



# Canada-U.S. Trade War: What we heard from Canadian SMEs

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**CANADIAN FEDERATION  
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# Highlights

At the start of the trade, half of Canadian SMEs were actively engaged in trade with the U.S.

- Importance of trade with the U.S.
- Importance of CUSMA

Economic uncertainty concerns most SMEs, with key impacts including higher costs, lower profits, and supply chain disruptions

- Navigating uncertainty and key impacts

Over one-third (35%) of SMEs are reducing their workforce, either through layoffs or reduced working hours

- Growth and hiring are slowing

Tariffs are putting a significant financial and operational strain on SMEs, with 53% reporting decreased profits

- Most common tariffs impacting small businesses
- Importance of de minimis
- Tariffs and the financial strain on SMEs

Federal support measures are largely loan-based, and delayed remission responses mean SMEs aren't getting relief

- Programs and supports for impacted SMEs fall short
- CBSA's CARM system fails to reflect SME realities

One-third of SMEs have partially or fully shifted trade away from the U.S., but broader diversification remains a challenge

- SMEs diversifying away from U.S.
- SMEs seeking new markets and trading options

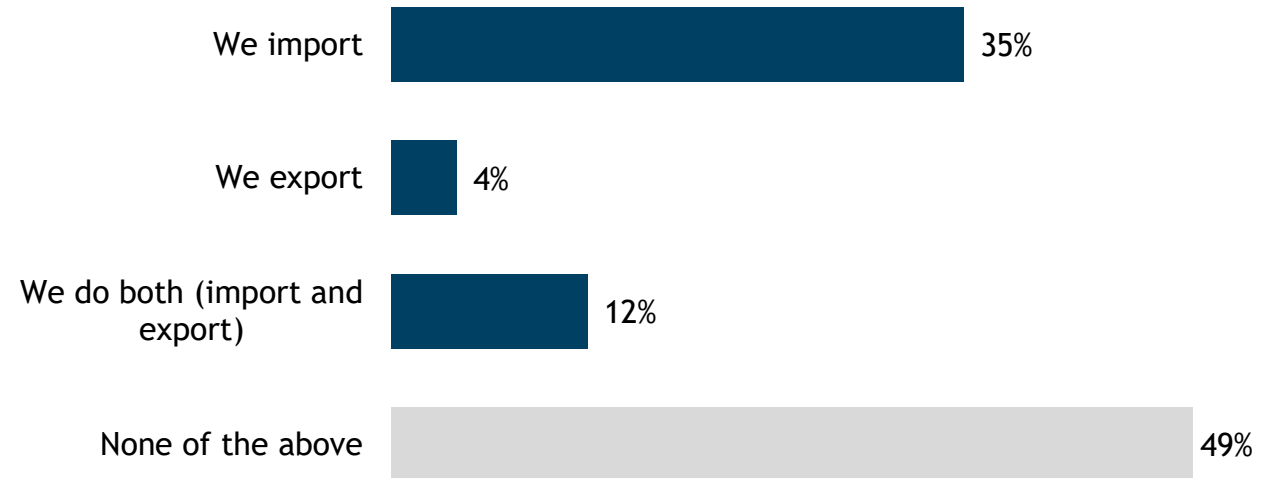
A majority of SMEs (82%) believe tariff revenues should be returned quickly to businesses impacted by trade disruptions

- Trade and tariff recommendations

# Importance of trade with the U.S.

- At the start of the trade war, 35% of SMEs were importing from the U.S., 4% were exporting, and 12% did both
- Businesses in the wholesale (34%), transportation (33%), enterprise and administration management (33%), and retail (32%) sectors source more than half of their goods from U.S. suppliers
- One-third (31%) of SMEs report that over half of their sales come from American clients, especially in natural resources (50%), transportation (42%), wholesale (42%), arts and recreation (38%), and manufacturing (33%)

## Half of SMEs were actively engaged in trade with the U.S. before the trade war



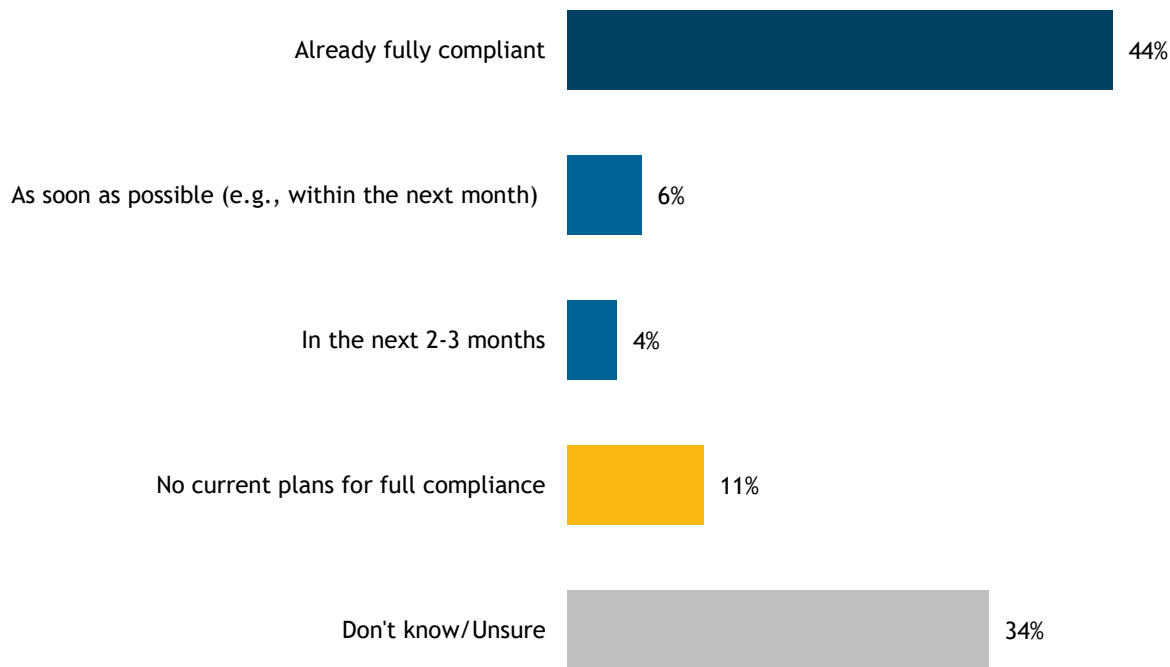
Question: Does your business import or export goods to/from the U.S.? (Select one)

Source: CFIB, Your Voice - December 2024 survey, December 5 - 29, 2024, final results, n=1,887

# Importance of CUSMA

- Uncertainty and inconsistent tariff application is still creating significant challenges for SMEs.
- CUSMA compliance is shielding some SMEs from tariffs, but many remain uncertain how to comply
- Over one-third (34%) are uncertain about their timeline for full compliance
  - Barriers to CUSMA-compliance include understanding rules and requirements (40%), determining goods' rules of origins (28%), lack of internal expertise or time (24%), and cost of compliance (24%)

## Nearly half of SMEs are CUSMA-compliant, but uncertainty and tariffs still create challenges




**Question:** What best describes your business's timeline for full compliance with CUSMA regulations for goods exported to the U.S.? (Select one)

**Source:** CFIB, Your Voice - April 2025 survey, April 10 - 24, 2025, final results, n=674.


# What we heard from SMEs on CUSMA:

 We want a return to Free Trade without daily threats of more tariffs.”


—Enterprises & admin. management, Ontario

 One purpose of CUSMA was to reduce tariffs and help with the flow of goods and one little hiccup and the whole deal has gone up in flames.”


—Professional services, Nova Scotia

 Key details are frequently missing, scattered across various sources, or buried within complex regulatory language, making it difficult to investigate or interpret in a straightforward way. As a result, we must constantly verify details with our customs broker, adding time and cost. Other concerns include compliance paperwork, customs delays and additional fees or hidden costs.”

—Manufacturing, Alberta

 Wasting a great deal of time and energy renegotiating CUSMA seems like a waste; especially when that time, energy & money could be better used developing or strengthening our agreements and trade with the rest of the world. Short term pain for long term gain.”

—Retail, British Columbia

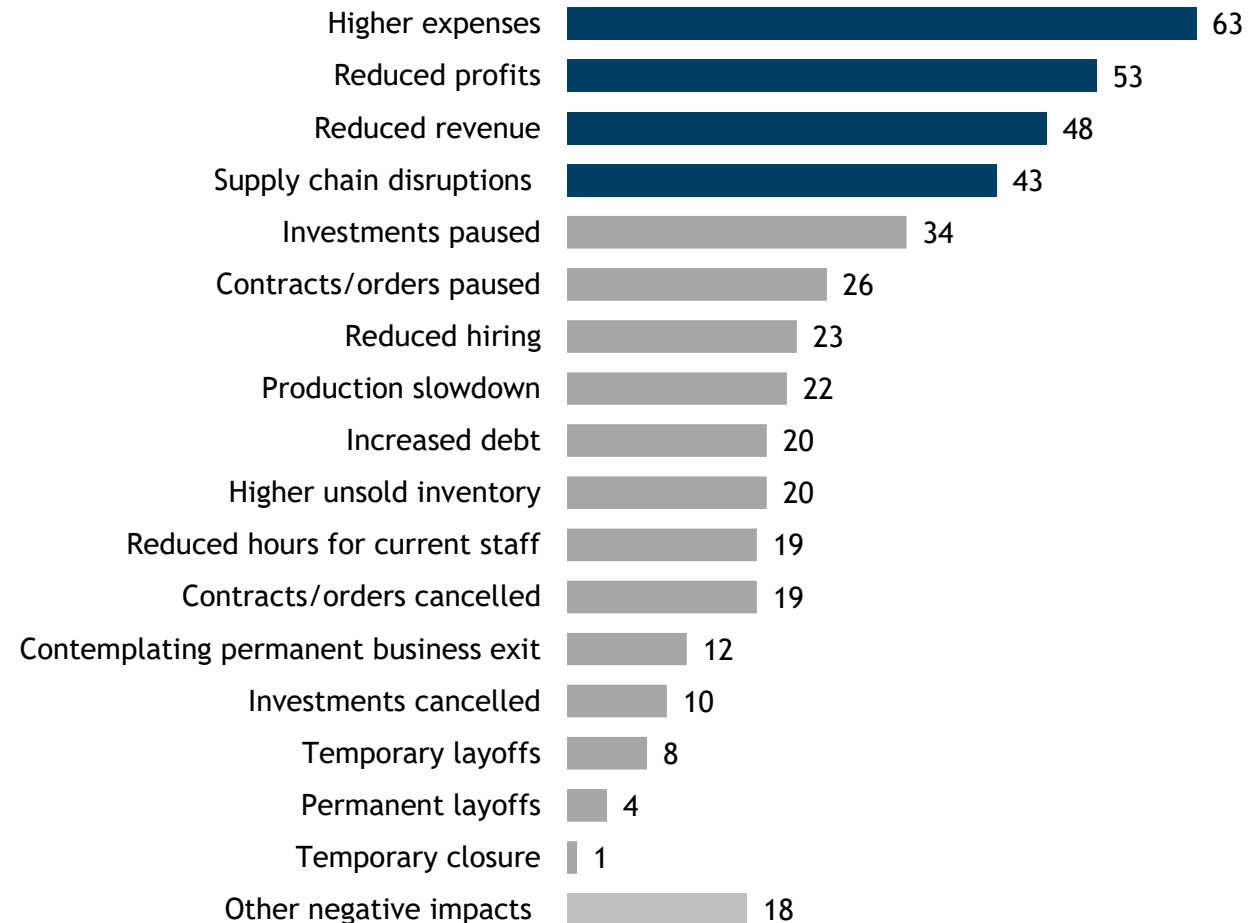
 As a dental practice, we’re not a traditional importer/exporter, but we do rely heavily on dental equipment, materials, and supplies—many of which are sourced from the U.S. Increased cross-border costs, unclear customs classifications, and unpredictable delays have made it more difficult and expensive to access the tools we need to provide care. We also face a lack of clear, accessible information around compliance requirements under CUSMA, especially for small businesses without dedicated trade or legal teams. Rising fees, currency fluctuations, and the potential for new U.S. tariffs add even more uncertainty. These challenges impact both our costs and our ability to plan effectively, and we hope the review of CUSMA includes better support and streamlined processes for small, service-based businesses like ours.”

—Social services, New Brunswick

# Navigating uncertainty and key impacts

- The unpredictability is taking a toll on day-to-day operations, with 89% saying it's making planning more difficult.
- Importers are more likely to see higher expenses (74%)
- Exporters are more likely to report reduced profits (67%) and revenues (63%) and to cancel (34%) or pause (44%) contracts and orders

## Key impacts include higher expenses, reduced profits and revenues, and supply chain disruptions



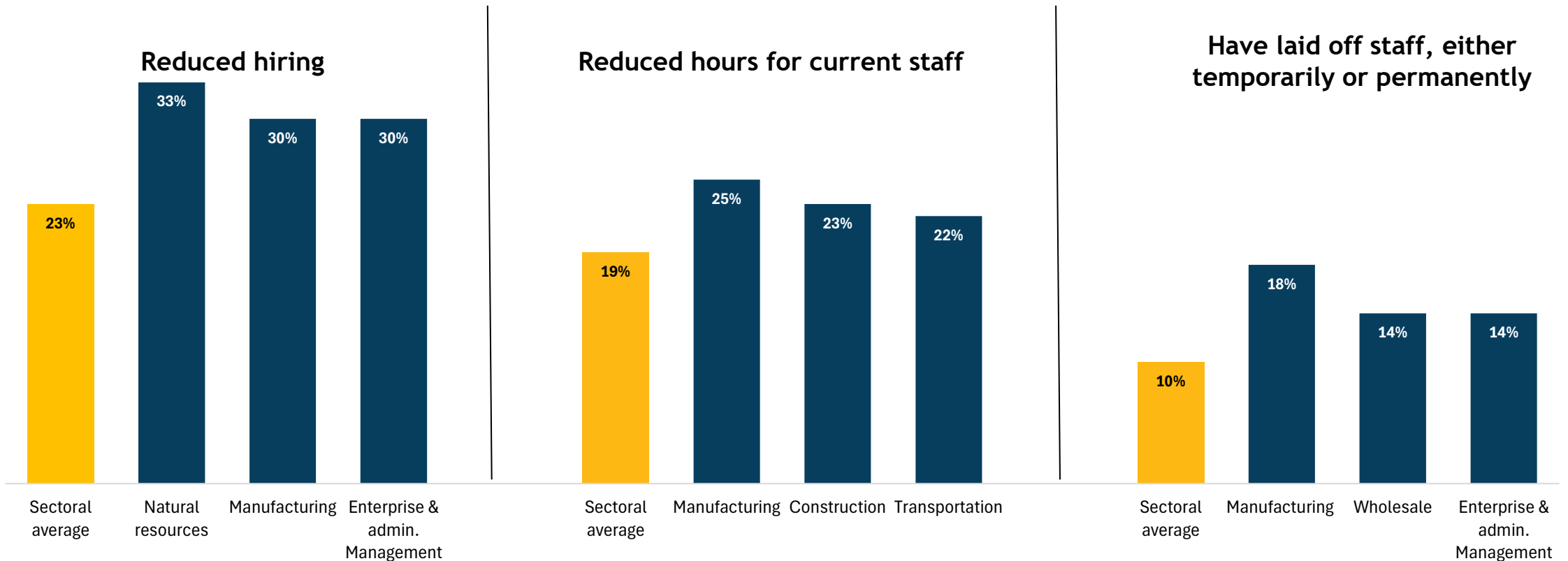
**Question:** What impact, if any, has your business experienced so far due to the U.S.-Canada trade war? (Select all that apply) - Selected Choice

**Source:** CFIB, The U.S.-Canada Trade War and Your Business, August 8 - September 2, 2025, n=2,721.



# Growth and hiring are slowing

The trade war is forcing one-third of SMEs to reduce their workforce, with certain sectors experiencing an even greater likelihood of hiring cuts, reduced hours, and layoffs.



**Question:** What impact, if any, has your business experienced so far due to the U.S.-Canada trade war? (Select all that apply) - Selected Choice

**Source:** CFIB, The U.S.-Canada Trade War and Your Business, August 8 - September 2, 2025, n=2,721.

# What we heard from SMEs on uncertainty:

“Businesses can deal with things when they know what they are. Having tariffs changing, adding or subtracting every few days is impossible to navigate.”

—Manufacturing, Manitoba

“To cope with the current pressure and uncertainty, we’ve had to reduce our staff to a 4-day work week. There’s a lot of hesitation in the market, we can’t seem to find new projects, and right now, our business is essentially at a standstill.”

—Wholesale, Ontario

“Developers are reluctant to proceed with their projects until there is clarity on the impact of the on/off again tariffs. We are carrying employees, well underutilized, on our payroll, however at some point very soon, we will need to take drastic steps, i.e. laying off employees. Currently, it is not sustainable long term without putting our company in a financial crisis.”

—Construction, Alberta

“Every week there are new challenges for small businesses like ours. As a business that manages all of the administration ourselves, this is distressing and takes away from our ability to make money to survive.”

—Retail, Ontario

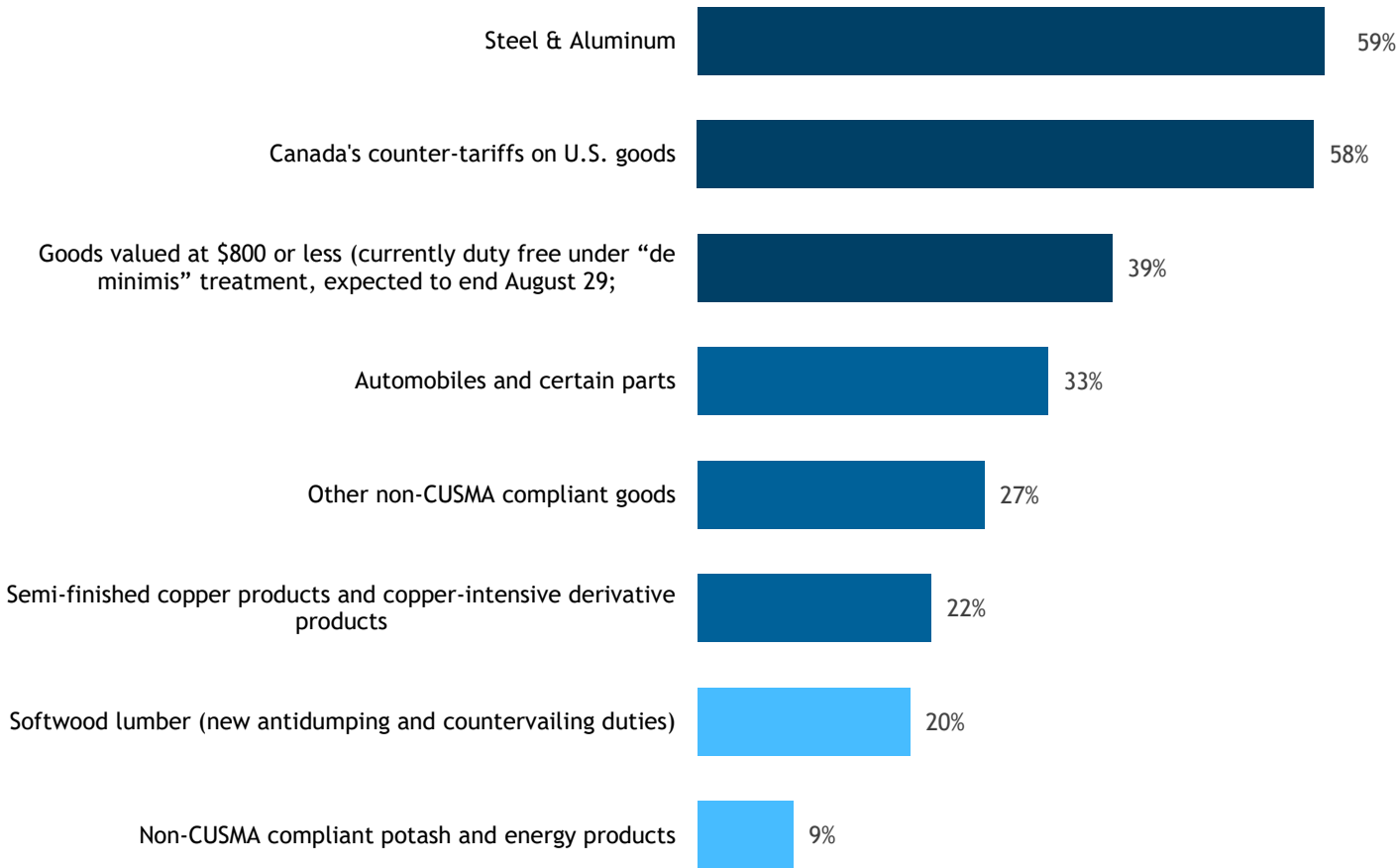
“Inconsistent tariff application at the border makes it extremely difficult to predict what, when, or if our products will be subject to duties. As a Canadian small business that regularly ships to the U.S., this lack of consistency introduces uncertainty into both our pricing and customer service. Products that should be duty-free under CUSMA are sometimes flagged or delayed, and the tariff classification can vary from one shipment to the next, even when the product and paperwork are identical. This unpredictability affects our ability to provide accurate quotes to U.S. customers, delays delivery timelines, and adds administrative burden as we attempt to clarify or dispute assessments.”

—Wholesale, Ontario



# Most common tariffs impacting small businesses

The most common trade measures affecting SMEs are tariffs on aluminum and steel in both countries, Canada’s counter-tariffs on U.S. goods, and the end of the de minimis rule



Question: Has your business been impacted by the following recent tariffs? (Select one for each line)

Source: CFIB, The U.S.-Canada trade war and your business, special survey, August 11-18, 2025, final results.

# Importance of *de minimis*

- SMEs rely on the U.S. *de minimis* to ship goods under \$800 USD duty- and tariff-free to American consumers, helping them access larger markets and remain competitive in cross-border e-commerce
- U.S. suspension of *de minimis* has negatively impacted nearly one-third (31%) of SMEs, especially those in wholesale (40%), personal and miscellaneous services (40%), retail (36%), and manufacturing (35%) sectors



Roughly 50% of our sales go to U.S. customers, almost always under \$800. We expect a 25-30% drop in U.S. sales now that customers will face duties/taxes. We have never filed CUSMA paperwork before, so there's a new compliance burden as well."

—Manufacturing, Nova Scotia



We sell specialized, niche Japanese papers in small orders (\$50-200). U.S. customers will now face duties, brokerage fees, and delays, discouraging cross-border purchases."

—Wholesale, Ontario



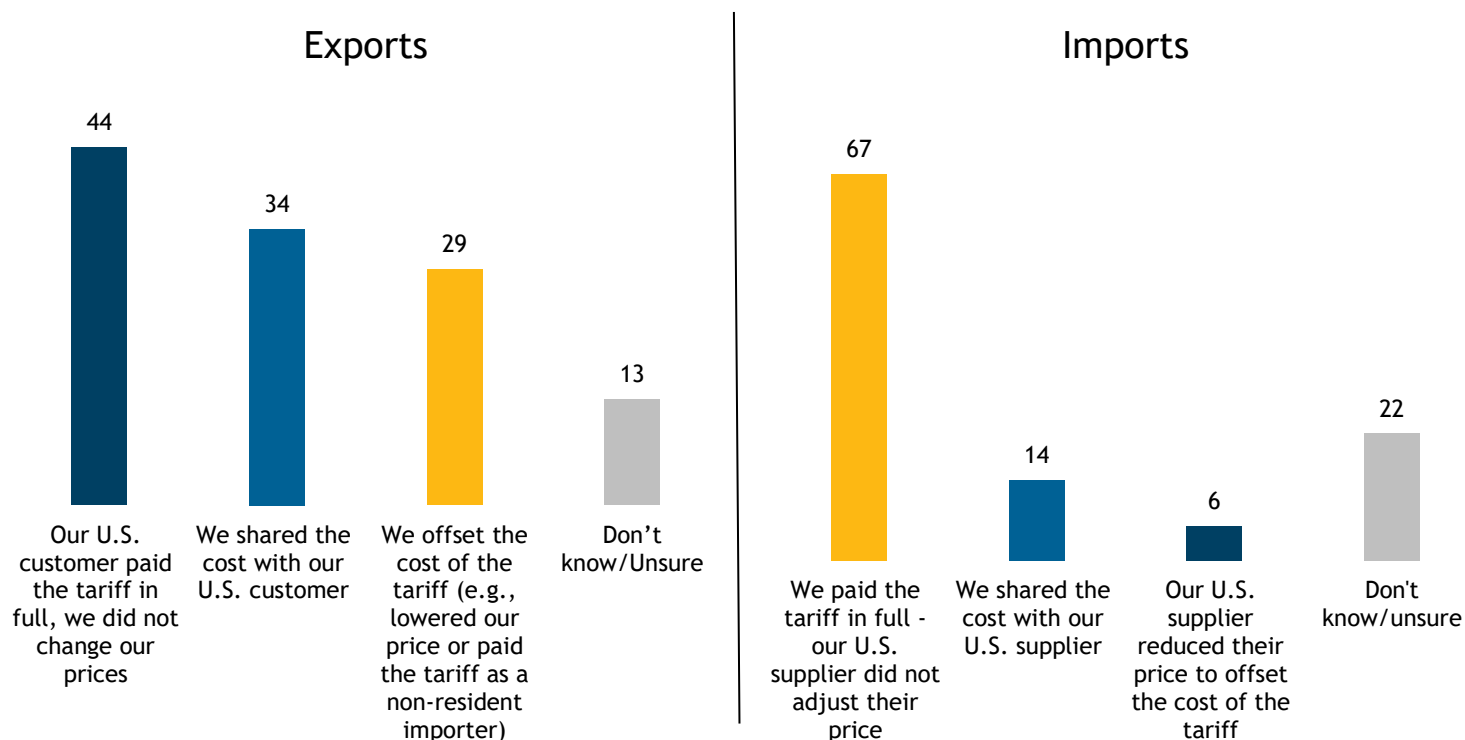
A product worth \$40 will now face \$33 in duties and \$7 in tariffs, almost doubling the price for U.S. customers. Very few of our products qualify as CUSMA compliant, meaning our costs will skyrocket and U.S. sales may no longer be viable."

—Retail, Ontario

# Tariffs and the financial strain on SMEs

Over two-thirds of Canadian SMEs importing from the U.S. have been paying the counter-tariff in full

- Half (53%) of SMEs have seen decreased profits since the start of the trade war, particularly in the personal and miscellaneous services (60%), manufacturing (59%), wholesale (55%), and retail (55%) sectors
- 1 in 5 SMEs say they will be forced to make difficult decisions within six months, if nothing changes



**Question:** Which of the following ways has your business used to handle the cost of tariffs when exporting to/importing from the U.S.?

**Source:** CFIB, Your Voice - July 2025 survey, July 10-24, 2025, final results, n=157 (exports), n=885 (imports).

**Note:** This survey was conducted prior to the removal of some of Canada's counter-tariffs.

# What we heard from SMEs on tariff-related cost pressures:

“These tariffs will likely close my 90-year-old business. We are a bridal accessory manufacturer that imports about 90% of our raw goods from the U.S. and exports approximately 90% of our products to the U.S. With these tariffs, we will not be able to compete with the Chinese market of the same products.”

—Manufacturing, Québec

“We are now being hit with 25% tariffs on USA-made products that were previously duty free under CUSMA. Our customers request specialized items which we have carried for years. Now, we can’t justify continuing to purchase them with the tariffs, so we are losing sales that we rely on as a very small business. The tariffs, coupled with historically high inflation, have drastically changed the landscape for my industry. Not sure whether it will ever recover.”

—Wholesale, Manitoba

“We provide high quality, innovative and best of breed products for the mining, construction, forestry, military, heavy civil, fishing and car repair industries. We have lost business of approximately \$150,000 in the last month and a half. Companies have delayed orders, and two companies have cancelled orders while in progress. This caused a major disruption to our business.”

—Manufacturing, Ontario

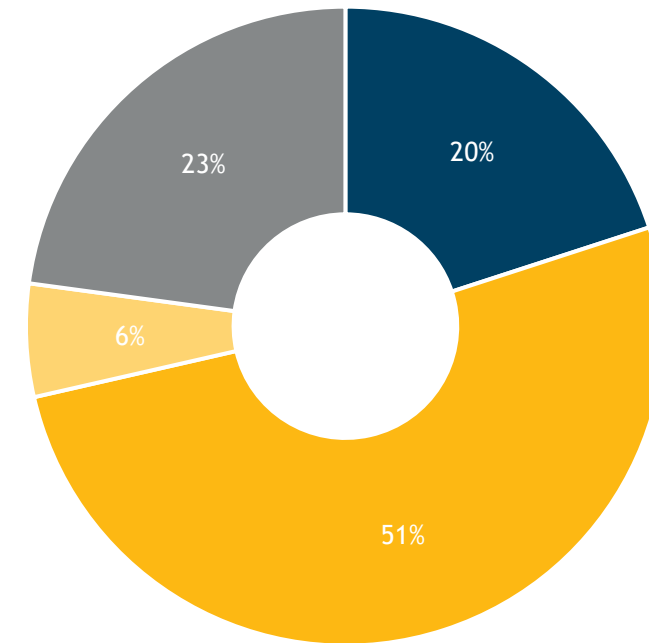
“Our enterprise is very vulnerable to tariffs. We buy granite blocks from the US, transform them and return the finished products to the U.S. If Canada responds with tariffs, we risk being impacted on both sides of the border, automatically making us non-competitive. 60% of our market is in the U.S., so we are very worried for what’s coming.”

—Manufacturing, Québec

# Programs and supports for impacted SMEs fall short

- Only 2% of SMEs have applied to the remission process
- Federal supports are mainly in the form of loans, offering little direct cost reduction for SMEs
- Process intended to help firms has failed due to backlogs, low awareness, and lack of transparency
- Removal of Canada's counter-tariffs on CUSMA-compliant U.S. products is welcome, but SMEs remain burdened, and remission cases still need resolution

**More than half of SMEs that have applied to the remission process are still waiting for a response**



■ It was approved ■ We are still waiting for a decision ■ It was denied ■ Don't know / Unsure

**Question:** What was the outcome of your remission application? (Select one)

**Source:** CFIB, Your Voice - July 2025 survey, July 10 - 24, 2025, final results, n=35. Small sample size.

# What we heard from small businesses on programs and support:

“Yes, it's time for Canada to stand for Canada while strategically separating itself from the US since they have proved themselves to be totally unreliable & hostile to Canada as a long-time partner & friend. But businesses should be reimbursed for the tariffs we collected & sent to the government, so we can stay in business. This is a political fight, businesses should not be the ones to bear the brunt.”

—Retail, Ontario

“I support retaliatory tariffs, but the federal government needs to find a way to ensure that the funds collected in this trade war are coming back to small businesses that have been severely impacted. Even though I cannot source some products in Canada, I am a Canadian small business. We need to be able to stay in business.”

—Retail, British Columbia

“Carney said the Government would use the tariffs collected to support Canadian businesses impacted by higher costs, but it seems the only businesses being helped are the big manufacturers which have more capacity to absorb higher prices than small independent businesses do. It feels like we're being punished by the Canadian Government for something we didn't cause or ask for.”

—Retail, Ontario

“Our remission application was rejected because we were not the initial importer. As a small business, we buy raw steel from wholesalers in Central Canada, but they won't pursue remission on our behalf. This left us stuck between a supplier unwilling to help and customers unwilling to pay the tariff premium, costing us over \$75,000 on one project alone.”

— Manufacturing, Nova Scotia

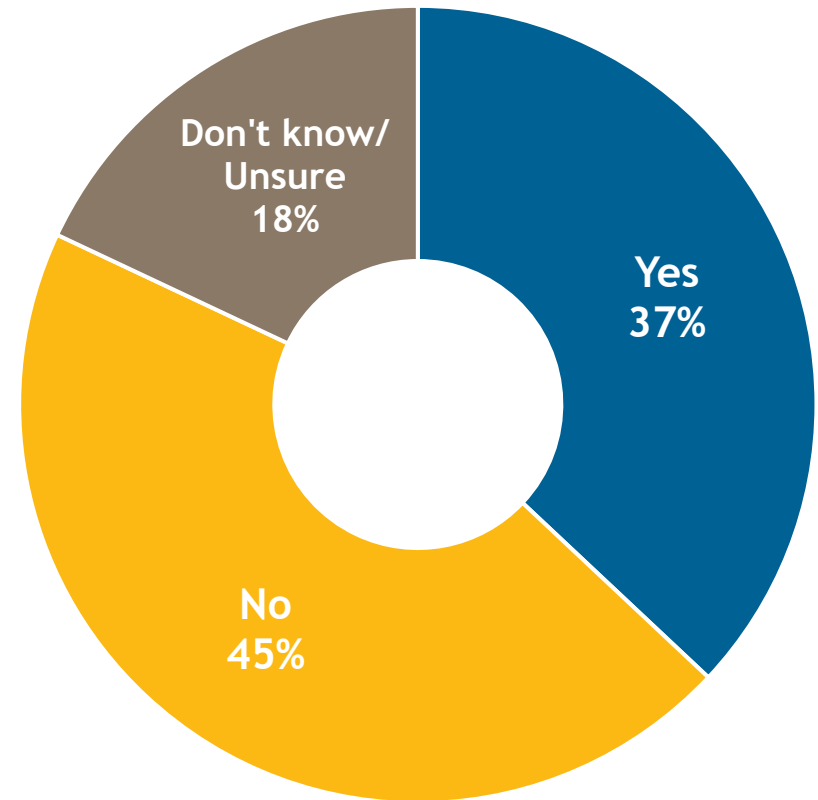
“As a customs broker representing many SMEs, none of my clients have received any responses to their remission requests. Why is it taking so long? Is it understaffing? This is an ongoing issue with CARM and Canadian Customs... no one answers the phone or the emails, and therefore nothing gets done.”

— Professional services, Ontario

# CBSA's CARM system fails to reflect SME realities

- Ending transition measures for the Release Prior to Payment (RPP) on May 20, amid ongoing Canada-U.S. tariff uncertainty, came at a difficult time for many SMEs.
- RPP was implemented despite low enrollment rates
  - Only 27% of SMEs enrolled (CBSA) (June 2025)
  - 37% enrolled among CFIB members
- RPP is another layer of red tape and cost. There is a need for a simpler, more accessible process to secure financial requirements, and acts as a deterrent to trade participation.
- Confusion and border delays, shipments held in warehouses/ports of entry for prolonged periods, tensions with U.S. suppliers

**45% of small businesses involved in trade (importing) are still not registered for RPP, and another 18% are unsure of whether they needed to be**



**Question:** Has your business registered to RPP?

**Source:** CFIB, Your Voice - April 2025 survey, April 10 - 24, 2025, n = 1,209.

**Note:** only those who import and need to register with CARM are represented in this chart.



# What we heard from small businesses on CARM:

“ I am trying to navigate through the CARM signup as a small business that imports about 3 times a year. Three hours so far today trying to get set up. This change seems like a complete waste of my tax money. I have no idea why the old process was a problem.”

—Hospitality, Ontario

“ CARM has been horrible for us. All our brokers have increased costs to deal with it (12% higher) and it still means more management on our side too. The bond requirement is absurd for small businesses.”

—Agriculture, Alberta

“ As a small importer of ATV, snowmobile, motorcycle and marine parts, our orders have typically been about \$1,000/month, but once a year we will have a big order of approximately \$55,000, which means we have to pay \$12,000 a year for a surety bond/cash to be tied up, seems to make no sense.”

—Transportation, Alberta

“ CARM is a disaster, a complete waste of resources and simply a huge burden for small businesses. The amount of time and energy spent on becoming compliant, not to mention the cost associated with posting a bond is completely unnecessary and is coming in at a time when small businesses are already struggling.”

—Retail, Nova Scotia

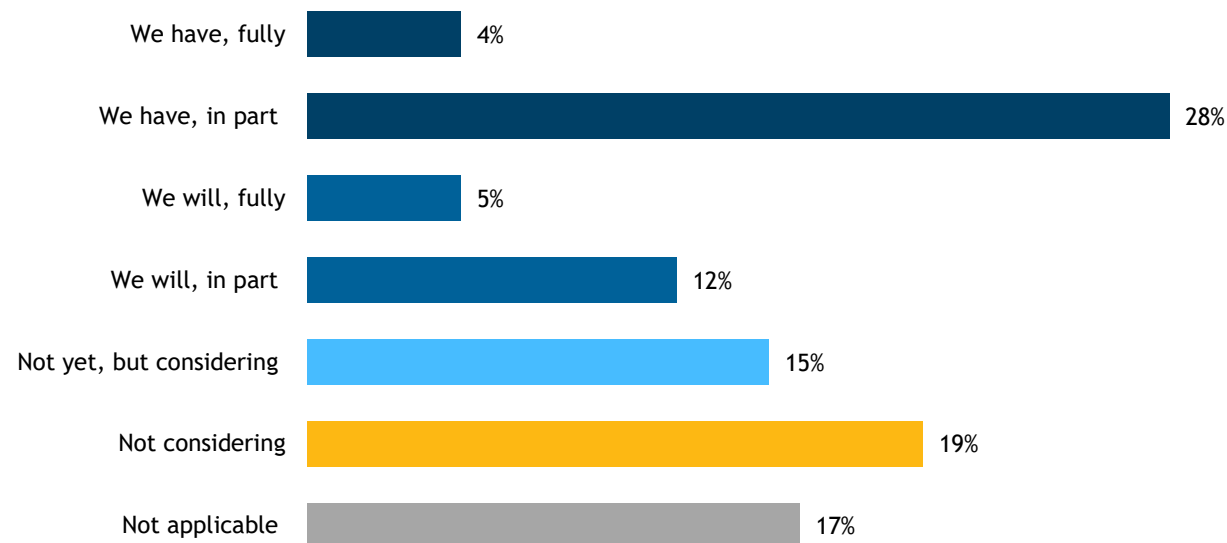
“ We are a small brokerage company with ~500 clients in different industries, every single one of them has struggled with CARM. It’s not an easy process. The government fell flat on this, brought it on knowing it would be difficult. They threw customs brokers under the bus - we are not trained for this. We will gladly help but you are limiting us in what we can do and what we can say. Our clients need help, we can only help them so much. The CARM help desk has clients on hold for weeks.”

—Professional services, Ontario

# SMEs diversifying away from U.S.

- Half (49%) of trading small businesses have (32%) or will be (17%) diversifying away from U.S. suppliers and markets to a certain extent, while 15% are still considering it
- A partial pivot has been mostly undertaken by small businesses in retail (36%) and wholesale (32%)

**One-third of Canadian SMEs have already either fully or partially pivoted away from U.S. business due to the trade war**



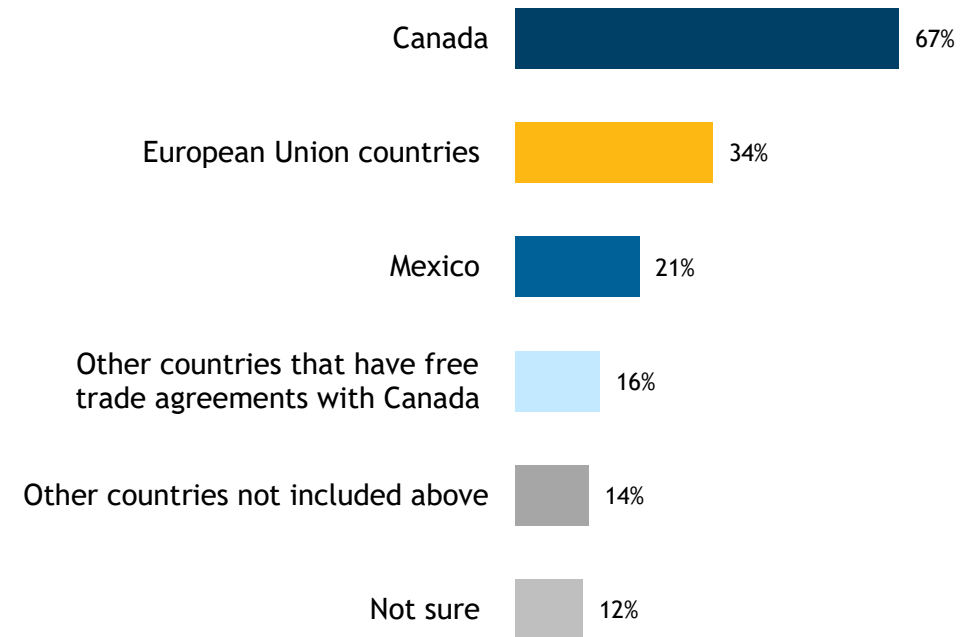
**Question:** Is your business pivoting to find non-U.S.-based suppliers or customers as alternatives?  
(Select the one answer that best describes your business situation now)

**Source:** CFIB, The U.S.-Canada Trade War and Your Business, August 8 - September 2, 2025, final results, n=2,673.

# SMEs seeking new markets and trading options

- Canadian SMEs that are pivoting are adapting to geopolitical uncertainty by localizing operations and leveraging international partnerships:
  - About two-thirds (67%) are opting for Canadian alternatives
  - More than one-third (34%) are seeking out European suppliers and markets
  - 21% are turning to Mexico.
  - 16% are shifting to other countries that have FTAs with Canada
- These results reflect a broader loss of confidence in what was once Canada's most reliable trading partner and signal a deliberate strategy by Canadian SMEs to seek out and establish stable, dependable, and diverse supply chains and markets

## About two-thirds are opting for Canadian alternatives



Source: CFIB, The U.S.-Canada Trade War and Your Business, August 8 - September 2, 2025, final results, n=1,694.

Survey question: Where is your business pivoting to find alternatives to U.S.-based suppliers or customers?

# What we heard from small businesses on trade diversification:

“We stopped importing as many goods as possible from the US. Even though it has increased shipping costs from Europe/Asia & has taken considerable time to “shift”, we feel it is important.”

—Hospitality, Alberta

“We have stopped importing and selling US products. We are selling out the current inventory and won’t reorder. We are never buying American again.”

—Retail, Nova Scotia

“We have researched to try to find Canadian companies to replace some of what we have been getting from the USA. Canada just doesn’t manufacture some specific dance & athletic wear items, or if there is a Canadian manufacturer for a few of them, they are limited, and the cost of labour is so high. To import directly from somewhere else like China, Europe, or Australia, there are high minimums, high shipping costs and they require a large opening order to get a new account with them. It’s a lot of tedious work and expensive for a small retail business to go through just to keep our doors open, when things were working well with our existing suppliers.”

—Retail, Ontario

“We are a construction company that sources many of our materials and equipment from the US. While we’ve made an effort to shift toward purchasing Canadian-made products, the cost of supplies, equipment, vehicles, trailers and small tools has risen significantly since the tariffs. Despite these increases, our pricing has remained the same, which has reduced our profit margins and left little room for reinvestment in new equipment/other business needs. Unfortunately, I don’t see much relief being offered for small businesses in the construction industry at this time.”

—Construction, Ontario

“As a veterinary hospital, we have very little options in terms of where we can source our supplies. The vast majority of everyday items like vaccines, flea and tick prevention, and veterinary diets comes from the US. Tariffs will force us to raise prices, which will lead to animals not getting the care they need as people just cannot afford higher veterinary costs.”

—Social services, New Brunswick

# Trade and tariff recommendations

With Ottawa having already collected billions in tariffs on U.S. imports, 82% of SMEs believe the revenue should be returned quickly to those impacted, both directly and indirectly, by trade disruptions. To address this urgent need, CFIB recommends three solutions:

1. Reducing the small business tax rate (SBTR) from 9% to 0% (even if only temporarily)
  - Helps to alleviate the impacts of tariffs on small businesses, provides them with additional liquidity to invest in their operations, and stimulates the economy in a difficult period.
2. Reducing the employment insurance (EI) premiums for small businesses
  - EI premiums represent a significant fixed cost for employers, regardless of whether they are generating profit. Lowering these premiums would help small employers retain staff during a difficult period, as some are considering layoffs to cope with rising costs. This could be in the form of a Small Business Job Credit similar to what was provided in 2015 and 2016, or by moving to a 50/50 split in EI premiums whereby employers and workers pay the same amount in premiums like CPP/QPP.
  - To ensure that added costs to the EI system such as enhanced accessibility and benefits for workers are not at the expense of workers or employers, the federal government should fund this support through general revenues/tariff proceeds, rather than the EI account.
3. Implementing a rebate program for tariff-impacted SMEs
  - A rebate program (i.e., similar in design to the carbon tax rebate) that allocates a meaningful portion of the revenue collected through counter-tariffs to SMEs would provide much needed support to small businesses affected by the trade war. Since SMEs contribute approximately 50% to Canada's GDP, it would be reasonable to dedicate at least half of the collected funds to support them. This money could then be distributed using a simple formula, such as a fixed amount per employee. The program should be inclusive of all sectors, whether impacted by tariffs directly or indirectly. Any program needs to be simple and easily accessible for SMEs.

# Other trade and tariff recommendations

- Make Canada's tariff remission program work for SMEs
  - The federal government must urgently reform the tariff remission process to make it significantly more accessible and responsive for SMEs. While the removal of counter-tariffs on CUSMA-compliant U.S. goods has provided welcome relief, many SMEs continue to face sectoral tariffs and unresolved remission applications. The current process is overly complex, opaque, and slow, preventing businesses from accessing meaningful cost relief. Streamlining the application, improving communication and transparency, and providing dedicated SME support would help ensure the program achieves its intended purpose.
- Provide support for businesses experiencing challenges in pivoting markets (e.g., help with shipping costs and logistics).
- Increase awareness of services, such as those offered by the Trade Commissioner Service (TCS) and Export Development Canada (EDC).
- Work with CBSA to introduce exemptions or alternative financial security options, such as allowing SMEs to use a credit card for RPP status, or exempting/carving out low-value, low-volume shipments.



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