

Intelligence MEMOS



From: Ari Van Assche and Daniel Schwanen

To: Canadian Trade Watchers

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Re: **NOW, MORE THAN EVER, CANADA NEEDS A SUPPLY CHAIN STRATEGY**

The supply chains serving Canadian markets cannot seem to catch a break. Over the past five years, they have been battered by global economic uncertainties, due diligence legislation and domestic logistical bottlenecks. Now, with US President-elect Donald Trump threatening to impose a 25-percent tariff on all imports from Canada as soon as he takes office, and our government poised to retaliate, these supply chain troubles are bound to persist.

While countries such as the United States and Australia have already adopted national supply chain strategies to enhance the security and resilience of their supply chains, Canada remains behind. This lag is concerning and demands swift action.

And with Mr. Trump having [recently stated](#) that he would be looking to supply chain improvements and lower energy costs to bring down grocery prices in the US, the supply chain angle might be a useful one for Canada to bring forth in the inevitable conversation ahead on the rebalancing of the Canada-US relationship. But for that, we need a strategy.

Our government must recognize the urgent need for a comprehensive supply chain strategy that recognizes their vital role in this country's prosperity, de-risks chokepoints and fortifies our position within the critical supply chains that serve our major trading partners.

Canada's supply chain woes have emerged from multiple fronts. COVID-19 starkly exposed how breakdowns in distant parts of the supply chain can quickly lead to crippling goods shortages in the Canadian market. Geopolitical tensions, such as the US-China trade war and Mr. Trump's tariff threat have further complicated supply chain dynamics, compelling businesses to adapt and reconfigure their operations – sometimes through friendshoring and reshoring – to maintain efficiency and competitiveness.

Domestically, infrastructure issues and due diligence legislations have compounded these supply chain challenges. Canada's vast geography and reliance on a limited number of transportation corridors make the country particularly susceptible to disruptions. Rail blockades, port strikes and extreme weather events have all contributed to significant supply chain disruptions that have increased costs for Canadian businesses. Laws such as Canada's modern slavery act, while necessary, have added further complexity, mandating companies to take concrete steps to "know their suppliers" to prevent human rights and environmental violations within their supply chains.

In the face of such persistent challenges, it is imperative for Canada to develop a comprehensive supply chain strategy that can strengthen the efficiency and resiliency of its supply chains. The stakes are high – Canada's prosperity depends on it. Well-functioning supply chains are key for tackling issues such as affordability, productivity and security, which are essential for improving the standard of living for all Canadians.

The cornerstone of Canada's supply chain strategy must be to invest in and support the formation of open, diverse, reliable and socially responsible international supply chains. For most products, the globalized nature of supply chains is a boon for our prosperity. To further streamline them, we must take concrete actions to facilitate trade both within and across Canadian borders, invest in our aging transportation infrastructure and develop robust traceability standards that can improve our firms' global supply chain mapping capabilities.

De-risking supply chains is vital in strategic industries that are central to our economic stability. To safeguard these sectors from supply chain disruptions, Canada needs an integrated, data-driven approach to its supply chain strategy. The strategy would identify strategic sectors vital to our national interests, monitor potential chokepoints within their associated supply chains and determine preferred risk mitigation strategies. This could include diversifying our supplier base, investing in domestic production capabilities and forging stronger international partnerships.

A similar data-driven approach would pinpoint our strongpoints within the critical supply chains that support our major trading partners. By understanding the importance of Canadian products in the supply chains that serve the United States, China and others such as critical minerals, energy resources, medical technology and automotive components, we can better withstand tariff threats and shape our strategic engagements with these nations. Investing in these strongpoints not only boosts our economic resilience but also strengthens our position in the global market.

Bottom-line: Canada's supply chains are at a crossroads. They face challenges that are significant, but not insurmountable. By adopting a comprehensive supply chain strategy, the Canadian government can turn these challenges into opportunities. This proactive approach would not only stabilize the current trade environment but also position our country as a resilient and competitive player in the global market. The time for action is now, and with the right strategy Canada can boost its chances for a prosperous economic future.

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