

TARIFF EXPOSURE AND TRADE DEPENDENCE IN CANADA'S AUTOMOTIVE MANUFACTURING SECTOR



February 2026

An analysis of Canada's automotive manufacturing sector, quantifying export dependence, tariff exposure, and the economic risks facing manufacturers and workers in an increasingly volatile North American trade environment.

ABOUT TRADE AUTO CANADA

TRADE Auto Canada: Trade, Resilience, and Adaptation to Disruption in Employment in Canada's Automotive Manufacturing Sector is a research initiative led by the Canadian Skills Training and Employment Coalition (CSTEC) in partnership with the Automotive Policy Research Centre (APRC), funded by the Future Skills Centre (FSC). The project examines the compounded impact of U.S. trade tariffs, shifting EV demand, and evolving trade policy on Canada's automotive manufacturing sector and its workforce. Through sector and trade exposure analysis, economic and labour market impact modelling, national occupational forecasting, and stakeholder engagement, the project aims to provide policymakers, employers, labour organizations, and workforce development providers with the data and tools needed to support employment stability, workforce transition planning, and long-term sector resilience.



TRADE Auto Canada is funded by the Government of Canada's [Future Skills Program](#).

Trade Auto Canada est financé par le gouvernement du Canada dans le cadre du [programme Compétences futures](#).



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INTRODUCTION

The Canadian automotive manufacturing industry has long been embedded within a highly integrated North American production network, characterized by cross-border supply chains and just-in-time manufacturing. Historically, trade agreements such as the 1965 Canada-U.S. Auto Pact, followed by NAFTA and its successor, CUSMA, provided a relatively stable framework for tariff-free automotive trade, conditional on meeting rules-of-origin requirements. This integrated model has supported efficiency and competitiveness, providing the basis for a continental supply chain. With the United States (U.S.) as Canada's primary automotive trade partner, Canada's automotive manufacturing sector has become highly dependent on the U.S. market and sensitive to shifts in U.S. trade policy.

During the 2017-2018 NAFTA renegotiations, the U.S. repeatedly threatened withdrawal and approached terms aggressively, signalling a willingness to disrupt the trade relationship (Center for Automotive Research, 2017). In early 2025, the U.S. imposed a 25% tariff on Canadian vehicles and on automotive parts that do not qualify under CUSMA. Prior to these measures, non-qualifying automotive products generally faced an MFN tariff rate of roughly 2.5%. Since spring 2025, the trade relationship between Canada and the U.S. has become increasingly adversarial, with the U.S. imposing additional tariffs on virtually all imports from Canada (with partial exemptions to CUSMA-qualified goods) (Halpern-Shavim & Balkos, 2025).

These trade actions coincide with a period of significant strategic investment by Canada into its automotive manufacturing future, specifically as it relates to vehicle electrification and its supply chain. Between 2020 and 2024, Canada secured over \$46 billion in announced foreign direct investment across numerous EV and battery supply chain projects, with an estimated \$100 billion in combined public and private investment committed to position Canada as a North American and Global manufacturing EV hub (Zeifmans, 2025). Major commitments between 2020 and 2025 include new battery manufacturing facilities, as well as sites for battery material production from Stellantis, Volkswagen, Honda, General Motors and other manufacturers. These projects were anchored by substantial government subsidies, however, several of these investments were delayed or cancelled in 2024 and 2025 (Koshelev, 2025). The combination of slowing EV demand and escalating U.S. tariffs has placed considerable strain and uncertainty in the Canadian auto sector.

This report examines the dependence of Canada's automotive manufacturing sector on the U.S. market and how existing tariffs, as well as further potential trade policy changes, affect the sector's operations, investment and labour force. It analyzes trade data to assess the sector's

compliance with trade requirements, as well as the costs imposed by new tariff regimes on Canadian automotive exports. By examining compliance rates, duties paid, and the evolving tariff landscape, this report provides a comprehensive assessment of the sector's current state and the challenges facing manufacturers and workers as North American trade policy enters a period of sustained uncertainty.

CANADIAN AUTOMOTIVE TRADE AND EXPORT DEPENDENCE

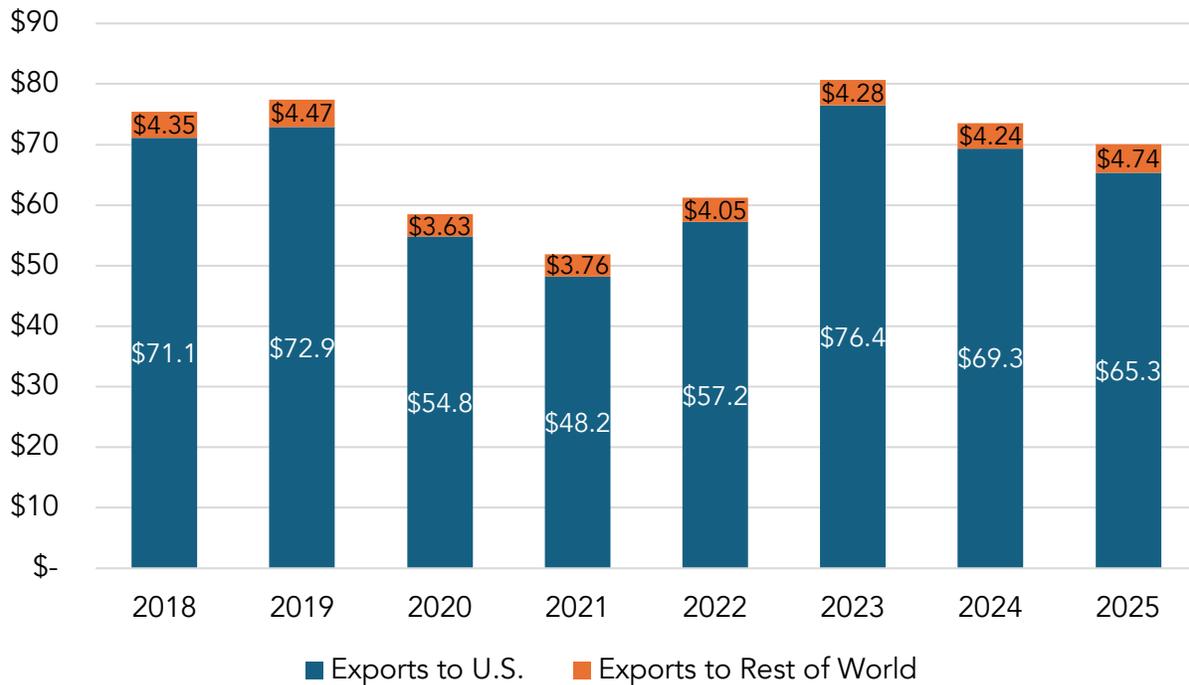
Canada's automotive manufacturing sector is highly reliant on trade, and is deeply integrated into the North American production supply chain. The vast majority of Canadian-made vehicles and parts are destined for the U.S. market. This export dependence, a product of decades of cross-border supply chain integration dating back to the 1965 Canada-United States Automotive Products Agreement, creates significant vulnerability to shifts in U.S. trade policy (Crane, 2006). Unlike the U.S., which produces primarily for domestic consumption, the majority of the Canadian and Mexican vehicle production is destined to be exported, with components often crossing borders multiple times before final assembly (Foran, 2025).

Between 2018 and 2024, Canada's annual automotive manufacturing exports ranged between \$52 billion and \$81 billion. Figure 1 shows Canadian automotive exports to the United States and the rest of the world from 2018 to 2025. Automotive exports fell sharply during the pandemic, dropping to approximately \$51.9 billion in 2021, before recovering to \$80.6 billion in 2023, and a decline in 2024 and 2025 due to plant shutdowns and retooling. Throughout this period, an average of 95.5% of Canada's vehicle exports and 89.5% of parts exports were destined for the U.S.

To further analyze Canada's automotive manufacturing sector's dependence on the U.S. market and exposure to trade policy changes, the share of domestic automotive production exported to the U.S is examined. This is estimated by dividing the value of automotive exports of each industry by its total output. For the purposes of consistency in estimating the dependency and exposure, data from Statistics Canada's 2023 National Input-Output table is used.

Tariff exposure refers to the degree to which an industry's output, employment, and investment are vulnerable to the direct costs and policy risks associated with cross border trade (Radcliffe, 2025). Industries with high export dependency, such as automotive manufacturing face greater exposure as tariff costs can erode competitiveness and force difficult sourcing decisions.

Figure 1. Canadian Vehicle and Parts Exports to U.S. and the Rest of the World, 2018 – 2025



Source: Industry Canada Trade Data Online

Figure 2 illustrates the dependence of Canadian production on the U.S. market demand. In 2023, 84% of domestically produced vehicles were exported, compared to about 62% of the domestic output in motor vehicle parts manufacturing. Approximately 82% of Canadian motor vehicle exports and 54% of parts exports were destined for the U.S. Vehicle exports to Mexico, China, and the rest of the world combined account for less than 2% of Canada’s vehicle production by value. In comparison, about 10% of Canadian parts exports were destined for non-U.S. markets.

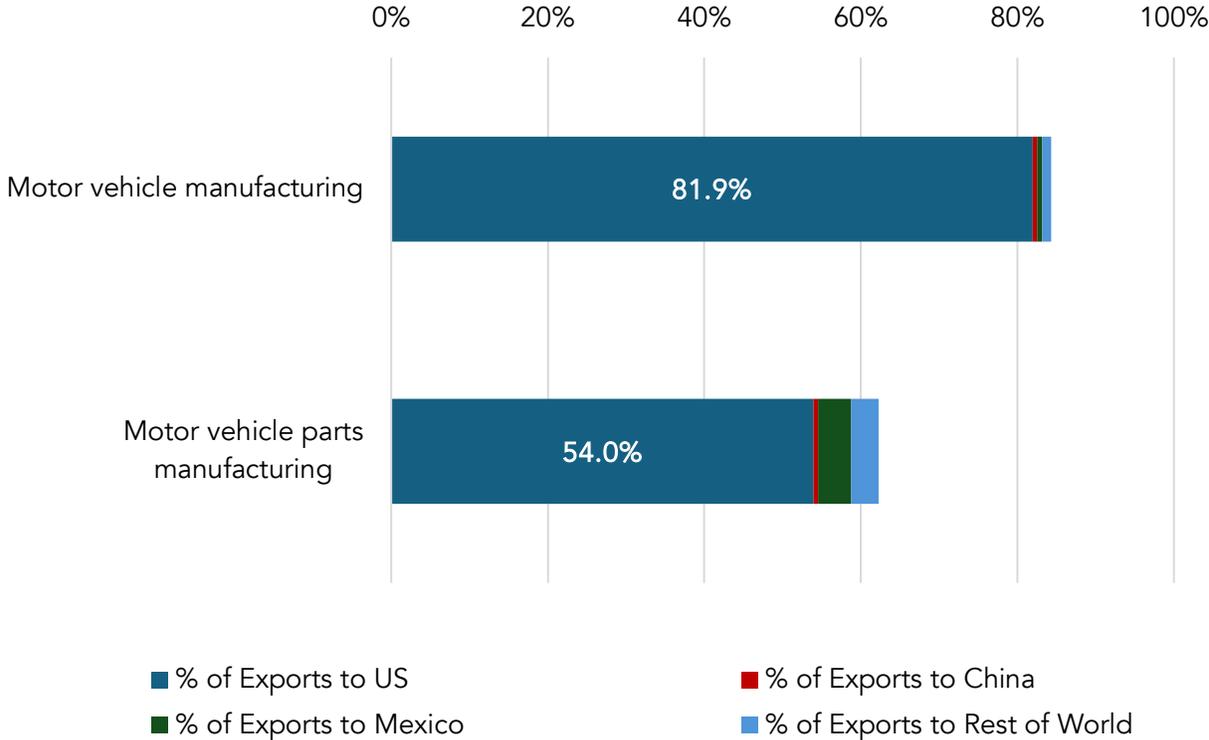
~ 82% - \$49.9 B

Canadian Motor Vehicle Production Exported to U.S. in 2023

~ 54% - \$19.5 B

Canadian Motor Vehicle Parts Production Exported to U.S. in 2023

Figure 2. Share of Canadian Automotive Manufacturing Production Exported, 2023

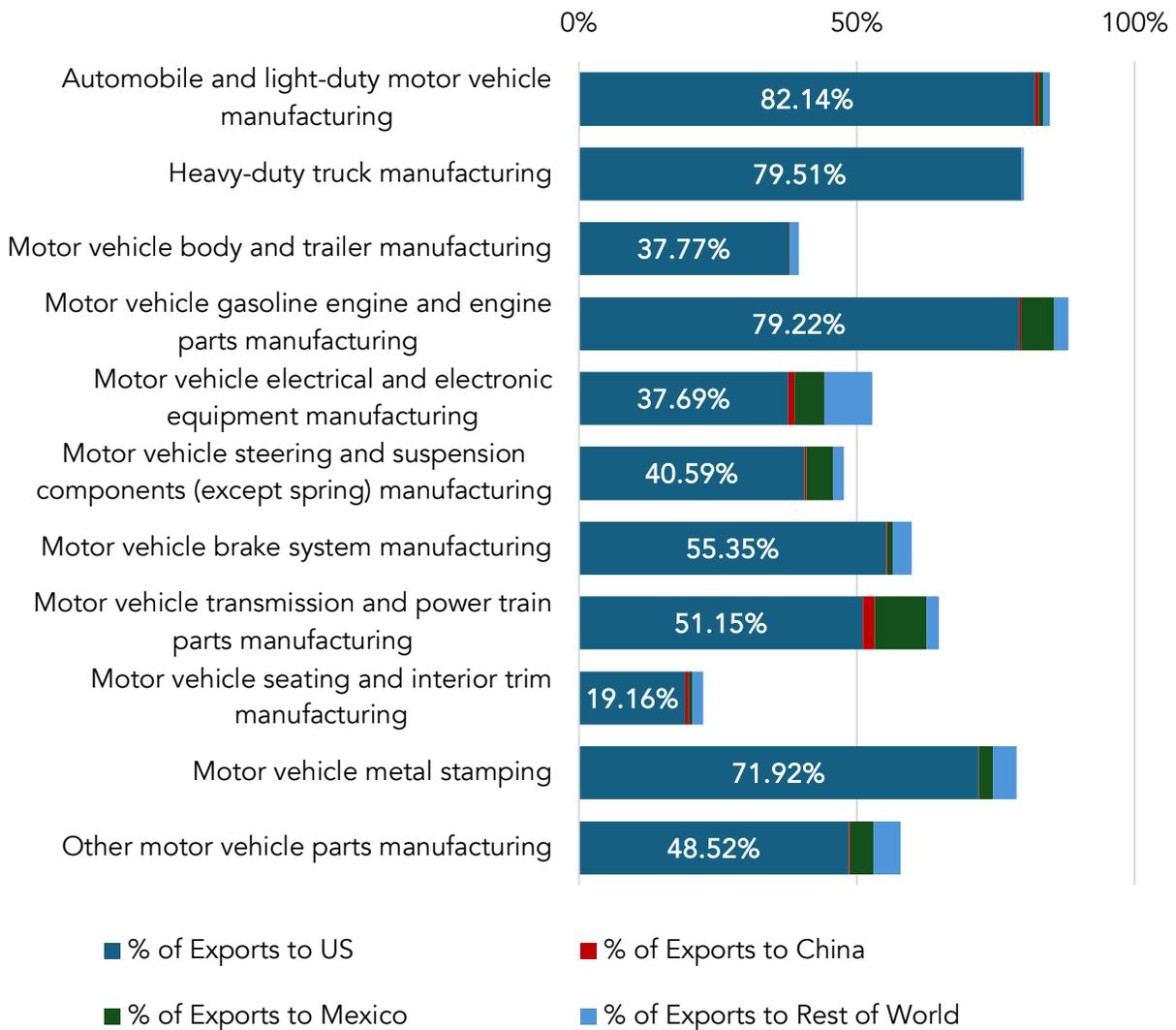


Source: 2023 National Input-Output Table

The concentration of Canadian automotive manufacturing exports to the U.S. market underscores the sector’s dependence on continued access to the United States and its exposure to shifts in U.S. trade policy, including the tariffs imposed in early 2025 and the outcome of the CUSMA review. This disproportionate dependence also implies that Canadian producers have limited ability to redirect output when U.S. market access is disrupted. When tariffs or other trade barriers raise the cost of cross-border shipments, Canadian plants face an immediate competitive disadvantage, one that cannot easily be offset by selling elsewhere.

Examining the share of production exported within each sub-industry of vehicle assembly and parts manufacturing reveals variation in dependence on the U.S. market (Figure 3). Finished vehicle and heavy-duty truck manufacturing export over 79% of their output to the U.S. Within the parts manufacturing industries, exposure varies considerably. Engine and engine parts manufacturing is the most exposed at 79% U.S. export concentration, while seating and interior trim is the least exposed at 19%, reflecting its proximity-driven, localized production model. Motor vehicle electrical and electronic equipment manufacturing has the highest share of non-U.S. exports, suggesting relatively greater resilience to U.S.-specific tariff disruptions.

Figure 3. Share of Canadian Automotive Manufacturing Production Exported, 2023



Source: 2023 National Input-Output Table

This high dependence of the Canadian automotive manufacturing sector on the U.S. market, combined with the integrated nature of North American supply chains, leaves Canadian manufacturers disproportionately exposed to U.S. trade policy. The cost pressures are most acute for parts suppliers, which tend to operate on thinner margins and therefore, have less capacity to absorb sudden cost increases or navigate rapidly shifting trade requirements.

Employment

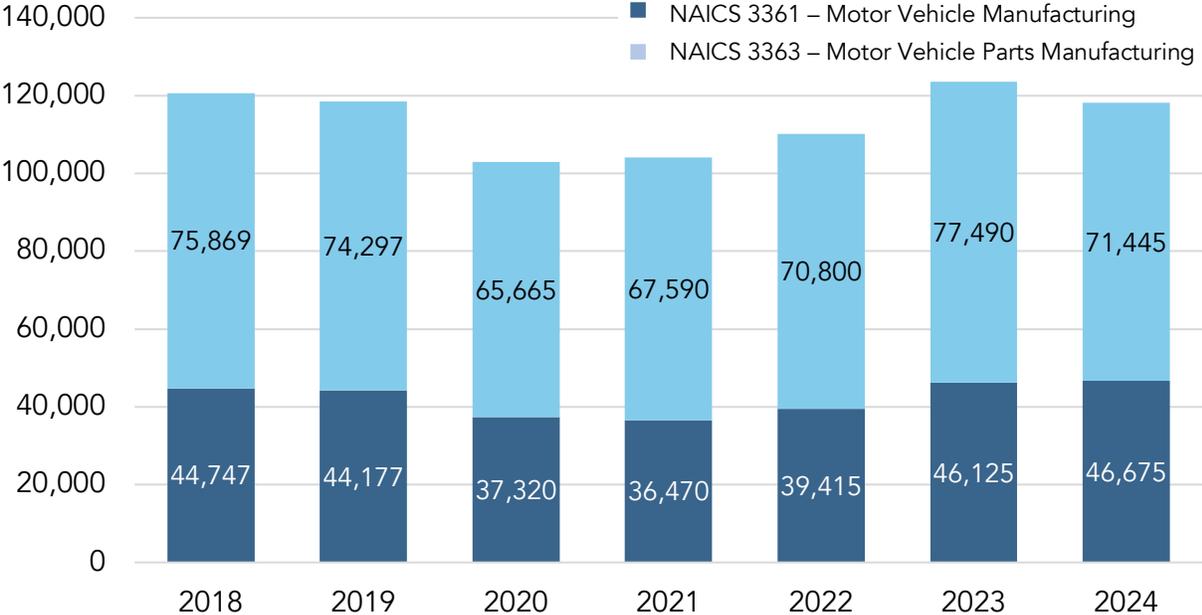
Canada's automotive manufacturing employs approximately 108,000 workers across vehicle assembly and parts manufacturing. However, this estimate only captures the two core

segments of the sector. The broader automotive supply chain includes manufacturers and suppliers that may not self-identify as automotive manufacturers; however, they supply parts such as plastic, rubber, glass, electronics, software, and other components that are direct inputs to vehicle assembly and parts production. According to research by the FOCAL Initiative, when the broader supply chain is taken into account, the broader automotive manufacturing sector accounts for more than 200,000 jobs.

Figure 4. presents employment in vehicle assembly and parts manufacturing between 2018 and 2024. Employment in vehicle assembly and parts manufacturing has fluctuated over the period of 2018 to 2024, but remained within the range of 100,000 to 120,000. Production and supply chain disruptions, plant closures, retooling shutdowns, and model transitions at Ford Oakville, Stellantis Brampton, and GM CAMI have resulted in temporary and extended layoffs affecting thousands of workers. As of early 2026, some workers remain laid off or on extended income support arrangements.

The imposition of U.S. tariffs in early 2025 introduces additional significant uncertainty as tariffs reshape the industry. Given that approximately 82% of Canadian vehicle production and 54% of parts production are exported to the U.S., tariff-related cost increases directly affect the competitiveness of Canadian-based production. Additionally, any direct or indirect production-related disruptions resulting from tariffs would have downstream effects on employment across

Figure 4. Employment in Vehicle Assembly and Parts Manufacturing in Canada 2018 - 2024



Source: Statistics Canada Table 14-10-0202-01

both vehicle assembly and parts manufacturing. While it is difficult to estimate the impact the tariffs will have on the sector's employment, the concentration of Canada's automotive exports in the U.S. market implies that even modest disruptions or shifts in production allocation by OEMs could result in job losses across the sector. With OEMs delaying investments, shifting production to the U.S., and cutting shifts at Canadian plants, the sector enters 2026 from a vulnerable position.

Investment

Recent tariff escalation has created substantial uncertainty around investment decisions in Canada's automotive supply chain, among both major OEMs and small and medium-sized enterprises (SMEs). The combined effect of U.S. tariffs and slowing EV demand puts at risk billions of dollars in public and private capital that governments and automakers committed to building out Canada's automotive manufacturing capacity. With CUSMA scheduled for review in 2026, automakers face continued ambiguity over the terms of cross-border trade, making long-term investment decisions difficult. Until there is greater clarity on tariffs and trade rules, the billions in public and private capital committed to Canada's automotive future may remain stalled, and the sector's role in North American manufacturing will continue to be tested. While not all of these stalled investments are directly related to tariffs, they suggest that the conditions that attracted automotive investment to Canada over the past decade are shifting.

49% of automotive SMEs in Ontario have paused or cancelled planned investment – such as hiring, equipment upgrades, or expansion.

\$2.9 B in estimated foregone investment over the next year amongst SMEs in Ontario.

(Falzata, Basta, & Balano, 2025)

 Stalled Investments & Operations

Honda – Alliston

- \$15 B EV investment postponed by at least two years (Hughes, 2025)

GM – Oshawa

- Third shift eliminated (Raveendran, 2025)

GM – CAMI (Ingersoll)

- BrightDrop EV van production ended (GM, 2025)

Stellantis – Brampton

- Production of Jeep Compass moved to Illinois (The Associated Press, 2025)

Ford – Oakville

- \$1.8 B EV SUV cancelled (2024) (The Canadian Press, 2024)

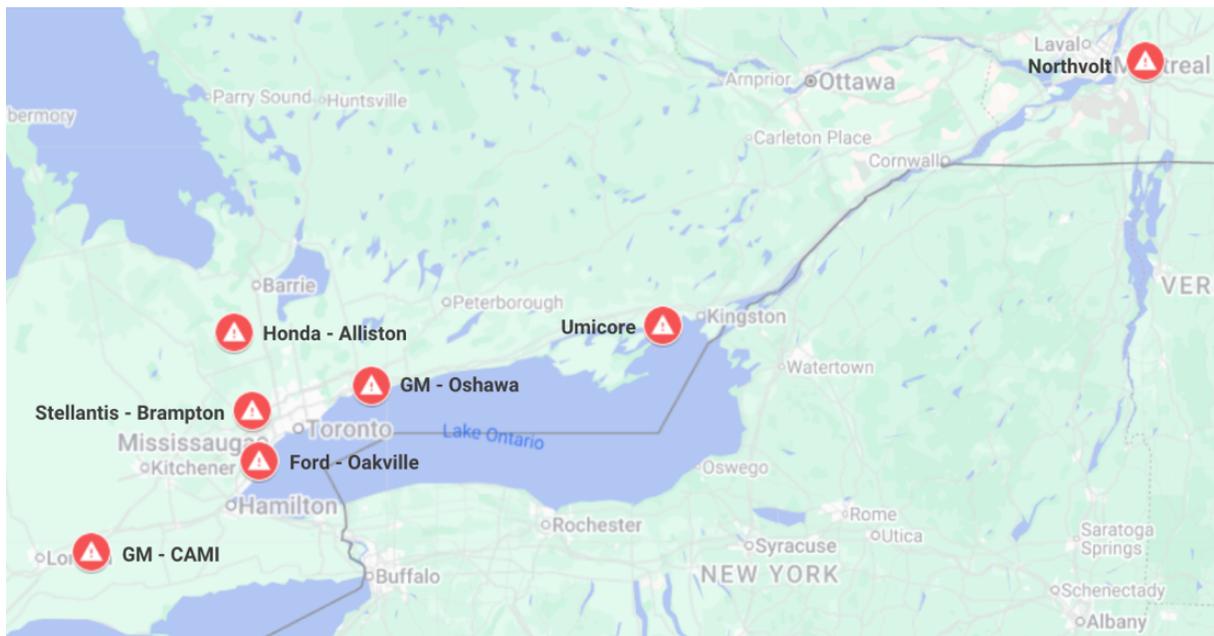
Northvolt - Montérégie (Quebec)

- \$7B battery plant cancelled after parent company declares bankruptcy (Lamb, 2025)

Umicore – Eastern Ontario

- \$2.8 B battery materials plant put on hold (Yakub, 2025)

Figure 5. Stalled and Cancelled Automotive Investments in Ontario and Quebec, 2024 – 2025



Source: APCR Database

Under Section 232 tariffs, only U.S.-origin content is exempt from duties, Canadian and Mexican content, previously tariff-free under CUSMA as "North American", now faces a 25% tariff. This means that even fully CUSMA-compliant vehicles are subject to tariffs on their non-U.S. content. For Canadian-assembled vehicles, roughly 49% of value consists of U.S. parts; the remaining 51%, including Canadian and Mexican content, is subject to the 25% tariff (Zanzana, 2025).

Auto parts face a different treatment. CUSMA-compliant parts retain an exemption from Section 232 tariffs, meaning Canadian parts manufacturers that meet CUSMA's rules of origin requirements can continue to export duty-free. However, non-compliant parts face the 25% Section 232 tariff *in addition to* existing Most Favored Nation (MFN) duties, as Section 232 tariffs stack on top of other applicable duties (Kitamura, 2025).

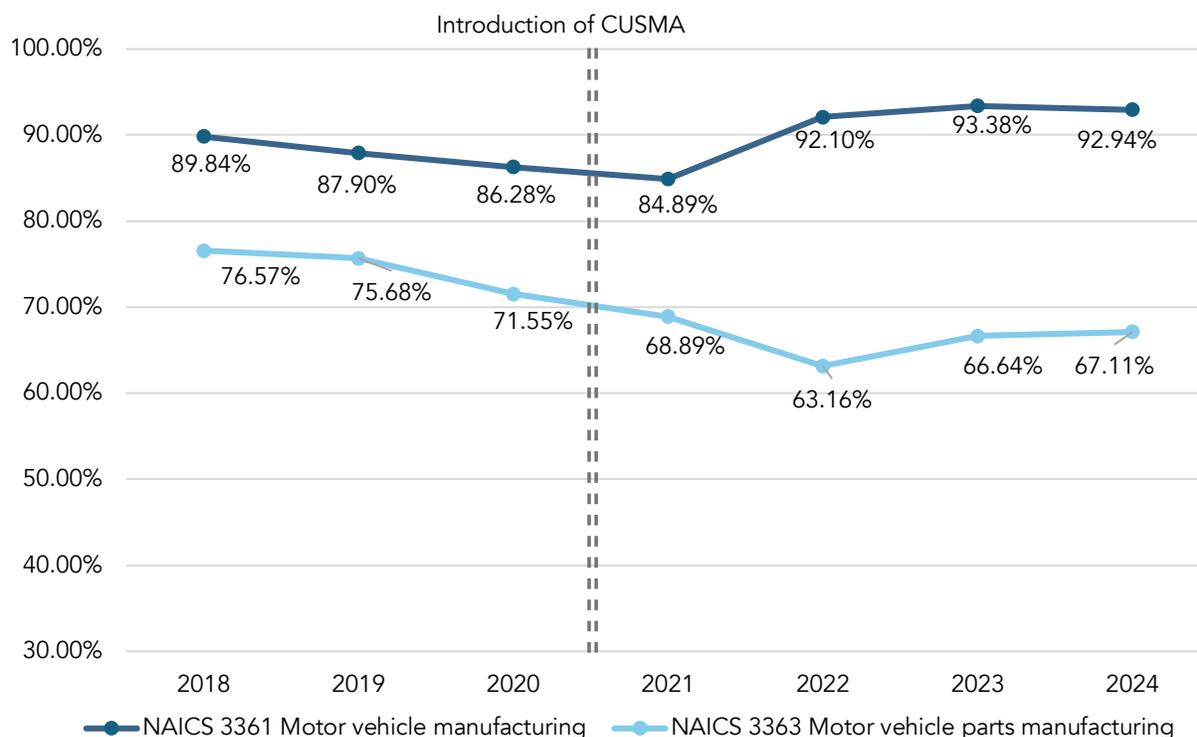
TARIFF COMPLIANCE

As U.S. tariff policy has evolved through multiple instruments, including Section 232, Canadian automotive exports face significant cost exposure depending on their trade agreement compliance status. Products that meet CUSMA's rules of origin requirements qualify for preferential treatment and are exempt from standard tariffs. Non-compliant exports, however, are subject to a 25% tariff on their full value, a rate that can significantly erode margins and undermine the competitiveness of Canadian-based production. Understanding the extent to which Canadian automotive exports currently qualify for preferential access is therefore critical to assessing the sector's vulnerability to the new tariff environment and the workforce that depends on it. This section examines tariff compliance rates for Canadian motor vehicle and parts exports to the U.S. from 2017 to 2024, tracking how firms have responded to the shift from NAFTA to CUSMA's more stringent requirements. The compliance rates presented below reflect not only the administrative capacity of exporters to meet trade agreement requirements, but also the share of the sector that is currently shielded from, or exposed to these costs.

Using data from the U.S. Census Bureau's USA Trade Online, tariff compliance was calculated as the share of U.S. imports from Canada claiming preferential treatment relative to total import value. Import data was collected at the 10-digit Harmonized System (HS) code level, then mapped to 3-digit and 6-digit NAICS codes using the Census Bureau's concordance tables. This approach captures the extent to which Canadian automotive exports are entering the U.S. under CUSMA's preferential terms versus being subject to applicable tariff rates, including those imposed under Section 232.

Figure 6 shows compliance for motor vehicle manufacturing and motor vehicle parts manufacturing dipping after the introduction of CUSMA. Notably, CUSMA introduced more stringent Rules of Origin (RoO) for automotive products than NAFTA, and compliance requirements have become even more complex under Section 232 tariffs. See Table 4 for an overview of changes to tariff compliance requirements.

Figure 6. Annual Tariff Compliance Rates for Canadian Motor Vehicle Imports to U.S., 2018 - 2024



Motor vehicle manufacturing shows consistently high compliance, with a slight drop following the introduction of CUSMA before recovering to exceed pre-CUSMA compliance levels. Motor vehicle parts manufacturing has much lower and more volatile compliance, with a sharper drop from 71.55% to 63.16% post-CUSMA in 2022. One potential contributing factor to this decline may be the increased administrative burden and cost associated with meeting the more complex Rules of Origin (RoO) required to trade under CUSMA (Zanzana, 2025).

Table 1. Annual Tariff Compliance Rates for Canadian Motor Vehicle Parts Manufacturers, 2018-2024

	2018	2019	2020	2021	2022	2023	2024
Motor vehicle gasoline engine and engine parts manufacturing	92.3%	91.4%	81.2%	83.8%	80.8%	83.8%	82.0%
Motor vehicle electrical and electronic equipment manufacturing	51.3%	58.6%	60.7%	64.9%	53.2%	56.5%	51.5%
Motor vehicle steering and suspension components (except spring) manufacturing	89.7%	87.6%	82.1%	79.8%	72.3%	74.9%	74.9 %
Motor vehicle brake system manufacturing	93.4%	92.4%	88.1%	85.7%	82.3%	76.6%	79.3%
Motor vehicle transmission and power train parts manufacturing	92.5%	90.4%	84.8%	76.7%	69.3%	81.4%	84.9%
Motor vehicle seating and interior trim manufacturing	7.3%	0.81%	0.12%	0.95%	0.15%	0.14%	0.05%
Motor vehicle metal stamping	98.5%	98.5%	95.5%	78.3%	75.9%	86.2%	87.9%
Other motor vehicle parts manufacturing	87.5%	85.7%	79.8%	80.9%	71.3%	73.5%	76.4%

Source: U.S. Trade Data Online, 2026

Table 1 shows a consistent drop in compliance across almost all automotive parts manufacturing sub-industries following the implementation of CUSMA. The exception is motor vehicle electrical and electronic equipment manufacturing, which declined moderately from 2020 to 2024. With more complex content requirements comes greater administrative burden and potential supply chain restructuring.

Table 2 shows a sharp increase in CUSMA preference-claiming among Canadian motor vehicle parts sub-industries through 2025, following the introduction of Section 232 tariffs on non-CUSMA-compliant parts. Prior to Section 232, many parts manufacturers opted to pay the MFN tariff rather than incur the administrative burden and supply chain restructuring required for CUSMA compliance (United States International Trade Commission, 2026). With non-compliant

parts now facing the full 25% rate, this calculus has shifted significantly, explaining the sharp increase in tariff compliance for motor vehicle parts manufacturing. Though not as drastic, motor vehicle manufacturing saw a significant increase of almost 10 percentage points from January to September 2025. Motor vehicle parts manufacturing operates on a just-in-time system with 24-hour delivery cycles and no buffer to absorb tariff shocks, unlike finished vehicle manufacturers who can spread costs across dealer inventory and leverage stronger balance sheets (Starnino, 2025).

Table 2. 2025 Monthly Tariff Compliance Rates for Canadian Motor Vehicle Parts Sub-Industries to U.S

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Motor vehicle gasoline engine and engine parts manufacturing	34.5%	41.8%	71.5%	86.6%	90.0 %	91.3%	92.2 %	92.0%	91.9%
Motor vehicle electrical and electronic equipment manufacturing	45.2%	48.1%	50.5%	55.0%	51.1 %	52.3%	83.2%	84.5%	81.5%
Motor vehicle steering and suspension components (except spring) manufacturing	43.2%	64.2%	78.2%	79.8%	83.2%	84.0%	85.6%	83.9%	84.5%
Motor vehicle brake system manufacturing	73.5%	82.1%	83.7%	75.1%	92.8%	94.7%	96.3%	95.5%	93.7%
Motor vehicle transmission and power train parts manufacturing	36.0%	66.3%	81.9%	84.4%	87.7%	87.5%	88.8%	89.0%	88.1%
Motor vehicle seating and interior trim manufacturing	0.01%	0.03%	0.13%	0.03%	0.07%	0.03%	82.3%	83.1%	90.7%
Motor vehicle metal stamping	86.6%	87.6%	91.6%	93.8%	94.5%	93.2%	96.1%	94.9%	95.5%
Other motor vehicle parts manufacturing	59.0%	68.8%	74.9%	77.3%	79.8%	80.5%	86.1%	83.8%	82.1%

Source: U.S. Trade Data Online

Table 2 shows that many automotive parts manufacturers quickly shifted to CUSMA certification following the introduction of Section 232 tariffs on all non-CUSMA-compliant parts. However, while compliance is achievable, motor vehicle parts manufacturers operate on

margins of 6 - 7%, meaning a 25% duty can eliminate profitability entirely (Stricker, Correa, & Ingo, 2025).

The tariff landscape is further complicated by the increase in Section 232 steel and aluminum tariffs from 25% to 50% in June 2025. Since CUSMA-compliant parts can remain subject to the 50% tariff on their steel/aluminum content, importers must now assess on a per-part basis whether claiming CUSMA or paying the 25% auto tariff results in a lower total duty — a calculation that depends on the proportion of metal content in each part (Schwartz, Guerrero, & Scheglazova, 2025) (GHY International, 2025). This adds a layer of administrative complexity on top of an already burdensome compliance regime, particularly for smaller parts manufacturers managing thousands of individual line items.

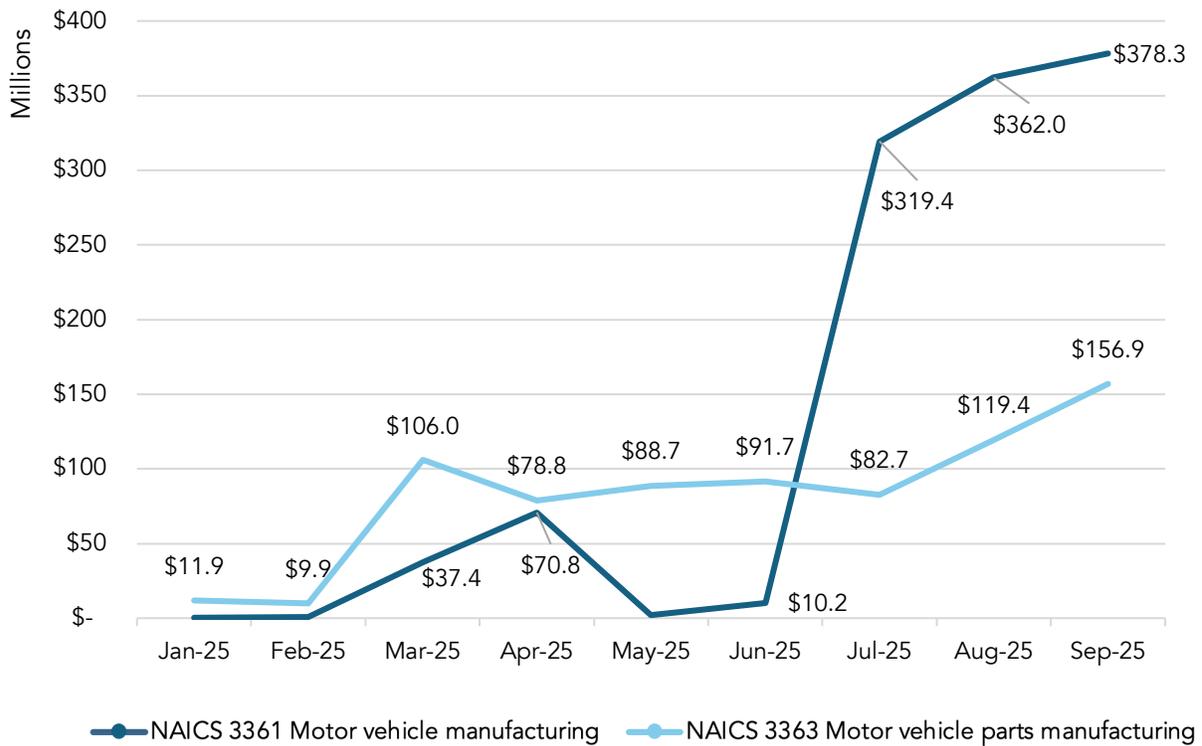
~ +68,554% motor vehicle manufacturing duties paid

~ +999% motor vehicle parts manufacturing duties paid

Calculations based on pre-tariff average (Jan-Feb) and post-tariff average (July-September 2025)

Motor vehicle manufacturing duties saw the sharpest spike, climbing from near-zero in May–June to over \$300M/month by July as Section 232 automotive tariffs took full effect. Motor vehicle parts manufacturing saw a parallel escalation, with duties rising from an average of \$10.9M/month in January - February to \$119.7M/month in July - September. Unlike OEMs, parts manufacturers typically operate on thinner margins, making them less able to absorb these additional costs.

Figure 7. Canadian motor vehicle, Duties Paid, Monthly (January – September, 2025)



Source: U.S. Trade Data Online

ESTIMATE OF TARIFFS PAID

The tariff costs as a result of the imposition of Section 232 on automotive products have direct implications for production volumes, supply chain stability, and consequently the workforce in the Canadian automotive manufacturing sector. As duties impact operating margins, especially for smaller parts manufacturing companies, suppliers face increased pressure to reduce operating costs, which can translate into hiring freezes, shift reductions, and layoffs across the supply chain. The following section estimates U.S. tariffs paid by the Canadian automotive suppliers from January to September of 2025. Importantly, when considering the increase in compliance, this data shows that despite automotive industries increasing their compliance with CUSMA, the amount paid in tariffs still drastically increased.

The calculations are based on duties paid as reported by the U.S. International Trade Commission. Duties are broader than tariffs alone and include antidumping duties, countervailing duties, and other assessments collected by U.S. Customs and Border Protection at the time of entry.

Table 3. Motor vehicle parts manufacturing, duties paid, Monthly (January – September).
Values in millions.

	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Motor vehicle gasoline engine and engine parts manufacturing	\$3.7	\$3.5	\$19.2	\$8.4	\$12.3	\$8.7	\$7.0	\$10.4	\$13.2
Motor vehicle electrical and electronic equipment manufacturing	\$0.1	\$0.1	\$1.2	\$0.6	\$1.2	\$0.7	\$0.9	\$0.62	\$0.63
Motor vehicle steering and suspension components (except spring) manufacturing	\$2.1	\$1.4	\$14.3	\$11.1	\$12.5	\$9.7	\$10.1	\$11.9	\$12.7
Motor vehicle brake system manufacturing	\$0.09	\$0.07	\$1.0	\$1.2	\$0.42	\$0.23	\$0.25	\$0.31	\$0.29
Motor vehicle transmission and power train parts manufacturing	\$1.4	\$0.69	\$6.0	\$3.4	\$3.9	\$2.6	\$3.1	\$4.0	\$4.8
Motor vehicle seating and interior trim manufacturing	\$0.01	\$0.01	\$2.3	\$2.0	\$2.3	\$2.1	\$2.2	\$3.1	\$1.9
Motor vehicle metal stamping	\$0.09	\$0.07	\$1.2	\$0.68	\$0.82	\$0.2	\$0.41	\$0.52	\$0.39
Other motor vehicle parts manufacturing	\$4.5	\$4.1	\$60.7	\$51.5	\$55.2	\$66.9	\$58.9	\$88.5	\$123.1

Source: U.S. Trade Data Online

Table 4. 2025 U.S. Trade Actions

Effective Date	Trade Action	Rate	What It Covers	CUSMA Treatment	Stacking Notes
March 4, 2025	IEEPA (Fentanyl)	25%	Motor vehicle parts manufacturing.	Exempt	Not stacked with S.232
March 12, 2025	S.232 – Steel & Aluminum	25%	Steel/aluminum imports and derivatives	Not exempt	Not stacked with IEEPA
Apr 3, 2025	S.232 – Automobiles	25%	Finished vehicles and light trucks	25% on non-U.S. content only	Not stacked with IEEPA or S.232 steel/aluminum
Apr 29, 2025	Stacking Clarification (EO 14289)	N/A	Clarifies tariff interactions	Retroactive to Mar 4	S.232 auto exempts from IEEPA and steel/aluminum
May 3, 2025	Section 232 – Auto Parts	25%	Engines/transmissions/powertrain/electrical	Exempt from auto tariff	Steel/aluminum tariffs may still apply (see note)
Jun 4, 2025	S.232 – Steel & Aluminum Increase	50% (from 25%)	Steel/aluminum context	Not exempt (see note)	Applied to metal content only
Aug 1, 2025	IEEPA – Canada Increase	35% (from 25%)	All non-CUSMA Canadian goods	Exempt	Same stacking rules apply

(BLG, 2018) (Government of Canada, 2025) (Government of Canada, 2025)

DISCUSSION

For over 60 years, trade frameworks have shaped the highly integrated North American automotive supply chain. Historically, trade agreements governing automotive manufacturing in North America have focused on encouraging higher levels of production and manufacturing wages while ensuring duty-free trade. In early 2025, the U.S. shifted its orientation to onshoring automotive production and reducing reliance on foreign supply chains, which included Canada and Mexico. This signalled the beginning of unpredictable U.S. trade policy with tariff rates surging and receding in rapid succession. Canadian automotive manufacturers now face a far less certain trade environment, with new barriers threatening to upend well-established continental supply chains and production models.

The 2020 CUSMA trade deal had already introduced stricter automotive rules of origin, raising regional value content requirements for passenger vehicles from 62.5% under NAFTA to 75%, with additional thresholds for wages and North American steel and aluminum sourcing (BLG, 2018). These requirements, while complex, allowed Canadian-assembled vehicles and parts to enter the U.S. tariff-free *if met*. The 2025 U.S. trade actions fundamentally altered this arrangement. Under the 2025 Section 232 auto measures, duties may still apply to the non-U.S. content portion of vehicles that otherwise qualify under CUSMA (See Table 4) (PWC, 2025).

Canada imposed its own retaliatory tariffs, though they were more targeted. Notably, motor vehicle parts were excluded from counter-tariffs to avoid further supply chain disruption (Cecco, 2025). Effective April 2025, Canada imposed 25% counter-tariffs on U.S.-made vehicles, mirroring the U.S. approach by applying the tax fully to non-CUSMA-originating vehicles and to the non-Canadian/non-Mexican portion of USMCA-compliant vehicles (Foran, North American Auto Outlook 2025, 2025). The government concurrently introduced an automotive tariff remission framework tying import relief to domestic production and investment commitments, aiming to prevent an exodus of manufacturing (Cecco, 2025). While Canada removed most of its broader retaliatory tariffs on U.S. goods effective September 1, 2025, counter-tariffs on steel, aluminum, and vehicles remain in effect.

Despite these measures, major automotive manufacturers have postponed or shifted investment that was previously slated for Canadian facilities (Government of Canada, 2025). Between 2020 and 2024, over \$46 billion in EV-related foreign direct investment had been announced for Canada, part of an estimated \$100 billion in total public and private automotive investment (Zeifmans, 2025) (Koshelev, 2025). Some of these projects are now uncertain. Stellantis shifted Jeep Compass production from Brampton, Ontario to Illinois despite

receiving over \$500 million CAD in government incentives (Rastogi, 2025). General Motors ended the BrightDrop delivery van production and Honda postponed its \$15 billion EV investment by approximately two years (Bell, 2025).

With heavy tariffs threatening exports, a critical question is whether Canada's domestic market can absorb some of the vehicle production that might no longer find a home in the U.S. (Prusakowski, n.d.). Unfortunately, the Canadian market – roughly 1.8 million light vehicle sales annually – is only a fraction of the U.S. market and cannot fully offset the loss of U.S. demand. With more than 90% of Canada's auto output normally shipped to the U.S., any significant reduction in exports would lead to lower production and, with it, reduced employment. For the automotive workforce, this means fewer shifts, fewer new hires, and growing uncertainty for workers across the supply chain, from assembly plants to parts manufacturers to logistics providers. Understanding the scale and distribution of this workforce exposure is central to the analysis that follows in this report.

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APPENDIX A.

Table 1.A. Exports of Canadian vehicle assembly and motor vehicle parts sub-industries, 2023

	International exports to U.S.	International exports to China	International exports to Mexico	International exports to the Rest of the World
NAICS 336110 Automobile and light-duty motor vehicle manufacturing	\$47,100 m	\$379 m	\$406 m	\$0.70 m
NAICS 336120 Heavy-duty truck manufacturing	\$3,900 m	\$0.20 m	\$0.40 m	\$25 m
NAICS 336290 Motor vehicle body and trailer manufacturing	\$2,100 m	\$2.30 m	\$2.40 m	\$95 m
NAICS 336310 Motor vehicle gasoline engine and engine parts manufacturing	\$4,800 m	\$23 m	\$361 m	\$157 m
NAICS 336320 Motor vehicle electrical and electronic equipment manufacturing	\$652 m	\$19 m	\$94 m	\$149 m
NAICS 336330 Motor vehicle steering and suspension components (except spring) manufacturing	\$1,200 m	\$9 m	\$138 m	\$54 m
NAICS 336340 Motor vehicle brake system manufacturing	\$265 m	\$1 m	\$4 m	\$17 m
NAICS 336350 Motor vehicle transmission and power train parts manufacturing	\$2,500 m	\$103 m	\$454 m	\$106 m
NAICS 336360 Motor vehicle seating and interior trim manufacturing	\$1,200 m	\$35 m	\$38 m	\$122 m
NAICS 336370 Motor vehicle metal stamping	\$7,100 m	\$7 m	\$254 m	\$409 m
NAICS 336390 Other motor vehicle parts manufacturing	\$3,600 m	\$20 m	\$310 m	\$354 m

Source: U.S. Trade Data Online, 2026



CSTEC

Canadian Skills Training & Employment Coalition

About the Canadian Skills Training and Employment Coalition (CSTEC)

The [Canadian Skills Training and Employment Coalition \(CSTEC\)](#) is an enabler of innovative, multi-stakeholder solutions to training, recruitment, and labour market challenges faced by employers and unions within the broader manufacturing sector. Working with employers, job seekers, educators, and unions, CSTEC has supported over 1,900 youth into manufacturing, helped more than 200 firms meet their workforce needs, and assisted over 1,000 individuals from equity-deserving groups to enter industrial skilled trades and manufacturing occupations. CSTEC also produces manufacturing-specific labour market forecasts and occupational outlooks, and operates workforce development initiatives.



About the Automotive Policy Research Centre (APRC)

The [Automotive Policy Research Centre \(APRC\)](#) is a Canadian research organization that conducts and disseminates knowledge about the role of public policy in supporting Canada's globally competitive automotive industry. The APRC engages university-based researchers, policymakers, and industry stakeholders from Canada and abroad before becoming an independent NGO in 2018. APRC's research spans industry profiling, economic modelling, labour market analysis, and industry mapping, with a focus on understanding trade agreement impacts, sector structure, workforce needs, and the transferability of public policy tools used by governments globally.



Future Skills Centre Centre des
Compétences futures

About Future Skills Centre

The [Future Skills Centre \(FSC\)](#) is a forward-thinking centre for research and collaboration dedicated to driving innovation in skills development so that everyone in Canada can be prepared for the future of work. We partner with policymakers, researchers, practitioners, employers and labour, and post-secondary institutions to solve pressing labour market challenges and ensure that everyone can benefit from relevant lifelong learning opportunities. We are founded by a consortium whose members are Toronto Metropolitan University, Blueprint, and Signal49 Research, and are funded by the Government of Canada's [Future Skills Program](#).