Dollars and Sense:

The Second Trump Administration and a Changed Canada-US Relationship

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As this article is written midway through the 2025 federal election campaign, international issues are playing a more significant role than in most Canadian campaigns. Aside from the 'free trade' election of 1988, international affairs tend not to drive Canadian votes, nor feature prominently during campaigns. In 2025, the inauguration of Donald Trump has forced international affairs on to the agenda, leading international issues and defence specifically to matter like they rarely do.[1] The combination of replacing Prime Minister Justin Trudeau with Mark Carney and Trump's impact on the campaign has resulted in a swing of more than 25% in public support for the Liberal Party of Canada compared to the Conservative Party of Canada which had previously been coursing towards a majority.

Upon assuming office, President Trump has pursued two broad tracks that have complicated Canada-US relations. The first track involves the imposition, or threat thereof, of tariffs of varying types and rates. The manner in which they have been rolled out, and then deferred in some cases, has been difficult to follow, but it started with the administration publishing its America First Trade Policy the day of the inauguration. At the time of writing, broad-based tariffs had been enacted, deferred, enacted a second time and then granted a USMCA free trade agreement exemption while tariffs on steel and aluminum and autos at a rate of 25% were put into effect. In what counts as good – or perhaps more accurately less bad than feared – news Trump's 2 April 'Liberation Day' of worldwide tariffs does not appear to have changed much for Canada. So long as exports are occurring under USMCA provisions only the aforementioned tariffs apply (for now).

Estimates of the economic impacts of tariffs vary, and depend on specific application and Canada's response, but all point to significant economic pain. The Bank of Canada estimated in January that broad-based 25% tariffs could cause Canada's economy to contract by 2% of Gross Domestic Product (GDP), compared to previous growth forecasts.[2] Estimates also suggest hundreds of thousands of job losses. More broadly, the uncertainty caused by on-again-off-again-on-again threats is believed to be freezing investment in Canada and has undermined the economic premise of having predictable, reliable negotiated access to the US market.

The second broad thrust of Trump's impact on Canadian politics is his push for Canada to become the 51st American state, something he helpfully stated he did not intend to accomplish with military but rather economic force. The comments, initially reported as a joke after Trudeau and some Cabinet members met with the President Elect, morphed into a repeated assertion backed by constant references to Trudeau as the 'Governor' of Canada. While the statements from the mercurial, and inconsistent, President may have been dismissed, Prime Minister Trudeau gave them credence in a public setting noting "Trump's threat to annex Canada 'is a real thing' motivated by his desire to tap into the country's critical minerals."[3]

While most of this back and forth was focused on economic issues, it quickly implicated defence issues as well. During the nine days between Mark Carney becoming Prime Minister after winning the Liberal leadership campaign and calling the election, he organized a visit to France and the United Kingdom focused on strengthening economic and security ties. Shortly after, Minister of National Defence Bill Blair announced a review of Canada's F35 purchase.[4] This came amidst public discussion about whether the US government held a 'kill switch' that could render the planes inoperable. Since then, there has been some significant public discussion about cancelling a portion or entirety of the purchase, or demanding that Canada be allowed to acquire the source code or build the jets in Canada.

Prime Minister Mark Carney signs the White House guestbook during his bilateral meeting with US President Donald Trump on 6 May 2025.

Credit: Royal Canadian Navy

*Canadian and American members involved in the **River**-class destroyer combat system development celebrate the opening of the Aegis Combat System Integration Centre at the US Navy's Combat Systems Engineering Development Site in Moorestown, New Jersey, on 21 November 2024. The Aegis system for the RCDs will be developed here.*

Against that backdrop, and following the announcement by Trump that he would be imposing tariffs on the auto sector, Carney met with Cabinet and emerged to announce that the Canada-US relation was fundamentally changed. As he stated, "[t]he old relationship we had with the US based on deepening integration of our economies and tight security and military co-operation is over."[5]

Just a few days later, Carney and Trump held their first phone call, which was reported to have had a significantly changed tone from the White House. Trump issued a statement on his Truth Social platform that actually referred to Carney as Canada's Prime Minister and spoke favourably about the meeting, something echoed in subsequent statements. Carney's readout of the call was similarly positive, but he indicated that the "[t]he leaders agreed to begin comprehensive negotiations about a new economic and security relationship immediately following the election."[6] The minimal additional impact of the 2 April round of Trump's global tariffs, as well as the fact that four Republican Senators joined their Democratic colleagues to voice their disapproval at the US administration's Canadian tariffs provide perhaps glimmers of hope that the economic relationship could be returned to something closer to normal.

It is not entirely clear what the future holds for the Canadian military if it needs to reset its relationship with the United States. Much of the public discussion around the implications for a reset has focused on the tight ties of the Royal Canadian Air Force (RCAF) with the United States through NORAD. It has been noted, however, that the combat system of the new *River*-class destroyers will be American and therefore similarly reliant on the United States and exposed to the same type of newfound sensitivities. It is notable that the contract for the first batch of three destroyers was signed just prior to the election call, a hugely significant and important milestone for the program, but there has yet to be any public announcement or celebration of that fact, although privately people involved in that announcement have assured that this was not due to political sensitivity.[7]

The net result of the first weeks of the second Trump administration is that the Canadian Armed Forces and Department of National Defence need to figure out what a new relationship between Canada and the United States generally means for Canada-US defence relations specifically. Part of that will inevitably include better informing political leadership about the breadth and depth of the relations we already have, and what changing some of those relations could look like in practice. As an example, there has been much focus on the inability of Canada's future fighter aircraft, the F35, to operate independently of the United States, but in reality, most of the RCAF faces the same predicament – it relies on American support to operate in a range of ways. The RCN works very closely with the US Navy too, so charting a more independent future course will also be difficult. So far, working relationships are professed to be solid, but it seems like Canada's political leadership has concluded that relations with the United States have been fundamentally altered by President Trump and that will have profound consequences for Canada's defences.

Notes

1. Murray Brewster, "National Defence is Often an Afterthought in Canadian Elections. Not This Time," CBC News, 24 March 2025.
2. Bank of Canada, "Evaluating the Potential Impacts of US Tariffs. Monetary Policy Report, January 2025, in Focus," January 2025.
3. Peter Zimonjic, "Trump's Threat to Annex Canada 'Real' and Motivated by Access to Critical Minerals, Trudeau Tells Crowd," CBC News, 7 February 2025.
4. Murray Brewster, "Canada Reconsidering F-35 Purchase Amid Tensions with Washington, Says Minister," CBC News, 14 March 2025.
5. Catherine Tunney, "Carney Says He'll Speak to Trump Soon, Promises to Fight Back on Auto Tariffs," CBC News, 27 March 2025.
6. Office of the Prime Minister of Canada, Mark Carney "Prime Minister Carney Speaks with President of the United States Donald J. Trump," 28 March 2025.
7. David Pugliese, "Having US-controlled System Running Canada's New Warships too Risky, Warns Former Navy Commander," *Ottawa Citizen*, 19 February 2025.

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