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Revisiting Trump's Protectionism and Its Policy Implications for US–Canada Trade Relations

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ABSTRACT: Amid the rise of economic nationalism and increasing uncertainty in global trade governance, understanding the impact of unilateral trade enforcement on bilateral relations has become critically important. This study explores the resurgence of protectionist policies under President Donald J. Trump, with a particular focus on their effects on U.S.–Canada trade relations and the broader global trend toward economic nationalism. Employing a qualitative case study approach supported by a simple tariff simulation, the research examines how instruments such as anti-dumping (AD) and countervailing duties (CVD) were utilized to protect domestic industries. The simulation indicates that imposing a 21% tariff on Canadian softwood lumber could significantly reduce import volumes while potentially increasing domestic output by 121.8%. However, these protectionist measures also intensified trade tensions, disrupted longstanding alliances, and weakened trust in multilateral institutions such as the WTO. By integrating empirical estimation with policy narrative analysis, this study contributes to the literature on trade policy, emphasizing that while unilateral protectionism may offer short-term domestic advantages, it requires careful calibration with economic diplomacy to ensure the sustainability of global trade cooperation.

Keywords: Trump's Economic Policy, Protectionism, U.S. Trade Relations, Anti-Dumping Tariffs.

INTRODUCTION

The election of Donald J. Trump as President of the United States in 2016 marked a significant shift in U.S. trade policy, characterized by a departure from multilateralism toward a more unilateral and protectionist approach (Bown & Irwin, 2019). Central to this shift was the "America First" doctrine, which prioritized domestic industries and sought to rectify perceived trade imbalances through the imposition of tariffs and renegotiation of trade agreements (Lighthizer,

2020). Trump's strategy not only redefined U.S. engagement with international economic institutions (Afandi & Sari, 2024), but also introduced into global trade governance (Rodrik, 2018). One of the most notable manifestations of this policy was the imposition of tariffs on key trading partners, including Canada. In 2017, the Trump administration levied duties on Canadian softwood lumber, citing unfair subsidies and dumping practices (Baker & Austen, 2017). Similarly, Canadian dairy exports faced increased scrutiny and trade barriers under the U.S. administration's protectionist measures (Santeramo & Lamonaca, 2018). These actions strained the historically robust trade relationship between the U.S. and Canada, prompting retaliatory measures and a reevaluation of trade strategies by Canadian policymakers (Baccini & Kim, 2021). The renegotiation of the North American Free Trade Agreement (NAFTA), resulting in the United States–Mexico–Canada Agreement (USMCA), further exemplified the shifting dynamics of North American trade under the Trump administration (Bercuson, 2020).

The urgency of this study lies in its relevance to ongoing policy debates regarding trade resilience, economic nationalism (Drezner, 2021), and bilateral relations between Canada and the United States. As global trade continues to face geopolitical disruptions—from the COVID-19 pandemic to energy and security tensions—the Trump administration's unilateralism offers a critical case for understanding how aggressive protectionist measures can alter diplomatic alignments (Gros, 2019) and economic stability (Evenett, 2020). For Canada, a longstanding ally and major trading partner, these shifts necessitated recalibration of trade strategies to mitigate the risks of U.S. unpredictability (Fajgelbaum et al., 2020). Examining the Trump era thus yields timely insights into how middle powers can respond to economic coercion by larger nations within an increasingly fragmented global order (Malawer, 2024).

This study aims to analyze the implementation and implications of President Trump's protectionist policies, with a particular focus on their effects on U.S.–Canada trade relations. The research addresses the following questions:

- How were protectionist policies enacted under the Trump administration?
- What were the economic and diplomatic consequences of these policies for the U.S. and Canada?

Empirically, this study investigates tariff enforcement mechanisms such as anti-dumping (AD) and countervailing duties (CVD), and evaluates their implications through a tariff simulation modeled after the Smoot-Hawley framework. Methodologically, it combines narrative policy analysis and historical comparison with quantitative estimation to trace the projected impact of protectionist strategies on domestic output and international trust.

This study offers novelty in two respects. First, it bridges economic theory with a policy-centered evaluation of protectionism by quantifying its impact on production incentives using tariff simulation, thereby extending previous qualitative critiques. Second, it reframes the case of Canadian softwood lumber and dairy exports not merely as trade disputes, but as a lens through which to analyze how executive-centered trade policies can destabilize bilateral norms. By incorporating post-2016 trade renegotiation dynamics and referencing early outcomes of the USMCA, this research provides a more integrated view of policy evolution during and after the Trump presidency.

Theoretical Context: Free Market, Protectionism, and Government Intervention

The theoretical foundation for free market economics is strongly rooted in neoliberalism which results in head-to-head competition between developed and developing countries, large multinational corporations and domestic industries, as well as skilled and unskilled labor. Michael Story, in *Free Market Welfare: The case for a Negative Income Tax,* argues that the free market becomes threatening when workers' bargaining power weakens. The free market has increased competition between domestic workers and global labor forces, intensified by advances in technology and logistics (Story, 2005). Notably, even developed nations tend to exhibit high poverty rates under such conditions (Dwyer, 2016).

While state intervention can add burdens through taxes and insurance costs, it also enables protective labor policies such as minimum wage and worker incentives (Pierce & Schott, 2016). In many high-income countries, governments face mounting pressure from constituents to maintain domestic labor standards and working conditions (Polaski, 2006).

One justification for government intervention lies in the political orientation of ruling parties (Oatley & Kim, 2020). Historically in the U.S., Republican administrations have often pursued interventionist trade policies, frequently introducing trade regulations when holding executive and legislative power. In contrast, Democrats have traditionally supported free trade and attempted to reduce trade barriers, particularly tariffs.

President Trump's administration revived protectionist policies aligned with conservative values. "America First" and "Make America Great Again" were two defining themes of his campaign, both reflected in the 2018 fiscal budget proposal submitted to Congress.

Among the most prominent protectionist instruments under Trump were anti-dumping (AD) and countervailing duties (CVD). Foreign subsidies distort pricing and reduce production costs abroad, creating unfair competition for U.S. industries (Gertz & Evers, 2020; Jensen et al., 2017). For example, technology-based firms receiving such subsidies are able to reduce capital expenditures, particularly for technological equipment. Lower production costs reduce final prices, allowing subsidized goods to enter the U.S. market at highly competitive prices compared to their unsubsidized domestic counterparts.

This cost disparity intensifies competition in the U.S. market. The competitiveness of foreign goods depends, among other things, on destination marketing and whether similar subsidies exist for domestic producers. If both imported and domestic goods are subsidized equally, the issue of inequality is mitigated. However, when only foreign goods benefit from subsidies, price imbalances arise, and consumers may favor cheaper imports.

Because the U.S. government does not systematically subsidize all domestic industries, U.S.-produced goods tend to be more expensive. To restore market equilibrium, the government must increase demand for domestic goods. The AD/CVD mechanism is a key tool for addressing such inequities. Fundamentally, AD/CVD policies aim to neutralize the cost advantages gained by foreign subsidies.

Anti-dumping duties are levied on specific foreign exporters to align import prices with "normal" market values. This constitutes a countermeasure against dumping, defined as selling goods below market value in export destinations. Meanwhile, CVDs are imposed to equalize capital costs across

producers. While both tools are forms of protectionism, their justifications differ: AD targets market behavior (i.e., dumping), while CVDs respond to government-to-government financial transfers.

Trump's concurrent use of AD and CVD was not unprecedented, as the U.S. has long employed such instruments—most notably under the Smoot-Hawley Tariff Act, which codified protectionist trade practices. However, Trump's administration was distinct in its use of executive orders (EOs) to expedite and enforce AD/CVD investigations and penalties. This approach enhanced regulatory effectiveness and enforcement against foreign manufacturers.

Before concluding whether reducing imports can improve firm productivity, various factors must be considered (Kim & Osgood, 2019). Not all imports are created equal—some are intermediate inputs or capital goods rather than finished consumer products. These distinctions are key to interpreting the terms of trade and firm-level outcomes, as outlined in Figure 1.

Figure 1. TOT Formula

$$TOT = \frac{Px}{Pm} \times 100$$

Terms of Trade (TOT) is an index used to measure a country's relative export profitability and, by extension, a producer's potential productivity level. When the TOT exceeds 100%, it indicates that the country is earning more from its exports than it spends on imports, thus generating a trade surplus. Increased firm-level profitability can be transformed into capital assets, which in turn support domestic businesses in expanding their export capacity (Jiang & Shi, 2022). The accumulation of capital enables companies to invest in essential factors of production, including raw materials, advanced technologies, and labor.

METHOD

This study adopts a qualitative case study approach supported by quantitative estimation, aiming to examine the structure, rationale, and projected impacts of President Donald J. Trump's protectionist trade policies.

Research Type

The research is primarily descriptive-analytical, focusing on the interpretation of policy documents and the simulation of tariff effects to reinforce qualitative insights.

Population and Sample/Informants

The unit of analysis in this study is U.S. trade policy during the Trump administration, with particular emphasis on its trade relations with selected partner countries. No primary human subjects were involved. Instead, the study relies on the analysis of policy documents, executive

orders, trade records, and secondary statistical data obtained from official institutions such as the U.S. Trade Representative (USTR), the International Trade Administration (ITA), and the Bureau of Labor Statistics (BLS). A single case—U.S. tariffs on Canadian dairy and softwood lumber exports—is employed to contextualize the protectionist policy framework.

Research Location

This research was conducted remotely from Indonesia, utilizing digital access to international economic policy databases and official publications. The primary policy context is situated in the United States, with secondary relevance to Canada, which serves as a principal case study due to its status as a major trading partner affected by Trump-era trade interventions.

Instrumentation or Tools

This research employs document analysis as the primary methodological tool, focusing on executive orders, trade policy briefs, tariff records, and legislative instruments related to anti-dumping (AD) and countervailing duties (CVD). The quantitative component involves a basic simulation model referencing historical tariff elasticity estimates derived from the impact of the Smoot-Hawley Tariff (Irwin, 1998). Microsoft Excel was utilized to simulate potential shifts in production volumes based on variations in tariff rates.

Data Collection Procedures

Data were gathered through a comprehensive literature review and secondary data mining. The researcher identified and curated more than 30 relevant sources, including policy documents, peer-reviewed journal articles, news reports, and economic datasets published between 2016 and 2023. All data were screened for relevance to the study's core themes: unilateral trade enforcement, tariff mechanisms, and associated policy outcomes.

Data Analysis

The study applied narrative policy analysis to examine the political framing and rhetorical strategies underpinning Trump's trade agenda, particularly as articulated in executive communications and federal budget proposals. This qualitative analysis was complemented by a tariff impact simulation using a fixed-rate elasticity model: a 1% increase in tariffs is estimated to result in a 5.8% decline in import volume (Bown & Irwin, 2019; Irwin, 1998). These results were used to assess how protectionist trade measures may incentivize domestic production while simultaneously generating international trade frictions.

Ethical Approval (Optional)

This research did not involve sensitive personal data. All materials were derived from publicly accessible documents and datasets; therefore, formal ethical clearance was not required. The researcher affirms that all sources have been appropriately cited and that the study was conducted in accordance with academic integrity and ethical research standards.

RESULT AND DISCUSSION

Policy Instruments and Protectionist Rhetoric

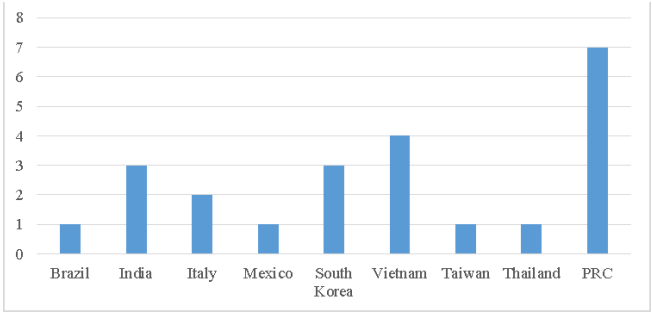
The content analysis of official documents and public communications reveals that the Trump administration's trade policy was not a mere incidental shift, but rather a deliberate reorientation toward economic nationalism. The 2017 *America First Budget Blueprint* and Executive Order 13785 on anti-dumping (EO-AD) highlight the administration's priority in protecting domestic industries by reinforcing enforcement mechanisms through the International Trade Administration (America First: A Budget Blueprint to Make America Great Again, 2017).

Furthermore, Trump's public rhetoric consistently framed trade imbalances as a threat to national sovereignty. In various speeches—including rallies in Florida and Michigan—he accused countries such as China and Mexico of manipulating trade rules to the detriment of U.S. industries (Handley & Limão, 2017). His directive to the ITA to intensify investigations into dumping and foreign subsidies exemplifies a proactive stance rarely emphasized by prior administrations.

This section underscores how trade policy instruments such as anti-dumping (AD) duties and countervailing duties (CVD) were positioned as mechanisms of economic self-defense. The administration's extensive reliance on executive orders and aggressive trade enforcement reflected a clear departure from multilateral frameworks (Mavroidis & Sapir, 2021), particularly those involving the World Trade Organization's dispute resolution mechanisms.

The emergence of executive order–based actions in AD/CVD enforcement became one of the most consistent features of the Trump administration. On multiple occasions, Trump openly declared his intention to impose tariffs. During a campaign rally in Tampa, Florida, he accused the People's Republic of China of engaging in fraudulent pricing practices by introducing goods below cost into the American market. His administration subsequently planned to impose tariffs on imported products from China (Motion Picture, 2016). This policy direction was reinforced by the *America First* budget blueprint, which explicitly proposed expanding the ITA's mandate to initiate and enforce AD/CVD investigations as part of the Fiscal Year 2018 trade strategy.

Figure 2. AD Duties Imposed by the U.S.



Source: Primary Data

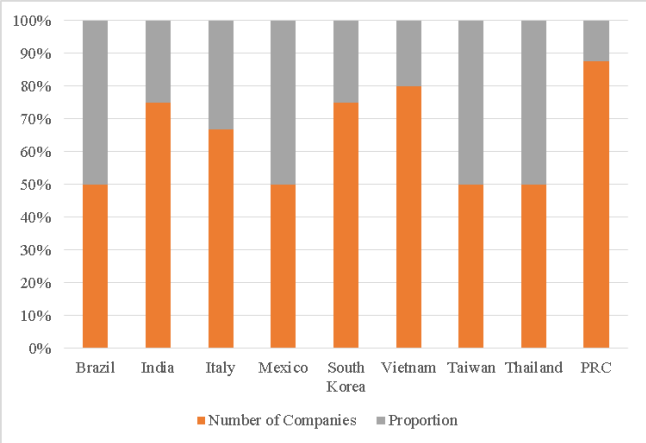
Figure 2 presents the anti-dumping (AD) duties imposed by the United States on products imported from various countries (Freshwater Crawfish Tail Meat from the PRC, 2017). The data indicate that the People's Republic of China (PRC) faced the highest number of AD orders, covering seven distinct product categories. This is followed by Vietnam with four product types, and India and South Korea, each with three.

Figure 3 illustrates a graphical representation based on the International Trade Administration's regulation No. 82 FR 17634 (Freshwater Crawfish Tail Meat from the PRC, 2017), highlighting the disparity between the number of product categories and the number of foreign-partner companies affected. Specifically, it shows how AD duties disproportionately impact export volumes and the capacity of foreign enterprises to maintain market access in the United States. Among the countries analyzed—Brazil, Taiwan, Thailand, and China—the PRC demonstrates the highest level of inequality. In China's case, a single factory accounted for 87% of all affected product types.

This high concentration suggests that numerous Chinese companies either incurred losses or earned negligible income due to their dependence on these products as primary revenue sources. The data support the interpretation that Trump's protectionist trade policies were particularly focused on Chinese imports.

Based on these findings, the study concludes that one of the main priorities of the Trump administration's protectionist agenda was to regulate and restrict imports originating from the PRC. The researcher's analysis of the disproportionate concentration of product types and foreign companies reinforces this conclusion.

Figure 3. Disproportion between Product Types and Foreign Company Representation in U.S. Anti-Dumping Cases



Source: Primary Data

Anti-dumping (AD) and countervailing duty (CVD) policies under the new administration extended beyond the imposition of tariffs authorized by the International Trade Administration (ITA). President Trump also introduced additional regulations related to AD enforcement to enhance the effectiveness of ITA's regulatory framework. Executive Order 13785 (EO-AD), issued on March 31, 2017, formalized the U.S. policy on trade enforcement.

President Trump's rationale for EO-AD is outlined in Section 1. The evasion of AD/CVD duties by certain importers contributes to unfair competition and reduces federal revenue. As of May 2015, the estimated value of uncollected AD/CVD duties amounted to USD 2.3 billion, which had not been remitted to the U.S. government. President Trump stated, *"It is the policy of the United States to create a binding legal obligation based on risk assessment, and to enforce provisions through appropriate AD/CVD legislation in order to protect and grow revenue"* (Presidential Executive Order on Establishing

Enhanced Collection and Enforcement of Antidumping and Countervailing Duties and Violations of Trade and Customs Laws, 2017).

In addition to targeting imports from the PRC, President Trump's protectionist policies also impacted Mexico. These policies had broader implications for how American citizens perceived Mexican immigrants seeking employment opportunities in the United States (Ciuriak & Xiao, 2018).

According to data from the Bureau of Labor Statistics, the U.S. labor force participation rate in 2013 stood at 62.9% (Employment Projections (2014–2024 Summary), 2015). Within the non-agricultural sector, the service industry accounted for the largest share of employment—representing 76.8% of total jobs.

However, this labor force data had not been assessed in terms of its implications for the welfare of U.S. citizens. President Trump interpreted the relatively low participation rate as a result of immigration, asserting that immigrants were taking jobs from American workers and contributing to domestic unemployment.

This accusation should be understood in the context of the growth of service industries, which dominate U.S. employment. The high share of service-sector jobs confirms that this sector forms the backbone of the American economy. Notably, immigration tends to be concentrated in this industry, as immigrants often seek employment in service-related roles.

Emigration from Mexico to the United States has been driven for decades by economic opportunity. Many Mexican workers are willing to be employed in the informal sector, taking on roles such as domestic workers, gardeners, nannies, and janitors. Although these positions are not considered prestigious in the United States, the wages are significantly higher than those for similarly skilled jobs in Mexico.

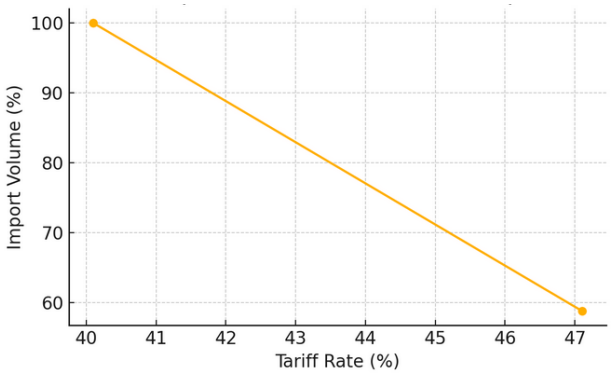
In an effort to curb migration from Mexico, President Trump moved to renegotiate the North American Free Trade Agreement (NAFTA). The formation of NAFTA by the United States, Mexico, and Canada marked a significant step toward globalization and free trade, leading to the creation of one of the largest trading blocs in the world (Kusumaningrum & Prakoso, 2022). Mexico's experience under NAFTA highlights how labor migration has been shaped by employment gaps across North America (Baldwin, 2016). The U.S. labor market has become less attractive for American workers due to relatively higher wages, which in turn creates incentive structures that appeal to foreign workers. It is therefore understandable why President Trump maintained long-standing criticism of NAFTA.

He argued that NAFTA harmed U.S. industry, a position that ultimately led to its renegotiation. Trump publicly announced his intention to revise the agreement during a rally in Grand Rapids, Michigan, on November 7, 2016, stating that he would renegotiate NAFTA if elected ("Presidential Candidate Donald Trump Rally in Grand Rapids, Michigan," 2016). He has consistently expressed concerns about NAFTA's negative impact on the American economy. Similarly, immigration from Mexico, influenced by NAFTA-era dynamics, contributed to job displacement among U.S. workers (Burfisher et al., 2001).

Tariff Simulation: Quantifying Domestic Output Effects

To complement the narrative analysis, this study employed a simplified simulation model based on elasticity estimates derived from historical tariff data (Irwin, 1998). Historical data from the Smoot-Hawley Tariff Act indicate that a 1% increase in tariff rates corresponds to an estimated 5.8% reduction in import volume. This elasticity estimate was used to simulate the potential impact of President Trump's proposed tariff escalation on Canadian softwood lumber, increasing from 3% to 24%.

Figure 4. Projected Decline in Import Volume from a 21% Tariff on Canadian Softwood Lumber



Tariff Simulation Results

The results indicate that a tariff increase of this magnitude could significantly reduce imports, leading to a projected increase in domestic production of approximately 121.8%. This projection is based on the assumption of relatively inelastic domestic supply and the availability of substitutable imported goods (Amaro, 2020). While the model abstracts from broader macroeconomic frictions, it offers a useful estimate of policy impact in targeted sectors such as dairy and forestry (Bernard et al., 2006).

It is important to note that this finding does not represent a measure of actual productivity, but rather a theoretical increase in output capacity resulting from reduced foreign competition. This helps contextualize why protectionist arguments often resonate with domestic manufacturers, particularly in politically strategic rural regions(Hopewell, 2021a).

While the tariff simulation provides a quantitative estimate of potential increases in domestic output, it does not operate in a vacuum. These figures must be interpreted within a broader policy context, including the political motivations behind tariff decisions and their wider economic consequences. Therefore, the following section discusses how these protectionist measures are linked to diplomatic tensions and broader trade strategies during the Trump administration.

President Trump expressed concern over Canada's pricing policies in the dairy and forestry sectors. His position was primarily driven by perceived price disparities between Canadian and American products. Softwood lumber from Canada is relatively inexpensive in the U.S. market due to Canada's forest ownership structure. Approximately 94% of Canadian forests are publicly owned—71% by provincial governments and 23% by the federal government, particularly in the Yukon Territory (Bernstein & Cashore, 2002). This arrangement allows Canadian producers to avoid the costs associated with land restoration, and no land-use taxes are imposed on companies operating on public land (Hopewell, 2021b).

In the dairy sector, the Canadian Dairy Commission (CDC) has maintained a target price for milk since April 1, 1974, which allows the government to provide loan guarantees to support domestic milk production. As a result, both milk and softwood lumber from Canada are significantly cheaper than comparable U.S. products. For instance, while the current price differential for milk is approximately 6.5%, data from the U.S. Department of Agriculture (USDA, 2017) indicate that this figure remains well below the average domestic price differential for dairy products, which stands at around 22%. Similarly, Canadian lumber prices are kept low due to public land usage, whereas U.S. producers—operating primarily on privately owned lands—face higher production costs, in some cases up to 30% above average rates.

The implementation of tariff policies aims to curtail the importation of such subsidized products. Historical studies of the Smoot-Hawley Tariff Act indicate that the legislation resulted in a 41.2% reduction in the total volume of targeted imports (Bown & Irwin, 2019).

Generally, imports become more expensive than domestic goods due to various factors that foreign exporters must consider when pricing their products—such as shipping costs, cargo insurance, warehousing fees, and import duties (tariffs). These additional costs compel exporters to adjust pricing strategies to maintain profitability under high tariff regimes.

Foreign exporters typically face two options; (i) include the tariff in the final price, resulting in higher prices for consumers, or (ii) maintain price levels by reducing logistical or operational expenses. Empirical studies of the macroeconomic effects of the Smoot-Hawley Tariff suggest that the second strategy—reducing the volume of exports—was more commonly adopted. Rather than lowering prices, many foreign firms accepted reduced sales volumes. As imported goods became more expensive, American consumers increasingly turned to domestic alternatives, decreasing the revenue expectations of foreign exporters. Thus, while total sales volume declined, imported goods continued to occupy a significant portion of the market, albeit in reduced quantities.

From a domestic policy perspective, protectionist tariffs are expected to reduce import volumes and stimulate domestic production. As the availability of imports declines, consumers may compete for limited foreign products and eventually shift their purchasing behavior toward domestic goods, even when these are more expensive.

This substitution effect increases demand for locally produced goods. To meet this demand, domestic producers must expand output, which can lead to productivity gains—provided that production scales efficiently and supply responds effectively.

Evidence suggests that tariff increases do reduce demand for imported goods, thereby contributing to measured productivity growth. However, it is crucial to calibrate tariff rates carefully. Accurate estimation of tariff thresholds ensures that such policies yield meaningful economic effects without causing unintended distortions.

Table 1. Estimated Impact of Smoot-Hawley and Trump-Era Tariffs on U.S. Import Behavior

Before tariff	After tariff

Tariff (%)	Import volume (%)	Tariff (%)	Import volume (%)
40.1	100	47.1	58.8
Reduction in imports compared to an equivalent tariff imposed		**Tariff increase (%)**	**Decline in imports (%)**
		1	5.8

Source: Primary Data

Before the Smoot-Hawley Tariff Act was passed by Congress, the United States maintained a trade-weighted average import tariff rate of 40.1% on goods. After the enactment of the Act, this rate gradually increased to 47.1% (Bown & Irwin, 2019), reflecting a 7% rise in average tariffs. Concurrently, the volume of imports declined by 41.2%, suggesting that each 1% increase in tariffs was associated with a 5.8% reduction in import volume.

Assuming domestic goods serve as substitutes for imported goods—*ceteris paribus*—this elasticity implies that a 1% increase in tariffs could result in a 5.8% decline in imports. This elasticity model was used to estimate the potential impact of President Trump's proposed tariff policy on domestic production volume. As reported by *The New York Times*, President Trump advocated for raising tariffs on Canadian softwood lumber from 3% to 24% (Baker & Austen, 2017).

Table 2. Sector-Specific Tariff Rates Imposed on Canadian Dairy and Lumber Products

Before		After	
Tariff (%)	**Export volume (%)**	**Tariff (%)**	**Export volume (%)**
3	100	24	121.8

Source: Primary Data

The new wave of protectionism reflects a proposed 21% increase in tariffs on Canadian exports. Based on the elasticity assumption of a 5.8% decline in imports per 1% tariff increase, this policy could lead to an estimated rise in domestic production of up to 121.8%, particularly in sectors such as dairy and softwood lumber.

However, these results do not necessarily translate into absolute economic gains. One critical question arises: What are the implications of such protectionist measures for the Terms of Trade (TOT)? As previously discussed, tariff policies raise the price of imported goods, which can, in turn, reduce the TOT ratio for the United States. A declining TOT implies that the price of domestic exports falls relative to the price of imports—indicating that the country earns less from its exports. When the TOT drops below 100%, the trade balance becomes less favorable, and profitability decreases.

This raises further questions. What becomes of the export volume that previously drove trade surpluses? Should higher import prices motivate firms to increase production, given the perceived assurance of higher domestic sales?

President Trump argued that tariffs on foreign goods would boost domestic consumption of American-made products. However, such protectionist measures may produce detrimental side effects, notably the rising cost of imported inputs. Not all imports are consumer goods; many consist of essential raw materials required for industrial production. For instance, tariffs on

imported chemicals—used extensively in the pharmaceutical industry—would increase input costs and potentially reduce overall production efficiency.

As a result, although capital expenditures may rise in response to protectionist policies, this does not guarantee an increase in production volume. Instead, higher input costs could constrain output and reduce competitiveness in key sectors.

Export losses from rising tariffs are most likely to occur when duties are applied indiscriminately to all imported goods, including raw materials. However, if tariffs are targeted solely at consumer goods, export potential can still be preserved. As previously stated, the anticipated 121.8% increase in domestic production of dairy and lumber products remains feasible—provided that tariff policies do not restrict the importation of necessary raw materials.
While domestic economic impacts are significant, the broader geopolitical consequences of Trump's trade agenda must also be considered. The international response to U.S. unilateralism has implications for trade alliances, supply chain resilience, and the future of multilateral economic governance.

This projected increase in domestic output—up to 121.8%—has significant implications for real-world actors, particularly in rural and resource-based regions. In the United States, the softwood lumber industry is a key employer in states such as Maine, Oregon, and Washington, where mill closures due to Canadian import competition have triggered job losses over the past two decades. A rise in domestic production, supported by tariff enforcement, could reinvigorate these local economies, offering new employment opportunities and increased demand for upstream industries such as logging and transportation. Similarly, in the dairy sector, small- to mid-sized farms in Wisconsin and Pennsylvania have faced price suppression due to Canadian imports. Protectionist policies could restore price stability, albeit at the risk of higher consumer prices.

The simulated economic effects of tariff policy provide a foundational understanding of potential shifts in production incentives. However, these projections cannot be separated from the broader policy environment in which such measures are implemented. The following section explores the diplomatic, institutional, and strategic implications of these protectionist tools.

Policy Implications and Diplomatic Consequences

Beyond sectoral simulations, this section examines the broader diplomatic consequences of President Trump's trade agenda. The impact of protectionist measures extended beyond immediate economic considerations and generated broader geopolitical tensions (Arkananta, 2025). The imposition of tariffs on Canadian exports—particularly dairy and lumber—triggered retaliatory tariffs on U.S. aluminum and steel. Furthermore, the renegotiation of the North American Free Trade Agreement (NAFTA) into the United States–Mexico–Canada Agreement (USMCA) was marked by intense and protracted negotiations, reflecting a significant deterioration of trust among North American trading partners (Bercuson, 2020).
Similar patterns emerged in U.S.–China relations, where allegations of unfair trade practices culminated in a full-scale trade war. This conflict destabilized global supply chains and led to volatility in both commodity and technology markets. In the case of Mexico, the Trump administration's linkage of trade policy with immigration control resulted in mixed diplomatic

signals and heightened uncertainty among U.S. investors in sectors such as cross-border logistics and agriculture.

These developments highlight the systemic risks associated with unilateral trade enforcement. While such measures may yield symbolic domestic victories, they often backfire diplomatically and undermine the credibility of long-standing trade alliances.

In the context of international legal frameworks, investment agreements are defined as international legal instruments through which: (i) sovereign governments make binding commitments regarding the regulation of investments across countries, and (ii) governments agree upon mechanisms to enforce such commitments (Salacuse, 2010). Bilateral agreements are then often the preferred model for structuring investment treaties. This conclusion is based on his analysis of over 3,000 international investment agreements. Bilateral Investment Treaties (BITs) have gained considerable prominence since World War II, accounting for 2,608 treaties. An additional 254 bilateral agreements, while not formally classified as BITs, adopted similar clauses and addressed comparable policy objectives (Salacuse, 2010). The relative scarcity of multilateral investment agreements prompted to propose a more inclusive model involving all 196 sovereign states. Thus, a multilateral framework is a prerequisite for the formation of a global investment regime, as it requires coordinated efforts among states to establish a coherent international legal order.

Multilateralism also reduces transaction costs by enabling direct engagement among multiple countries within a single framework (Martin & Yurukoglu, 2017). In contrast to the complexity and costs associated with negotiating 22 separate bilateral treaties—each requiring expenditures on transportation, legal drafting, and enforcement—a multilateral agreement offers a streamlined alternative. By joining a multilateral framework, the United States can save time, administrative effort, and financial resources while preserving the legal protections offered by bilateral agreements.

Another critical advantage of multilateralism is its ability to constrain the behavior of dominant countries (Woods, 2023). Multilateral frameworks anticipate potential conflicts of interest among trading partners and provide institutional mechanisms for resolution. International agencies serve as mediators, offering forums through which powerful states can lobby for policy positions while maintaining a commitment to fairness and mutual accountability (Abbott, 2014).

Interpretation of Key Findings

Beyond the projected output impact, it is essential to evaluate the diplomatic and systemic implications of such trade enforcement. The study reveals that President Trump's implementation of protectionist trade measures—particularly through anti-dumping (AD) and countervailing duties (CVD)—was designed to stimulate domestic production by restricting imports, especially in sectors like softwood lumber and dairy. The simulated scenario projecting a 121.8% increase in domestic output illustrates how such policies can generate internal economic incentives. However, these gains are not purely economic—they also carry political symbolism. The "America First" approach reinforced a nationalist narrative, framing trade enforcement as a means of reclaiming economic sovereignty. While effective in mobilizing public support and targeting voter blocs in industrial regions, these measures also invited tension and uncertainty in global trade diplomacy.

Comparison with Previous Studies

This study contributes to ongoing debates in international trade policy and economic nationalism by positioning its findings alongside prior scholarship. While many existing studies analyze Trump's rhetoric or legal strategies (Lighthizer, 2020; Malawer, 2024), few incorporate a quantitative assessment of how protectionist instruments may alter production incentives. Some scholars argue that moderate, strategic protectionism can be justified to correct market distortions, while also warning against its excessive use (Rodrik, 2018). Unlike studies that focus primarily on multilateral disengagement or institutional erosion, this paper offers an empirical contribution by modeling sector-specific impacts. The findings support earlier scholarly concerns that excessive reliance on free markets may undermine domestic labor protections, reinforcing the view that state intervention in trade policy can function as both an economic and political tool (Polaski, 2006). In sum, this paper extends existing literature by offering a combined perspective of narrative policy analysis, empirical simulation, and diplomatic implications, particularly within the context of U.S.–Canada trade relations.

Limitations and Cautions

Unlike previous studies that focus solely on legal framing, this study adds a quantitative policy simulation to enrich our understanding. Despite its contributions, the study has several limitations. First, the tariff simulation model relies on a fixed elasticity assumption based on Irwin's estimates from historical contexts (Irwin, 1998), which may not fully represent today's more complex and volatile trade networks. Second, the study focuses on the Canada–US trade relationship, which, while illustrative, may not reflect the full scope of Trump's broader trade agenda, particularly in relation to China, the EU, and the WTO. Third, the use of secondary data and policy documents, while robust for qualitative analysis, limits the precision of economic modeling in terms of dynamic responses, retaliatory measures, and longer-term trade diversion effects.

While this study offers an initial simulation of tariff effects, future research would benefit from more granular data such as firm-level production statistics, regional labor shifts, or supply chain disruptions. These datasets would allow for more precise modeling of sectoral impacts across time. Moreover, alternative analytical models—such as computable general equilibrium (CGE) models, dynamic stochastic general equilibrium (DSGE), or longitudinal trade panel analysis—could provide deeper insights into the multi-sectoral ripple effects of protectionist policies under different economic scenarios.

Recommendations for Future Research

Future research should expand the analysis of protectionist trade policies beyond the U.S.–Canada context by examining how similar strategies unfold in other bilateral or multilateral settings, especially involving emerging economies. A comparative case study of post-2016 trade responses by ASEAN countries or the EU to U.S. unilateralism would provide insight into how medium powers recalibrate their trade strategies under great power pressure.

In addition, future studies could incorporate mixed-method approaches that combine econometric simulations with diplomatic discourse analysis to better understand the intersection of trade and foreign policy. As trade dynamics become increasingly politicized, research should also explore

how populist narratives affect public perception of trade liberalization versus protectionism in both advanced and developing economies.

CONCLUSION

This study revisited the protectionist trade policies implemented under President Donald J. Trump, analyzing their rationale, instruments, and projected impact on U.S. trade relations. Through a combined narrative and simulation-based approach, the research demonstrated that such policies—especially the use of anti-dumping duties and sectoral tariffs—can incentivize domestic production in the short term. However, these gains came at the cost of heightened diplomatic tensions, retaliatory measures, and the weakening of multilateral trade norms. The case of U.S.–Canada trade relations illustrates how unilateralism, while politically expedient, can disrupt long-standing economic partnerships and generate systemic uncertainty. Ultimately, the study underscores the need for strategic balance: trade defense instruments must be used judiciously, guided by both national interest and global economic stability. Future policy directions should consider not only immediate domestic outcomes but also the broader implications for credibility, cooperation, and resilience in the international trade system.

Going forward, trade policymakers should consider pairing targeted protectionist instruments with structured economic diplomacy. While tariffs may offer short-term advantages for domestic industries, sustainable outcomes require engaging with trading partners through bilateral and multilateral dialogues. This dual strategy not only minimizes the risk of retaliation but also strengthens trust and legitimacy within the global trade regime.

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