



The Future of Canada's Economy:

Debunking Trump's Lies

Getting our Elbows Really Up!

Defending Canadian Sovereignty, Prosperity & Democracy

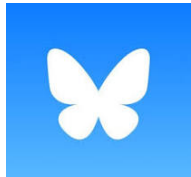
Jim Stanford, Economist & Director, Centre for Future Work

For Third Age Learning Kitchener-Waterloo

March 2026



www.centreforfuturework.ca



@jimbostanford

@futurework_cda

Resources & Explainers

Full Report:

<https://centreforfuturework.ca/2025/01/12/whos-subsidizing-whom/>

YouTube Video:

<https://www.youtube.com/watch?v=JXdGXIPG2fA>

Centre for
FutureWork

Who's Subsidizing Whom?

**Myth and Reality about the
Canada-U.S. Trade Balance**



Elbows Up Economic Summit

Building a Sovereign, Sustainable,
Value-Added Economy



www.policyalternatives.ca/elbowsup

Outline

1. Debunking Trump's Lies
2. Trump's Tariff War: Impacts and Responses.
3. The Bigger Problems We Must Confront.
4. Conclusion: Getting our Elbows REALLY Up.



1. Debunking Trump's Lies



Donald J. Trump 🇺🇸
@realDonaldTrump



An Unfathomable Threat to the World

- Trump ignoring the normal rules of:
 - Economics.
 - Diplomacy.
 - International trade.
 - Democracy.
 - War.
- Canada is on the front lines.
- How has our economy fared in the face of Trump? And what is required to survive and thrive beyond Trump?

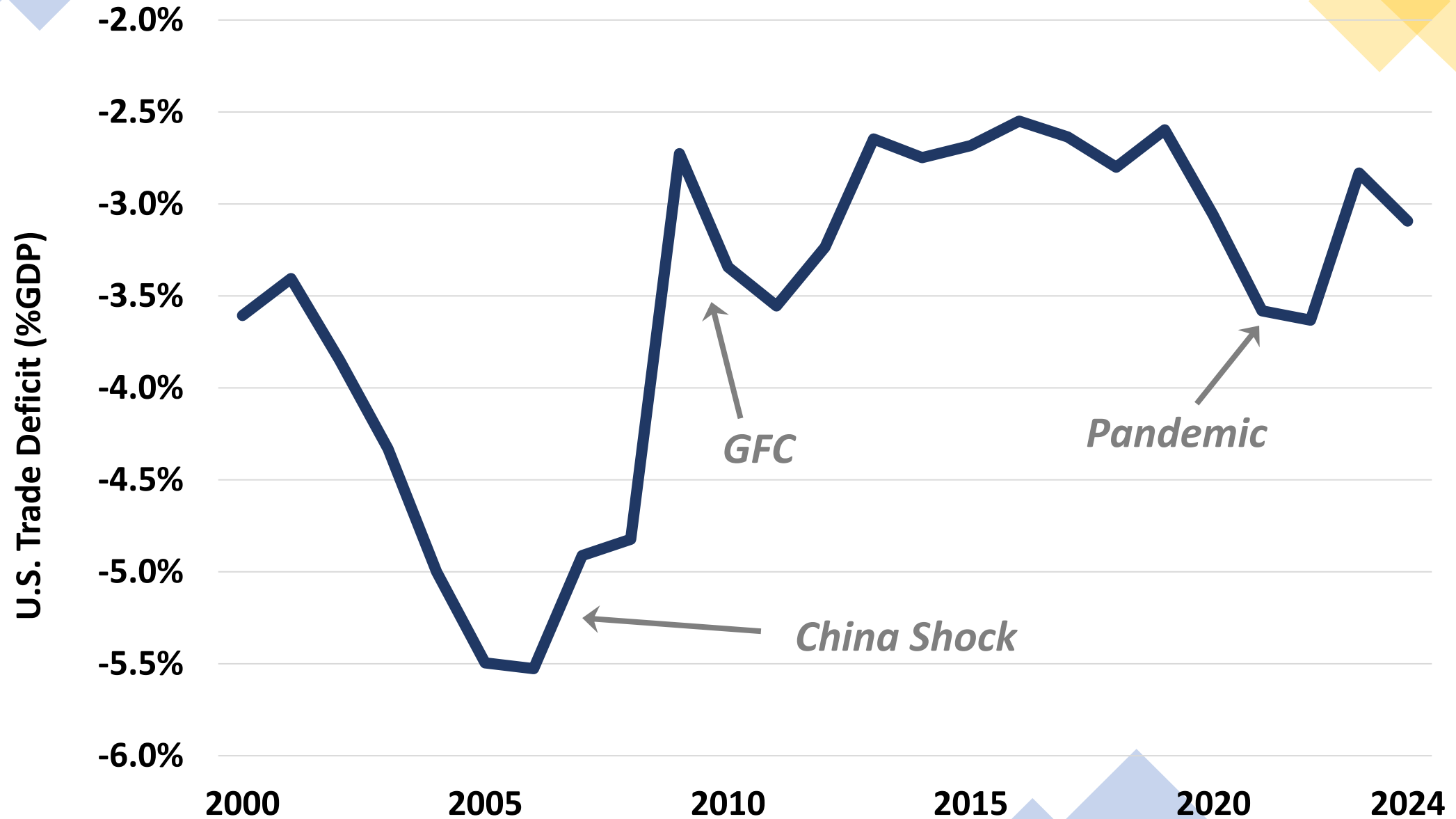
Trump's Lies

- The U.S. trade deficit destroys good U.S. jobs.
- The U.S. trade deficit results from unfair practices by other countries.
- The U.S. trade deficit constitutes an American “subsidy” to other countries.
- The U.S. trade deficit is an “emergency” that justifies his use of unilateral Presidential power.
- Unilateral U.S. tariffs will “level the playing field” and result in fair trade and “bring jobs home” to the U.S.

The Truth

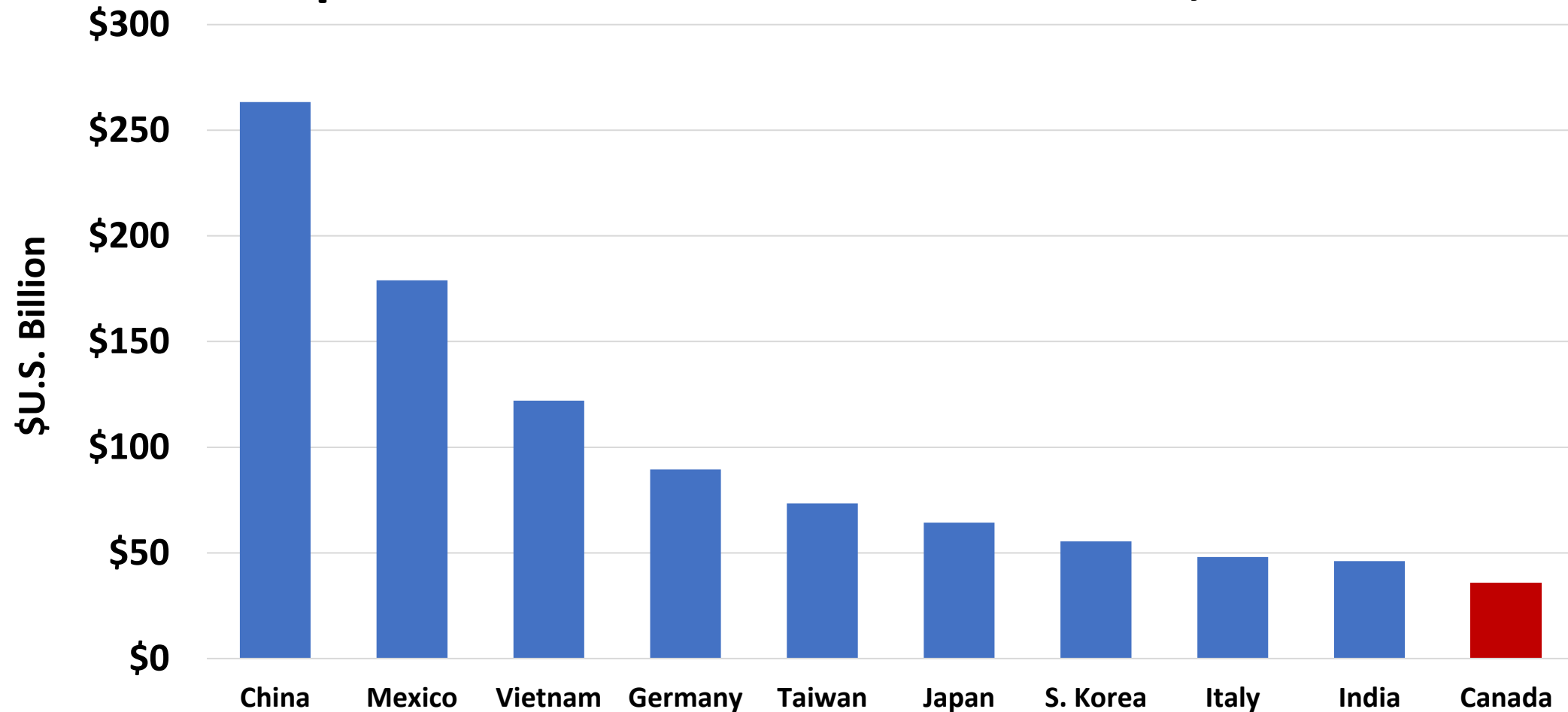
- The U.S. trade deficit is not new, large, or an emergency.
- The U.S. trade deficit results from ongoing massive capital inflows to the U.S. from other countries (including Canada).
- The jobs Trump is hoping to capture were never “U.S. jobs” in the first place.
- The U.S. has lost more manufacturing jobs under Trump’s policies than Canada.

U.S. Trade Deficit: Nothing New

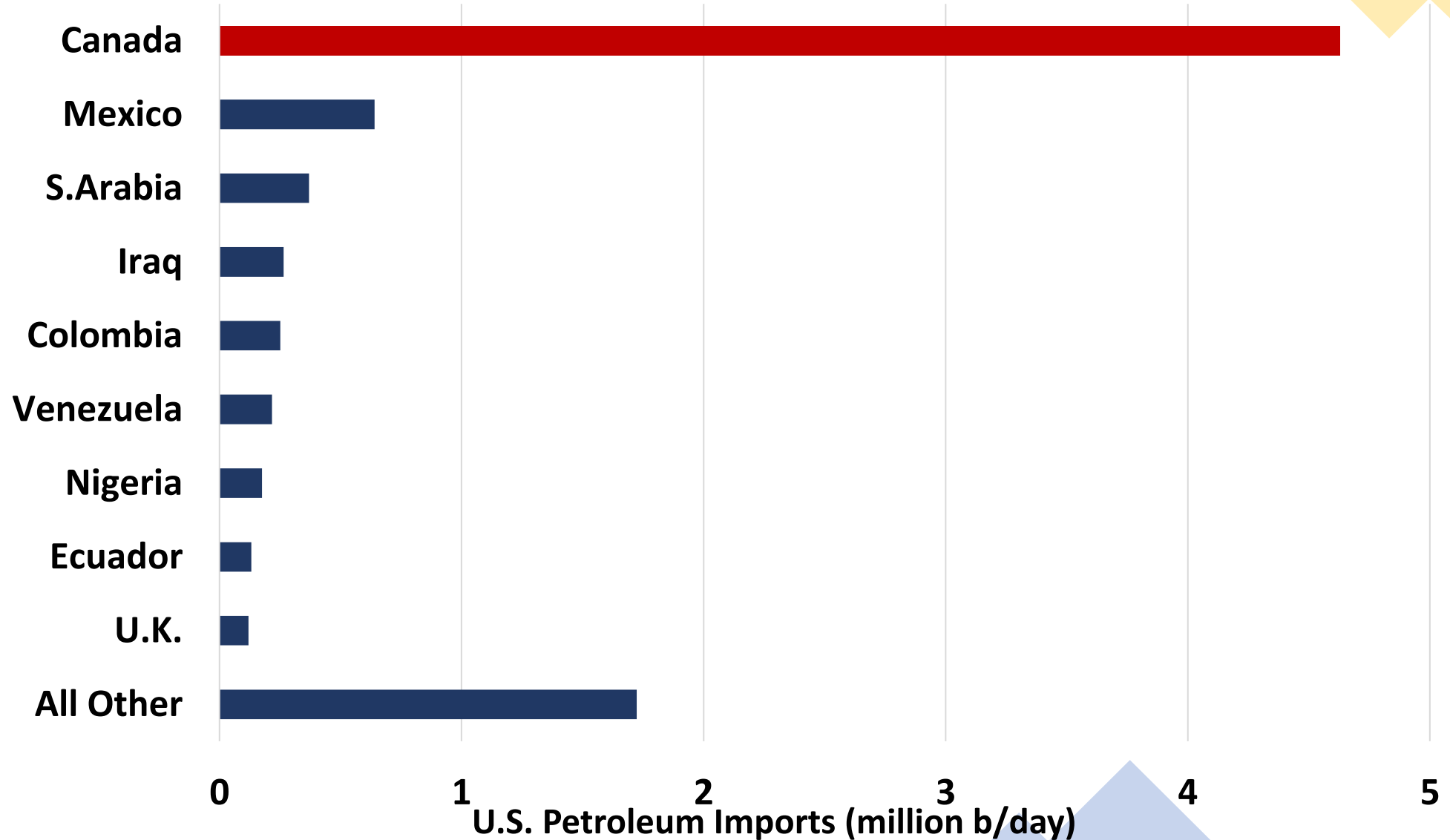


Don't Blame Canada

Top Ten U.S. Bilateral Trade Deficits, 2024



You DO Need Us, Donald...

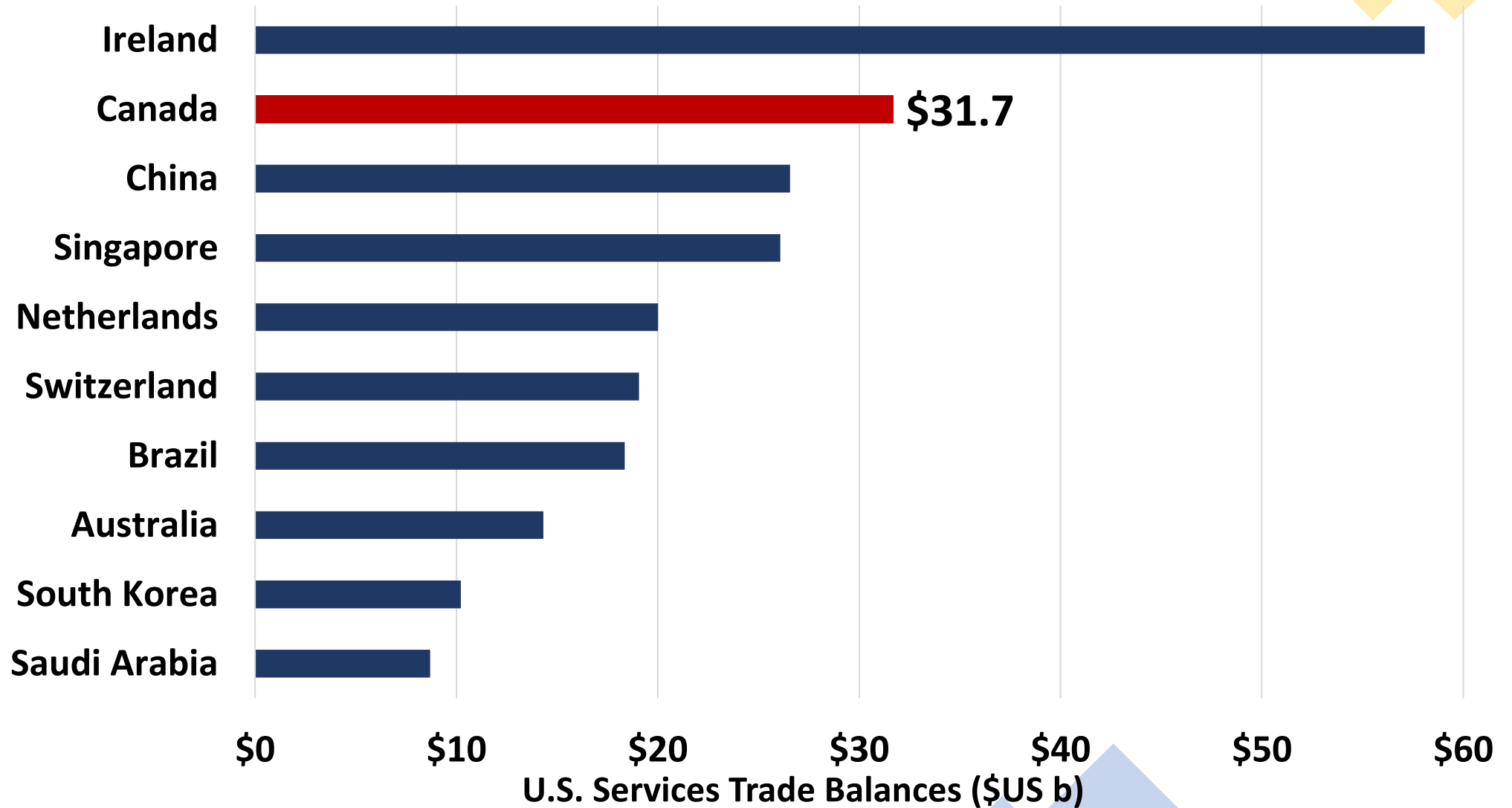


...and Not Just Our Oil

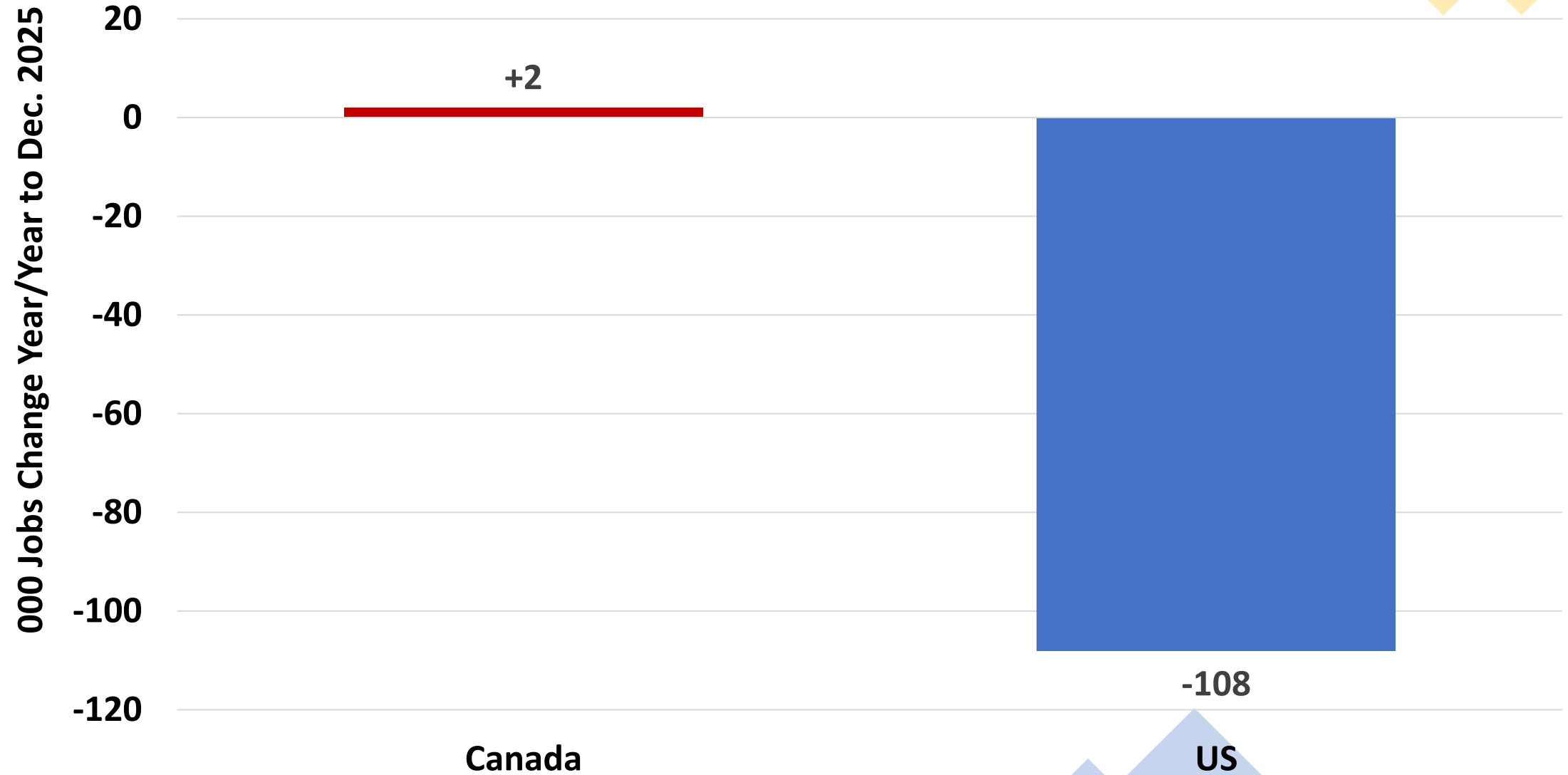
Composition of U.S. Imports, 2023

Category	All U.S. Imports	Imports from Canada
Energy	8.3%	29.1%
Other Industrial Inputs	17.8%	23.5%
Capital Equipment	36.2%	23.4%
Passenger Cars	6.6%	8.1%
Other Consumer Goods and Food	31.1%	15.9%
Total	100%	100%

Services Count, Too



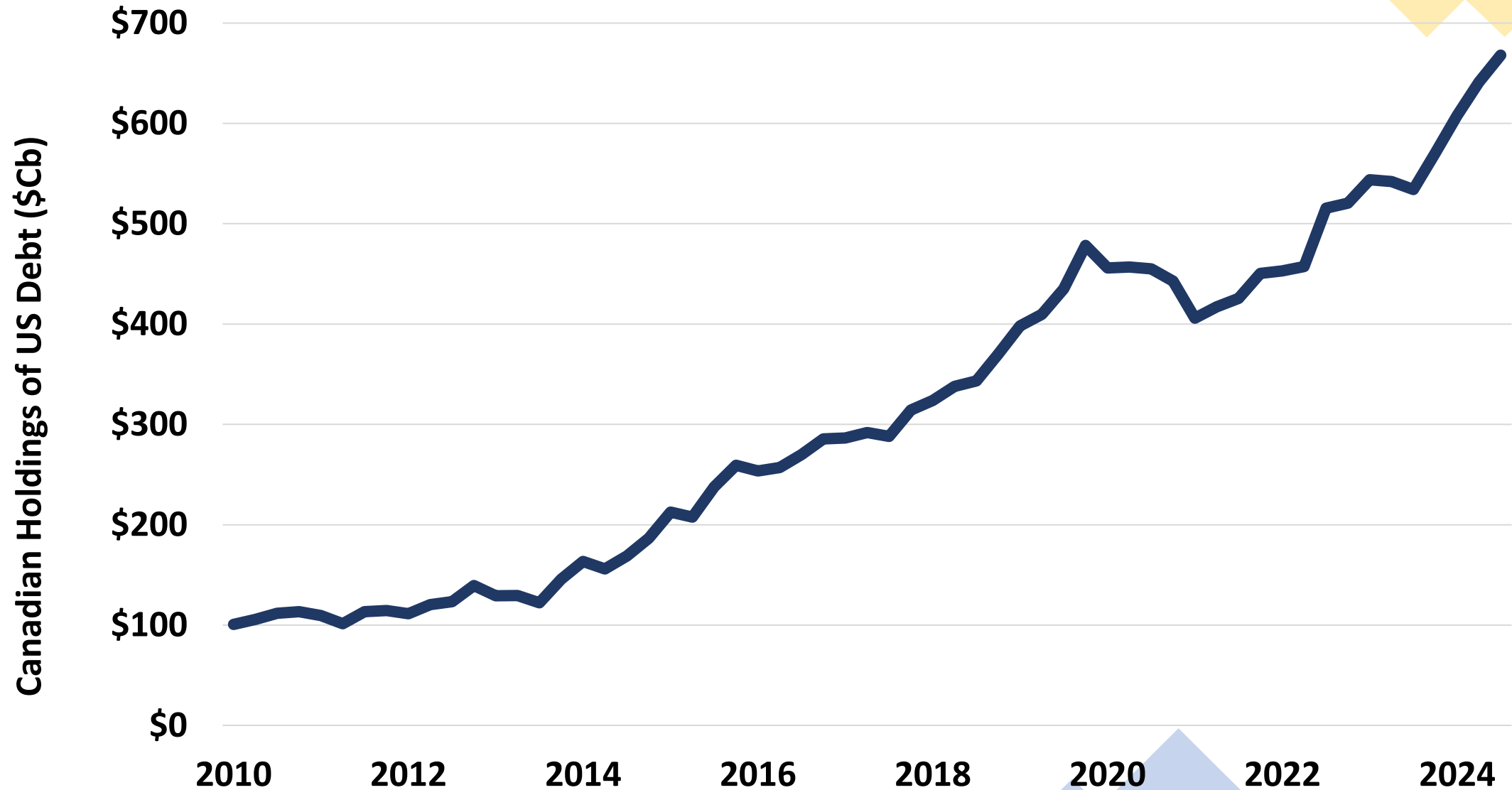
Manufacturing Job Trends



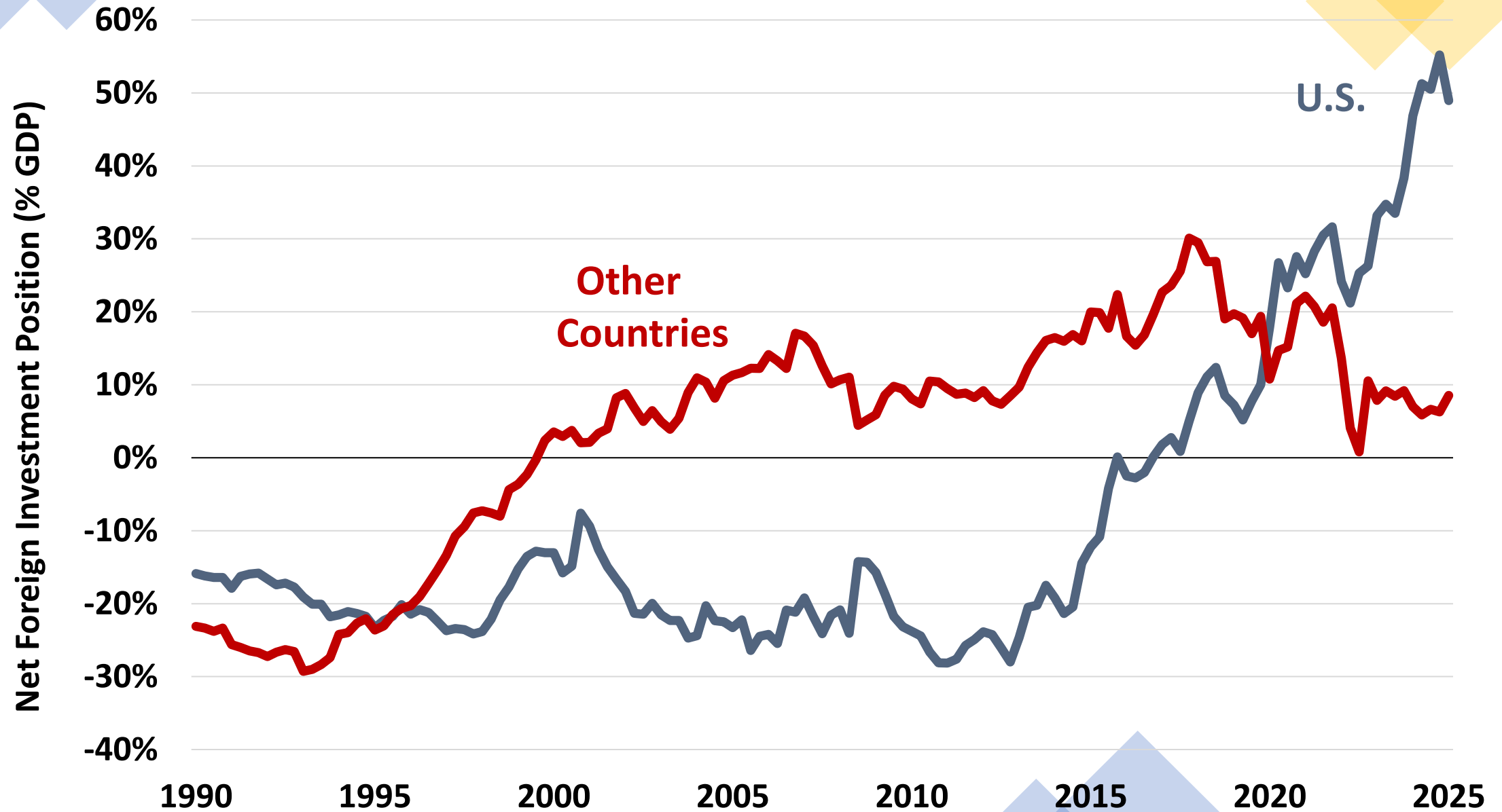
Trade Balances and Subsidies

- Many factors cause trade imbalances:
 - Macroeconomic factors, lopsided trade policies, lack of competitiveness, capital flows.
- U.S. has had a deficit for 49 straight years.
 - It's neither new, nor an emergency (smaller in recent years).
 - U.S. buys more than it sells, consumes more than it produces.
- Canada does its bit to “help” the U.S.
 - \$1.6 trillion net investment surplus with the U.S.

Canadian Holdings of U.S. Debt




Net Outflow of Capital



Who Subsidizes Whom?

- In 3 ways, U.S. benefits from unusual 'sweet deals' with Canada:
 1. Energy imports well below world price (\$20b US/yr saving).
 2. Services exports that are uncounted, unregulated, untaxed.
 3. 'Reverse interest loans' to U.S. (\$13b/yr outflow int. & profit).



2. Trump's War: Impacts & Responses

Erratic and Autocratic

- Trump's tariffs have gone through numerous iterations:
 - National emergency (IEEPA, aka 'fentanyl') tariffs.
 - Section 232 (national security; sectoral) tariffs.
 - Huge tariffs on China, quickly abandoned ('TACO').
 - Reaches 'deals' with some countries (never ratified).
 - Supreme Court overturns IEEPA tariffs; refunds due.
 - Trump imposes new 10% tariff on everyone.
 - Raised to 15% one day later.
- Failure of U.S. democracy to constrain his impulses.

Trump's Liberation Day Insanity





Trump's Liberation Day Insanity

- The economic logic made no sense.
- But the specific formula was crazy!

$$\Delta\tau_i = \frac{x_i - m_i}{4 * .25 * m_i} \quad \div 2!$$

- Trump personally chose this formula.
- Tariffs imposed on uninhabited islands.
- Countries selected according to top-level internet domain.
- Formula implies Canada should impose an 18.5% tariff on U.S. services.

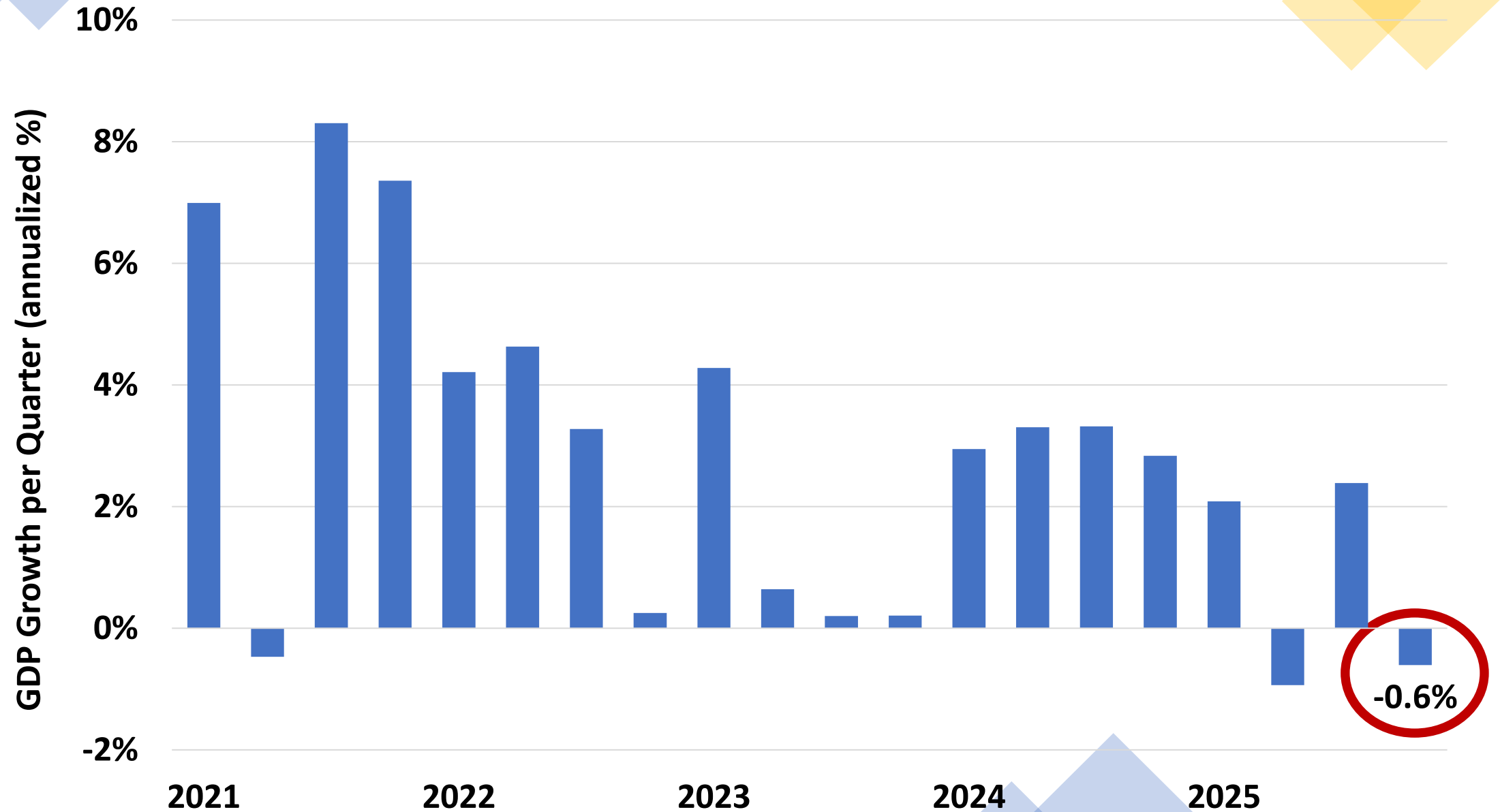
Direct Impact of Tariffs

- Americans pay them. Canadian exports become more expensive.
 - U.S. research: U.S. companies & consumers pay 95% of the cost.
- Impacts on Canadian exporters:
 - If Americans can switch to alternatives, quantity sold will fall.
 - Or Americans may demand offsetting price cuts.
- Impacts on U.S. buyers:
 - If Americans cannot switch, they must bear the higher price.
 - Higher domestic inflation, likely higher interest rates.
 - Remember: 76% of imports from Canada are business inputs.
- No coincidence Trump targets our most important value-added industries.
 - Auto, Metals, Pharmaceuticals, Semiconductors, Machinery, Aerospace, Manufactured Wood.

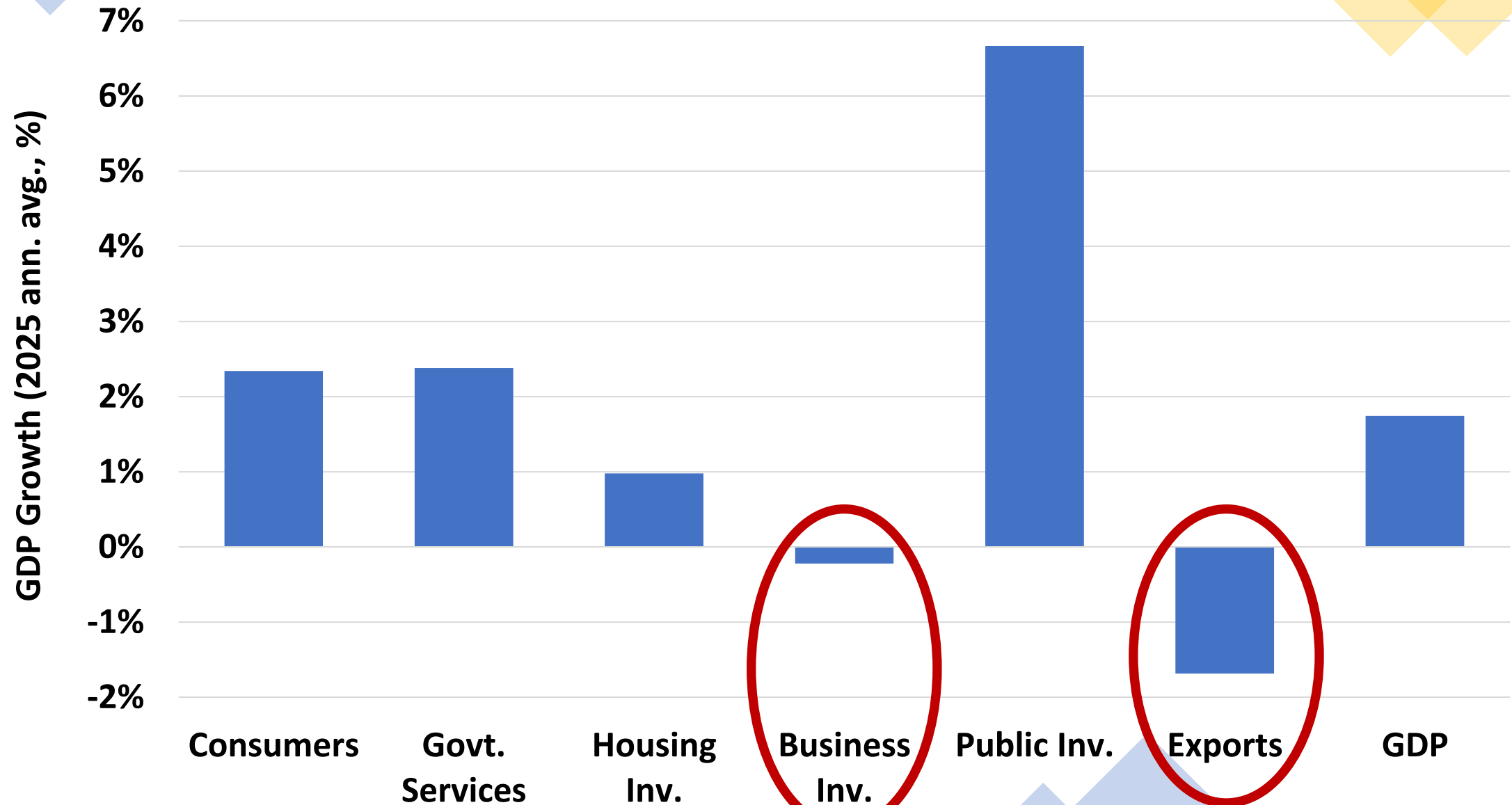
Broader Impacts of Tariffs

- Creates huge uncertainty in minds of businesses about investing in Canada.
 - Investment plans put on hold.
 - Canada's corporate elite wants to suck up to appease Trump.
- Combination of reduced exports and lost investment undermines growth in Canada.
- Fall-out to household incomes, government revenues.
- Regional tensions from uneven impact on different sectors and provinces.
 - Amplified by interference in Canadian politics.

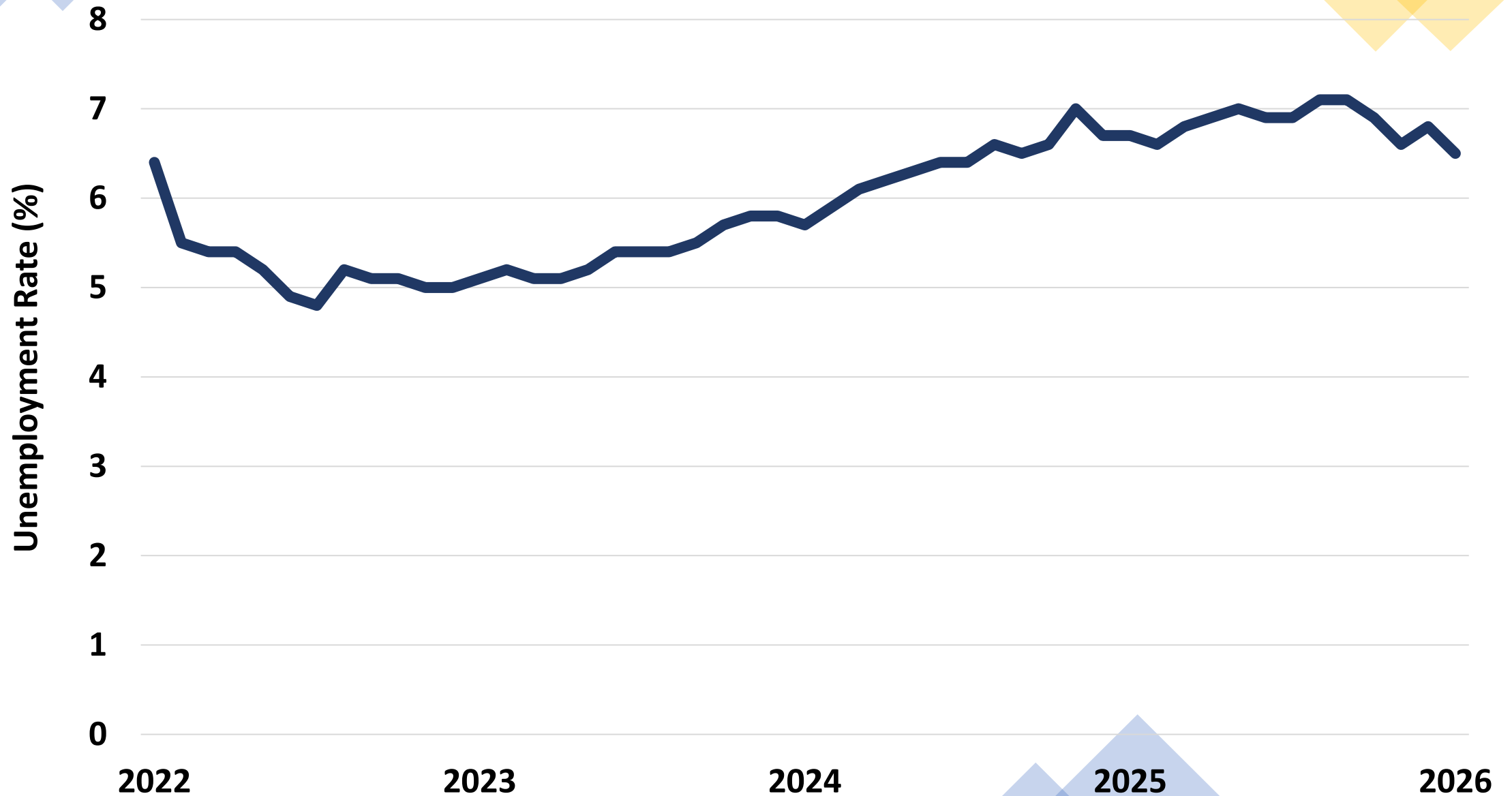
Skirting Recession (So Far!)



Source of the Pain



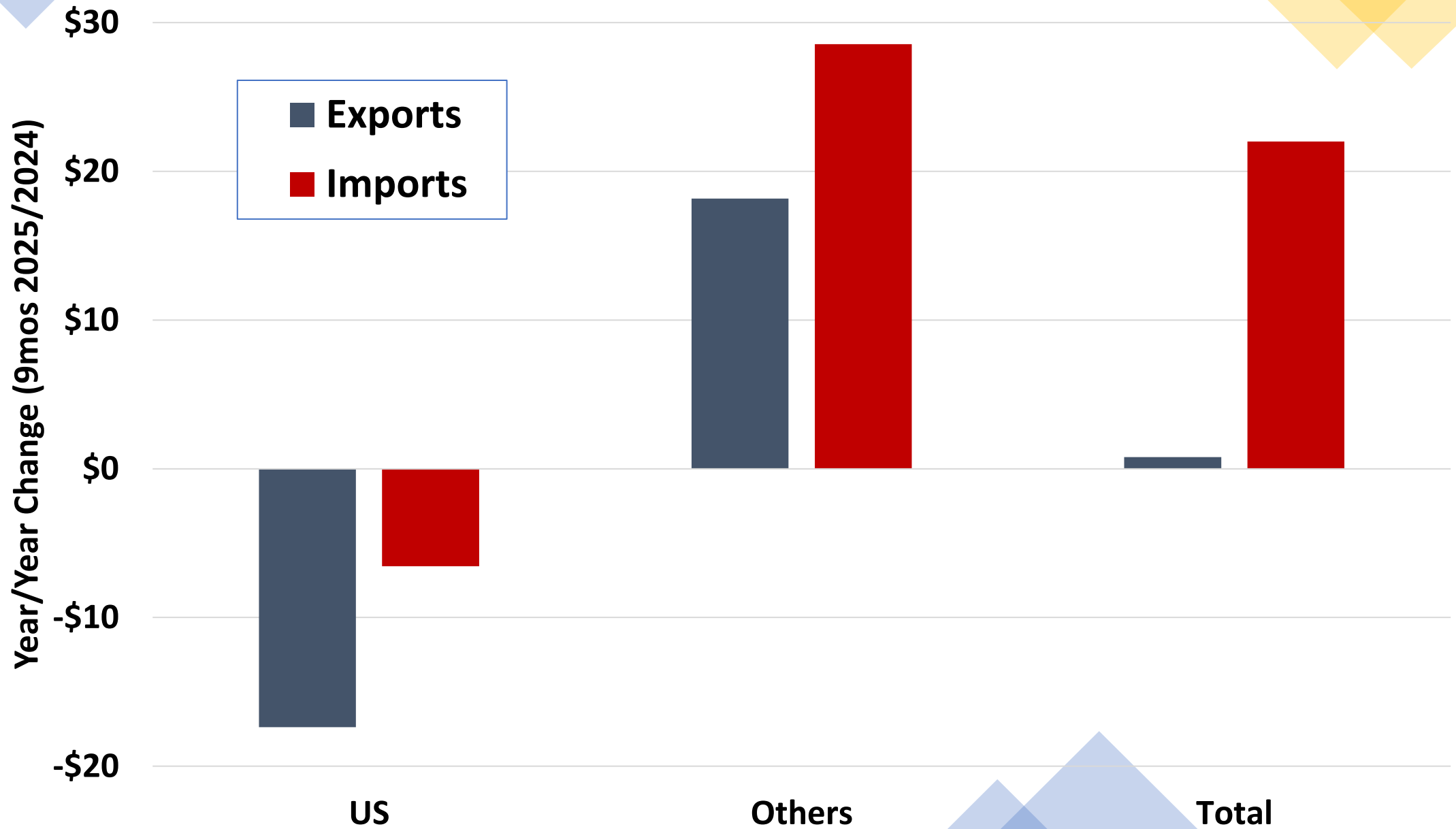
Unemployment: Treading Water



Trade Policy Response

- Canada needs a threat to gain bargaining leverage.
 - Initial actions were not bad.
 - Subsequent concessions aimed at appeasing Trump have not worked.
- Bigger, more targeted impacts from non-tariff measures.
 - Resource taxes or quantitative limits (Alberta could keep the \$\$!).
 - Target monopoly profits of U.S. firms (drug patents, targeted tariffs on Tesla, lift the Digital Services Tax).
 - Capital measures / foreign investment.
- Government procurement, 'Buy Canadian' by consumers, developing other export markets can help.
- More trade within Canada could help, too – but federal-provincial harmonization is not the issue.

Pivoting Canada's Trade



Broader Policy Response

- Much of the damage is done, even if Trump backs off.
- Canada will need emergency measures to cushion the blow:
 - Emergency assistance to export industries.
 - Emergency assistance to workers (permanent fix for EI?).
- Longer-run reorientation of economic development strategy also required.
 - Major investments in Canada, by Canadians, for Canadians.
 - Comprehensive industrial strategy & planning.
 - Remember: most of our GDP (80%+) is not exported.
 - Emphasize infrastructure, housing, services, care economy.
 - New National Policy? Public ownership?



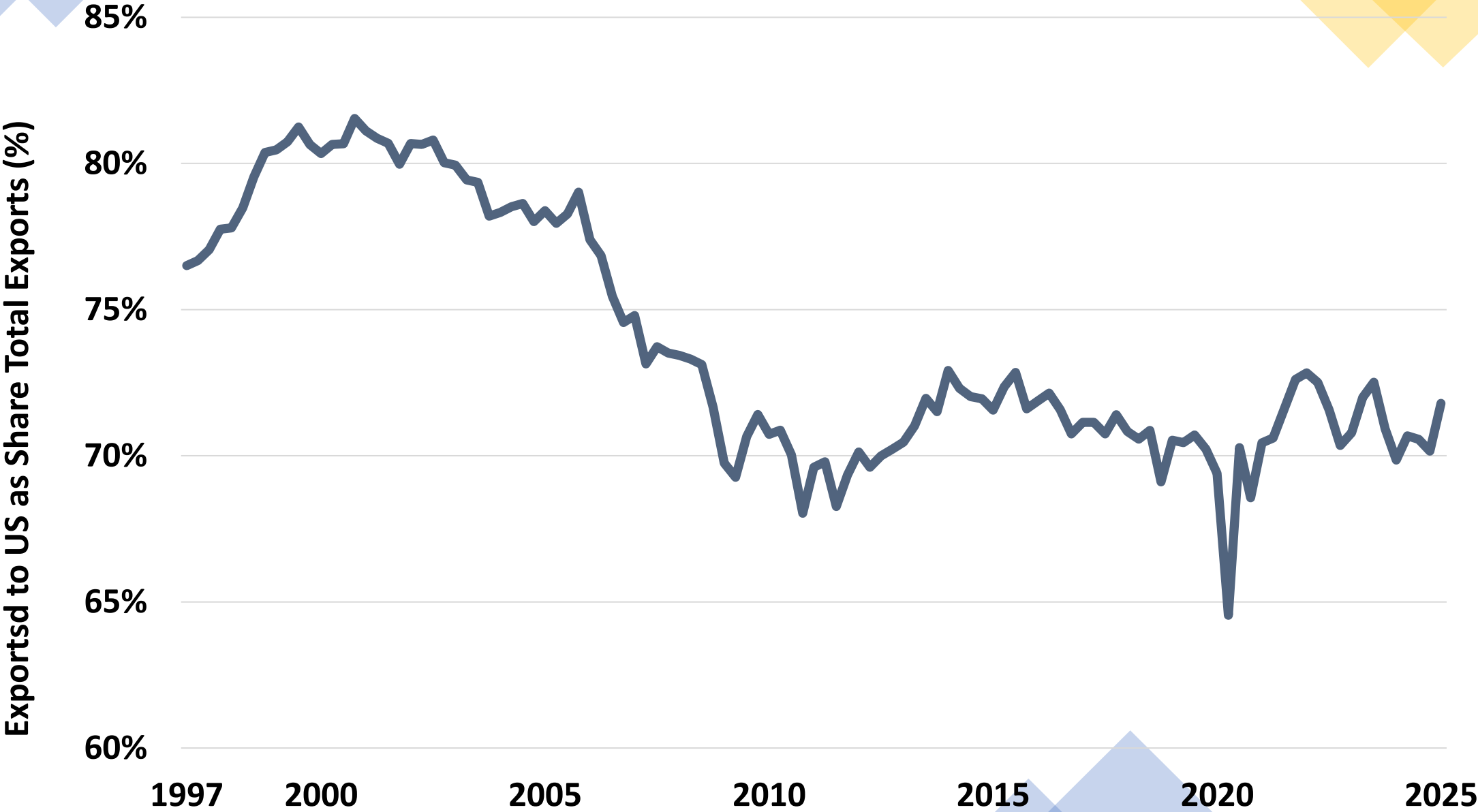
3. Canada's Bigger Structural Challenges

Challenges to a Sovereign, Value-Added, Sustainable Economy

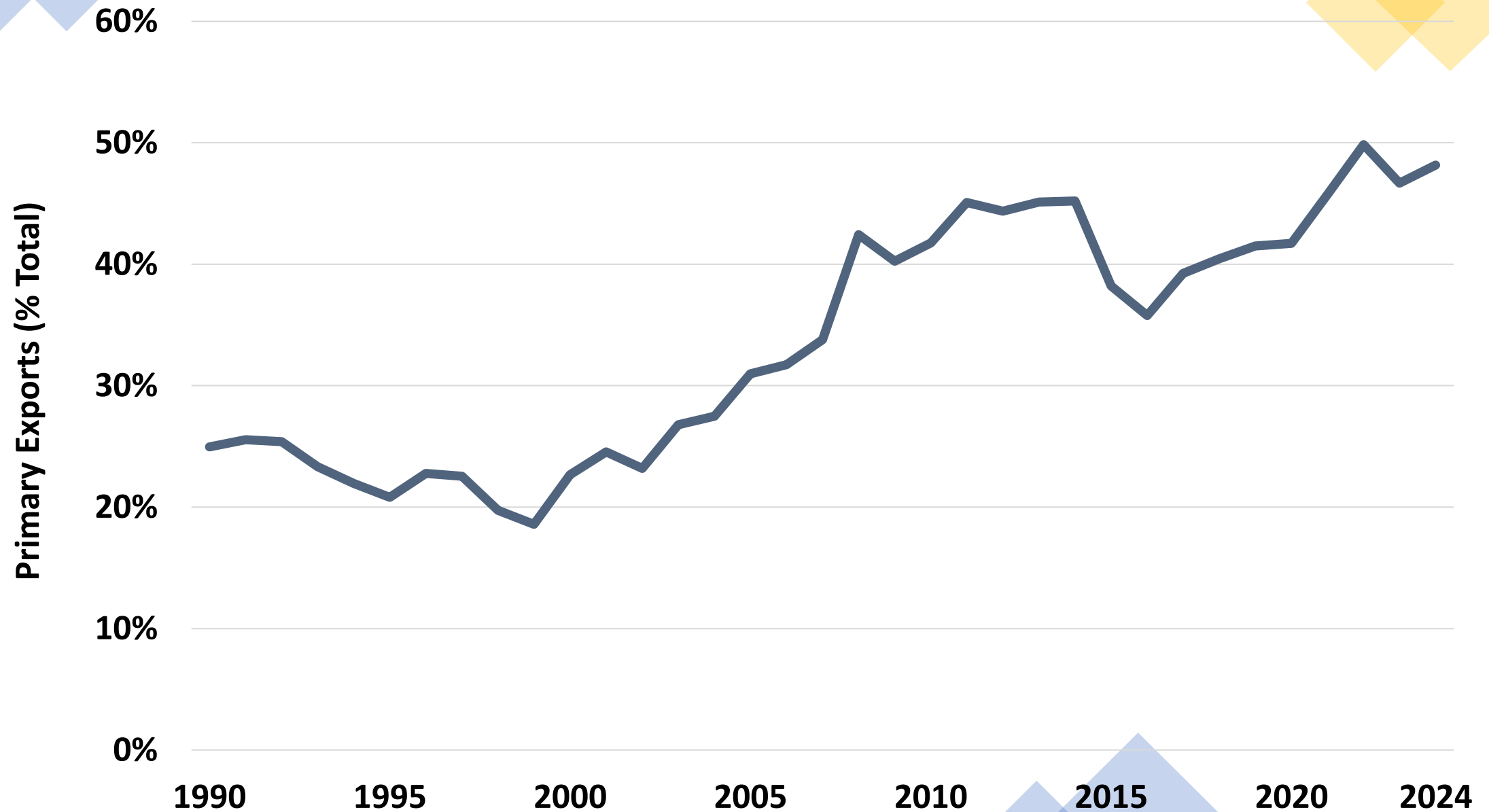
Trump forces us to consider generational and structural challenges:

- Orientation around U.S. market since 1989.
- Growing dependence on primary exports since 2000.
- Relative decline of technical / innovative capacity, with many symptoms (stagnant productivity, falling innovation effort, net outflow of capital).
- Failure of private sector to lead growth (both quantity & quality).
- Shortfalls in investment (private & public), infrastructure, housing, care.

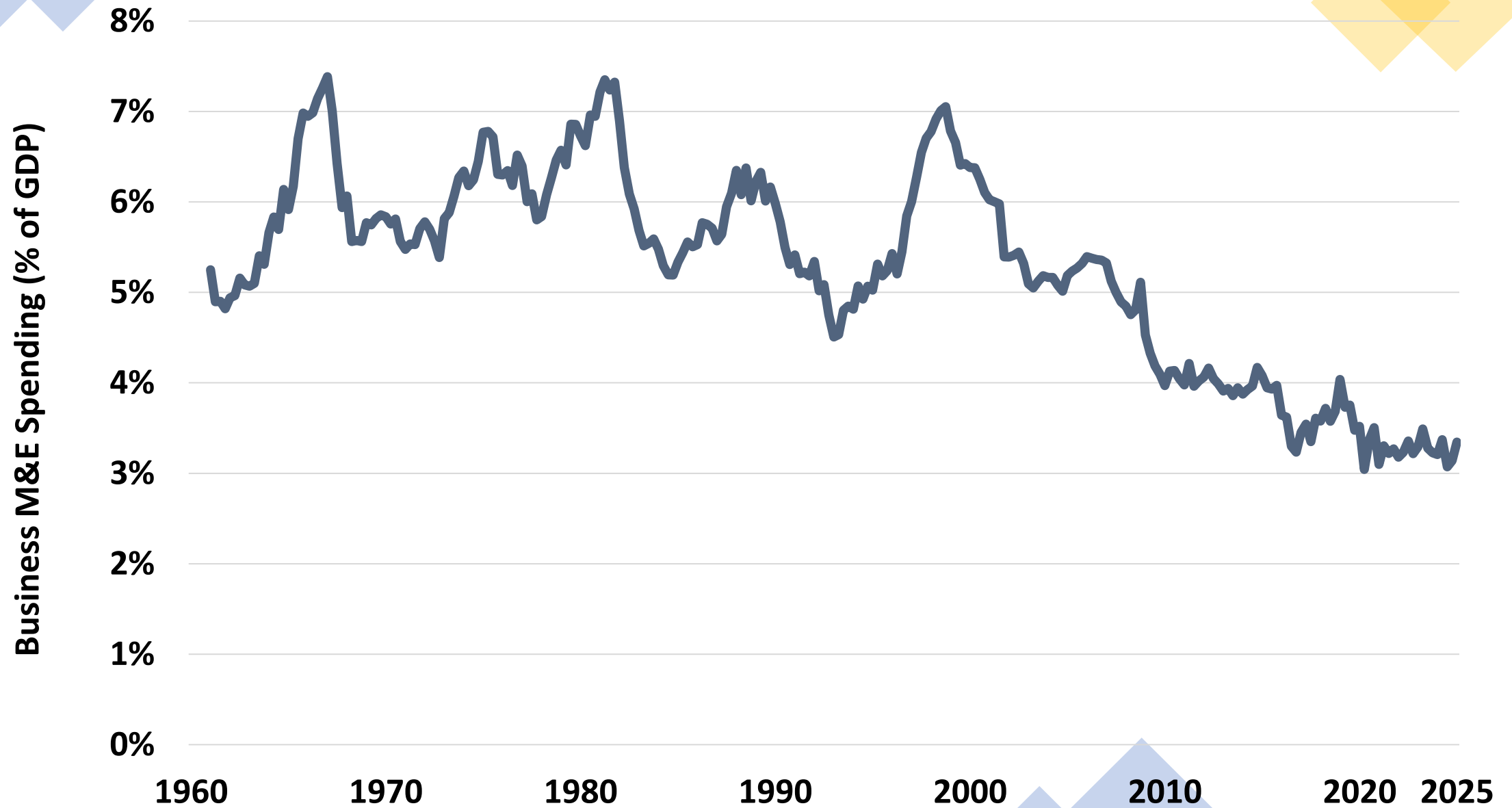
Reliance on U.S. Market



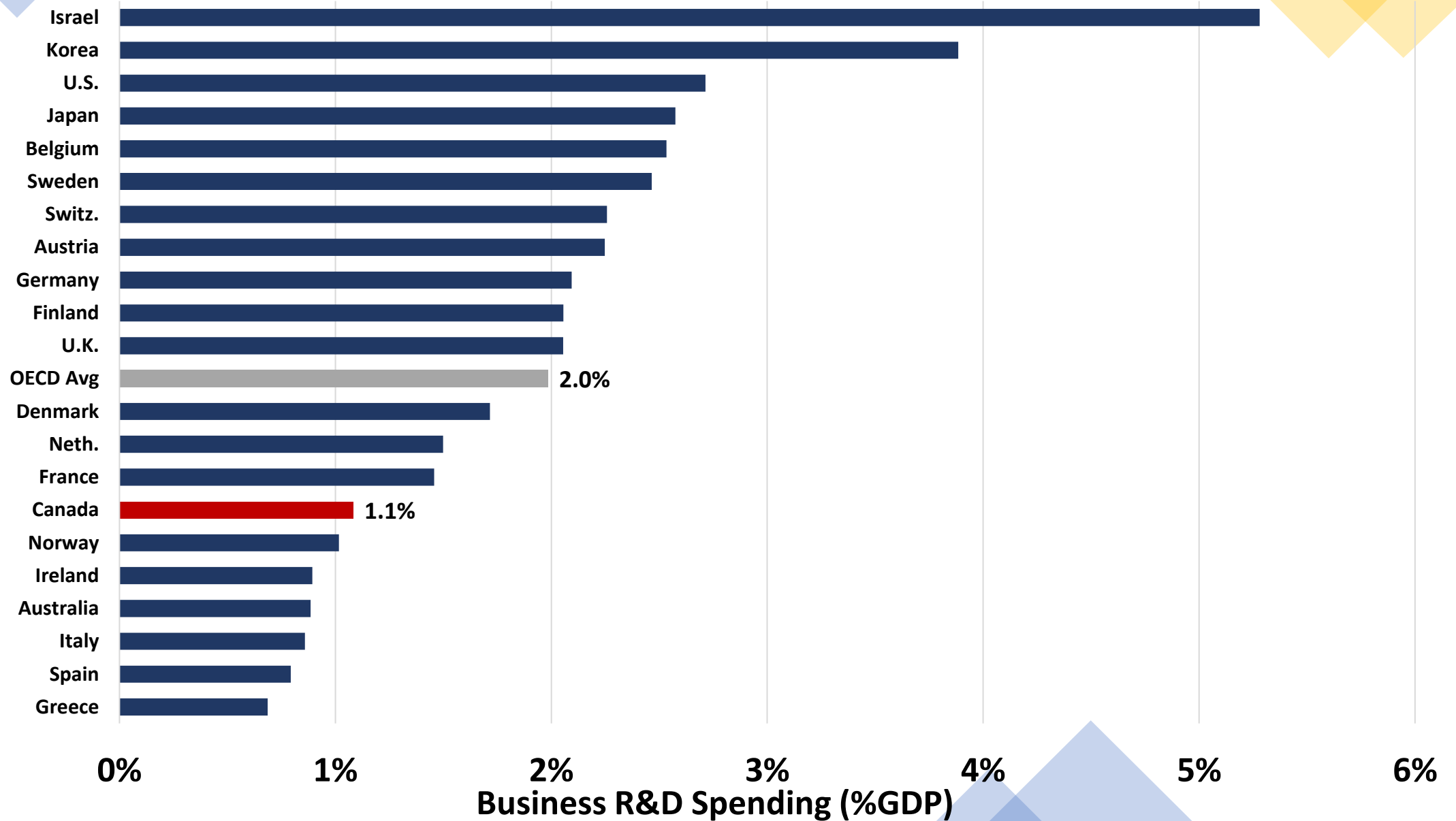
Reversion to Staples Producer



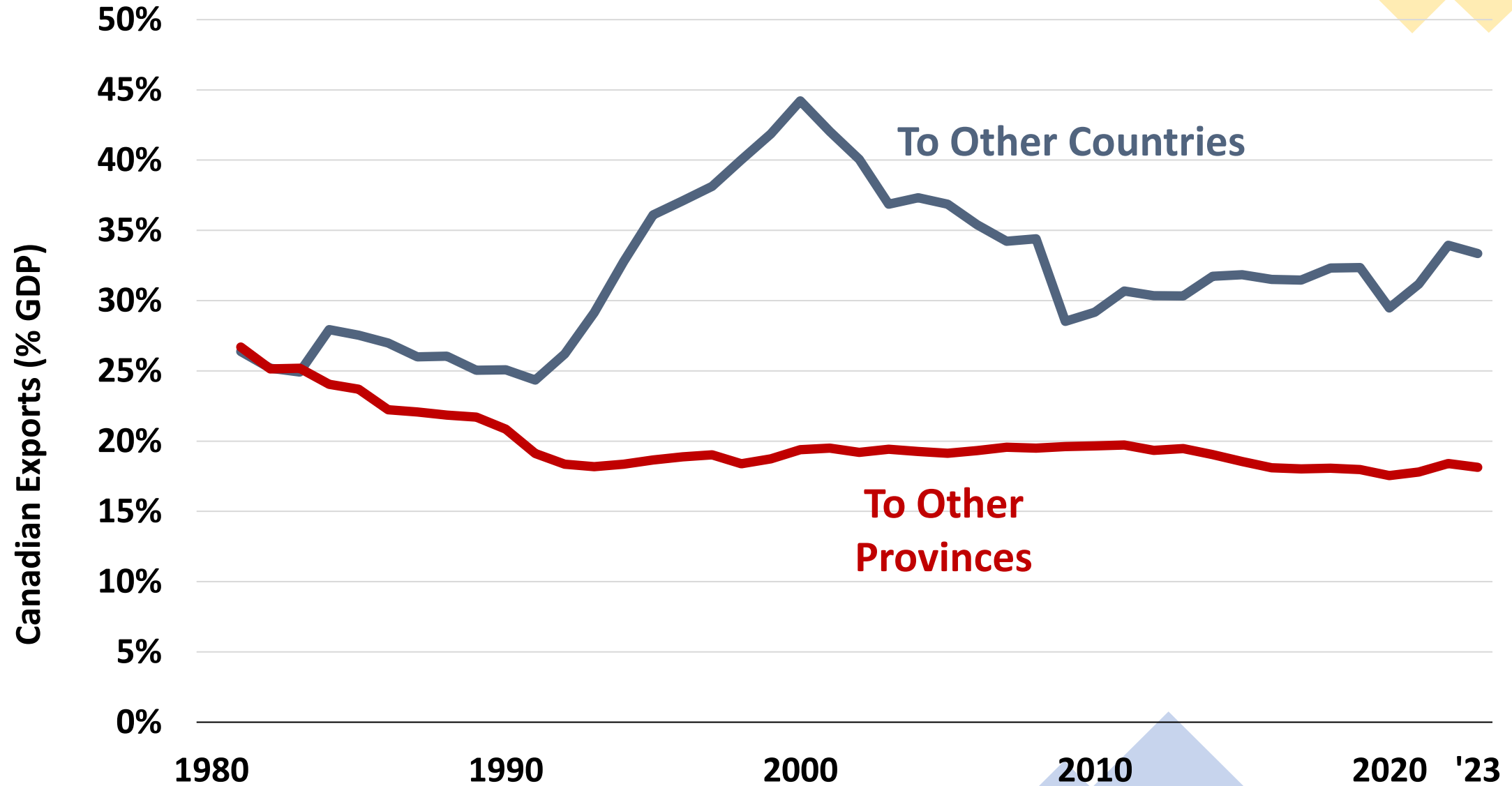
Inadequate Capital Investment



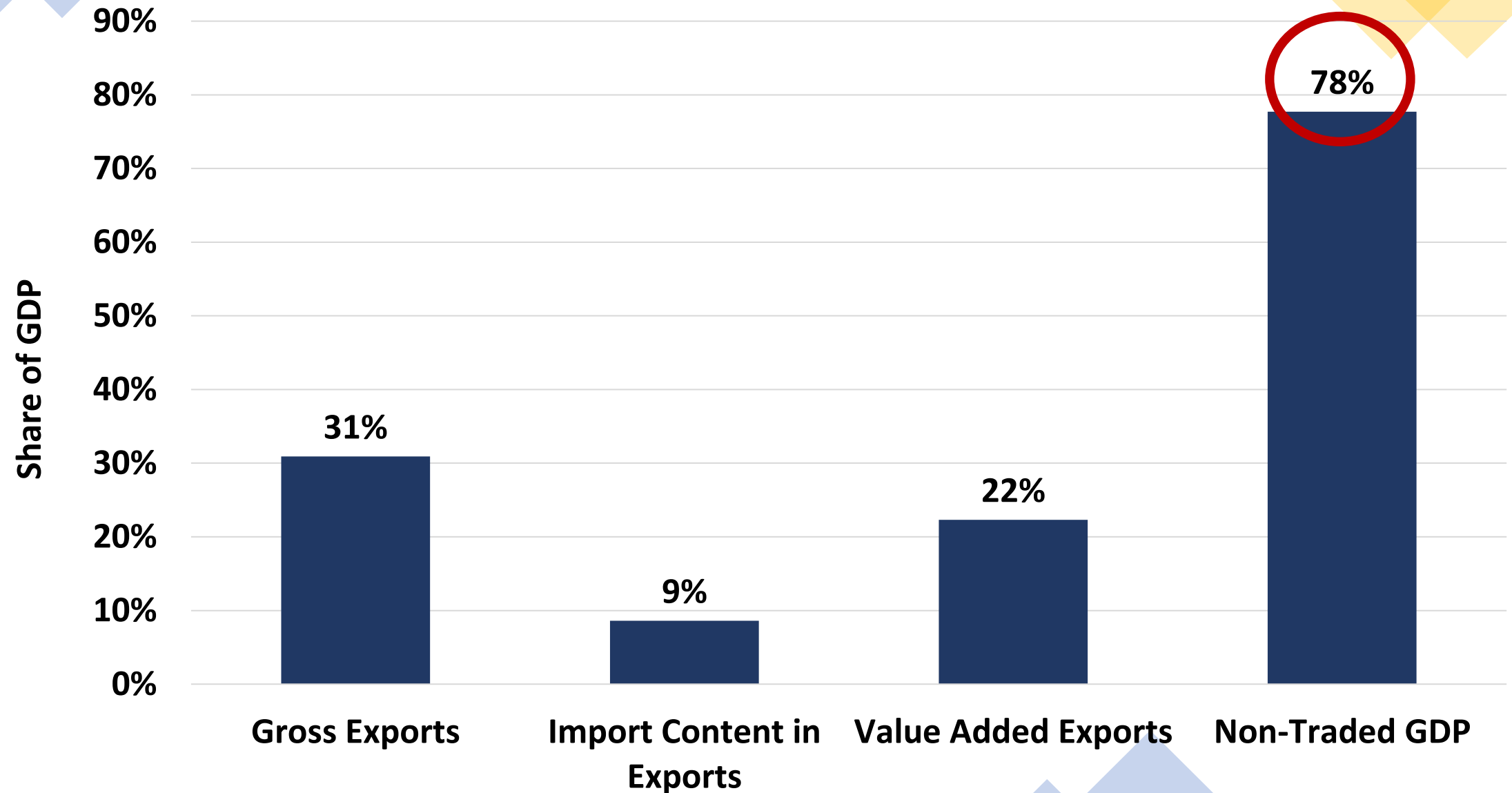
Flagging Innovation



Stagnant Interprovincial Trade



Don't Forget the Non-Traded Economy





4. Conclusion: Getting our Elbows REALLY Up





Confronting the Corporate Vision

- Corporate Canada wants to appease Trump, “listen” to the U.S. Ambassador, get back to “normal”, cut taxes and public spending, and double down on fossil fuel exports.
- Their main interest is protecting profits – even if that means moving investment to the U.S.
- They seem to have the ear of the federal cabinet... although there are diverse tendencies there.
- We need loud, united, active Canadians to stand up for a bigger vision of our country.



Building a Sovereign, Sustainable, Value-Added, Fair Economy

- Comprehensive strategy to build value-added industries.
 - Channel C.D. Howe; “Build in Canada to Sell in Canada.”
- Seize the full potential of the energy transition.
- Massive investments in infrastructure, housing, transportation.
- Bring our capital home, and use it in the public interest.
- Maintain and expand public services, reject austerity.
- Keep wages growing; support & expand collective bargaining.
- Tax wealth and those who own it.

...We need a united, multi-sector campaign for a true ‘Elbows Up’ strategy to build a Canada that works for workers.



**CENTRE FOR
FUTURE WORK**

www.centreforfuturework.ca

**Thank
You!**