



Staff Report to Council - for Direction

Title: Implications of Potential Tariffs on Bruce County

From: Aaron Stauch, Director Government Relations

Date: March 20, 2025

Report Number: GR-2025-006

Staff Recommendation:

That the actions listed in the "Implications of Tariffs for Bruce County" report be endorsed by Council and through these actions staff will continue to look for opportunities to mitigate the impacts of tariffs on Bruce County; and

That Council consider the attached motion requesting the provincial and federal governments to enable municipalities to better respond and mitigate the impacts of potential tariffs.

Report Summary:

This report provides an overview of the implications of potential United States tariffs on Canadian goods, and the potential implications for Bruce County. This report outlines three areas of action, including:

- Preparation of an advocacy approach on the impacts of tariffs on Bruce County, and the specific actions needed from both the provincial and federal governments that will support Bruce County and the local municipalities. This will be informed by the work being completed by the Economic Development division.
- Implementation of procurement practices within compliance of procurement policies with a focus on purchasing from Canadian sources, where the procurement value is beneath the thresholds governed by the Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA).
- Council consideration of a resolution (attached to this report) that outlines specific request to the provincial and federal governments that will support municipalities to better respond and mitigate the impacts of potential tariffs.

Background/Analysis:

Shortly after the 2024 Presidential election in the United States of America, the incoming administration had indicated a plan to impose a 25% import tariff on all goods from Canada and Mexico. It should be noted that tariffs are generally an approach that requires support of the American Congress. However, the International Emergency Economic Powers Act gives

the Executive Branch the ability to impose tariffs in an emergency. The current Administration has cited concerns regarding illegal immigration and drug trafficking (i.e. fentanyl) as justification for the use of emergency tariffs.

Through the late fall and early winter, Canadian federal and provincial officials engaged in diplomatic efforts to persuade American officials to avoid the use of tariffs. Despite these efforts, on January 31, 2025, the U.S. announced a 25% tariff on all imports from Canada and Mexico, with a 10% tariff specifically on Canadian crude oil and energy products. These tariffs were set to take effect on February 4, 2025. Canada responded by threatening retaliatory tariffs and other measures. Ontario also responded with targeted measures including surcharge on energy exports and stopping American alcohol imports. On February 3, 2025, negotiations led to a one-month delay in the implementation of the US tariffs.

On February 27, 2025, the US Administration again announced that the tariffs would proceed as planned, citing insufficient progress in addressing the issues outlined above. On March 4, 2025, the U.S. imposed a 25% tariff on most Canadian imports. In retaliation, Canada implemented 25% tariffs on \$30 billion worth of U.S. goods, with plans to expand these measures to \$125 billion. Ontario implemented a 25% surcharge on energy exports, banned the sale of American alcohol, and terminated its agreement with Starlink.

On March 6, 2025, the US Administration announced a one-month exemption from these tariffs for goods that comply with the United States-Mexico-Canada Agreement (USMCA) effectively pausing the tariffs until April 2, 2025. This exemption was granted to minimize disruption to industries with integrated supply chains across North America. In response to the U.S. Administration's adjustments, Canada has delayed its planned second wave of retaliatory tariffs until April 2, 2025.

It should be noted that tariffs and the corresponding responses are inherently macro-economic in nature. They require solutions that focus on diplomacy (i.e. trade negotiations), trade diversification, retaliatory tariffs, monetary policy changes (i.e. quantitative easing), and government investment (i.e. wage subsidies), and government policy changes (i.e. interprovincial trade barriers). Given their macro-economic nature, the tools available to municipalities are limited. However, the following sections outline implications and action that can be considered within Bruce County.

Impacts on the Economy

It is generally understood that the impact of widespread tariffs of the magnitude being considered will have significant consequences across communities in Ontario. Notably the following can be expected:

- **Increased costs for consumers:** US tariffs will make Canadian goods less competitive in American markets, and retaliatory tariffs will increase the cost of goods we import. These two drivers will act to apply inflationary pressures on a broad range of goods.
- **Labour Market & Business Impacts:** Export-dependent businesses (agriculture, automotive, manufacturing) will be impacted likely leading to layoffs and business

closures. This will be particularly true for industries that have still not recovered from pandemic impacts and the recent inflationary environment. Companies may hesitate to invest in Ontario due to trade uncertainty, impacting job creation and economic growth.

- **Impacts on Agriculture:** Many Ontario farmers sell goods to the US. Tariffs could reduce the competitiveness of these goods in US markets. Retaliatory tariffs on US input supplies for farming will raise costs for Ontario agriculture businesses.
- **Decline in Tourism:** Nationalism may see fewer US tourists visiting Canada. Additionally, increased costs for fuel may reduce cross-border travel to avoid expenses.
- **Currency Fluctuations:** a weakened Canadian dollar, due to economic uncertainty, could make imports more expensive but could increase competitiveness for Canadian exports; adding to uncertainty.
- **Long-Term Trade Diversification:** The dispute may accelerate Canada's efforts to diversify exports, seeking stronger trade ties with Europe, Asia, and Latin America. Canada may also push for more domestic manufacturing and self-sufficiency in key industries.

As can be seen from above the economic situation is complex and there is not a clear answer on what specific impact will occur in Bruce County. However, given the make-up of our local economy it is anticipated that agriculture and energy will likely see the most significant impacts.

Impacts on Local Government and Procurement

The Association of Municipalities of Ontario (AMO) commissioned a report from Oxford Economics on the impact of tariffs on Ontario municipalities. It is largely thought the impact directly on municipalities will be most felt in capital expenditure programs. The Oxford Economics reports notes:

“Ontario’s construction sector relies on the US to supply approximately 25% of its material and fuel inputs as of 2023. This equated to \$9.5 billion worth of materials and fuel imported from the US, which helped supply the \$38.4 billion worth of relevant construction inputs demanded by the sector... Tariffs on US imports is estimated to increase Ontario’s municipality projected [capital expenditure] program by around 2.1%, or around \$1.04 billion over the next two years...”

Specifically, some vendors are already indicating there will be a need to re-evaluate pricing in the face of tariffs. These impacts will be important to monitor for implications related to the Asset Management Plan and out-year budgets. In addition, any economic downturn associated with the impact of tariffs will need to be assessed for its implication on municipal tax revenues which could further complicate the financial outlook for municipalities.

In addition to the above, municipalities are governed in procurement activities by Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade

Agreement (CFTA). These agreements impact trade with the European Union and interprovincial trade. Specifically, in the context of US tariffs, these agreements restrict 'buy local' approaches when procuring above set thresholds.

What are Others Doing

There has been a range of responses by Ontario municipalities to the tariff threat from the United States. These include:

- **Buy Local Initiatives:** a number of municipalities have launched buy-local campaigns that encourage residents and businesses to buy locally. Municipalities have setup websites and campaigns to promote this to their residents. However, it should be noted that CETA and CFTA have limited municipalities ability to adjust their own procurement programs.
- **Business Support Programs:** some municipalities have introduced support programs for businesses affected by the tariffs. These programs offer financial assistance and resources to help local companies adapt to the changing trade environment. Specifically, Simcoe has focused on supporting impacted agriculture businesses (including subsidies and marketing assistance to promote local produce)
- **Trade Diversification Efforts:** some municipalities (namely Durham) are working to diversify trade partnerships by exploring new markets for local products. This strategy seeks to mitigate the impact of reduced access to U.S. markets.
- **Tourism Promotion:** Niagara Region has intensified efforts to promote local tourism, aiming to attract more domestic visitors to compensate for potential declines in U.S. tourists due to the trade tensions.
- **Advocacy:** a number of municipalities and Councils have engaged in advocacy with provincial, federal, and international partners. This is focused on preventing tariffs, being prepared to respond to them if implemented, and work to change regulatory barriers to trade diversification. The Town of Hanover has focused on advocacy allowing municipalities to take a 'made in Canada' approach to procurement.

Next Steps

County staff are taking the following next steps in responding to the potential impacts of tariffs:

- Preparation of an advocacy approach on the impacts of tariffs on Bruce County, and the specific actions needed from both the provincial and federal governments that will support Bruce County and the local municipalities. This will be informed by the work being completed by the Economic Development division.
- Implementation of changes to procurement policies to focus on purchasing from Canadian sources, where the procurement value is beneath the thresholds governed

by the Comprehensive Economic and Trade Agreement (CETA) and the Canadian Free Trade Agreement (CFTA).

- Preparation of a resolution (attached to this report) for Council's consideration that outlines specific request to the provincial and federal governments that will support municipalities to better respond and mitigate the impacts of potential tariffs.

Financial/Staffing/Legal/IT Considerations:

To be determined. The specific impacts of tariffs are yet unclear.

Interdepartmental Consultation:

Corporate Services and the Community Development Office was consulted on this report.

Link to Strategic Goals and Objectives:

Community and Partnerships - Enhance and grow partnerships

Growth and Innovation - Promote responsible growth

Link to Departmental Plan Goals and Objectives, if any:

N/A

Report Author:

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Departmental Approval:

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Approved for Submission:

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Attachments:

Attachment #1: Oxford Economics: Tariff Impacts on Ontario Municipalities for the Association of Municipalities of Ontario

Attachment #2: Resolution on Supporting Municipal Response to Tariffs