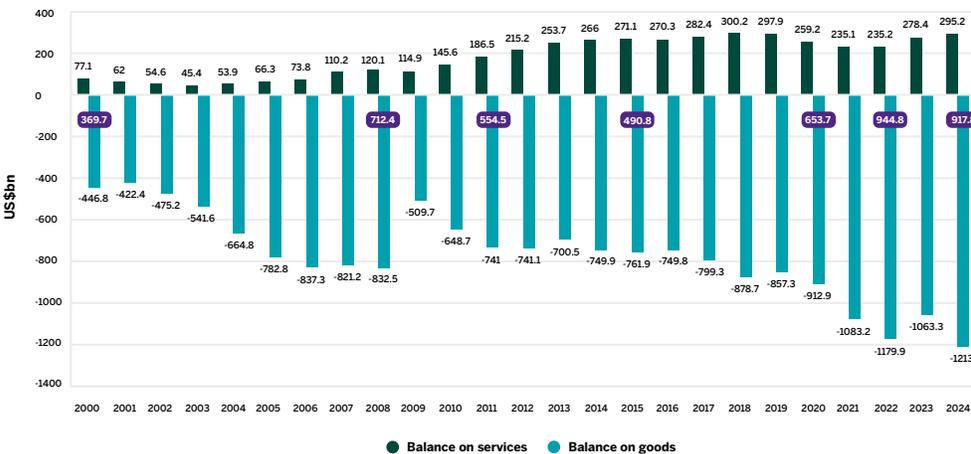


CLEARING THE RECORD: CANADA'S BALANCED TRADE WITH THE U.S.

President Trump has often cited the U.S. goods trade deficit as evidence of America's declining manufacturing strength—an argument that underpinned his America First strategy of tariffs and repatriation. Yet, as this infographic shows, there is no factual basis for using trade deficits to justify tariffs on Canada—existing research and data tell a different story.

U.S. International Trade, Balance on Goods and Services



Source: U.S. Bureau of Economic Analysis, 2025

Since the mid-1970's, the U.S. has consistently run a trade deficit: one that grew to **\$918 billion** in 2024 (around 3% of its GDP).

While the U.S. runs a surplus in services trade, fueled by software, IT, and financial services, it continues to post a significant and persistent deficit in goods trade.

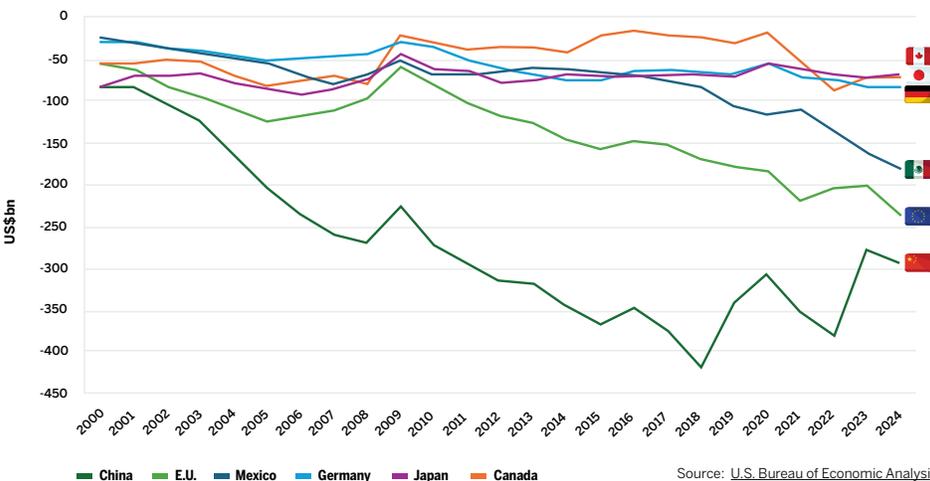
When looking solely at goods trade, Canada was the U.S.'s second-largest partner in 2024, yet only ranked eighth in terms of trade deficits.

The largest U.S. goods trade deficits were with China, the European Union, Mexico, and Vietnam.

Adjusting for Canadian energy exports, often sold at discounted rates, the U.S. actually ran a goods trade surplus of \$28.6 billion with Canada in 2023.

Research further shows that Canada bore disproportionately more manufacturing job losses than the U.S. after trade liberalization of the 1980's, and yet deep supply chain integration between the two nations has boosted their industries' growth and competitiveness. (See more analysis here)

Goods Trade Balance with Top Destinations for U.S. Exports



Source: U.S. Bureau of Economic Analysis, 2025

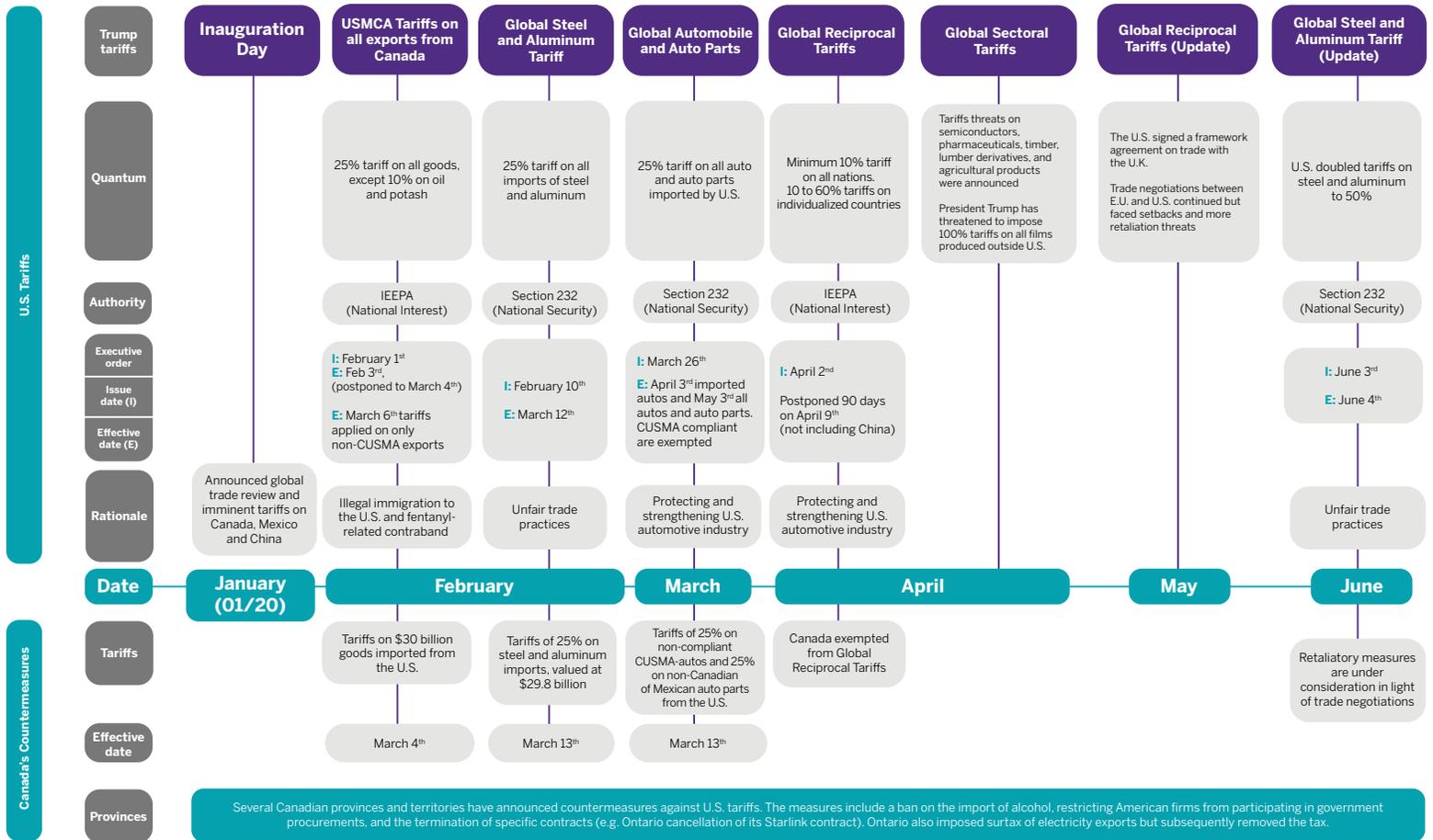
U.S. Trade Deficit in Goods by Volume in US\$bn, 2024



Source: U.S. Bureau of Economic Analysis, 2025

Despite the existence of the CUSMA/USMCA and the deeply integrated industries and supply chains, Canada was one of the early targets of the Trump administration's tariff policy and trade war. By mid-April 2025, the U.S. had imposed sweeping tariffs on non-compliant CUSMA/USMCA goods (oil, gas, potash, steel, aluminum, automobiles and auto parts), as well broader global reciprocal tariffs on some 60 countries, only to temporarily pause the latter for 90 days. In early June, the Trump administration doubled tariffs to 50% on all imported steel and aluminum significantly impacting Canadian steel and aluminum producers and increasing the price for U.S. manufacturers of goods. The U.S. has threatened to more than double duties on Canadian softwood lumber and impose additional sectoral tariffs on semiconductor chips, pharmaceuticals and movie production.

TIMELINE OF GLOBAL U.S. TARIFFS AND COUNTERMEASURES BY CANADA AND SOME G20 COUNTRIES



Other countries' counter measures:

1. In response to the reciprocal tariffs, on April 9th, China imposed retaliatory tariffs of 125% on U.S. exports, while U.S. increased tariffs to 145% on imports from China. On May 12th, China and the U.S. agreed to suspend most tariffs for 90 days and reduced their tariff rates to 10% (China) and 30% (U.S.). 2. The E.U. approved tariffs against the U.S. and later delayed its implementation. 3. On March 20th, China imposed retaliatory tariffs on several Canadian products (canola oil, canola meal, pea products, seafood, and pork) in response to tariffs on Chinese EVs. **Notes:** CUSMA (known as USMCA in the United States). In May, several U.S. courts heard challenges to President Trump's sweeping tariffs leading to a brief pause and then reinstatement. Canadian Prime Minister, Mark Carney, pointed out that the lower court decisions were "consistent with Canada's long-standing position" that tariffs are "unlawful as well as unjustified".

Source: Holland & Knight, 2024, The New York Times, 2025, Government of Canada, 2025, Global Affairs Canada, 2025, Tax Foundation, 2025, Financial Times, 2025, White House, 2025a, White House, 2025b, White House, 2025c, White House, 2025d, White House, 2025e, White House, 2025f



The Canadian government noted these actions as "unjustified and unwarranted" and filed formal complaints with the WTO introducing various countermeasures including, retaliatory tariffs valued at more than \$90B and restrictions on the sale of certain U.S. products and participation in government contracts.



Given Canada's smaller economy, and it's significant dependency on trade, analysts estimate that Canada's economy will suffer more than the U.S.

For decades, the United States championed global trade and promoted trade liberalization that fuelled international commerce and economic growth. But starting from January 2025, the Trump administration reversed course—launching a wave of tariff threats that introduced new volatility into the global economic landscape, disrupting global supply chains, increasing market uncertainty and eroding consumer confidence.

Tariff Claims vs. Reality: U.S. Trade Relationships with G20 Countries						
#	Country/Region	Tariffs Charged to the U.S. (Claimed by Trump)	Reciprocal Tariffs Proposed by Trump	WTO Trade-Weighted Averages**	Discrepancy between Tariffs Claimed by Trump - WTO TWA	Discrepancy between Tariffs Proposed by Trump - WTO TWA
		A	B	C	(A-C)	(B-C)
1	Argentina	10	10	10.3	-0.3	-0.3
2	Australia	10	10	2.5	7.5	7.5
3	Brazil	10	10	6.7	3.3	3.3
4	Canada	*	*	3.4	*	*
5	China	125	145	3	122	142
6	France	*	*	*	*	*
7	Germany	*	*	*	*	*
8	India	52	26	12	40	14
9	Indonesia	64	32	5.3	58.7	26.7
10	Italy	*	*	*	*	*
11	Japan	46	24	1.9	44.1	22.1
12	South Korea	50	25	8.4	41.6	16.6
13	Mexico	*	*	3.9	*	*
14	Russia	*	*	5.3	*	*
15	Saudi Arabia	10	10	6.1	3.9	3.9
16	South Africa	60	30	5.8	54.2	24.2
17	Türkiye	10	10	6.1	3.9	3.9
18	U.K.	10	10	3.3	6.7	3.3
19	E.U.	39	20	2.7	36.3	17.3

Though marketed by the Trump administration as “fair retaliation”, the proposed Reciprocal Tariffs are anything but fair:

- The proposed tariff rates far exceed the WTO trade-weighted average tariffs.
- They ignore U.S. trade surpluses in services and intermediate goods, painting an incomplete and misleading picture of trade imbalances.

Source: [White House, 2025](#), [Yahoo Finance, 2025](#), [World Trade Organization, n.d.](#), [The Budget Lab, 2025](#)

*Data for France, Germany, Canada, Mexico, and Russia are treated as exceptions. E.U. countries follow common external tariff rules, and the U.S. reciprocal tariffs reflect E.U. wide rates. Canada and Mexico were not included in Trump’s claimed tariff list on Inauguration Day.

**WTO trade-weighted averages reflect tariffs across all sectors, weighted by trade volume. These may not fully capture sector-specific variation (e.g., tend to be higher in agriculture) and countries may impose non-tariff barriers, such as technical standards and customs procedures.

Who is hit hardest by U.S. proposed tariffs?

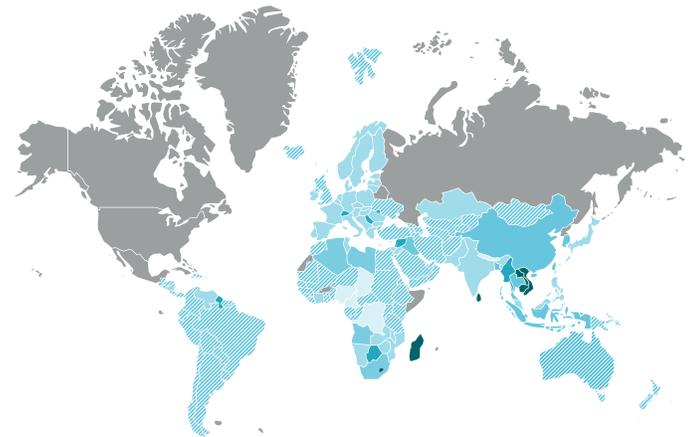
The tariffs wouldn’t just target wealthy nations—they would also disproportionately affect low-income countries too:

Many of these countries export low value-added goods like garments, sectors the U.S. has long exited, and bringing them back would only diminish the U.S.’ competitiveness.

Tariffs (%)



Source: [Reuters, 2025](#)



If all U.S. tariffs and foreign retaliation measures through June 1, 2025, were to remain in place, the economic impact would be historic:

Source: [June, The Budget Lab, 2025](#)

The effective U.S. tariff rate would rise above **14.5%**, the highest since 1938



American households could lose an average of **\$2,500** in purchasing power annually



This impact would be regressive, falling hardest on **lower-income families**

While Trump’s 90-day pause on tariff escalation offers brief respite, it does little to reduce the uncertainty and instability faced by businesses and consumers alike. Whatever the motivations, whether to negotiate better trade deals or boost government revenues, one thing is clear: U.S. tariff threats are prompting countries to reconsider their economic, trade, and even military alliances, pushing once-stable partners to explore new global partnerships.