



POLICY BRIEF

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CANADIAN POLITICS GOES ALL QUANTUM



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A DIFFERENT WORLD

A little over a century ago humanity's understanding of the universe underwent a profound revolution with the discovery and development of quantum physics. The classical Newtonian theory was suddenly insufficient for understanding the universe. New concepts like particle/wave duality, simultaneously alive and dead cats, and the uncertainty principle were,

confusingly, more accurate descriptions of a universe that had previously made intuitive sense. The lessons? Stop operating from prediction and start operating in probabilities; worry less about why things are the way that they are and start focusing more on what works.

This experience seems as good an [analogy](#) as any as Canada quickly prepares for a new world order without Prime Minister Justin Trudeau and a United States about to be led by President-elect Donald Trump, again.

SEISMIC SHIFTS IN NORTH AMERICA: COMPLICATED POLITICS JUST GOT COMPLEX

This policy brief was initially drafted to be a somewhat technical primer on the politics and mechanisms of Donald Trump's threatened 25% across-the-board tariffs. But with the PM's resignation on the morning of January 6 we've made a few edits to reflect the increasingly confounding Canadian political landscape that seemed complicated even before Prime Minister's resignation.

We should further note that the PM's resignation on January 6th is a very on bland brand for Canada in contrast to the literal insurrection seen south of the border 4 years ago.

The national leadership vacuum that defined the past couple of months will now be further blurred with a Liberal party leadership race and an election almost certain to begin when Parliament returns at the end of March. Provincial Premiers will continue to promote and pursue regional interests relative to both an inevitable national election, and, the looming existential threats of the incoming Trump administration. Relatedly, industry politics may very well aggravate those regional positions with fears of trade-offs (or more pointedly, who gets thrown under the bus) creating political and business anxiety; will western Oil and Gas interests overwhelm eastern interests in Supply Management and the Auto sector? As we have noted in previous briefs, [Dairy](#) in particular has significant vulnerabilities.

In this quantum universe of uncertainty, unpredictability and outright anxiety, what do we know about Trump's tariff threat?

MAKING TARIFFS GREAT AGAIN. AGAIN.

Well before the 1994 NAFTA, Canada laboriously nurtured an open economy that is highly dependent on international trade. The economic dependency on open trade is starkest in relation to its trading partner to the immediate south. Daily cross-border commerce between Canada and the US is estimated to be worth \$3.6 billion.

Continued preferential access to the US market is critical to the Canadian economy. If the 25% US tariff threat were to come into effect, it is estimated to translate into Canadian job losses of about 1.5 million positions. Expect severe supply chain disruptions, permanent structural changes, and a GDP contraction exceeding 2.4%¹.

Sectors heavily reliant on cross-border supply chains would be the most vulnerable — e.g., autos, agriculture and food, energy, chemical and plastics manufacturing, forestry, and machinery.

CAN THE THREAT OF ACROSS-THE-BOARD TARIFFS BE REALIZED?

The short answer: yes, the Office of the President has the authorities available to it to implement the tariff threats issued by President-elect Trump.

Although initially an area of largely congressional oversight, over the years Congress has delegated broad authorities to implement tariffs to the Office of the President. This trend has only accelerated.²

The more likely statutory authorities³ available to the incoming Administration to accomplish across-the-board tariffs without lengthy delay and limiting duration conditions are as follows:

- **Section 232 of the Trade Expansion Act** grants the President broad power to adjust imports, including by way of tariffs, if found to be a threat to US national security. This was the avenue used in 2018, during the President-elect's former presidency, to impose tariffs on aluminum and steel imports while the CUSMA was being negotiated. This statute is less likely to be utilized since it requires the designation of specific products as threats to national security.
- **Section 301 of the Trade Act** extends broad authority to the President to take all appropriate action, including retaliatory tariffs, in response to an act by a foreign government that is unjustifiable or unreasonable, and that burdens or restricts US commerce. Section 301 was used to impose tariffs on certain Chinese goods in 2018, again during the President-elect's former presidency. While this statute could be applied to impose broad tariffs, it requires processes that involve lengthy investigation and comment periods.
- **The International Emergency Economic Powers Act (IEEPA)** extends broad presidential

1. <https://www.ivey.uwo.ca/impact/read/2024/11/ask-the-experts-trumps-25-tariff-plan/>

2. *Being on the record opposing (on constitutional division of power grounds no less) tariffs on foreign goods being imposed to protect US jobs is simply bad politics for any senator or congressional representative.*

3. *Other statutes at the President's disposal but not entertained here include the Balance-of-Payments Authority and the Tariff Act of 1930.*

authority, with very few limitations, to deal with international economic emergencies relating to unusual and extraordinary threats. During his first administration, President-elect Trump threatened to use the IEEPA to enact tariffs against Mexico to press for a deal on migration. President Biden used the IEEPA with respect to solar products from Cambodia, Malaysia, Thailand, and Vietnam. Trump's rationale given for taking immediate border action is a perceived lack of vigilance by both countries in controlling the flow of illegal drugs (especially fentanyl) and immigrants into the US suggests that this option may be the current preferred approach. In addition, the IEEPA involves minimal procedural requirements and is therefore the most likely avenue with which the incoming Administration would pursue the imposition of tariffs on Day One.

WHAT ABOUT THE INTERNATIONAL TRADE RULES?

The US effectively mothballed the WTO in 2019 by neutralizing its enforcement arm (the Appellate Body). Consistent with the last time Trump held office, the incoming Administration will be no friend of the liberal international trading order (of which the US was a chief architect) or any of the global institutions supporting that system. It's 'America First'. Again.

With respect to the Canada-US-Mexico trade agreement concluded in 2020 by the last Trump Administration, yes, the imposition of blanket tariffs on goods from Canada and Mexico would be in violation of both the spirit and letter of the Agreement.⁴ The intention of the Agreement is to eliminate duties and tariffs between North American partners.

But key here is that the CUSMA is up for mandatory review in July 2026. The threatened unilateral trade action by the US is a strong signal that the review will not be *pro forma*, that the US

will be seeking better terms this time round, and that hard negotiations can be anticipated leading up to the 2026 sunset review.

Don't look to the US to begin these negotiations in earnest until after the impending Canadian federal election.

Until then expect more social media missives. And it is here that Canada is perhaps most vulnerable in the immediate term with domestic politics blending with these external pressures to drive significant divisions between regions, industries, and political cultures.

IS THE THREAT OF ACROSS-THE-BOARD TARIFFS REALISTIC?

The short answer: it doesn't matter. Just tabling the threat has been hugely successful, creating the intended mad scramble amongst foreign governments to signal early genuflection. FDR is often cited as authoring the 'first 100 days in office' metric; Trump should be recognized for establishing the 'first 100 days before taking office' metric.

Issuing the threat of unilateral trade action loudly signals the following:

- everything is on the table — nothing is sacrosanct.
- everything is seen through a transactional lens — how does it benefit US interests?
- expect no blind adherence to accepted rules or standards, especially international rules.

IN A WORD: UNPREDICTABILITY = QUANTUM POLITICS.

The reality is that Mexico and Canada represent the first and third largest sources of imports to the US respectively, worth over US\$900 billion in 2023. Almost 50% of that trade is driven by sector supply chains in automobiles, medical equipment, energy, and agricultural products. Adding a 25% tariff each time a product moves along these

4. The CUSMA does allow for parties to take exceptional emergency actions, although it is questionable whether these exceptions contemplate the current unilateral tariff action being threatened by the US.

supply chains will cause significant disruptions and negative impacts for North American (and US) competitiveness.

But that is the very point of applying these tariffs. US conservative think-tanks argue that structural transformation needs to take place to repatriate all points of production and manufacturing, which for too long has been outsourced. Even “friend-shoring” doesn’t go far enough. They argue a blunt refutation of globalism: “(e)conomists have long promoted the idea that goods should be made wherever is cheapest and that trade deficits are benign and self-correcting. They were wrong.”⁵

The objective is to incentivize market-based domestic investment – in other words, this is an intentional and long-term strategy to fundamentally change the economic and investment structures that have defined the post-war era.

By implementing a broad tariff on imports, the goal is to create a competitive landscape that favours domestic producers relative to foreign producers and encourage foreign producers to relocate operations to the US.⁶

Promoting drastic transformation of the US economy will involve pain. Jobs will be at risk. US sectoral competitiveness will be under pressure.

So, the real question is whether the incoming Administration is prepared to withstand the inevitable regional/sectoral push-back.

It is always a precarious tightrope that government’s walk between idealism and populism. If the past serves any lesson, the one predictable feature of this incoming Trump Administration will be its unpredictability.

Welcome to the era of quantum politics. It is not hyperbole to suggest that Canada is entering an era of existential significance. The economic well-being of the country is under immediate and – perhaps more significantly – longer-term threat. The political churn over the next several months at home and abroad could undermine the necessary sober strategy that is required to navigate these challenges. Success will require both clarity of purpose and a move away from the current political obsession with “winning the day” – and sacrificing the national strategic objectives for the tactical win. This will indeed be a tall order.

Joan Jett once quipped that “life is strong and fragile. It’s a paradox... It’s both things, like quantum physics: It’s a particle and a wave at the same time. It all exists all together”. It’s interesting quantum insight for the coming storm.

5. <https://americancompass.org/policy-brief-the-global-tariff/>

6. *ibid*