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Economic Development Regina Inc.  
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## **Potential Economic Impact of a 25% Tariff on Canadian Exports to the U.S: The Greater Regina Area (GRA) Perspective**

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### **Issue**

United States president-elect, Donald Trump has threatened to impose a 25% import tax on Canada and Mexico.

### **Analysis**

#### **Current Trade Dynamics and Key Sector Analysis**

The GRA benefits significantly from trade under the Canada-United States-Mexico Agreement (CUSMA), with Saskatchewan's exports totalling \$49.3 billion in 2023. Key sectors like agri-food, which exported over \$20.2 billion, and agricultural equipment, with exports nearing \$835 million, are pivotal. Given these figures, the potential imposition of a 25% tariff by the USA could dramatically reshape these economic relationships.

#### **Impact Projections for Key Sectors**

##### **Agri-food**

- Current Export Value: \$20.2 billion
- Post-Tariff Projection: Potential decrease of up to 15%, reducing exports to approximately \$17.2 billion in a worst-case scenario, with a best-case reduction to \$19.2 billion.
- Potential impact: \$1.0 billion to \$3.0 billion

##### **Agricultural Equipment**

- Current Export Value: \$835 million
- Post-Tariff Projection: Exports could decrease by up to 18%, falling to about \$685 million in the worst case, and \$765 million in the best case.
- Potential impact: \$70 million to \$150 million

##### **Energy and Raw Materials**

- Crude Petroleum and Potash Combined Export Value: \$4 billion (approximate recent figures)
- Post-Tariff Projection: A reduction by up to 20%, reducing the export value to around \$3.2 billion in the worst-case scenario, and \$3.6 billion in the best case.
- Potential impact: \$400 million to \$800 million

##### **Forecasting to 2029**

- If the 25% tariff remains across these sectors, compounded annual losses could escalate, with total export values from these key sectors potentially decreasing by 10 to 25% by the end of 2029, factoring in market adjustments and potential retaliatory measures.

### Other Macro-economic Impacts

- **Greater Regina Area (GRA):** GDP growth for 2025 is projected at 2.5%, reaching \$17.8 billion. The 25% tariff could cause a 1% contraction, reducing growth to 1.5%, with an economic loss of \$174 million and \$610 per resident.
- **Saskatchewan:** GDP growth for 2025 is forecasted at 2.7%, reaching \$80.6 billion. The tariff may cause a 1.8% contraction, lowering growth to 1.1%, translating to a \$1.4 billion loss and \$1,129 per resident.
- **Employment and Income Loss:** The GRA could face the loss of at least 600 full-time jobs by the end of 2025, primarily in the transport, warehousing, and manufacturing sectors. This would exacerbate unemployment challenges and reduce household incomes.
- **Inflation and Cost of Living:** The tariff is projected to increase inflation in the GRA to 4-5% by late 2025, intensifying cost-of-living pressures.
- **Competitiveness and Cross-Border Trade:** The tariff would raise production costs for both Canadian and U.S. businesses, reducing their competitiveness in international markets. Both economies would face negative consequences.

### Scenario Development and Strategic Recommendations

#### Diversify Trade Partners

- **Existing Partners:** Strengthen relationships within existing trade agreements outside the USA, such as with Pacific Alliance countries, to enhance trade volumes in agri-food and manufactured goods.
- **New Markets:** Explore trade opportunities in emerging markets in Africa and Southeast Asia, which show increasing demand for high-quality agricultural and manufactured products.

#### Continue Strategic Engagement

- **Prioritize negotiations for tariff exemptions** in critical sectors such as agri-food and energy, leveraging Canada's position in environmental sustainability and food security.
- **Implement aggressive marketing strategies** to position GRA's products as premium offerings in alternative markets, thus offsetting potential losses in the U.S. market.
- **Urgent collaboration with federal authorities** is required to assess mitigation strategies and emphasize the broader economic risks to Canadian, U.S. and Mexican policymakers. If Canada and Mexico retaliate with counter-tariffs, the economic effects could worsen, potentially doubling the GDP, employment, and inflationary impacts for all three countries.

#### Focus on Innovation and Competitiveness

- **Invest in technology and innovation** to reduce production costs and increase the competitiveness of exports. Focus on sectors housed within facilities like Innovation Place Research Park to spearhead advancements in agricultural and energy product efficiencies.

## Conclusion

The potential 25% tariff on Canadian exports to the USA presents a significant challenge to the GRA's **economic** landscape.

This analysis uses recent data to project the impacts on key sectors through to 2029 and other macroeconomic impacts, underlining the necessity for strategic planning and proactive engagement with alternative trade partners.

While these tariffs are currently hypothetical, the GRA must prepare for all eventualities to safeguard and potentially enhance its economic future. This proactive approach will enable the GRA to not only mitigate risks but also capitalize on new opportunities in the changing global trade environment.