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When friends become enemies

Trump's tariff war is causing economic and political turmoil in neighbouring Canada. How is this affecting the election campaign?

Over the past two months, Canada has been rocked by a massive and unjustified tariff war launched by US President Donald Trump. Amid the economic upheaval, the world's second-largest country's political scene is also in turmoil on the eve of a federal election — a vote that will have enormous stakes for Canadians as they look for a path forward in the absence of American support.

In normal times, few countries can boast a friendlier relationship than Canada and the United States. They share the world's longest undefended border, which reaches almost 9 000 km from the Atlantic to the Pacific. Most Canadians live within 150 km of the US border, regularly crossing over for shopping, holidays or winter escapes to places like Florida. They have stood shoulder-to-shoulder with Americans through countless crises and disasters, from the Iran hostage crisis to Hurricane Katrina, from serving 13 years in the NATO Afghanistan mission after 9/11 to sending firefighters to combat wildfires in California every year.

Canada-US trade is also deeply integrated. Roughly 80 per cent of Canada's exports head south, and nearly 75 per cent of imports come from the US, making Canada heavily dependent on American products and supply chains. This close relationship has been a profitable one, with trade between the two nations totalling over $950 billion annually and supporting millions of jobs on both sides of the border.

Tariff impacts

But now, Trump's tariffs have ripped apart this traditionally stable relationship. Despite the fact that it was his previous administration that negotiated the current trade agreement, Trump has persisted in repeating false claims that the US is subsidising Canada. He launched tariffs of 25 per cent on Canadian goods and 10 per cent on energy exports, and has

repeatedly talked about Canada becoming 'the 51st state' — a clear reference to annexation.

Ontario, Canada's economic engine, is particularly vulnerable in a tariff fight due to its massive and deeply integrated auto industry, which contributes around CAD 19 billion each year to Canada's economy. Cross-border integration is so complete that parts for a single car might cross the Canada-US border up to eight times before final assembly, making smooth trade relations essential to the industry.

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The impacts of the tariffs have been felt swiftly all across the country. Quebec's aluminium industry, accounting for around 60 per cent of North American production, also faces big risks. And in British Columbia, lumber producers are worried, since about half of their exports are destined for US markets. Energy, too, is deeply integrated — Canada supplies electricity to the American northeast and about 60 per cent of imported crude, with many refineries designed specifically to process what comes from Canada's oil sands.

Canadians have reacted to this unprovoked economic attack from their closest neighbour swiftly and strongly. The federal and provincial governments have imposed dollar-for-dollar counter-tariffs, pulled American alcohol from sale across the country, and have even threatened to cut off electricity exports. Canadians have cancelled US travel plans, boycotted American products, organised protests and are embracing a massive 'buy Canadian' movement. An Ipsos poll found that 65 per cent of Canadians intended to avoid travelling to the United States, and 67 per cent planned to steer clear of purchasing US-made products — a major indication of the rising nationalism Canadians are embracing in the face of Trump's threats.

Trump's tariff war has also upended the Canadian political scene. Just months ago, Prime Minister Justin Trudeau and his Liberal Party seemed politically finished — after a decade in government, he was deeply unpopular and facing pressure from within his own party to resign. Conservative leader Pierre Poilievre, known for his own brand of brash, anti-woke populism, appeared set to win the 2025 election comfortably.

But Trudeau's sudden resignation in January sparked a Liberal Party leadership race just as Trump launched his trade war. Into this chaos stepped Mark Carney, who in March won by a landslide and is now the

Liberal Party's new leader and the prime minister-designate.

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Carney is a widely known international figure with serious economic credentials. Born in Canada's Northwest Territories and educated at Harvard and Oxford, he's worked at Goldman Sachs and served as governor of the Bank of Canada during the 2008 financial crisis and later as governor of the Bank of England through Brexit and Covid-19. Carney is a global economic expert known for his calm demeanour and his affinity for low-carbon economic policies, a sharp contrast to the anti-elite populism of his Conservative opponent.

After a decade of progressive politics under Trudeau, Carney has quickly signalled that he'll steer the Liberal Party back toward the political centre with reduced government spending, an end to Trudeau's unpopular carbon tax and a roll-back on capital gains taxes that targeted the wealthiest in Canada.

Under Carney's leadership, the Liberals will try to regain the disenchanted voters that they lost to the Conservatives over the past two years — and they won't wait long to put their new leader to the test. Speculation is rampant in Ottawa that Carney, once sworn in, will move to call an election within days in order to take advantage of the momentum that his party is experiencing.

Will the Liberal's gamble pay off?

It's hard to say.

Carney is enjoying a major bump in the polls, pulling his party out from a 20-point deficit to neck-and-neck with the Conservatives. Trump and US relations are now the issues most concerning to Canadians, outpacing voters' worries about jobs and the economy — a subject that the Conservatives have dominated for the past two years.

Carney's team is betting that Canadians, worried about the threat of Trump, will look for a pair of steady hands to manage the crisis. They also see an opportunity to paint Poilievre as MAGA-lite because of his stylistic similarities to Trump and the overlap in their supporters in Canada. Elon Musk weighed in on Canadian politics in January to endorse Poilievre, an intrusion that made many Conservatives unhappy in the midst of the tariff fight.

The recent provincial election in Ontario, Canada's largest province, shows just how much Trump's tariffs have shaken Canadian politics. Populist conservative Premier Doug Ford secured a rare third term by effectively positioning himself as standing up against Trump's tariffs. Ford successfully tapped into nationalist sentiment, emphasising economic strength and Canadian pride, and rode it to an electoral victory despite underlying signs that his government was becoming unpopular. Liberal strategists are betting that this is a path open to Carney and the Liberals, too.

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These shifts have created challenges for Canada's social democrats, the New Democratic Party (NDP), currently polling fourth nationally. Struggling to cut through nationalist debates dominated by economic issues, the NDP faces a tough fight to effectively advocate for Canadian workers hit hard by the tariffs. They will need to work closely with organised labour to focus on cushioning the impacts of the economic chaos on regular people.

The economic chaos that's unfolding around Trump's tariffs has also underscored the precarity of Canada's reliance on the US, both for economic and defence security. Historically, Canada has tried to balance its dependence by expanding trade relationships with Europe and Asia. Trump's aggressive tariff stance, his hostility towards NATO, as well as shared values and concerns about the shifting global order will likely forge Canada and Europe into even more critical trading and defence partners in the years to come.

For the first time in recent memory, Canada's election hinges primarily on managing relations with the US, signalling a significant shift in voter priorities from domestic economic issues to trade, economic security and jobs. Trump will be as important a player in the upcoming election as any of the candidates for prime minister — putting Canada in an unpredictable political moment with stakes that will matter for decades to come.



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