



## Could President Trump Really Slap Taxes on Canadian Goods?

### Description

It's finally time. The moment that countless people thought would never, ever happen will occur later this week. Donald Trump will be sworn in as the 45th president of the United States of America.

Trump won the electoral college vote last fall, despite losing the popular vote by nearly three million votes and counting.

Trump's unprecedented election victory came thanks to his appeal to voters in the "Rust Belt" states of Michigan, Ohio, Pennsylvania, and Wisconsin, who were hardest hit when local manufacturing jobs left years ago and moved to foreign markets where labour costs are significantly lower.

As part of his election pledge, Trump has placed an emphasis on bringing back those manufacturing jobs and keeping them in the U.S. The president-elect has already lashed out at several companies on social media relating to their plans to move factories abroad, and his actions have even caused some companies to reconsider.

### Made in America or taxed in America?

To make good on his election pledge to keep jobs in the U.S., Trump has mentioned imposing a tax on goods from companies that are manufactured outside the U.S. and then repatriated for sale in the American market.

While Canada hasn't been singled out directly, the possibility of the new administration imposing taxes on goods entering the U.S. market remains a possibility, despite how disastrous it could be to both sides of the border.

Canada and the U.S. enjoy one of the most lucrative trade agreements on the planet with over \$1 billion in goods passing over the border each day and more than seven million jobs in the U.S. directly linked to the health of that trade agreement.

**Magna International Inc.** ([TSX:MGA](#))([NYSE:MGA](#)) is one of the largest automotive parts suppliers in the world. The Aurora-based company has over 300 manufacturing and 98 development and

engineering centres scattered across 29 countries with a workforce of over 155,000 employees.

Magna counts nearly every major automotive manufacturer in the U.S. as an OEM client with over a dozen other Tier 1 and non-automotive clients that are U.S.-based.

**Linamar Corporation** ([TSX:LNR](#)) is another company with deep links to the automotive industry, manufacturing powertrain system solutions to light vehicle, commercial truck, energy, and industrial OEM markets from 57 manufacturing facilities on three continents with over 23,000 employees.

Comments from the president-elect earlier this week directed at German automotive manufacturers subsequently saw the stock price of both Magna and Linamar drop considerably.

If the president-elect's proposed tax were to come into play with respect to Canadian businesses such as Magna and Linamar, it would most certainly come at a significant cost in terms of jobs and reduced revenue in both Canada and the U.S.

To put the magnitude of this into perspective, vehicles can typically cross over the border as many as six times during the manufacturing process due to the location of materials, workers, and factories. Industry experts also claim that as many as one in seven Canadians are currently employed either directly or indirectly connected to the automotive industry.

### **Could the border tax become policy?**

For as much as the president-elect has made references to the tax, it seems unlikely that such a far-reaching tax could be implemented as corporations on both sides of the border will no doubt lobby against such measures.

If a tax were to be enacted, it would be devastating to jobs and automotive sales on both sides of the border. As per the Center for Automotive Research, upwards of 30,000 jobs in the U.S. alone could be lost if the border tax were to be enacted.

### **What can investors do?**

Now more than ever, the importance of diversifying your portfolio takes precedence. For every company that could be impacted negatively by the Trump administration and any proposed tax, there are countless others that could see benefits from other areas of his platform.

### **CATEGORY**

1. Investing

### **TICKERS GLOBAL**

1. NYSE:MGA (Magna International Inc.)
2. TSX:LNR (Linamar Corporation)
3. TSX:MG (Magna International Inc.)

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dafxentiou

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