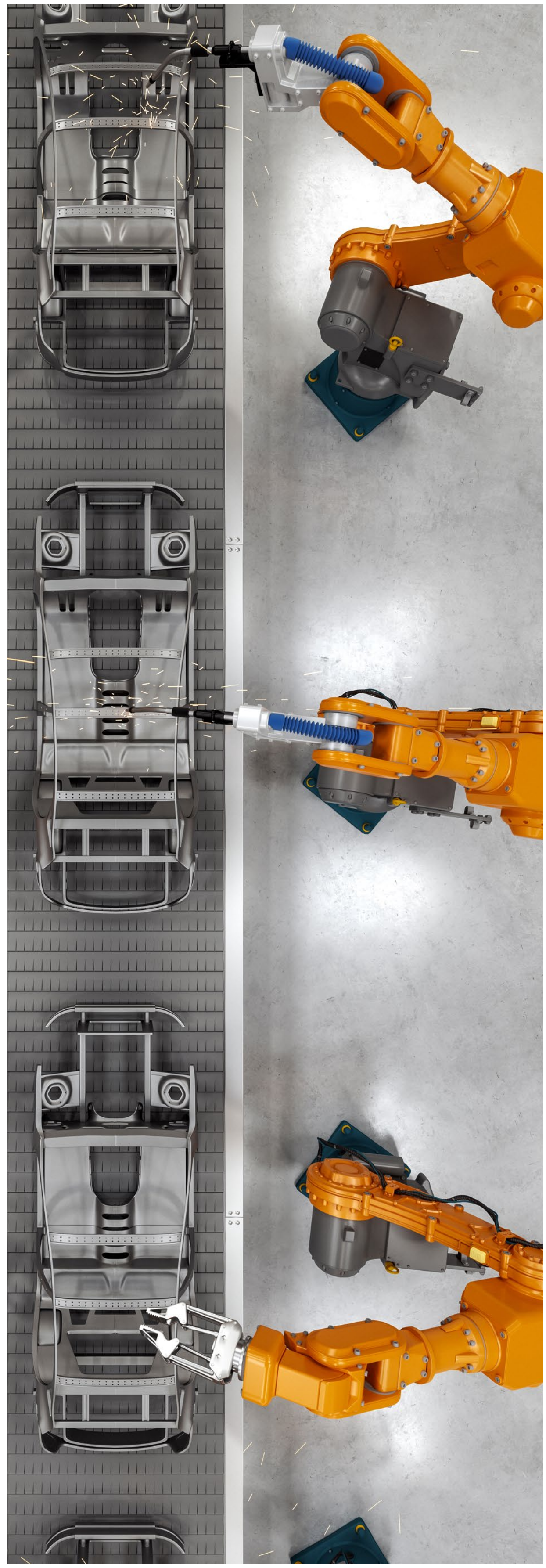
Parts cross the border up to **eight times** before a car rolls off the line, underscoring how tightly our manufacturing sectors are woven.

Automakers and suppliers are the US's largest manufacturing sector, historically responsible for **3 – 3.5 percent of the country's GDP**.

2023 estimates show that the US share in the total Canadian automotive import market stands at approximately 62%.

The auto industry is one of Canada's largest manufacturing sectors and a major driver of the Canadian economy, according to the Canadian Vehicle Manufacturers' Association. It contributes **$18 billion** to the country's GDP, employs **128,000 Canadians** and is responsible for a total of 550,000 direct and indirect jobs. Vehicles are the second largest Canadian export by value at **$51 billion** in 2023 of which 93% was exported to the US.

CONSIDERATIONS
The US will likely want to bring the issue of how originating auto parts were calculated and what qualifies as a regional value content (RVC) back to the table in 2026. President Trump also threatened tariffs of up to 50 or 100% for Canadian-made cars.



Steel and Aluminum

Canada's aluminum and steel sectors support over **123,000** direct and indirect jobs across the country. Ontario is at the heart of Canada's primary metal manufacturing, **representing over half of the industry's direct employment** in the country (over **8,200 jobs**).

Ontario is a leading producer of steel in Canada, including major production facilities located in **Hamilton**.

The **US is the primary export market** for Ontario's steel and aluminum, accounting for a significant portion of Canada's overall exports.

CONSIDERATIONS

On February 10, 2025, President Trump announced 25% tariffs on aluminum and steel imports, including from Canada. No timelines for implementation were specified. If implemented, tariffs are expected to cause significant disruptions for the Canadian steel and aluminum sector and raise prices for U.S. customers.

In 2018, the U.S. imposed tariffs of **25% on Canadian steel and 10% on aluminum** under Section 232 of the Trade Expansion Act, citing national security concerns. In response to the Section 232 tariffs, Canada imposed **retaliatory tariffs** on various U.S. products, affecting Ontario-based manufacturers. Although these tariffs were lifted in 2019, newly imposed tariffs are a major threat, posing risks to Ontario manufacturers and creating market uncertainty.

Agriculture and Agri-Food

In 2023, the **agriculture and agri-food sector** generated $150 billion, around 7 percent of Canada's GDP. This sector employed 2.3 million people – 1 in 9 jobs in Canada. **In Ontario**, the sector contributed $25 billion to the province's GDP, generating $174 billion in sales and supporting over 650,000 jobs.

Ontario's agri-food exports to the US totaled **CAD 21.6 billion in 2023**, making the US the largest market for Ontario's agricultural products.

Major **exports** include grain products, meat products, and processed foods.

CONSIDERATIONS

The US has contested Canada's allocation of dairy tariff-rate quotas (TRQs), arguing that Canada's practices limit American access to the Canadian market. This has led to **formal dispute settlement consultations** and panel proceedings under CUSMA. The Agreement grants the US increased access to Canada's dairy, poultry, and egg markets, which may reduce market share for Ontario producers. To mitigate these impacts, in 2022 the Canadian government committed **over $1.7 billion** in compensation to affected sectors.

Critical Minerals

Ontario has approximately **130 early exploration projects** targeting critical minerals and an additional 16 advanced-stage projects. In 2020, exploration companies spent a total of **$206 million** on critical minerals exploration projects in the province.

In 2022, Ontario **produced $13.5 billion** in critical minerals, accounting for **22%** of Canada's total mineral production value.

In 2022, Ontario was responsible for a third of Canada's copper production, 45% of its nickel production, and 77% of its Platinum Group Elements (PGE) production, by value.

Ontario is a net exporter of 9 critical minerals (Cobalt, Indium, Nickel, Niobium, PGE, Selenium, Tellurium, Uranium, Zinc).

The US is dependent on foreign supply chains for many minerals and has a federal strategy to ensure secure and reliable supplies.

CONSIDERATIONS

The first Trump administration demonstrated a willingness to improve and secure critical minerals supply chains. In 2017, Trump's administration released a strategy to focus on the domestic supply of critical minerals in order to minimize supply chain disruptions. In 2020, Trump issued an **executive order** declaring a national emergency due to the "threat posed by [the US] reliance on critical minerals, in processed or unprocessed form, from foreign adversaries", with the order focusing on U.S. dependence on China for critical minerals. The second Trump administration has threatened tariffs, which could increase costs for U.S. manufacturers relying on critical minerals, potentially reducing demand and disrupting the integrated supply chains between Ontario and U.S. industries. Access to critical minerals is seen as **one motivator behind President Trump's statements** about absorbing Canada as the 51st state. The federal government has pitched Canada as a source of critical minerals to the U.S. to address their appetite.

Energy & Climate

In 2023, Ontario directly supplied electricity to **1.5 million U.S. homes** and is a major exporter of power in Michigan, Minnesota and New York.

The United States passed the **Inflation Reduction Act (IRA)** in August 2022, which included a 30% Investment Tax Credit (ITC) for clean energy projects and provisions for clean hydrogen, electric vehicles (EVs), and domestic manufacturing support. Canada **responded** by introducing a range of matching investment tax credits including a 30% Clean Technology ITC.

Previously, Trump **pledged** to dismantle all unspent funds under the IRA, **roll back** proposed greenhouse gas emission limits that aim for about 64% of new vehicles to be electric by 2032, and impose a **200% tariff** on vehicles imported from Mexico. This would negatively impact U.S. competitiveness and benefit Canadian production.

After taking office, President Trump signed an executive order to **pause funds** flowing from the Inflation Reduction Act. It is still unclear which programs or activities would be affected by this action. Instead, the order includes **language** directing U.S. agencies "to encourage energy exploration, (...) and eliminating electric vehicle mandates".

CONSIDERATIONS
Lobbying efforts from within President Trump's circle could push for the retention of the beneficial aspects of the IRA, despite his public condemnation of the policy.

Natural Resources

US Energy Information Administration (EIA) forecasts that for the full year of 2024, US crude oil production will average **13.2 million barrels of oil per day**, compared to **11.3 million barrels per day (bpd) in 2020** – a 2 million bpd increase. This represents a consistent upward trend that is expected to continue, and may accelerate under a Trump administration, given **pledges** made to cut energy prices in half.

Canadian oil production is expected to total between 5.2 – 5.4 million bpd in 2024, primarily due to the completion of the Trans Mountain Pipeline expansion, followed by oil production growth slowing to approximately 2% in 2025, **according to TD Economics**.

According to TD, the US is importing record quantities of Canadian oil, with Canada accounting for **60%** of US crude imports in 2023.

Between 2013 and 2023, crude oil **imports** from Canada to the US have grown an average of 4% per year. In July 2024, imports of crude oil from Canada to the US hit a **record 4.3 million bpd**.

The Canadian government unveiled **draft regulations** that will impose a greenhouse gas cap on the oil and gas sector that limits emissions to 35 per cent below 2019 levels.

CONSIDERATIONS
The divergence in production trajectories between the US and Canada could influence global oil markets and economic dynamics, particularly affecting Canada's natural resource sector. While the US may benefit from increased production and potential energy price reductions, Canada could face challenges related to market share and revenue from oil exports which could negatively impact GDP. On the other hand, Trump's pledge to revive the Keystone XL pipeline could create opportunities to increase bi-lateral energy exports.

Construction

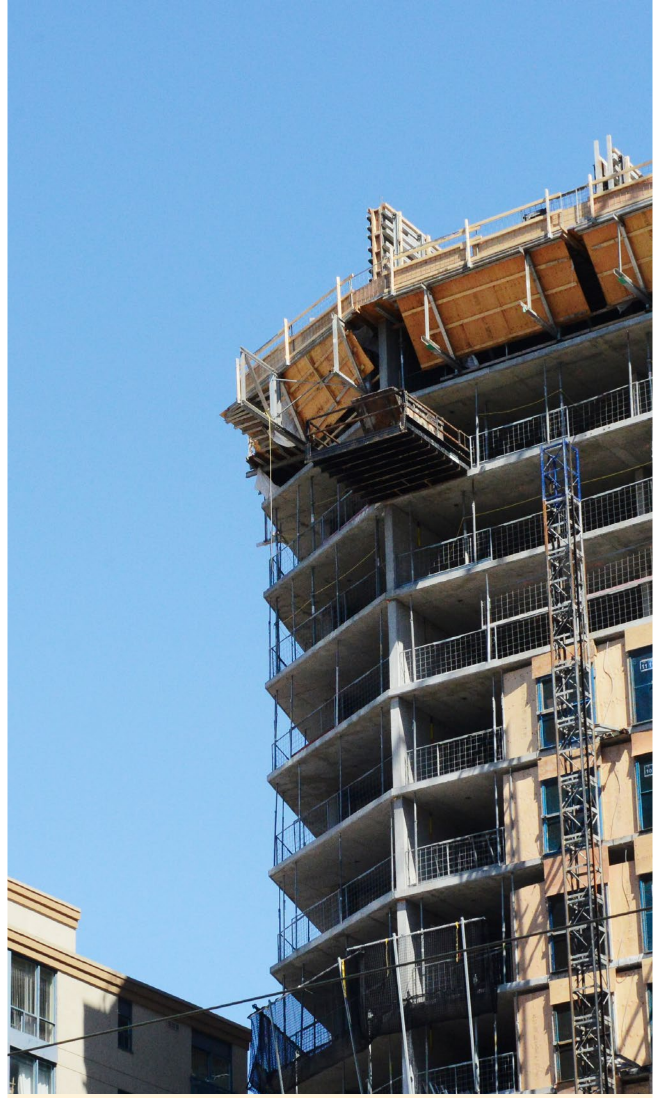
Ontario's construction sector **employs** more than 570,000 workers in Ontario, accounting for 6% of employment across the province. In the Greater Toronto Area (GTA), the sector **contributed** $29.6 billion to regional GDP and supported 235,000 person-years of employment in 2021. Construction materials are a major component of Canada-U.S. trade, making Ontario's infrastructure sector highly sensitive to tariff impacts.

Ontario's population is **projected** to grow from 16 million in 2024 to 19 million by 2049, increasing demand for housing, transit, and energy infrastructure.

To support this growth, the province has allocated more than **$190 billion** towards infrastructure spending over the next decade, with non-residential construction investment **expected to peak** in 2027 due to major transit, healthcare, manufacturing and other projects.

Softwood lumber, a key input in housing, commercial, and institutional construction, has been a longstanding issue in U.S.-Canada trade, with **existing tariffs ranging** from 20% to 30%, raising concerns about cost volatility if new trade restrictions are imposed.

Ontario has over $60 billion in **planned and active P3 projects**, a procurement model widely used for large-scale infrastructure. However, P3 contracts typically do not provide direct tariff relief, shifting financial risks to contractors.



CONSIDERATIONS

The construction sector faces uncertainty over tariffs, disrupting supply chains and raising costs. While contractors may seek alternative suppliers if available, shifting from U.S. sources requires approvals and will cause delays. Widely used P3 contracts offer little relief, forcing firms to absorb costs and risking project viability. Tariffs could also hurt U.S. suppliers by reducing Canadian demand. Rising costs affect not just infrastructure but also commercial, institutional, and home renovations, straining Ontario's construction ecosystem. Without tariff exemptions or procurement adjustments, higher prices may slow housing, transit, and energy projects. Government and industry must collaborate on procurement flexibility, supply chain diversification, and risk-sharing.

Life Sciences

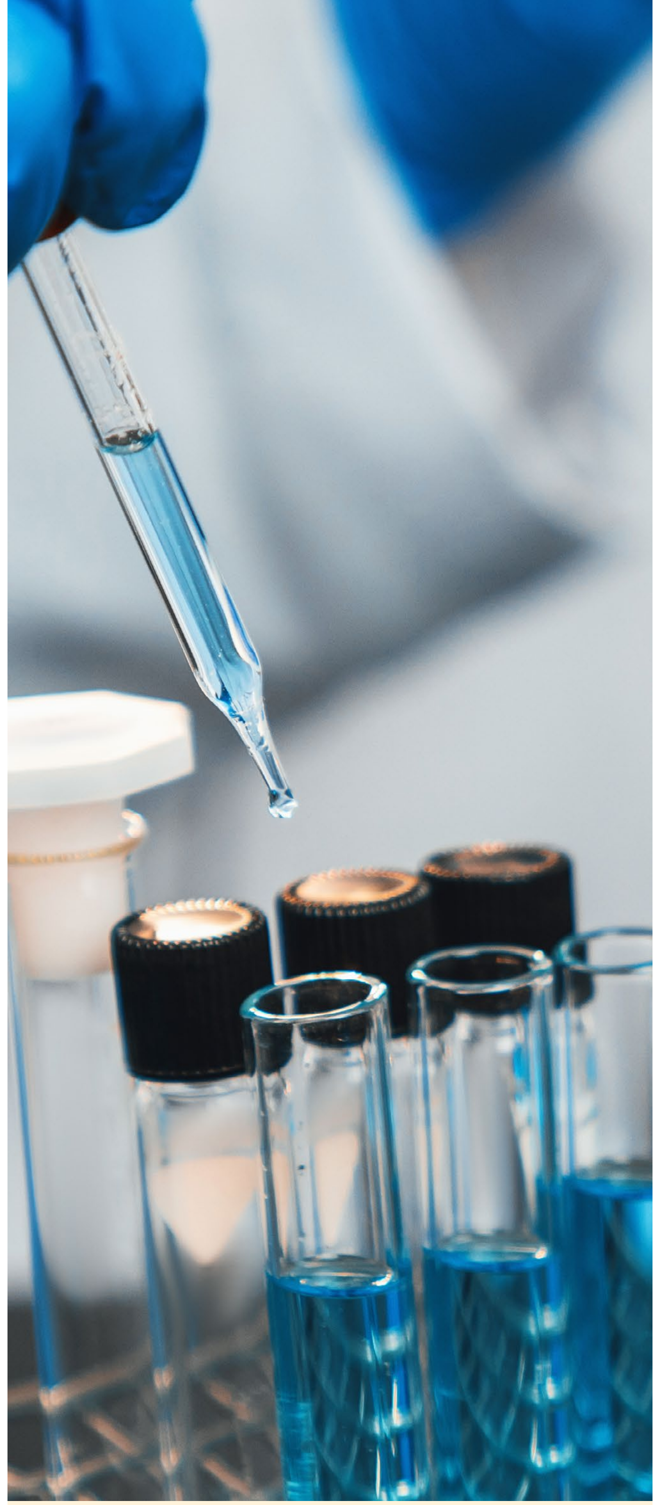
Canadian health innovators **export** more life-changing medical devices to the U.S. than any other country. In recent years, there has been significant **growth** in the manufacturing of medical technologies in Canada, with many of these manufacturers being reliant on U.S.-based suppliers for raw materials and intermediary products.

Canada and the US have built a deeply interconnected life sciences ecosystem, spanning biotech startups to pharmaceutical giants, all working together on clinical trials, drug development, and medical breakthroughs. These collaborations have fueled innovation, advancing treatments for several diseases.

However, tariffs could make partnerships between both countries too costly, disrupting research and slowing the development of new therapies. When R&D slows down, life-saving treatments take longer to reach those in need. When costs rise, drug prices follow. When cross-border cooperation breaks down, everyone loses —particularly patients counting on the next life-saving therapy.

Many U.S. pharma companies rely on Canadian suppliers, talent, and clinical research infrastructure. Increased costs could force them to rethink partnerships, move trials elsewhere, or even cut jobs— hurting both countries.

Tariffs on pharmaceuticals and medical supplies threaten global health security. At a time when stability and access to healthcare are more crucial than ever — especially with bird flu looming — tariffs will only harm public health and limit access to essential treatments, endanger people's lives and weaken both the US and Canada's healthcare system resilience.



CONSIDERATIONS
President Trump's tariff threats on pharmaceuticals are aligned with his administration's strategy to encourage domestic manufacturing and reduce reliance on imports. However, this goal might not be easily achievable in the short term, as **90% of prescription drugs** in the U.S. depend on foreign chemical products.