BIKER BOSS BLASTS QUEBEC'S LOGO BAN. *PAGE A4*

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In response to U.S. tariffs, Ottawa is rolling out support for businesses. Finance Minister François-Philippe Champagne, left, seen with Ideal Roofing's Philippe Laplante, announced the plans during a visit to Ideal's Ottawa plant last week.

Breaking up is hard to do

WHY IT'S A STRUGGLE FOR CANADA TO FIND NEW TRADE PARTNERS

Sammy Westfall

For decades, Canadian governments both Conservative and Liberal sought greater economic integration with the United States, the world's spendiest buyer of imports, including Canadian energy, machinery, lumber and wheat.

But now, as U.S. President Donald Trump imposes new tariffs on Canadian products and threatens more, Ottawa is finding the relationship a liability. Canada in recent years sent roughly three-quarters of its exports to the United States, a dependence that has left it uniquely vulnerable to the administration's pressure.

Prime Minister Mark Carney has travelled the world this year in search of new buyers for Canadian exports. Canada needs to diversify its trading partners, analysts say, but weaning the country off the U.S. market won't be easy. Here's why.

Carney, who led the Bank of Canada through the Great Recession and the Bank of England through Brexit, was elected prime minister last year largely on the premise that he could manage Canada through a rupture with the United States.

Trump had imposed tariffs on Canadian goods during his first administration. He returned to office last year threatening more levies, railing against the Canada-United States-Mexico Agreement — a pact he negotiated and signed in 2020 — and needling Canadians with bluster about making the country the 51st state. Consequently, trade diversification has become a core tenet of Carney's premiership.

Since succeeding Justin Trudeau in March 2025, he has visited more than two dozen countries, including the first trip by a prime minister to China since 2017 and the first to Saudi Arabia since 2000.

Canadian exports to non-U.S. markets grew last year by 11.1 per cent, government figures show. Exports to the United States dropped by 3.7 per cent.

Nearly a third of Canadian exports now go to non-U.S. markets, the largest amount in four decades, government figures show. Carney has set a goal of doubling non-U.S. exports by 2035.

There's an elegant model that predicts the amount of trade between two countries based on their sizes and the distance between them.

Canada, with 41 million people, and the United States, with 342 million, share a 8,891-kilometre border — along with the English language, democratic political systems and partnership in North American Aerospace Defence Command, NATO and the Five Eyes. Given their sizes and proximity, the gravity model predicts US$720 billion in two-way trade. "And that's what we do," said economist Julian Karaguesian, a former special adviser to Canada's finance ministry.

The countries nurtured that integration through decades of trade deals and cross-border supply chains. During the '80s, '90s and 2000s, Karaguesian said, "everything was on cruise control. ... There was no hint that anything could go wrong."

Karaguesian was working as a finance counsellor at the Canadian Embassy in Berlin on Sept. 11, 2001. As the U.S. tightened border security, he thought, "Oh no, we should start thinking about this."

Anti-free trade and anti-globalization sentiment during the Great Recession rang more alarms. And Trump's election in 2016.

But the past eight months have been a true "wake-up call," he said. "Finally, the rest of the Canadian establishment now realizes the full nightmare scenario."

In Davos, Switzerland, this year, Carney warned of a "rupture in the world order" leading to a new era of "great power rivalry" in which "the strong can do what they can, and the weak must suffer what they must." Canada, he told the World Economic Forum, was "amongst the first to hear the wake-up call."

Middle powers such as Canada, he said, must let go of "comfortable assumptions" about geography and alliance memberships "automatically confer(ing) prosperity and security."

"You cannot live within the lie of mutual benefit through integration," he said, "when integration becomes the source of your subordination."

A key challenge for Canada, University of British Columbia global policy professor Kristen Hopewell said, is developing the infrastructure, including ports, rail and pipelines, to export goods beyond the U.S.

"There's huge demand from other countries for what Canada produces," Hopewell said. The country is seen as a "secure supplier" of oil, natural gas, minerals, fertilizers, lumber, food and other agricultural products. The wars in Ukraine and the Middle East, she said, have "made countries in Europe (and) Asia very eager to try to cement their trading relations with Canada."

Canada had signed 12 trade and security deals on four continents, Carney said at Davos, naming China and Qatar, and engaged with India and Southeast Asia.

After the U.S., China is Canada's second-largest trading partner, and the relationship is growing stronger. Still, exports to China accounted for only 4.5 per cent of Canada's total last year.

China is a natural trading partner for Canada, Karaguesian said. "This industrial behemoth needs energy. It needs minerals, it needs ores, and it needs food products," he said.

Relations between the countries were strained by Canada's 2018 arrest of a top Chinese technology executive wanted by the U.S. and China's subsequent detention of two Canadians in apparent retaliation. Carney travelled to Beijing in January to "forge a new Canada-China partnership." Carney and Chinese President Xi Jinping announced a deal in which Canada would admit 49,000 Chinese electric vehicles at a reduced tariff rate in exchange for improved access to Chinese markets for Canadian canola and other goods.

Canada has set a goal of increasing exports to China by 50 per cent by 2030. The gravity model shows the countries "could be doing three times more" trade, Karaguesian said.

Canada's Foreign Ministry has flagged "associated risks" of trade with China, including "market access barriers, opaque regulations," "persistent intellectual property theft" and the risk that goods will be diverted for military applications.

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AS TRADE WAR HEATS UP, CHINA WATCHES

Canada-U.S. fight is opportunity for Beijing: experts

Joshua Yang

As U.S. President Donald Trump imposes tariffs on goods from Canada and around the world, China is casting itself in a role once claimed by the United States: champion of free trade and stable markets in a chaotic world.

Canada's decision to walk away from trade talks and impose retaliatory tariffs on U.S. products, becoming the second nation to do so, drew praise from the first.

A "Chinese-styled counterattack," state media claimed Aug. 23, the day after Trump imposed new 50 per cent tariffs on $28 billion of Canadian goods. "Canada's response offers the world a glimpse of what China has long stood for."

U.S. Trade Representative Jamieson Greer said as much last week. Retaliatory tariffs, he said, are "like the kind of things that China would do."

Ottawa and Beijing prepared for this moment. In January, Prime Minister Mark Carney, looking to reduce Canada's dependence on the United States, struck a deal with Chinese President Xi Jinping on agricultural products and cars.

> Canada's response offers the world a glimpse of what China has long stood for.

Carney's visit to Beijing, the first by a Canadian prime minister since 2017, was a signal that the sides were mending a relationship strained by Canada's 2018 arrest of a top Chinese technology executive wanted by the United States and China's subsequent detention of two Canadians.

Now the deal, in which Ottawa agreed to admit 49,000 Chinese electric vehicles at most-favoured-nation tariff rates in exchange for improved access for Canadian canola seed, canola meal, lobsters, crabs and peas, appears prescient.

China signed a free-trade agreement with Switzerland last week and waived tariffs on goods from all but one African nation in May.

"China seeks to cast itself as a steadying counterweight to an erratic superpower that targets its allies and partners with whipsaw tariffs," said Ali Wyne, a senior U.S.-China researcher with the International Crisis Group.

"The Chinese government is always willing to take advantage of a situation that would weaken the Trump administration's position," said Zongyuan Zoe Liu, a senior fellow for China studies at the Council on Foreign Relations.

See CHINA on A2