

# Portfolio Advisor

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## How the U.S. election affects Canada-U.S. trade



The 2020 U.S. election saw incoming President Joe Biden’s Democrats gain control of Congress by maintaining their majority in the House and winning back the Senate. The new balance of power in Washington is important when it comes to trade policy – and could have a major impact on Canada since the U.S. is by far our largest trading partner.

### New “trade winds” stirring

The election campaign saw a number of policies floated by the Biden team, including broad-based environmental and healthcare programs, as well as enhanced regulation of “Big Tech” companies like Google and Facebook.

The Biden administration will likely pursue at least some new policies on trade, and this is crucially important for Canada, which sends approximately 75% of its exports in goods and services to its southern neighbour. After the trade actions of the previous Trump administration – including the imposition of trade tariffs on Canadian aluminum, lumber and other products and services, as well as the renegotiation of the North American Free Trade Agreement – what’s in store with a Biden presidency?

- 1. Climate change:** Biden has promised to rejoin the Paris Agreement and to reduce greenhouse gas emissions to a net-zero level by 2050. This policy approach suggests that his administration may take action on increasing green-energy production and reducing carbon-based emissions. This might have a significant impact on the Canadian energy sector, including whether or not the Keystone XL pipeline project to expand oil exports to the U.S. goes ahead. The Canadian auto sector might also be affected by the Green New Deal, for example shifting demand to battery-powered vehicles. The U.S. focus on “green policies” might also spur development of related industries in Canada, driving up exports.
- 2. Made in America:** On the campaign trail Biden often referred to the need “to ensure the future is made in America,” raising concerns that Canadian companies might be shut out of government procurement spending – or worse. The close-knit nature of the two country’s manufacturing supply-chains is likely to preclude a policy like this from affecting Canada again, but it does remain a possibility.
- 3. Make America friendly again:** In a departure from the Trump administration’s approach, global trade institutions like the World Trade Organization are likely to be re-cast as key partners instead of adversaries in a Biden administration – and this is good for Canada, the significantly smaller of the two countries. It also signals a more constructive approach to trade and alliances in general by the U.S.

While it remains to be seen how the new Biden administration’s trade policies will specifically affect Canada, one thing’s certain: given the size of our trading relationship, Canadians will be keeping a close eye on shifting trade winds.