ECONOMIC VIEWPOINT

Quebec and the Potential Trade War: Vulnerable Sectors and Policy Recommendations

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- A new external shock is on the horizon—the threat of 25% tariffs on nearly all Canadian exports to the United States—making the risk of a recession very real in Quebec. To face this shock, we'll need to draw on what we've learned in past recessions and identify the best ways to support Quebec businesses.
- Any government intervention will need to take into account that different industries will be affected to varying degrees. Support will need to be targeted. While a number of industries in Quebec may be weakened by US tariffs, especially manufacturing, others should prove to be more resilient, including tourism and retail. According to our analysis, 25% of Quebec's GDP is concentrated in vulnerable sectors, while the remaining 75% is in more resilient industries. Nearly 4% of Quebec's workers are in these vulnerable sectors and directly exposed to exports to the United States. Even industries with less foreign trade could ultimately suffer if tariffs cause a widespread economic slowdown.
- Given the nature of this shock, which would primarily affect exporters and could last several years, we've identified some programs that were launched or in place during the most recent economic crises and could be useful under the current circumstances. These include targeted aid, measures to support market diversification and tax incentives for reshoring, as well as training and reskilling programs for affected workers. At the same time, recent experience shows that some types of aid should be approached with caution. These include overly general or prolonged universal aid and government equity investments, unless absolutely necessary. Whatever programs are chosen, federal and provincial efforts will need to be closely aligned to maximize the efficiency of public spending.
- The current situation could be viewed as an opportunity to accelerate Quebec's economic transformation through diversifying its export markets, modernizing its infrastructure and stepping up its efforts to improve business competitiveness.
- The *Quebec Infrastructure Plan* can be used as a catalyst to boost competitiveness if the US tariffs are imposed. However, coordination issues with the federal government must be resolved so it can be implemented in a timely fashion.
- While interprovincial trade is an accessible opportunity for diversification, the gains that would come with reduced interprovincial trade barriers must be weighed carefully. Political obstacles suggest that these barriers could only be lifted partially. At the same time, given their size, the European and Asian markets hold significant untapped potential for exporters—but some support will be needed to help businesses gain a better understanding of these markets.

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A new external shock is on the horizon—the threat of 25% tariffs on nearly all Canadian exports to the United States—making the risk of a recession very real in Quebec. To face this shock, we'll need to draw on what we've learned in past recessions and identify the best ways to support Quebec businesses. In this Economic Viewpoint, we'll first present the industries that would be most vulnerable to this potential trade shock, especially if tariffs were imposed for a prolonged period. Next, we'll examine some of the measures that were implemented during the two most recent recessions and assess their efficacy. And finally, we'll conclude with some opportunities that could be seized to more swiftly transform Quebec's economy.

1. Analyzing Potential Impacts by Sector

The proposed US tariffs would affect a number of Quebec industries. Table 1 lists the sectors that are most vulnerable and those that would be more resilient to this shock. By our analysis, 25% of Quebec's GDP is concentrated in vulnerable sectors, while the remaining 75% is in more resilient industries. Our analysis assumes that 25% tariffs will be applied on nearly all Canadian goods, with a 10% carve-out for energy and critical minerals. At time of writing, a number of points remain uncertain: Whether or not these tariffs will actually be imposed, when they would come into effect, how long they would last, and if these tariffs will be applied to other countries (for example, in Europe).

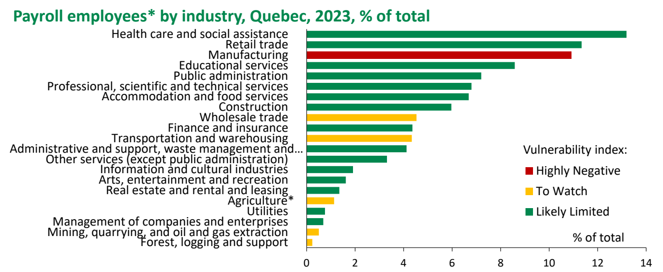
Table 1

MORE VULNERABLE SECTORS	MORE RESILIENT SECTORS	SECTORS EXPOSED TO COUNTER-TARIFFS
*25% OF GDP**	*75% OF GDP**	*RISING COSTS*
Transportation equipment manufacturing (2.2% of GDP), including aerospace (1.3%) and motor vehicles and parts	▪ Accommodation and food services (1.9%) – The tourism industry could benefit from a weak loonie. ▪ Retail trade (5.9%) ▪ Construction (6.8%) ▪ Real estate (11.4%) ▪ Professional and scientific services (7.8%) ▪ Information and cultural industries (3.0%) ▪ Arts and recreation (0.9%) ▪ Administrative services (2.5%) ▪ Finance and insurance (6.5%) ▪ Other services (2.2%) ▪ Dairy industry ▪ Eggs and poultry ▪ Public sector, education and health (23.2%)	▪ Residential construction and repairs ▪ Food services
Food manufacturing (1.7%), including: ▪ Sweets and confectionery ▪ Grain and oilseed milling ▪ Meat slaughtering and processing (especially pork) ▪ Beverages (0.5%), including wine and distilleries ▪ Seafood and fish product preparation		
Machinery manufacturing (1.0%)		
Chemical manufacturing (1.0%)		
Wood (0.7%) and paper (0.7%)		
Plastic and rubber products (0.6%)		
Primary metals (1.1%), including aluminum		
Furniture and related products (0.4%)		
Computer and electronic products (0.4%)		
Metal products (0.9%)		
Wholesale trade (5.4%)		
Transportation and warehousing (4.1%)		
Agriculture and fishing (1.4%), especially hog production		

* Real GDP by industry, 2023
Institut de la statistique du Québec and Desjardins Economic Studies.

Quebec's manufacturing industry is particularly vulnerable to US tariffs. This sector employs around 505,000 people, or 11% of Quebec's total employment (graph 1), and accounts for nearly 13% of Quebec's GDP. Our analysis shows that some subsectors are particularly vulnerable. This may be due to their reliance on US demand, or how easily and quickly US importers could turn to a substitute (domestic production or imports from another country). **Our vulnerability index in Appendix 1 measures the likelihood that an industry will experience a sharp decline in revenue if tariffs are imposed, relative to their total revenue.**

Graph 1
Quebec's Manufacturing Sector Provides a Lot of Jobs and Is Particularly Vulnerable to US Tariffs



* Data for the agriculture sector comes from a separate source (LFS) and contains all employees, not just payroll employees.
Statistics Canada (SEPH) and Desjardins Economic Studies

The most vulnerable manufacturing subsectors are machinery; wood, pulp and paper products; aerospace and parts; motor vehicles and parts; food and beverage; and chemical products. Furniture manufacturing, plastics, fabricated metal products and aluminum manufacturing also rely heavily on their exports to the United States (graph 2 and box 1 on page 3).

Wholesale trade and transportation also bear watching, as they're both closely linked to global trade and the manufacturing sector, which we've already established is vulnerable. These two industries also employ a large number of people (142,000 and 217,000 respectively). If we look at the share of revenue directly dependent on exports to the United States, roughly 12% of the jobs in these sectors could be at risk—more than 20,000 in each industry, as shown in graph 2. Agriculture (both crop and animal production) could also be directly and indirectly impacted by these tariffs.

Graph 2
Machinery, Wood Products, Vehicles and Aerospace All Have a Large Number of Jobs Linked to Exports to the United States

* The estimate is based on the proportion of an industry's production that depends on exports to the United States, multiplied by the number of jobs in that industry.
Statistics Canada (SEPH) and Desjardins Economic Studies

The tariffs would have a more limited impact on sectors that are less dependent on US demand. This includes most service industries, including retail trade, accommodation and food services and construction (graph 3 on page 3). While some services do rely more on the US market, like software, R&D and other professional services, President Trump's tariffs seem largely focused on goods and not services. The United States also has

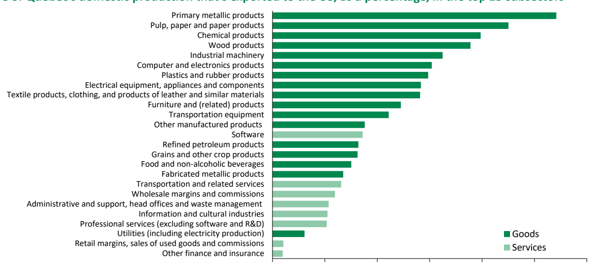
Box 1: Calculating the number of "vulnerable and at risk" jobs

To estimate how many jobs are "vulnerable and at risk" in a given industry (graph 2 on page 2), we've combined the industry's exposure to US demand (what percentage of their domestic production is intended for export to the United States) with the total number of jobs in that industry. Using this approach, around 4% of jobs in Quebec (175,000 jobs) would be directly exposed in the event of major tariffs. This doesn't mean that all of these jobs are at risk—just some, if the proposed steep tariffs on Mexican and Canadian goods are imposed for a long period of time.

This is an estimate of the number of jobs that *directly* depend on exports to the United States and are in a vulnerable industry (in yellow or red). There may be additional *indirect* effects not captured in our calculations. What's more, the relationship between an industry's jobs and exports may not always be linear. The main purpose of this exercise was to identify which subsectors have the most workers that could be affected by prolonged tariffs.

a services trade surplus with Canada. That being said, even industries with less foreign trade could ultimately suffer if tariffs cause a widespread economic slowdown.

Graph 3
Metals, Chemical Products, Wood and Paper Are Highly Exposed to the US
The share of Quebec's domestic production that's exported to the US, as a percentage, in the top 25 subsectors*



*2021 data Industries shown: Quebec's top 25 industries that export to the United States (3-digit NAICS code)
Formula: Exports from Quebec to the United States, as a percentage of domestic production. For services: Estimated using Canadian data.
Statistics Canada (Input-Output tables) and Desjardins Economic Studies

Looking past services, some goods-producing industries are also less exposed to these tariffs, meaning less than 5% of their output is intended for export to the United States. This is the case for breweries, animal feed manufacturers, dairy products, printing, metal ore mining, poultry production and processing, cattle farming and aquaculture.

The federal government has announced retaliatory tariffs on a list of products imported from the United States. This list, representing $30B in imports, targets a number of foods, beverages and construction materials, such as heating and ventilation systems, wood and plastic products, lighting and furniture. This means that residential construction and food services are the two industries most likely to see their costs increase, should the counter-tariffs come into effect. The magnitude of this cost increase would depend on how easily companies can replace US products with Canadian or foreign equivalents, at the same price.

There are also other reasons that some companies may be more resilient than others:

- They may have invested in advanced technology, automation and other innovations that unlock productivity gains (this includes artificial intelligence).
- Their products may be unique and of high quality—not just less expensive than the alternative.
- They may be able to diversify their market beyond the United States or have already done so.

Some industries have already diversified their export markets and are therefore less reliant on the United States. They're better equipped to face these tariffs. This is true for semiconductor manufacturing—Quebec's exports to the United States accounted for 41% of its total in 2023, down from 92% in 2014. Pet food manufacturers also depend on the United States for less than 50% of their exports. Manufacturers of navigational, measuring, control and medical instruments also seem to have a more diverse base of international clients, with 53% of their exports sent to countries other than the United States. But these cases remain a minority. Most manufacturing subsectors ship more than 60% of their exports to the United States, and most have seen this percentage remain stable or even increase over the last 10 years. The industries that rely the most on the United States[1] include sugar and confectionary products, plywood and veneer, paper products and aluminum.

[1] The 4-digit NAICS manufacturing industries with $1B or more in national exports.

2. Policies that Support Businesses and Households

When it comes to public policy, there's a tendency to "fight the last war." Looking past our borders, responses to the 2008–2009 global financial crisis proved to be inadequate, given the severity of the recessions in Europe and the United States. The recession in 2020 was very different in nature, with waves of infection and lockdowns that were hard to predict. However, it's now recognized that the aid provided was excessive and may have contributed to the spike in inflation that followed, in addition to driving up sovereign debt.

The looming trade dispute would be similar to these crises in some ways. As in 2008–2009, Canada's export industries would be affected first. And like in 2020–2022, it's unclear how long the shock would last and how long aid would be needed. Table 2 below lists some of the similarities and differences that the tariff shock would have with previous crises. These aspects can help us see which types of aid may yield results, and which should be avoided.

Table 2
Comparing the Potential Trade War with the United States to Other Recent Economic Shocks in Quebec

RECESSION	SIMILARITIES	DIFFERENCES
Financial crisis (2008–2009)	• **The economic shock originated in the United States.** The first shock was a drop in demand for goods from our main trading partner. • **The shock mainly affected Quebec's export industries** (manufacturers, natural resources).	• **Less direct impact on international demand**: The 2008–2009 financial crisis spilled into the global economy. • **US households are in better financial shape**: US households are in a better financial situation than they were during the 2008–2009 crisis, meaning we can expect the US economy to be more resilient. • **Increased risk of structural changes**: There may be less interest in setting up subsidiaries in Quebec, as access to the US market is no longer as certain as before.
COVID-19 pandemic (2020–2022)	• **Significant uncertainty about how long aid could be needed** (number of COVID-19 waves vs. political uncertainty). • **Calls business models into question:** "Just in time" vs. "Just in case" (more diverse supply chains vs. highly interdependent relationship with United States for our intermediate and finished goods)	• **More targeted financial assistance needs**: The pandemic had a broader impact, with considerable needs throughout the economy. Measures were therefore much more general than would be needed this time. • **Less of an impact on exporter logistics**: Compared to 2020–2022, there are no bottlenecks or higher transportation costs, so it may be easier to access markets other than the US than it was back then.

Note: Non-exhaustive list for illustration purposes
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The ideal response would be targeted, given our fiscal capacity, and flexible, since these tariffs could be short-lived. The US economy is currently on solid ground, and global supply chains aren't overwhelmed, suggesting that things could quickly return to normal once the dispute is resolved. However, this tariff threat also gives a clear long-term signal: it's now riskier to invest in Canada as part of a unified North American supply chain. Any long-term support plan must take this fact into account.
Our overview of past response measures is not comprehensive, and some measures are clearly inappropriate for the current scenario. All the same, this exercise helped us draw conclusions about which measures to prioritize if the threatened tariffs are imposed. Appendix 2 contains a more detailed list of the main programs implemented or maintained during the last two recessions and if those programs could be part of an adequate economic response this time. Our general findings are below.

Given the nature of the potential tariff shock, an effective economic response plan should include:

a. Targeted support for vulnerable exporters: In the first section of this analysis, we identified sectors that are particularly vulnerable. Other sectors already have more diversified international markets, or rely less heavily on US demand, and won't necessarily need the same immediate support. Eligibility criteria would be needed, similar to those implemented for pandemic-era financial assistance, as with the Emergency assistance to small and medium-sized businesses (PAUPME) and Temporary concerted action program for businesses (PACTE) programs in Quebec, or Canada Emergency Wage Subsidy (CEWS) and Highly Affected Sector Credit Availability Program (HASCAP) at the federal level.

b. Market diversification programs: While this is a longer-term approach, it's still relevant—especially since we have no way to predict how long assistance would be needed. Market diversification is necessary, both for the sale of finished products and for integration into foreign supply chains. Canada already has trade agreements in place with the European and Asian markets. Programs like ESSOR, which businesses leaned on during the pandemic, could be put to use on this front. This strategy should also include opening trade between the provinces. We'll expand on this in the next section.

c. Tax incentives for reshoring: COVID-19 prompted a number of industries to consider moving from a "just in time" model to a "just in case" one. This shift involves introducing redundancies (additional resources and suppliers) into supply chains to reduce the risk of disruption. There is also a greater emphasis on "friendshoring"—focusing supply chains in countries that are considered geopolitical and economic allies. The current conflict has revealed why it would be beneficial to reshore strategic activities, reinforcing Quebec's industrial autonomy. For example, a tax credit could encourage businesses to bring strategic activities back to Quebec (or to Canada as a whole, depending on which level of government is providing incentives). We could draw inspiration from programs that were introduced or reinforced during the 2008–2009 financial crisis. (See the appendix for details on Quebec's Renfort and forest industry support programs). On the other hand, the current climate could lead some businesses to move certain activities to the United States, securing their access to the US market. The matter of tax competitiveness will need to be handled with care in the next few years.

d. Support for employee training and reskilling: If some industries are reshored, the workforce may require training or reskilling. It would make sense to finance programs that encourage a shift to new, local supply chains and tech infrastructures—or that encourage workers to go into construction, as recently proposed by the government, given the major projects included in the *Quebec Infrastructure Plan*. These

programs could be similar to the accelerated training for orderlies that was launched during the pandemic. These programs would need to be adapted for targeted industries, and to the current circumstances. Many of the export industries that would be most affected by tariffs have also experienced labour shortages in recent years. The quarters (and years) ahead are filled with uncertainty, and it may be hard to secure investments in capital and automation, even though they'll be needed to overcome demographic challenges in the future. If workers in these industries leave, they might not all come back when the tariffs are lifted. The longer the trade war lasts, the greater the risk of a permanent loss in capacity. There's another consideration to keep in mind if we were to encourage affected workers to move into construction : Many construction projects are being carried out in remote areas, so workers may require relocation assistance.

Given the nature of the risks we're facing, and Quebec's fiscal situation, some measures should be avoided:

a. Non-targeted universal assistance: Only some workers and businesses would be affected immediately. Ultimately, the slowdown would spill over into other industries, like services—but given the structural deficit, increasingly high health care costs and the less favourable interest rate environment, we need to focus on providing the most effective assistance. We can't provide support to individuals and businesses that are barely affected, or not affected at all. The Canada Emergency Response Benefit (CERB) may have been required because COVID-19 disrupted nearly every industry, but the current situation is different. In a similar vein, it would be unwise to send cheques out to every household, indiscriminately. If the weaker loonie and counter-tariffs from Canada drive up inflation and affect purchasing power, financial support should target less wealthy households.

b. Response measures that are kept in place too long: The situation should be reassessed regularly. Excessive aid can wind up keeping nonviable businesses afloat, and it would further deteriorate the province's fiscal situation.

c. Equity investment: Equity investment in companies should be avoided unless absolutely necessary. A number of factors make it less-than-optimal as a solution: issues of political neutrality during the selection process, increased moral hazard for recipient companies, and the complexity of decisions regarding the sale of these holdings.

Whatever programs are ultimately chosen, the federal and provincial government will need to collaborate effectively. Close alignment between federal and provincial measures will help ensure that the economic response can adequately offset the effects of a trade war without overly straining Quebec's more limited fiscal capacity. A harmonized response plan would ensure that the response is adapted to regional needs. And over a longer horizon, an integrated approach could lay the groundwork for more fluid interprovincial trade.

Box 2: Investing in infrastructure

Infrastructure investments are an important strategic tool during economic crises. Let's not forget, for example, that Quebec fared better than many of the other provinces in 2008–2009, largely due to the massive investments in infrastructure modernization that had been planned.

Today, similar investments could be made to make Quebec more competitive in this new trade environment. Transportation infrastructure could be modernized, improving access to critical minerals and alternative markets while reducing logistical costs. And investing in digital and energy infrastructures would help boost productivity for Quebec companies, which would partially offset the impact that tariffs would have on their competitiveness. The Quebec Infrastructure Plan, with its budget of $153B for 2024–2034, is a particularly powerful tool at the government's disposal.

However, it must be noted that these investments will not be effective without proper intergovernmental coordination, which may pose a serious challenge. The Investing in Canada Plan illustrates this point: while it provided an important framework, there was a lack of follow-through and the plan had no clear strategic vision past 2028. This is now creating uncertainty at a time when the opposite would be preferable. This situation is especially problematic because most major infrastructure projects require joint federal-provincial financing, sometimes along with municipal participation. Without a clear, long-term commitment from the federal government, provinces could face a difficult choice: either they push back key projects, or they bear the financial costs alone, leaving them with little headroom (when some already had little to spare).

Recent experiences also raise concerns about how infrastructure programs are carried out. The underuse of some federal budgets—and their reallocation to other priorities—has slowed down some provincial projects. As modern infrastructure could play a key role in adapting Quebec's economy to today's tense trade environment, this type of coordination issue could become particularly grave.

The pandemic showed us the value of **well-coordinated federal and provincial collaboration**, especially between Quebec's PACTE and the federal government's CEWS. The PACTE program provided loan guarantees and financing to businesses experiencing temporary cash flow issues, ensuring their financial stability. The CEWS directly helped businesses retain their workforce by subsidizing a portion of wages. Together, these programs helped prevent temporary closures and preserved essential jobs, so the economy was able to recover more quickly once the worst of the economic shock had passed. A similar approach could be considered this time, but with a closer look at the long-term viability of recipients.

3. An Opportunity to Speed Up Quebec's Economic Transformation

In some ways, the current situation could be viewed as an opportunity, giving us the chance to shrug off the inertia that has too often curbed economic growth and hindered productivity gains in recent years. The government could choose to capitalize on the current sense of urgency, using it to transform Quebec's economy more rapidly. It's encouraging to see that many of the long-term adjustments that would be needed to face a protectionist economic regime coincide with actions that would also help us overcome existing structural challenges.

More than ever, it is a strategic necessity for Quebec businesses to diversify their exports. Currently, more than 70% of Quebec's exports go to the United States, while only 9% go to the European Union. This marked dependence leaves the Quebec economy exposed to trade shocks and volatility in US politics. What's more, it means we're leaving literal money on the table: Quebec is a trade partner of choice, for more than purely economic reasons. IMF research shows that proximity isn't necessarily the factor that determines a developed nation's trade intensity with a given partner. Governance and stability play a more deciding role.

The timing could also work in Quebec's favour. The planned expansion to the Port of Montreal's **Contrecœur terminal** is intended to increase the port's capacity by 1.15 million twenty-foot equivalent units (TEUs), for a total capacity of 2.50 million TEUs. This means we'd have key infrastructure ready to support more intense export activities, especially to Europe.

The Asian market is another source of untapped potential. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership opens the door to a market with 500 million potential buyers—that's 1.5x the size of the US market. There's a lot of potential in Asia for Quebec, particularly in agri-food, aerospace and cleantech.

However, there are three major obstacles blocking the Quebec's growth in non-US markets. First, there are the regulatory differences. The government could play an active role on this front by facilitating the harmonization of international standards and helping businesses with the certification required by the Asian and European markets. Second, the logistical costs are high, the pandemic having highlighted the need to invest in more resilient supply chains. At the very least, the government should consider helping businesses upgrade their business intelligence and risk management tools. And finally, entrepreneurs tend to have limited knowledge of local markets, including regulations, business practices and consumer spending habits. There's an opportunity here to provide targeted mentorship and training programs to help businesses understand trade dynamics in Europe and especially in Asia.

It might be worthwhile to emulate the market diversification support program that Quebec had from 2017 to 2020. This type of program could target companies that are highly reliant on the US market but have strong potential in other countries. For example, Quebec's aerospace sector primarily exports to the United States, but its technology is highly competitive internationally. However, this program would need to be maintained over a longer time frame, to provide some predictability and allow businesses to scale their business strategy into new markets.

While we work to diversify our international markets, we can also tap into Canada's domestic market. Interprovincial trade already accounted for 18% of Quebec's GDP and $104 billion in trade in 2023. This is the most accessible path to diversification for Quebec businesses. The transportation costs are lower, there's a chance to achieve economies of scale, and the supply chain is far less spread out.

That being said, interprovincial trade barriers are still obstacles. Overcoming them may require unpopular political decisions. Some compromises may be required, including **changes to dairy supply managemen**t, which could have negative consequences for Quebec producers. Similar findings apply to the construction sector, which is highly regulated in Quebec (see box 3 on page 7).

Any reduction in trade barriers should be accompanied by increased investments in strategic infrastructure. This would be needed, for example, to accommodate **transportation of commodities and manufactured products between provinces.** Provincial policies may need to be better aligned, particularly in terms of the environment—again, leading to difficult choices.

We need to be realistic. While lowering interprovincial trade barriers is a laudable goal (even without a trade war hanging over us), the Canadian market is clearly not large enough to replace the US market. That's why diversifying our international markets and reducing internal trade barriers need to be done in parallel.

Conclusion

Quebec has shown remarkable resilience in the face of the last two recessions. The programs implemented helped the economy recover while protecting the most vulnerable businesses and individuals. But during the 2020 recession, the costs were particularly high, and governments will be paying for them in the years ahead.

Even though the threatened tariffs would cause an entirely different economic shock, there are still some similarities with these most recent recessions: Quebec exporters will be hit first, as in 2008–2009, and the time frame is relatively unpredictable, as in 2020–2022. Some of the programs we've turned to in the past are more suitable than others for this new crisis, like targeted support for affected businesses, in the form of both guaranteed loans and, over a longer horizon, reskilling for workers moving to sectors that will experience sustained demand.

Looking even further ahead, this situation also encourages us to reconsider certain foundations of our export-led economy. Tariffs have very real consequences, but they also open the door to revisiting long-established business practices. This could be an opportunity to adopt more suitable policies for our changing economy. Lowering interprovincial trade barriers would provide some short-term gains, but in the long term, the actions that would pay the most dividends are market diversification programs.

Box 3: What potential gains could we expect from interprovincial trade?

The potential gain from lower interprovincial trade barriers is currently a hot topic in public debate. A study by Tombe (2022) estimating that lifting interprovincial trade barriers could add 6.7% to Canada's GDP has been widely covered in the media and cited by government representatives. However, this estimate should be taken with a grain of salt.

First of all, this figure is substantially higher than those estimated in other studies. For example, the Bank of Canada found in 2018 that lower trade barriers would instead add 0.2 percentage points per year to potential economic growth.

Second, Tombe's methodology does have limitations. For example, it makes no distinction between interprovincial trade that is hindered by local preferences (linguistic or cultural barriers than influence corporate and consumer spending) and trade that is legitimately blocked by regulatory barriers, such as different provincial standards or legal restrictions. This could lead to the overestimation of the economic costs of interprovincial barriers—and therefore to an exaggeration of the potential gains of harmonizing trade.

Third, the study doesn't fully account for the negative effects that more open trade could have on industries that currently benefit from some protection. Some sectors could become less competitive, leading to job loss or expensive adjustments that would reduce the net gains expected.

And finally, even if the 6.7% estimate is accurate, it's important to stress that this growth wouldn't appear overnight. The study acknowledges that these gains could take years or decades to materialize, given the adjustment costs required and institutional inertia to overcome. Combining this result with the Bank of Canada's findings, it would take 44 years to see the full benefit.

Appendix I
Vulnerability Index by Sector

TABLE 3

Industry	Vulnerability index
Primary metals	Highly negative impact
Food and beverage	Highly negative impact
Chemicals	Highly negative impact
Machinery	Highly negative impact
Aerospace and parts	Highly negative impact
Pulp and paper products	Highly negative impact
Wood products	Highly negative impact
Plastics and rubber products	Highly negative impact
Computer and electronic product manufacturing	Highly negative impact
Electrical equipment, appliance and component manufacturing	Highly negative impact
Furniture and related product manufacturing	Highly negative impact
Non-metallic mineral products	Highly negative impact
Motor vehicles and parts	Highly negative impact
Other miscellaneous transportation material	Highly negative impact
Crop and animal production	To watch
Fabricated metal products	To watch
Mining and quarrying	To watch
Fishing, hunting and trapping	To watch
Transportation and warehousing	To watch
Wholesale trade	To watch
Forestry and logging	To watch
Petroleum and coal products	To watch
Oil and gas extraction	To watch
Professional, scientific and technical services	Likely limited impact
Information and cultural industries	Likely limited impact
Utilities (including electricity production)	Likely limited impact
Administrative services, office admin. services, head offices	Likely limited impact
Arts, entertainment and recreation	Likely limited impact
Construction	Likely limited impact
Accommodation and food services	Likely limited impact
Finance, insurance, real estate, rental and leasing and holding companies	Likely limited impact
Retail trade	Likely limited impact

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Legend: Highly negative impact (red); To watch (yellow); Likely limited impact (green)

Appendix 2

Relevant Programs Implemented During the 2008–2009 Financial Crisis and 2020–2022 Pandemic

2008–2009 financial crisis

We'd like to highlight two of the assistance programs that the Quebec government used to provide aid during the 2008–2009 financial crises.

- Renfort: This program was launched at the peak of the financial crisis. Initially, it was intended to increase business financing by $1 billion (this amount was increased to $2 billion in January 2010), supporting companies with temporary cash flow problems caused by the global recession. It included first $250M, then $900M from Investissement Québec (IQ) via direct financing (loans), with the remainder as guarantees for loans granted by financial institutions. This program excluded primary agriculture and mining exports, among others. According to various estimates by IQ, nearly 25,000 full-time equivalent jobs may have been saved by the program.
- Forest industry support program (PSIF): This program was launched in 2006 but was still in effect during the 2008–2009 financial crisis. US demand for new residential units plummeted, with severe consequences for Quebec's forest industry. The program helped consolidate, modernize and invest in companies in the forestry sector, which was affected by a new round of disputes with the United States over Canadian lumber exports. The budget was $490 million, mainly in the form of term loans and loan guarantees.

COVID-19 pandemic

The table below outlines the main pandemic response measures implemented by the Canadian and Quebec governments.

Table 4
Main Programs Implemented by the Canadian and Quebec Governments During the Pandemic

REGION	PROGRAM	ELIGIBILITY CRITERIA	APPLICABILITY TO THE CURRENT SITUATION
Quebec	Emergency assistance to small and medium-sized businesses (PAUPME)	Businesses with less than 100 employees experiencing cash flow needs due to the pandemic.	A similar program could be used to provide loans to businesses affected by the tariffs, so they could maintain their working capital and avoid closures.
	Temporary concerted action program for businesses (PACTE)	Businesses with cash flow needs and a significant drop in revenue due to the pandemic.	A similar program could be used to provide financing guarantees to businesses affected by the trade war, to help them weather the economic disruptions.
	Temporary Aid for Workers Program (TAWP)	Workers who are in isolation or not entitled to other benefits, such as unemployment insurance.	The model could be adapted to support regions that are the most affected by the tariffs.
	Assistance for Businesses in Regions Under Maximum Alert (ABRUMA)	Businesses closed due to public health restrictions, could obtain loan forgiveness for eligible fixed expenses.	Not applicable.
Canada	Canada Emergency Response Benefit (CERB)	For workers who have lost their job or a significant source of income due to COVID-19.	Not entirely suitable for this context, but a more targeted version could be used to support workers in industries severely affected by the tariffs. It could include more robust EI, as well as reskilling programs.
	Canada Recovery Benefit (CRB)	Designed for workers who weren't eligible for employment insurance but were still experiencing a loss of income due to COVID-19.	See CERB.
	Canada Emergency Wage Subsidy (CEWS)	Employers whose income decreased by at least 15% in March 2020 and 30% in the following months, compared to the reference period.	This measure is less suitable, given its high costs and the lack of guarantee that certain industries will remain viable.
	Canada Emergency Business Account (CEBA)	Interest-free loan of up to $60,000, a portion of which was forgivable if the non-forgivable portion was repaid by a certain date.	See HASCAP.
	Canada Emergency Rent Subsidy (CERS)	Businesses with a revenue decline of at least 70%, covering up to 65% of commercial rent.	Not applicable.
	Tourism and Hospitality Recovery Program (THRP)	Businesses in the tourism and hospitality industry that suffered a 12-month revenue decline of at least 40% and a 40% current-month decline.	Not applicable.
	Highly Affected Sectors Credit Availability Program (HASCAP)	Businesses with significant recurring revenue losses, showing at least a 50% revenue decline compared to the reference period.	A similar program could be used to provide financial assistance to companies hit hardest by a trade war, helping them overcome economic disruptions and maintain their operations.

Note – Colour code: orange = loans and loan guarantees; green = partially repayable loans or interest-free loans with forgivable portion; blue = grants, direct financial allocation to workers and direct payments to individuals.
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