2024 U.S. ELECTION

STRENGTHENING CANADA'S ECONOMIC FUTURE

An analysis of the potential impacts of the U.S. election on Canada's economy and recommendations for Canadian governments to champion Canadian prosperity

Calgary Chamber

Fall 2024

Executive Summary

The Canada-U.S. relationship is among the closest in the world, and Canada could be considerably impacted by the upcoming election. With $3.6 billion in goods and services crossing the border each day, Canada's energy, agriculture, consumer goods, critical minerals and auto industries are inextricably linked to the United States.

Given the considerable economic value of the Canada-U.S. trade relationship, a comprehensive understanding of policy decisions and directions south of the border is critical to the short- and long-term prosperity and economic security of our country. As we analyze the policy environment in the U.S., Canadian governments must work proactively to advance policies and investments that foster collaborative, stable and beneficial trade relationships – regardless of who holds power in Washington. This paper discusses the importance of the U.S. policy landscape on the Canadian economy, in three parts:

1. *Impact on the Calgary Business Community*, analyzing the value of the Canada-U.S. trade relationship and providing insights into both Trump and Harris' potential directions on foreign trade.
2. *Republican and Democrat Economic Policy*, diving into specific platforms for each major party in the U.S. and analyzing their potential impacts on the Canadian economy.
3. *Recommendations to Canadian Governments*, providing actionable recommendations for Canadian governments to work effectively with either successful candidate in the U.S. election.

The American election will have significant implications for the Canadian economy for several key reasons:

1. **With protectionism on the agenda for both parties** and 78 per cent of Canada's exports and 94 per cent of Alberta's exports going to the U.S., our economy could be severely impacted. American protectionism could affect the export opportunities, input costs and the economic climate for Canadian businesses.
2. **Canada's public policy decisions are impacted by the United States**. Policy decisions made south of the border often require Canadian policymakers to respond to keep Canada competitive.
3. **The U.S. is the largest investor in Canada's economy** and responsible for two-thirds of foreign investment in Alberta. A change in the competitive landscape could impact the amount of capital entering Canada, potentially hampering business growth.
4. **Lower revenues for Canadian industries mean lower revenue for governments**, which could impact the provision of government services such as healthcare, education and infrastructure.

Both parties have made promises that would have a considerable impact on Canada's economy:

- **Protectionism:** Trump has indicated he will prioritize domestic manufacturing, introduce tariffs on foreign goods, rebalance trade and renegotiate trade agreements. Harris has been clear about reshoring manufacturing and opposed both CUSMA and TPP on the basis that labour and economic provisions were insufficient. With CUSMA open for renegotiation in July 2026, protectionism is likely to have a major impact on Canada.
- **Tariffs & levies:** Trump has stated he would impose 10 per cent tariffs on all imports. This could result in up to a 3.6 per cent drop in Canada's GDP, and drive up inflation 1.7 per cent higher than currently expected. While Harris has not mentioned tariffs, it should be noted that Biden did not repeal tariffs implemented under Trump from 2016-20.
- **Energy security:** Trump has promised to make American energy independent and energy dominant, largely by increasing domestic production. Harris has also focused on energy security and independence but with a greater focus on renewables development.
- **Tax policy:** Trump has indicated he will decrease corporate tax, which would make Canada, and Alberta, relatively less competitive. Harris has raised introducing a global investment tax, which could impact Canada's taxation landscape or relative competitiveness. She has also cited the use of ITCs to incentivize industry, potentially creating a magnet for investment.
- **Worker protections:** Trump has said he will protect workers, farmers and industries from unfair competition. Harris has similarly cited a priority on workers and labour – and has a voting record in favour of workers.

Canadian governments need to do what they can to prepare. Our study found 54 per cent of Albertans don't think governments are adequately prepared for the upcoming U.S. election. In light of this, we have prepared recommendations to both provincial and federal governments to ensure a strong bilateral relationship that serves both economies:

1. **Take a 'Team Canada' approach** to international relations with the United States, ensuring collaboration across federal, provincial, territorial and municipal governments. Create a "Buy North American" rather than a "Buy American" strategy, ensuring provinces have strong state-level relationships and governments in the U.S. understand the value of the Canada-U.S. trade relationship to both economies.
2. **Prepare for CUSMA negotiations in 2026**, removing trade irritants such as increasing military spending to two per cent, and mitigating impacts of the *Digital Services Tax Act*, *Online News Act* & *Online Streaming Act*, which disproportionately impact U.S. firms. Governments should also work with industry to understand ongoing trade irritants and shore up strategic leverage ahead of negotiations.
3. **Invest in trade infrastructure and supply chains to improve market access**. Confidence in Canada's supply chains has fallen from 10th to 26th globally in the last 15 years – and we sit at 32nd when it comes to transportation infrastructure. The federal government must also work to mitigate and resolve labour disputes prior to them creating economic disruption, and must make meaningful investments in our trade infrastructure and supply chains.
4. **Strengthen Canada's competitiveness** by ensuring regulatory and tax structures promote investment, and Canadian companies are positioned to compete with the U.S. regardless of changes to public policy. Governments should also work to have businesses south of the border come to Canada as they grow internationally.
5. **Highlight alignment between Canadian energy, environment and labour policies** with U.S. domestic policy while maintaining Canada's own policy priorities. Governments must prepare to showcase why Canada is a strong trading partner across several sectors, and why a strong bilateral relationship can help the U.S. achieve its domestic policy goals.

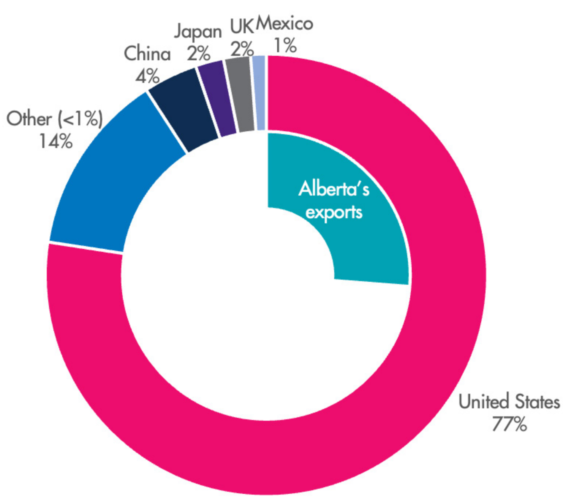
Part I: Impact on the Calgary Business Community

At a glance: our trade relationship with the United States

Canada and the United States (U.S.) have one of the largest and most comprehensive trading relationships in the world – a relationship that supports millions of jobs on both sides of the border and observes nearly $3.6 billion in goods and services crossing each day. In 2023, 40,000 Canadian enterprises exported goods to the United States. Moreover, the U.S. is the largest investor in Canada, and Canada is the largest source of foreign direct investment in the United States. In 2023, Canada exported $595 billion in goods and services to the U.S., representing 78 per cent of our net exports.

The economic impact of Canada and Alberta's trading relationship with the U.S. is similarly significant. In 2023, Alberta alone exported $156.1 billion to the U.S., comprising over 94 per cent of our net exports. Alberta's trading relationship with the United States is poised to continue growing in importance, having increased in value by more than 50 per cent in the past five years. Whether energy, agriculture, mining, consumer goods, forestry or any sector exporting goods or services, a thriving trade relationship with the U.S. is vital to our competitive advantage.

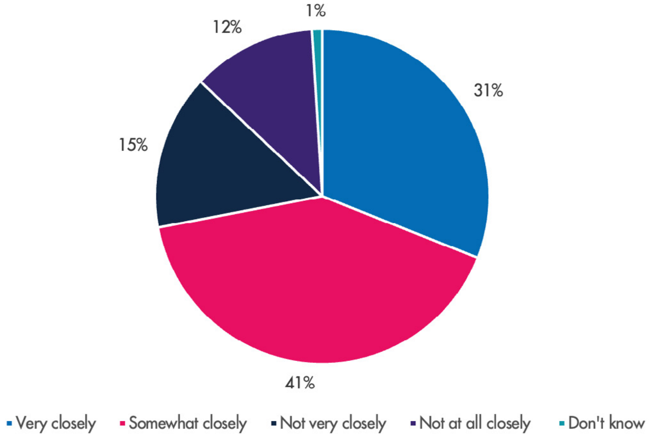
Canadian exports by country



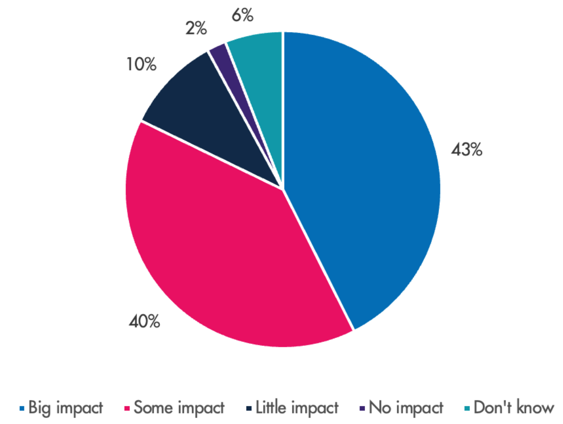
Nearly $3.6 billion in goods and services cross the Canada-U.S. border each day.

Albertans know this relationship matters as well, particularly ahead of the upcoming U.S. election. Recent polling from Janet Brown Opinion Research, commissioned by the Calgary Chamber of Commerce, found 72 per cent of Albertans are following the U.S. election closely, and 83 per cent expect the election to impact Alberta's economy. This is significant and shows Albertans are aware of the serious implications of the Canada-U.S. relationship.

How closely are you following the U.S. election?



How much impact do you think the U.S. election could have on Alberta's economy?



Trade significance with the U.S.

Canada's trade relationship with the U.S. is critically important, particularly for energy, agriculture and small business sectors.

Small and medium-sized businesses contribute 42% of Canada's exports to the United States.

Energy

Canada remains the single largest foreign supplier of energy to the U.S., providing an average of more than 4.6 million BOE (barrel of oil equivalent) per day in total petroleum products to the U.S. in 2024 – more than 52 per cent of the U.S. import supply. Through 2022, Canada exported more than $166.2 billion worth of energy products to the United States – 90 per cent of our energy exports. The ability to successfully export our energy products to the U.S. is crucial to the health and growth of the Canadian energy sector. Across Canada, the energy sector contributed nearly 700,000 jobs (direct and indirect) and 12 per cent of our GDP. In Calgary, the top five businesses by revenue in 2023 were energy companies – all of which either export to the U.S., have operations there, or both.

In a time of increasing concern over energy security and given the economic value of Canada's relationship with the U.S., it is important that businesses and governments on both sides of the border understand how the upcoming U.S. election could impact our energy trade relationship. Moreover, ensuring strong relationships is essential for both the Canadian and U.S. economies, as any decline in our energy exports from Canada would have direct consequences for jobs in the Canadian energy sector and would ultimately represent a decline in GDP and tax/royalty contributions.

Agriculture

The continued growth and success of Canada's agriculture sector relies on our ability to export agriculture and food products, and access to a massive market such as the U.S. is key to our export advantage. Currently, the agriculture sector contributes seven per cent of our GDP and provides roughly one in nine jobs in Canada. Given the volume of products moving to the U.S. each year, maintaining growth in our agriculture trading relationship with the U.S. is fundamental to the success of the agriculture industry in Canada.

Through 2023, Canada exported upwards of $99 billion worth of agriculture and food products globally, and the United States represented 60 per cent of exports by value. Moreover, our agricultural trade relationship with the U.S. has been growing at an average annual rate of nearly eight per cent since 1989, the year NAFTA was signed. Free and advantageous trade with the U.S. is necessary for the continued growth of our agriculture industry and a decline in this relationship would represent a decline in an industry that currently employs 2.3 million people across Canada.

Small business

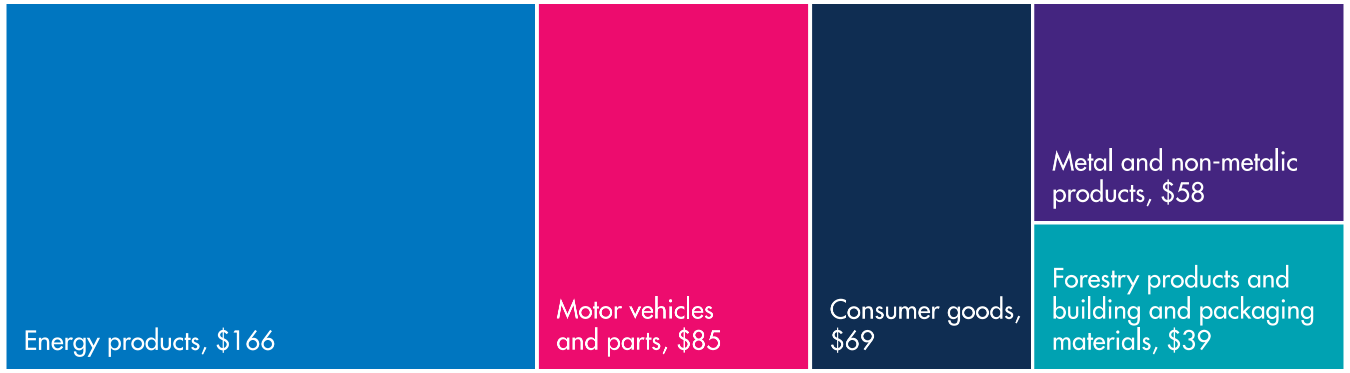
Small businesses are the backbone of our economy, and our trading relationship with the U.S. is a key contributor to their success. In 2022, small and medium-sized businesses contributed 41 per cent of our exports by value across the globe and 42 per cent of our exports to the United States. In the same period, 99.7 per cent of businesses in Canada were small and employed 64 per cent of the private labour workforce.

Small businesses in Canada choose to expand to the U.S. for many reasons: ease of logistics, similar market interests, a comprehensive free-trade agreement, and – perhaps most importantly – a significantly larger pool of consumers to access when compared to the Canadian market. This explains why across Canada, 79 per cent of the revenue from exports for small businesses came from exports to the United States. U.S. market access for Canadian SMEs is a significant advantage that allows them to grow and scale with a larger pool of capital and customers in our southern neighbours.

Small businesses in Canada also benefit from our strong bilateral relationship, with 60 per cent of Canadian tourists visiting from the United States. With tourism a major sector in Alberta, and disproportionately represented by small businesses, American visitors have a considerable impact on our economy.

With small businesses employing 10.7 million people across Canada, impediments to early-stage business growth could have a considerable impact on our nation's economy.

Top Canadian exports to the United States by sector (Billions)



Source: Statistics Canada Trade Explorer 2023.

Implications for Calgary, Alberta & Canada's economy

The impact of a complicated and less competitive trade relationship with the U.S. on Canada's, Alberta's and Calgary's business community are broad and significant.

78 per cent of Canada's exports and 94 per cent of Alberta's exports go to the U.S., and the ability to export is critical for many businesses. Canada is a relatively small economy, and Canadians represent a fraction of the purchasing power that American consumers hold. Our access to the American market through our free-trade agreement is a massive competitive advantage to Canadian companies, who rely on the ability to access larger markets than our domestic population. Protectionist measures planned by either party could be detrimental to businesses that rely on our exports, impacting the export opportunities, input costs and the economic climate for Canadian businesses.

As revenues fall, that means less available capital for Canadian businesses to support themselves, fewer jobs as firms must make cuts to compensate for lower revenue, and stifled investment in new technologies as cash flows tighten. With the U.S. responsible for two-thirds of foreign investment in Alberta, a change in the competitive landscape could impact the amount of capital entering Canada, potentially hampering business growth. Simply put, Canada's increasingly poor productivity performance would only be exacerbated by a worsened trading relationship with the United States.

Were tariffs to increase, or new tariffs be legislated in the U.S., costs would increase across the board, making it more difficult to export Canadian goods and services to the U.S. Furthermore, it is possible that the Government of Canada would install retaliatory tariffs in response to American levies. At a time when Canadian businesses are already struggling with rising costs – 59 per cent of businesses in the Calgary Metropolitan Area ranked this as their number one concern last quarter – the potential for significant cost inflation due to tariffs on both sides of the border is not productive. Canada's comprehensive trading relationship and market access with the U.S. has historically been a significant advantage to businesses that operate in Canada. Were our trade relationship to worsen, it would make Canada a less attractive jurisdiction for the investment needed to fuel growth in our economy.

The nature of Canada and the United States' bilateral relationship yields a desire for policy alignment, such that public policy is relatively synchronistic across both sides of the border. Policy decisions made south of the border often require Canadian policymakers to respond to keep Canada competitive. For instance, the United States introduced the *Inflation Reduction Act*, influencing Canada's decision to introduce several Investment Tax Credits to prevent the flight of capital south of the border.

Lastly, should industry revenues drop, so too would government revenues raised through taxation and royalties. This means less available funds for the infrastructure and services that support our country, such as healthcare, schools, social services and infrastructure. With tariffs impacting our economy to the tune of up to 3.6 per cent of GDP, the impact on revenue for provincial and federal governments could be considerable.

Part II: Republican and Democrat Economic Policy

Challenges regardless of outcome

To effectively mitigate harm and improve our trading relationship with a Republican administration under Mr. Trump or a Democrat administration under Ms. Harris, it is critical to understand the parties' proposed international trade and domestic economic policies.

At a high level, a potential second term under President Trump may continue where the first left off in terms of trading relationships; however, based on campaign promises and the 2024 Republican Platform, protectionism and aggressive tariffs may increase. Similarly, assumptions that a Harris administration may operate under the same foreign trade policy direction as the Biden administration may be inaccurate. Harris's record on foreign affairs and the 2024 Democratic Platform could indicate a more protectionist position based on environmental considerations and protecting domestic jobs and supply chains.

The Republican platform may speak more explicitly to tariffs, protecting workers in targeted industries from unfair competition and shifting the American goods and services trade deficit, while the Democratic platform describes an America with accelerated manufacturing industries, secure domestic energy supply, and an increasingly competitive investment environment for traditional and clean energy projects. Both platforms indicate a desire to reduce American reliance on foreign jurisdictions for the supply of essential goods and services and to increase America's domestic production capabilities for strategic goods. The two parties have similar interests in terms of trade, prioritizing American workers, American goods, and energy security from within their own borders.

In an effort to decrease the trade deficit, a Trump presidency could install repressive tariffs and has plans to decrease the U.S. reliance on trade across the spectrum – from energy products to consumer goods to construction materials. A Harris administration could take a more hardline stance on environmental and worker protections in free-trade agreement negotiations and has plans to significantly increase domestic production of renewable energy, and incentivize the growth of domestic automotive, semi-conductor and battery technology industry – effectively decreasing American demand for Canadian products in these sectors.

On international trade and protectionism, the Republicans and Democrats may not be as far apart as they once were. Both hopeful candidates represent challenges for Canada, especially considering some of the trade issues that may come up in the next four years. A The Canada-United States-Mexico Agreement (CUSMA) renegotiation is on the table for 2026, with certain trade irritants already identified. Canada's *Digital Services Tax Act* and *Online News Act* are two pieces of legislation that have aggravated trading partners in Washington, and our federal government's failure thus far to meet our NATO contribution goal may cause further issues in negotiations.

Republican Platform

The 2024 Republican Platform specifically references the following measures:

- Introduce measures to prioritize U.S. domestic manufacturing, energy, critical minerals, automotive and strategic supply chains.
- Introduce baseline tariffs on foreign-made goods and prevent the import of Chinese vehicles.
- Renegotiate failed agreements, forging an America First Trade Policy.
- Rebalance trade (referencing America's $1 trillion per year deficit in goods), ensuring domestic production can support national independence in essential goods and services.
- Protect American workers, farmers and industries from unfair foreign competition.
- Strengthen buy-American and hire-American policies.

Based on the 2024 Republican Platform, new or expanded tariffs, hostile trade agreement re-negotiations, programs to incentivize domestic manufacturing and supply chain development could all be implemented throughout a Trump presidency. Were a Trump administration to decrease U.S. reliance on trade, prioritizing domestic production and ensuring national independence of essential goods and services, Canada could expect the value of our trading relationship with the U.S. to decline.

Mr. Trump has previously committed to a 10 per cent levy on all foreign goods – a promise we see reflected in the Republican platform, and while a drastic move such as this would surely face significant opposition within the United States, as the impact on their domestic economy could exceed $125 billion – it is not unachievable. The impact to Canada would be massive, reducing the size of the economy between 0.9 and one percent, which is equivalent to costing our economy $30 billion per year. With real GDP increasing 1.1 per cent in 2023, the hit to the Canadian economy from tariffs would reverse a full year of economic growth. If other countries retaliated with tariffs, Canada could see a 1.5 per cent decrease in incomes, and lower productivity by 1.6 per cent.

Specific sectors may face larger hurdles than others: the Republican platform calls out manufacturing, the automotive industry, and critical supply chains. We could expect firms currently operating in manufacturing, automotive, energy and critical minerals to have a decreased competitive advantage when trading with the U.S. as domestic capabilities expand.

For instance, with $166.2 billion in energy products exported to the U.S., a 10 per cent tariff would mean a hit of over $16 billion to Canada's energy sector, possibly overnight. With limited egress to ship our product elsewhere, this would present a major challenge. Trump has also made it clear that 'Drill Baby Drill' would be part of his agenda, which could displace some Canadian production – and he would have a clearer political path to increase domestic production than Harris.

Trump's promise of a 10% tariff on all imports would cost Canada's economy $30B per year - approximately 1% of our economy.

Spotlight on trade

The Republican Party in recent years has operated with a protectionist mindset when handling trade policy. Taking a distinctly "America First" approach to trade and introducing policies that "*protect American workers and farmers from unfair trade*" highlights the desire of the Republican Party to insulate certain sectors of their economy from international trade pressures, even if at the expense of their trading partners such as Canada. Agriculture, dairy, auto-manufacturing, critical minerals and lumber have been consistent trade issues across the Canada-U.S. border – and a Trump administration would likely move to protect American domestic production, effectively disadvantaging Canadian firms.

J.D. Vance, Donald Trump's running mate, hardens the Republican party's stance on trade protectionism. Vance has cited increased trade with China and Mexico as the cause for the decline of American manufacturing in his home state of Ohio and across the industrial Rust Belt.

Trump's proposed 10 per cent unilateral levy on all products imported to the United States is indicative of this. This campaign trail promise is bold and may not be enacted in full but indicates the severity of protectionist policy a Trump administration may be willing to consider.

Democratic Platform

In terms of economic and trade policy, the 2024 Democratic Platform forwards the following policies:

- Bring home critical supply chains and reaffirm U.S. leadership in cutting-edge industries.
- Continue developing investments for capacity building in domestic renewable energy, electric vehicles and green technologies.
- Prioritize energy independence, resiliency and innovation in clean and renewable energy.
- Extend the Buy Clean and Buy American standards and ensure federal projects require low-carbon, American-made cement, steel and other materials.
- Strengthen Buy American procurement rules to their toughest levels in seven decades.
- Reinvest in America's manufacturing base and level the playing field for American workers.

While the Democratic party may be construed as having a less aggressive protectionist policy, a Harris administration presents its own challenges to Canada-U.S. relations. Ms. Harris was one of only 10 votes against the recently renegotiated CUSMA, and she also opposed the Trans-Pacific Partnership (TPP) Agreement. In both cases, her justification was on the grounds that environmental provisions were not strict enough, as well as a belief that the agreements did not do enough to protect domestic jobs and industry.

The 2024 Democratic Platform is clear about increasing domestic production, accelerating the implementation of the *Investing in America* agenda to reshore manufacturing. The platform states a Harris administration would reinvest in America's manufacturing base, leveling the playing field for American workers facing foreign competition.

The Democratic Platform also notes the ambition to secure energy independence for the U.S. and includes measures to incentivize the clean and renewable energy industry and its supply chain to develop in the United States. A Harris administration would continue Biden's aggressive pursuit of renewable energy development through incentive programs in the U.S. *Inflation Reduction Act*. Scaling up solar, wind and geothermal projects, as well as investing in research and development, all feature heavily in the Democratic Platform, and we therefore anticipate significant investment in these sectors under a Harris administration. Canadian governments and firms could see a decline in investment in the renewables sector in Canada as capital moves to a more competitive U.S. jurisdiction.

The Democratic platform also includes multiple references to Buy Clean and Buy American standards – the procurement rules strengthened under President Biden which required federal projects to use low-carbon, American-made construction materials, suggesting these regulations would continue under a Harris administration.

Spotlight on trade

While the Trump administration is more often viewed as the protectionist, anti-globalist option, a Harris administration would not be without its own challenges for the Canadian economy. Ms. Harris, in her capacity as Senator, was one of 10 (mainly Democrats) who opposed CUSMA. In a statement on the issue, she justified her opposition on the grounds that environmental provisions were not strong enough. Additionally, during Harris' 2016 Senate run, she opposed the TPP – a key accomplishment for the Obama-Biden administration – on the grounds it failed to adequately protect both American workers and environmental standards.

Moreover, former President Trump's 2016-2020 administration installed many tariffs, and his successor, President Biden, kept many of them and expanded others while creating new subsidies and protections for strategic U.S. industries such as auto-manufacturing and semiconductors. A Harris presidency would likely share similarities with the Biden administration, and it appears Ms. Harris may hold a stronger trade and protectionist perspective than President Biden, who was consistently a public proponent of free trade – even if his policies in recent years didn't represent this value as strongly. One could reasonably expect a Harris administration to continue the trend of more managed trade and industrial policy.

Further solidifying this view, Ms. Harris' running mate, Tim Walz has opposed most free trade agreements he's had the opportunity to vote on. Walz opposed agreements with Peru, Panama and Columbia, citing concerns over human rights abuses, and in a 2015 statement claimed that NAFTA was working against the American worker.

Topic	Republican position	Democrat position
Protectionism	Expect protectionist policies to continue under a Trump administration. Tariffs, renegotiating free trade agreements (i.e., CUSMA) and accelerating domestic production as much as possible will all feature in a Trump presidency.	Expect a continuation of the trend of incentivizing domestic production through programs such as the Inflation Reduction Act. Additionally, CUSMA renegotiations could feature demands for stronger climate and worker protection regulations. Extending Buy Clean and Buy American policies are more than likely.
Tariffs & levies	Mr. Trump has proposed a 10 per cent levy across the board on all imports to the United States. Additional tariffs and levies may be applied to benefit American domestic industries where applicable.	No direct mention of new tariffs or levies has been made by Ms. Harris or the democratic platform although it should be noted the Biden administration did not repeal the tariffs introduced by the 2016-20 Trump administration, and in some cases (such as steel, aluminum, semi-conductors, electric vehicles and battery technologies) increased tariffs.
Energy security	Mr. Trump has promised to make America energy independent and energy dominant. Expect American energy production to increase significantly, and the potential for American imports of energy products and related supply chains to decline.	Anticipate continued acceleration in clean energy and clean energy supply chain development, with an emphasis on energy security, and securing energy independence through renewables development.
Tax policy	Mr. Trump has suggested that taxes on American workers, and businesses will be reduced – on the expectation that government revenues will be supported through tariffs on foreign producers.	A democratic administration would utilize various Investment Tax Credits to incentivize development in key sectors (renewables, manufacturing etc.). Ms. Harris also suggests a global minimum tax be introduced.
Environmental policy	There is no mention of environmental protections; however, the platform does reference measures to support the energy industry, including nuclear.	Environmental policy features broadly, taking an 'America first' lens to environmental policy, investing in the domestic renewables sector, and incentivizing research in green and clean energy. Environmental protections featured in the initial CUSMA negotiations could return as an issue in any future trade agreement negotiations.
Worker protections	A Republican administration proposes to protect American workers from unfair foreign competition by developing critical supply chains for manufacturing in the United States.	Worker protections feature significantly, were a key concern in the initial CUSMA negotiations and could return as an issue in any future trade agreement negotiations.

54% of Albertans believe Canadian governments are not effectively championing Canadian economic interests south of the border.

Part III: Recommendations to Canadian Governments

While Canada's trading relationship with the United States is immensely valuable to the Canadian economy, the study conducted by Janet Brown Opinion Research, commissioned by the Calgary Chamber of Commerce, found 54 per cent of Albertans believe Canadian governments are not effectively championing Canadian economic interests south of the border. As noted previously, 83 per cent of respondents expect the election to impact Alberta's economy – and therefore expect their governments to focus on cross-border relations.

To support policymakers as they seek to enhance Canadian competitiveness and prepare for either outcome of the U.S. election, we have developed recommendations to ensure our relationship with the U.S. remains prosperous.

Team Canada Approach

Governments – at the political level and across departments – must work together to forward our trade and international relations ambitions to ensure we continue our beneficial relationship with the United States. Developing cohesive narratives around the strategic importance of Canada, and the value of supporting a 'buy North American' strategy rather than a 'buy American' strategy, will be key to ensuring officials in Washington and across various states understand the value of the Canada-U.S. trade relationship.

While the U.S. is generally more self-reliant, Canada is the top export destination for 34 states, and in some cases, trade with Canada is responsible for up to 14 per cent of state GDP. This highlights the importance of State-to-Province and State-to-Federal relationships across the border, indicating the need for provincial governments to engage in bilateral relationship-building. Showcasing our strategic value to the U.S., including through state-level support, whether it be in energy, critical minerals, manufacturing, agriculture or other sectors, will be fundamental as the new administration contemplates policy changes and as we commence trade negotiations.

Canada is the top export destination for 34 states, highlighting the importance of State-level relationships.

In the past 15 years, Canada's infrastructure has gone from being ranked 10th globally to 26th.

Prepare for CUSMA Negotiations

In 2026, the parties involved in the Canada-United States-Mexico Agreement (CUSMA) can open the terms of the agreement for negotiation. Regardless of which candidate wins the election in November, it is likely CUSMA will be re-opened, especially given corporate and political pressure on the U.S. government to reconsider CUSMA rules relating to dairy market access, energy, agriculture, food policy, automotive rules-of-origin and digital trade have only increased since the agreement was first signed. The Republicans and Democrats are aligned on reshoring manufacturing, and both indicate a similar agenda of worker-centered trade policy. Given this, it will be of the utmost importance for governments in Canada to begin preparing for this renegotiation now. We are pleased to see the Government of Canada's consultation on CUSMA, and urge continued consultation and engagement with the business community in the months and years leading into 2026.

The Government of Canada should use the upcoming CUSMA negotiations as an opportunity to strengthen our position as a strong trading partner. This includes addressing trade irritants such as our commitment to increase our military spending to two per cent of our national gross domestic product by 2032, policies such as the *Digital Services Tax Act*, which some Members of Congress say disproportionately penalizes U.S. companies, the *Online News Act*, which again has faced criticism from the U.S. with concerns it may violate the terms of CUSMA, and the *Online Streaming Act*, which similarly may discriminate against U.S. companies and creators. These, among other possible sticking points for the U.S., should be examined by the Government of Canada to determine if risks associated with these pieces of legislation to our trading relationship with the United States can be mitigated.

Canadian governments – at all levels – must also work with industry to shore up our strategic leverage in light of the upcoming renegotiations. Engaging with sectors that may cause friction in CUSMA negotiations, such as automotive and critical minerals, dairy and supply management, and softwood lumber, is essential to determine their needs in a CUSMA renegotiation. Proactively demonstrating the value of Canadian goods in these sectors to the U.S. and attempting to assuage concerns over Canadian production having a negative impact on American businesses, will pay dividends during negotiations.

Moreover, it will be important to capitalize on our strengths, develop trade infrastructure and create a competitive domestic policy environment to support our sectors that are of strategic value to the U.S. – including agriculture, energy, manufacturing, mining and critical minerals – to get their products to market. This will be key in demonstrating the value of trade with Canada to policymakers, government officials and business leaders south of the border.

Invest in Supply Chains and Trade Infrastructure

To demonstrate the value of Canadian commerce, we must ensure reliable, predictable and secure trade infrastructure and supply chains – in goods, services and products. Recently, global confidence in Canada's trade infrastructure has been consistently dropping: in the past 15 years, our infrastructure has gone from being ranked 10th globally to 26th. Even more troubling, specifically relating to transportation infrastructure, we now sit at 32nd internationally. Without reliable infrastructure, Canada cannot be viewed as a favourable place to do business, and therefore we undermine our competitiveness and bargaining power with the U.S. as the new administration sets their trade policy direction.

To get our products to market reliably and demonstrate the security of our supply chains to trading partners, we need to make targeted and strategic investments in transportation and trade infrastructure across the country – including rail and port capacity. Moreover, governments – federal, provincial and territorial – must collaborate in defining Canada's national trade corridors and commit to better collecting and utilizing trade and transportation infrastructure data to understand the gaps in our trade infrastructure. By collecting and utilizing data, governments can develop a fulsome understanding of the gaps in our infrastructure systems and address them accordingly.

Once defined, we should seek to adopt already established international best practices from other jurisdictions and build upon Canada's previously successful trade infrastructure projects, such as the Asia-Pacific Gateway and Corridor Initiative (APGCI), which allowed us to develop improved transportation systems for our Asia-Pacific gateway, and Transport Canada's Regional Transportation Assessments, which give governments a better understanding of existing transportation systems.

Canada must also create a path to resolving domestic labour disruptions proactively and equitably, reducing the impact on businesses and trade infrastructure. Disruptions such as the recent lockout and strike action for Class 1 rail operators, disruptions in the airline industry, and last summer's planned port strike damage our global reputation as a reliable trading partner and could negatively impact the impending CUSMA negotiations. Consider both Democratic and Republican commitments to support worker protections when resolving labour disruptions, ensuring equitable agreements are reached.

Not only would investment in trade infrastructure support our relationship with the U.S. but it would also work to decrease our internal trade barriers, improving the flow of goods interprovincially. Further, improving trade infrastructure could spur increased investment for large-scale projects across the country, driving economic growth and innovation.

Prioritize Competitiveness

For the Canadian economy to succeed in relation to the U.S., we must support a competitive business environment across sectors and sizes of firms. Canada's population and economy are dwarfed by our southern neighbours – we are a country of 41 million people, with an export-driven economy and a tax structure that is on par with the U.S., despite their economy being over 10 times the size of ours. To drive growth across our exporting industries, we need governments to address competitiveness and productivity. Further, ensuring Canadian domestic policy is clear, consistent and competitive relative to the U.S. and other jurisdictions is critical as we continue to compete for investment despite our smaller economy. The only way to compete with the U.S. is to have the most efficient, consistent and clear regulatory systems across sectors.

The continued punitive layering of burdensome regulatory policy, such as the recent changes to the *Competition Act* introduced in Bill C-59, the proposed Oil and Gas Emissions Cap, the draft *Clean Electricity Regulations* and the recent changes to the capital gains inclusion rate announced in *Budget 2024*, negatively impacts our competitiveness and drives away investment. Similarly, our tax system must be structured to be more competitive and more supportive of entrepreneurial risk-taking.

Canada as a nation has significant resources – both natural and human – that we need to leverage. To demonstrate our value to trade partners in the U.S., we must capitalize on our existing strengths to increase our exports, driving growth across the economy. Businesses must be able to respond to the needs of our trade partners in the U.S., increasing our exports and making the most of our strategic leverage. To do this, we need policymakers to ensure that competitiveness and productivity are top of mind, especially as it relates to regulatory burden and tax structure.

Highlight Alignment with U.S. Policy

To work effectively with either Administration, federal, provincial and territorial governments must consider the broader policy goals of their U.S. counterparts. This is not to suggest that U.S. policy should dictate Canadian government agendas. However, ensuring American trade officials see their policy priorities supported by trade with Canadian firms will help showcase the value of Canada and America's bilateral trade relationship.

For example, if Ms. Harris is successful, the U.S. will almost certainly continue its drive to develop renewable energy production, expanding upon policies such as the *Inflation Reduction Act*. Federal and provincial governments in Canada should remember this when undertaking trade discussions with a Harris administration, ensuring Canada's strong environmental and workers' rights records are emphasized, showing alignment with Harris' goals. Reviewing historical priorities and finding alignments where feasible will allow future trade negotiators to see commonalities reflected in Canadian policy, helping smooth over potential trade irritants.

Governments must also consider the policy goals of a potential Trump administration, which promises to expand conventional energy production through further oil and gas exploration, production and processing. Governments must be prepared to respond to these broader domestic policy goals from both an alignment and competitiveness perspective, particularly in key sectors such as energy and agriculture, ensuring Canadian trade offerings are viewed as aligned with U.S. priorities. A Republican administration that values energy security and manufacturing supply chains will likely prioritize this in trade negotiations with Canada.

Recommendations

To advance Canada's competitive advantage of accessing the U.S. economy, maintain the value of Canada's exports to the U.S., and ensure investment and productivity are not stifled due to a shift in Canada-U.S. relations, we share the following recommendations with Canadian governments:

Take a 'Team Canada' approach to international relations with the United States, ensuring collaboration across federal, provincial and territorial, and municipal governments is top of mind. Develop intergovernmental collaboration and strong communication with the U.S. federal government and state partners in key trading states to ensure Canadian businesses maintain their market access, and U.S. partners understand the value of Canada's supply chains. Having strong allies at the state level proclaiming our trade significance in Washington is also advantageous.

Pre-emptively work to address potential trade irritants in light of the potential 2026 CUSMA renegotiation, including our NATO commitment to reach two per cent of GDP spending on defensive capabilities, and potential issues surrounding the *Digital Services Tax Act*, *Online News Act* and the *Online Streaming Act*. Additionally, work with stakeholders in sectors that have historically been front-of-mind in international trade negotiations to mitigate risks for businesses.

Improve key sectors' access to markets through more robust supply chains and trade infrastructure. Federal, provincial and territorial governments must collaborate to define Canada's national trade corridors and improve collection and utilization of trade and transportation infrastructure data to make informed investment decisions, targeting high-value projects that will contribute to Canada's infrastructure and supply chain security. Canada should also work to resolve domestic labour disruptions in a timely manner, minimizing the economic impact of labour negotiations.

Consider the impacts of regulatory burdens and restrictive tax structures on Canadian competitiveness. Ensure Canada is well positioned to be a competitive jurisdiction for Canadian businesses to grow and scale. Given our trading relationship with the U.S. may be disrupted, ensure Canada is a competitive place for businesses to be successful, should they have less access to U.S. markets. Competitiveness will also position Canada as a first destination for American businesses to scale and invest.

Prepare to highlight alignment with Canadian policies, particularly those related to energy development, environmental regulation and worker protections, outlining how Canada aligns with U.S. domestic policy under either administration while maintaining Canada's own policy priorities. Ensuring our governments can be nimble in responding to U.S. priorities will be key to supporting Canada's trade narrative.

Canada's trade relationship with the U.S. is remarkably important to the strength of our economy. Businesses across the spectrum – from micro-firms to multinationals – rely on the market access and favourable trading conditions that our bilateral relationship allows. Either outcome of the November 5th election will have serious implications for our economy, and all levels of government must work proactively to address issues and harness opportunity to the benefit of our business community, economy and nation.

For references please visit calgarychamber.com/2024-us-election-strengthening-canadas-economic-future.

Better Together.

The Calgary Chamber exists to help businesses reach their potential. As the convenor and catalyst for a vibrant, inclusive and prosperous business community, the Chamber works to build strength and resilience among its members and position Calgary as a magnet for talent, diversification and opportunity. As an independent, non-profit, non-partisan organization founded in 1891, we build on our history to serve and advocate for businesses of all sizes, in all sectors across the city.

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