

Ottawa, February 25, 2025

*Letter sent by email to all Members of Parliament*

**Subject: The impact and perspectives of SMEs on U.S.-Canada Tariff Situation**

Dear Member of Parliament:

We represent 100,000 small- and medium-sized enterprises (SMEs), across the country and across all sectors, who are members of the [Canadian Federation of Independent Business \(CFIB\)](#). Canadian small businesses are navigating an increasingly uncertain landscape due to ongoing U.S.-Canada trade tensions and the tariffs impacting cross-border commerce. **As such, we are writing to you today to share the current impact and perspectives of small businesses with the potential Canada-US tariffs.**

Tariffs could have significant implications for Canadian SMEs, particularly those importing goods, exporting products, and their clients, suppliers and distributors. Given that SMEs comprise 99.8% of all businesses in Canada<sup>1</sup>, ensuring their voices are heard in trade policy is crucial. The current situation reinforces the importance of policies that enable their ability to grow and compete. To understand the SME perspective, CFIB recently conducted a [survey](#) of over 2,200 small business owners, with results highlighting the significant pressures they face. The survey also collected member comments and concerns, which are shared in the appendix below.

### **Importance of Trade with the U.S.**

The U.S. is Canada's largest trading partner, accounting for approximately 77.2% of Canadian exports and 58.8% of Canada's total imports.<sup>2</sup> Just over half of CFIB members are directly trading with the U.S. and thousands more trade indirectly through their suppliers or business clients.<sup>3</sup>

When SMEs were asked about their dependence on the U.S. market, more than one in four reported that over half of their goods purchases come from U.S. suppliers. Businesses in the wholesale (34%), transportation (33%), enterprise and administration management (33%), and retail (32%) sectors are particularly reliant, with more than half of their goods sourced from U.S. suppliers.

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<sup>1</sup> Statistics Canada, Table 33-10-0304-01 Canadian Business Counts, with employees, December 2021 Table 17-10-0005-01 – Population estimates on July 1st, by age and sex; and ISED calculations. (November 2022). <https://ised-isde.canada.ca/site/sme-research-statistics/en/key-small-business-statistics/key-small-business-statistics-2022>

<sup>2</sup> Statistics Canada, Canada's international trade and investment country fact sheet, August 2024. <https://www150.statcan.gc.ca/n1/pub/71-607-x/71-607-x2020001-eng.htm>

<sup>3</sup> CFIB, Your Voice - December 2024 survey, December 5 - 29, 2024.

Additionally, one in three SMEs reported that over half of their sales come from the U.S., with certain industries even more reliant on American clients. Businesses in natural resources (50%), transportation (42%), wholesale (42%), arts and recreation (38%), and manufacturing (33%) generate more than half of their sales from U.S. customers. This reliance leaves businesses highly vulnerable to trade disruptions and rising costs.

### Widespread Uncertainty and Limited Preparedness

The threats of potential tariffs have left many SMEs unprepared and uncertain about their future. In fact, our survey found that a majority of SMEs (70%) feel the U.S.-Canada tariff situation has created uncertainty, disrupting business operations and strategies. When asked about their preparedness to handle the impact, more than half (54%) of small firms reported they are not ready. Businesses in Quebec (71%) and those in sectors like arts and recreation (63%), manufacturing (59%), and construction (58%) showed the highest levels of unpreparedness for the tariff impacts.

In addition to these challenges, more than three in five businesses reported feeling less confident about their financial health, particularly when it comes to cash flow, debt levels, and available revenues. This is especially concerning given that many SMEs are already dealing with financial strain and operational uncertainty, forcing them to make difficult decisions about their future.

### Business Disruptions and Adjustments are Already Underway

Our survey highlights that the impact of the U.S.-Canada tariff situation is already being felt with 34% of SMEs reporting increased costs in goods and supplies, 30% experiencing lower customer demand, 20% facing cancellations or holds on contracts/orders, and 20% experiencing supply chain disruptions. In response, nearly half (45%) of small businesses are working on finding new suppliers, while others are delaying expansion plans (24%) or reducing their workforce (20%) to navigate these challenges. To be noted, businesses in manufacturing (31%), arts and recreation (24%), and wholesale (22%) sectors are more likely to face workforce reductions. We also asked business owners how much of the tariff-related costs they would pass on to consumers: one in ten are likely to absorb all the costs if U.S.-Canada tariffs are imposed, while one in five expect to pass the full costs onto their customers or clients.

### Pivoting Isn't Feasible for Many Small Businesses

Our survey found that one in five SMEs would not survive more than three months if U.S.-Canada tariffs are imposed at the previously suggested levels, without government support<sup>4</sup>. Additionally, a large share (42%) are uncertain about how long they can remain operational under these conditions. In the short term, sectors such as wholesale (28%), enterprises and administration management (24%), and manufacturing (23%) will be most in need of assistance to sustain their operations. A larger proportion of exporters (27%) will require government support compared to importers.

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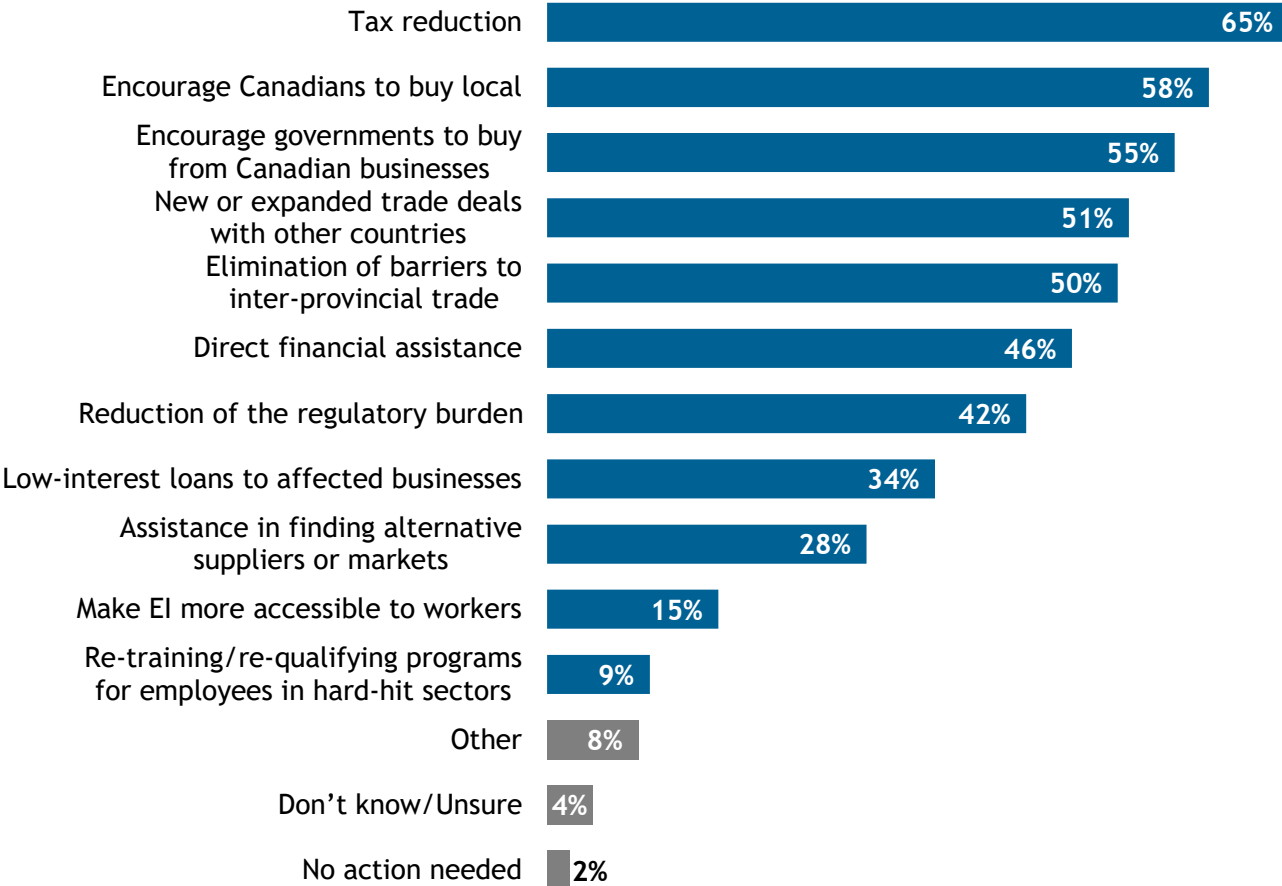
<sup>4</sup> \*The U.S. announced plans to impose a 25% tariff on all Canadian goods and a 10% tariff on energy exports. In response, Canada announced a plan to respond with 25% tariffs on \$30 billion worth of U.S. products, which would later expand to an additional \$125 billion on U.S. imports.

Many businesses, particularly exporters, expect it will take over six months to adjust, with importers more likely to pivot to new suppliers faster than exporters can shift to new markets. While 30% of importers believe they can adapt within six months, 50% of exporters anticipate a much longer timeline to stabilize operations.

### Calls for Government Action

Our survey found that 75% of businesses believe Canada made the right decision by announcing retaliatory tariffs on U.S. imports. As shown in Figure 1, small business owners identified several key measures to offset the economic impact of these tariffs, including tax reductions (65%), initiatives to encourage Canadians to buy local (58%), and that governments buy from Canadian businesses (55%), among others.

Figure 1  
**What types of government actions would be most helpful for your business to offset the potential impacts of the U.S.-Canada tariffs? (Select all that apply)**



Source: CFIB, Survey on the impact of U.S.-Canada tariff situation on businesses, February 6 - February 11, 2025.

## Recommendations

President Trump's actions are an opportunity to make sure Canada creates a more favourable and competitive environment for businesses. CFIB urges the federal government to consider the following actions, many of which should be implemented whether or not tariffs are imposed:

- Reduce the tax burden on SMEs, such as eliminating the carbon tax, reducing the small business tax rate from 9% to 8%, increasing the small business deduction threshold to \$700,000 and lowering employment insurance (EI) premiums for small employers.<sup>5</sup>
- Eliminate interprovincial trade barriers by adopting mutual recognition.
- Reduce red tape by implementing a 2-for-1 rule, whereby 2 rules are eliminated for every new one that is introduced.
- Promote buying local to support small and independent businesses.

Trade-specific recommendations:

- Increase awareness of services, such as those offered by the Trade Commissioner Service (TCS) and Export Development Canada (EDC), to help SMEs explore and navigate new markets more effectively.
- Ensure financial assistance and/or programs, such as tariff rebate or remission initiatives, are accessible to small businesses and tailored to their specific needs, as many of these programs are often better suited for larger enterprises.
- Expand and promote the work-sharing program to allow SMEs to retain employees during periods of reduced business activity caused by tariffs, helping maintain workforce stability.

We need strong and proactive action from the government to ensure our small businesses can not only navigate through the current storm but can operate in a business environment that will ensure their success in the long term. **The CFIB would be pleased to discuss further our recent trade and tariffs survey, as well as work with your office to develop solutions that address the needs of small businesses.**

Thank you for considering the perspectives and recommendations of small businesses in this important matter. Should you have any questions, you can reach us by email at [michelle.auger@cfib.ca](mailto:michelle.auger@cfib.ca).

Sincerely,



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Vice-President,  
National Affairs



Michelle Auger  
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<sup>5</sup> NOTE: for more specific recommendations on how to create a more competitive business environment, please see [CFIB's small business platform](#).

## Appendix: SME comments and concerns on the U.S.-CAN tariff situation

Below is sample of comments and concerns shared by small business owners from our survey on the impact of U.S.-Canada tariff situation, February 6 - February 11, 2025. Please note that this is a bilingual list, we also received hundreds of comments and concerns from respondents and would be happy to share the full list upon request.

Common theme	Member comments
Importance of Trade with the U.S.	English
	We are a restaurant and 90% of our suppliers' goods come from the USA.
	We are a very specific technical business. All parts we use are US based. There are no other suppliers. None of these parts are made in Canada. They are imported by a distributor and sold to us. We rely on discretionary income of our customers so adding 25% to the total cost would be unacceptable to them. This would destroy our business.
	We are in the automotive retail industry. We buy most of our product from the US and are a franchised dealer, we have no choice but to deal with them.
	We are hoping to move our purchases from US suppliers down to approximately 10%. However, we struggle with certain items that are not manufactured anywhere else.
	Importing a product that has a patent in the US and cannot be made anywhere else. Losing this product will impact on our business by 50%.
	We are fish processors. 80% of our production is sold in the US. Our processing season starts in about 45 days. We are very concerned we simply cannot find other markets for this season and will be forced to diversify over an extended period of time. We will require assistance.
	Online orders to the USA will dry up and our online sales will decrease 70%.
	They represent 50% of our revenue in sale a year which could put us in a very difficult position try to find that revenue elsewhere.
	French
	Nous sommes un atelier de mécanique de véhicules lourds. Toutes les pièces viennent des É.-U. Il y a eu plusieurs hausses de prix des pièces ainsi que la hausse du délai pour les avoir, car nous n'en fabriquons pas, ici, au Canada.
	La majorité de nos produits pour l'entretien et la réparation de nos machineries sont fabriqués aux États-Unis. Ainsi, je crains la forte hausse des coûts d'entretiens puisque ces produits ne sont pas fabriqués ailleurs ou de piètre qualité.
Cela touche 95% de nos produits.	
Widespread uncertainty and limited preparedness	English
	US customers are getting wary of placing orders.
	Existing orders are being questioned about what the effect on pricing will be.
	Slowdown in orders.
	Uncertainty is limiting new projects and spending.
	To date, we have seen \$1.6 million of orders put on hold until there is a clear indicator that there will be no tariffs.
	Many projects are either on hold or being cancelled.
	Uncertainty has reduced orders. The CP strike decimated my business two months ago (lost 25% of my yearly income), now there are no orders. Playing around with the threat of tariffs and business relationships causes volatility in a once stable manufacturing environment for artists.
	French
	Nous sommes une jeune entreprise manufacturière en activité depuis juin 2023. Avec l'annonce de ces nouveaux tarifs, nos chances d'obtenir des contrats en discussions sont désormais nulles, entraînant une perte de revenus considérable avant même que ces opportunités ne puissent se concrétiser.
J'ai présentement 800 000\$ de contrats en suspens, car mon client ne veut pas prendre le risque d'avoir une augmentation dû au tarif potentiel. Ça prend 16 semaines à fabriquer. Ça sera une grosse perte pour notre entreprise.	
Plusieurs clients pour lesquels les projets sont pour le marché américain ont mis de la pression pour recevoir le matériel le plus tôt possible afin d'éviter les tarifs douaniers. Certains projets sont en attente pour une durée indéterminée en raison de l'incertitude qui plane sur les prix qui seront à payer au moment de recevoir le matériel. Nous devons mettre des clauses contractuelles qui sont peu attrayantes afin de protéger les intérêts de la compagnie.	

<b>Business Disruptions and Adjustments are Already Underway</b>	English
	If the tariff conversation persists next month, we'll either be laying off staff or will require federal subsidies to keep our workforce where it is. Projects are going on hold, and we risk our entire entry (building/ construction) freezing up.
	Vendors are already increasing pricing on products by 25%.
	Our bigger concern is we are in the service business and there are already major customers of ours who are considering closing should the tariffs go through which in turn will directly impact us with reduced demand for service will force us to make tough decisions on our company and livelihood.
	We are currently looking to find alternative sources for about 40-60% of the products we purchase from the United States, either domestically in Canada, Mexico or abroad. Given that our company purchases much more from the US than we sell into, it makes sense for us to move purchasing outside of that country.
	Uncertainty with our customers, a majority of our customers are in the agriculture industry, and if their products are tariffed, they will cancel their expansion plans which would put us out of business. So, we are more worried about them than we are procuring our own products.
	Lenders are reluctant to provide financing citing unknown effect of tariffs on business.
	Both Canadian and US suppliers/manufacturers are unsure of the effect on their operations and are considering scaling back.
	French
	Nous devons envisager terminer des emplois moins prioritaires et sommes dans l'attente de remplacement d'un directeur de compte. Ils refusent de venir travailler pour cause d'une situation instable. Cela veut dire qu'une prospection est sur la glace en plus de la fatigue accrue des directeurs de comptes qui doivent couvrir plus large.
L'incertitude créée par les Américains a fait chuter les prévisions d'investissements de façon dramatique. On anticipe une baisse du chiffre d'affaires de plus de 70% pour l'année à venir, ce qui se traduira par des mises à pied proportionnelles.	
Nous tentons de relocaliser une partie de la production à des pays possédant un accord de libre-échange tant avec le Canada que les É.-U. pour produire dans un pays étranger. Défis de rapatrier les profits efficacement et rapidement au Canada.	
<b>Pivoting Isn't Feasible for Many Small Businesses</b>	English
	We cannot pivot. We are a franchiser and bound to contracts of US suppliers with NO HELP from our franchise. Automotive industry - drums of oil, etc. we will be hit hard.
	One hope, is that Bobcat makes it possible for us to buy directly from the manufacturing plants in India, Ireland and Mexico.
	Our main supplier is a US-based company with product they import from Asia. We are considering importing directly from Asia into Canada to avoid the US transfer of product. Not sure if the volume will allow for us to pivot in this manner.
	We have to place orders to our USA vendors with a minimum of 6 months notice. Moving to Canadian vendors will have a longer lead time.
	Items with the high exchange rate are already higher than we are used to and adding a 25% tariff on top of this is ludicrous. We are exploring European brands as an alternative.
	I am supposed to open 2 new locations in the next 6 months but with the low dollar and if we add a 25% tax on top of it, the cost will become prohibitive and put us in danger of not recuperating our costs.
	French
	Nous transportons des marchandises vers les É.-U. à 98% contre 2% au Canada, nous ne sommes pas équipés pour le transport au Canada donc pour transiger vers un autre marché, il faudra investir, mais ce ne sera pas garanti de trouver du travail pour toute la flotte, l'investissement est incertain.
	Mes clients réduisent leurs activités donc par la même occasion, ça réduit le nombre de livraisons qu'ils me demandent. Pour l'instant, cette semaine (du 3 février au 7 février), je paie pour travailler! Mes employés et les garanties que je dois donner à certains de mes fournisseurs sur la route me coûtent plus cher que les revenus gagnés.
Les machineries que nous achetons en provenance des États-Unis coûtent une fortune. Depuis que notre dollar est si faible, ajouter de part et d'autre des tarifs douaniers, va être tout un défi, que je trouve aujourd'hui trop niés.	
<b>Calls for Government Action</b>	English
	All Taxes in Canada should be reduced. Take the advice of the Fraser Institute report and eliminate 3 mid income brackets of taxation. Reduce the size of Government to make up the shortfall on govt income.
	A big cost associated with this is shipping costs. Is there any way that the Canadian Government can explore helping small business with shipping costs in order to aid us in diversifying? This would be hopefully help with a big effect on us adapting.

	Support offered to small businesses (as opposed to funnelling it to large new investments) as grants to strengthen and grow the economy ie: purchase buildings and new equipment, train/hire, etc.
	Interprovincial trade barriers should be permanently eliminated.
	Broadcast which interprovincial barriers are coming down, and what raw products are manufactured right through to retail sales.
	Canadians need to support Canadian Businesses, not just buy Canadian. Some businesses cannot just pivot to Canadian Suppliers due to a lack of options.
	The messaging should be Support Canadian Business!!
	The Canadian government has been encouraging buy Canadian. Our aluminum railing manufacturing business sells over 65% of our product into the US. We have tried selling to other Canadians in every province, but the largest challenge is the fact that there are competitors in our market bringing finished aluminum railings in from Asia.
	French
	Le gouvernement devrait privilégier, voire exiger que des projets de grande envergure soient attribués aux fournisseurs d'ici et réalisés par des entreprises canadiennes et non étrangères.
	Il faut que tous les ordres de gouvernements bonifient l'aide disponible pour la R et D (qui a été largement amputé dans les deux dernières décennies). Cet aide est indispensable pour la réalisation des diminutions des coûts à la production ainsi que de nouveaux produits. Ces sommes seront largement compensées par une productivité et une rentabilité accrues, de meilleurs salaires, des ventes à l'exportation dans notre cas qui rapporteront encore plus.
	Nous devons encourager l'achat local dans le meilleur du possible.