

BEYOND THE BALANCE OF TRADE

Reassessing U.S.-Canada Economic Relations in the 21st
Century

*A Critical Analysis of Trade Deficit Metrics and the
Unmeasured Dimensions of Bilateral Commercial Relations*

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Executive Summary

The United States-Canada economic relationship represents the largest bilateral trading partnership in world history, with approximately \$900 billion in goods and services crossing the border annually. Yet the metrics commonly employed to assess this relationship—particularly the balance of trade statistics published by the U.S. Census Bureau and Bureau of Economic Analysis—capture only a fraction of bilateral economic activity and fundamentally misrepresent the nature, direction, and distribution of economic benefits flowing between the two nations.

This report presents a comprehensive analysis demonstrating that traditional trade deficit calculations are fundamentally flawed as indicators of bilateral economic relationships. The principal findings include:

First, despite the headline trade deficit, Canada purchases approximately seven times more U.S. goods per capita than Americans purchase Canadian goods. With a population of 40 million, Canada imports roughly \$350 billion in U.S. goods and services annually, translating to approximately \$8,750 per Canadian. The United States, with a population of 340 million, imports approximately \$470 billion from Canada, or roughly \$1,380 per American. Canada is, by a substantial margin, the most important per-capita market for American exports.

Second, the official U.S. goods trade deficit with Canada of approximately \$62 billion in 2024 largely reflects energy imports that the United States purchases at highly competitive prices to maintain industrial competitiveness. Excluding energy trade, the United States would register a substantial surplus of \$63 billion with Canada, encompassing \$28 billion in goods and \$35 billion in services.

Third, global value chain dynamics render country-of-assembly attribution meaningless for understanding value capture. An iPhone assembled in China and appearing as a Chinese export delivers less than 10% of its value to Chinese firms, with the majority flowing to Apple and its American shareholders. The same dynamic applies throughout global trade: U.S.-branded goods manufactured abroad and sold in Canada appear nowhere as American exports, yet American companies capture the lion's share of profits. The products that inflate America's reported trade deficits are often American products in economic substance.

Fourth, conventional trade statistics entirely exclude Mode 3 commercial presence (subsidiaries, franchises, ...), the dominant form of American commercial engagement globally. According to Statistics Canada 2024 data, U.S. multinationals generated \$265.8 billion in value added within Canada and employed 1.71 million Canadian workers, representing 11.9% of corporate sector employment. While this Mode 3

presence generates Canadian employment, wages, and tax revenues, the ownership structure means that profits, dividends, and strategic decisions flow to American headquarters and shareholders—value transfers that appear nowhere in trade statistics.

Fifth, any attempt to calculate a comprehensive bilateral balance is rendered meaningless by compounding measurement failures:

Balanced trade does not mean equal benefit. Two countries could trade gold for silver at equal weight and equal price, yet one clearly gains more value.

Services measurement is unreliable. U.S. and Canadian figures for the same bilateral flows diverge by tens of billions of dollars.

Global supply chains make goods attribution arbitrary. Country-of-assembly bears no relationship to value capture.

Investment income flows through tax-friendly jurisdictions. Bilateral attribution of Mode 3 profits is effectively impossible.

Major value channels are entirely unmeasured. Brand premiums, human capital flows, and platform value capture are absent from statistics.

Given these compounding limitations, the data simply do not exist to produce a reliable comprehensive bilateral balance.

Given these structural limitations, this report does not attempt to calculate a 'true' bilateral balance. Instead, it examines directional indicators across all measurable and inferable channels of economic exchange. A simple thought experiment illustrates the challenge: compare the credit card statements of a typical American and a typical Canadian consumer. The Canadian statement would show transactions flowing to Apple, Google, Amazon, Netflix, Visa, Mastercard, McDonald's, Starbucks, Walmart, Costco, and countless other American brands—with the majority of those transactions not captured in trade statistics. The American statement would show few, if any, payments to Canadian companies. This elementary comparison may reveal more about the true direction of bilateral value flows than official trade statistics that struggle to measure even basic services transactions consistently.

The available evidence suggests that American commercial interests derive substantial advantages from the bilateral relationship that do not appear in trade statistics. America's most valuable asset in this relationship is its brand power—the accumulated equity in globally dominant brands that enables premium value extraction regardless of where physical production occurs.

Current U.S. tariff policy, paradoxically, threatens to undermine the very sources of American commercial dominance. The 2025 emergence of 'Boycott USA' movements across Canada, Europe, and other markets, documented by the European Central Bank as potentially representing 'a long-term structural shift in consumer preferences away from U.S. products and brands,' risks inflicting lasting damage on American brand equity, the most valuable and sustainable source of U.S. international competitive advantage. Policies justified by merchandise trade deficits measured in tens of billions of dollars risk destroying brand equity measured in trillions.

1. Understanding U.S. Trade Statistics: Methodology and Limitations

1.1 The U.S. Balance of Trade Framework

The United States Department of Commerce, through its Census Bureau and Bureau of Economic Analysis (BEA), publishes monthly and annual statistics on U.S. international trade in goods and services. These figures form the basis for virtually all public discourse on trade policy, including claims about trade deficits with specific partner countries.

The merchandise trade balance, which dominates political discussion, measures the difference between U.S. exports and imports of physical goods. According to USTR data, the U.S. goods trade deficit with Canada stood at \$62.0 billion in 2024, representing a 2.6 percent decrease from 2023.

However, this headline figure obscures several critical methodological characteristics that dramatically affect interpretation of the U.S.-Canada economic relationship.

1.2 Services Trade Measurement: A Deep Dive into Survey Methodology

While goods trade is tracked with relative precision through customs documentation and the Automated Export System, services trade measurement relies on an entirely different and far less accurate methodology. Understanding these limitations is essential for interpreting bilateral trade figures.

The BEA collects services trade data through a series of mandatory surveys conducted under the authority of the International Investment and Trade in Services Survey Act. These surveys operate on fundamentally different principles than goods trade measurement:

Benchmark Surveys (Every 5 Years): The BE-120 Benchmark Survey of Transactions in Selected Services and Intellectual Property, most recently conducted for fiscal year 2022, represents the most comprehensive data collection. This census-type survey has no exemption thresholds and attempts to cover the universe of transactions. However, five-year intervals mean the benchmark quickly becomes outdated.

Quarterly Surveys (Ongoing): The BE-125 Quarterly Survey uses cutoff sampling, meaning companies only report if transactions exceed designated thresholds (greater than \$6 million for sales and/or greater than \$4 million for purchases). Companies below these thresholds are not surveyed; instead, BEA estimates their transactions by

extrapolating forward their data from the most recent benchmark survey based on movements in sample data.

Estimation for Non-Filers: Between benchmark years, BEA estimates data for companies that reported on the benchmark but are exempt from quarterly filing. These estimates are 'extrapolations' based on trends in the reported data from larger filers, introducing systematic uncertainty into the statistics.

The practical implications of this methodology are significant:

No monthly country or area detail is available for services trade 'due to the lack of adequate source data.' Country-specific services figures are only published quarterly, and even then represent estimates rather than direct measurement.

The response burden on companies creates incentives for underreporting. While surveys are mandatory, enforcement is limited and companies may provide incomplete responses.

Rapidly growing digital services, which represent an increasing share of U.S. services exports, may be particularly undermeasured because the survey framework was designed before the digital economy achieved its current scale.

Recent improvements, including questions on digitally delivered services added to the 2022 benchmark survey, represent incremental progress but do not fundamentally address the methodological gap between goods and services measurement.

The contrast with goods trade measurement could not be starker. Goods trade statistics are compiled from individual customs declarations filed for each shipment. Services trade statistics are estimates derived from periodic surveys of samples of reporting entities, supplemented by extrapolations for non-respondents. Treating these two data sources as equivalent in reliability represents a fundamental analytical error.

1.3 Bilateral Measurement Discrepancies: The Canada-US Case

The unreliability of services trade statistics becomes starkly apparent when comparing how the United States and Canada each measure the same bilateral flows. In theory, U.S. services exports to Canada should equal Canadian services imports from the United States, as they describe the same transactions from opposite perspectives. In practice, the figures diverge dramatically.

U.S. perspective (BEA, 2024): The United States reports services exports to Canada of \$90.3 billion and services imports from Canada of \$57.0 billion, yielding a U.S. surplus of \$33.2 billion.

Canadian perspective (Statistics Canada, 2024): Canada reports services exports to the United States of \$119.6 billion and services imports from the United States of \$129.6 billion, yielding a Canadian deficit of approximately \$10 billion.

The discrepancies are enormous. The United States claims to have exported \$90.3 billion in services to Canada, while Canada reports importing \$129.6 billion from the United States—a gap of \$39 billion on what should be identical flows. In the opposite direction, Canada claims to have exported \$119.6 billion to the United States, while the United States reports importing only \$57.0 billion—a gap of \$62 billion.

These discrepancies arise from fundamental differences in survey methodology. The United States employs cutoff sampling with reporting thresholds (\$6 million for sales, \$4 million for purchases), estimating smaller transactions by extrapolating from benchmark surveys conducted every five years. Canada uses mandatory surveys with lower thresholds, cross-checked against administrative tax data (T106 and T2 forms). Classification differences in what constitutes a 'service,' how affiliated-party transactions are recorded, and geographic attribution of digitally delivered services further compound the measurement gap.

The implications extend beyond the Canada-US relationship. If the world's most sophisticated statistical agencies, measuring flows between two highly integrated economies with extensive data-sharing agreements, produce figures that diverge by tens of billions of dollars, this raises questions about bilateral services measurement globally. While large bilateral discrepancies can arise from legitimate methodological differences (timing, transfer pricing treatment, classification standards, and currency conversion), the magnitude of these gaps suggests that bilateral services balances should be interpreted with appropriate caution rather than as precise measurements.

1.4 Manufacturing-Heavy Measurement in a Services Economy

The U.S. economy has undergone a fundamental structural transformation over the past half-century. Manufacturing, which accounted for approximately 25 percent of GDP in 1970, now represents roughly 11 percent. Meanwhile, services sectors, including finance, technology, healthcare, professional services, and intellectual property, have grown to comprise approximately 70 percent of economic output.

Despite this transformation, the trade statistics that dominate policy discourse remain heavily weighted toward merchandise trade. This measurement asymmetry systematically understates American commercial advantages. The United States maintains substantial services trade surpluses with most partner countries, including a reported \$33.2 billion surplus with Canada in 2024 (though as noted above, Canadian statistics suggest this figure may significantly understate actual U.S. services exports).

When goods and services are combined using U.S. figures, the bilateral deficit shrinks to approximately \$35-36 billion, less than half the headline goods deficit figure.

1.5 What Trade Statistics Exclude

Beyond methodological limitations, official trade statistics entirely exclude several major categories of international commercial activity:

Mode 3 Commercial Presence: Sales by foreign-owned subsidiaries operating within a country are not counted as trade. When McDonald's Canada sells a hamburger to a Canadian consumer, when Walmart Canada sells groceries, or when an American bank's Toronto branch provides financial services, these transactions appear nowhere in trade statistics despite generating profits that ultimately accrue to American shareholders.

Foreign Production by U.S.-Owned Enterprises: Even merchandise imports often represent American economic interests. U.S. companies own farms, mines, and factories worldwide. When these assets produce goods, trade statistics credit the country of production, not American owners who capture the profits. This dynamic is explored in greater detail in Section 4.3.

Intellectual Property Exploitation: While royalty and licensing payments appear in services statistics, the actual value of intellectual property is far greater than these payments suggest. Consider Microsoft Office: a Canadian business pays a licensing fee, but the productivity gains from using the software vastly exceed that fee. The license payment is captured; the productivity extraction is not. Similarly, when Canadian businesses advertise on Google or Facebook, the platforms capture data about Canadian consumers that generates ongoing value for American companies, of which only the immediate advertising revenue appears in statistics.

Human Capital Migration (Brain Drain): Canada invests heavily in educating its population through publicly funded universities and healthcare training programs. When skilled Canadians emigrate to the United States for higher wages or career opportunities, they carry human capital that Canadian taxpayers financed. The United States gains productive workers at no training cost; Canada loses both its investment and future tax revenue. This represents a substantial wealth transfer that appears nowhere in trade statistics. The TN visa program under NAFTA/USMCA facilitates this flow, enabling Canadian professionals to work in the United States in designated occupations. This represents embodied educational investment that Canada finances but the United States captures.

Investment Income: Returns on foreign direct investment, including dividends, capital gains, and reinvested earnings, flow through investment accounts rather than trade

accounts. Given the magnitude of U.S. investment in Canada versus Canadian investment in the United States, this represents a substantial source of American economic benefit that trade statistics ignore.

Brand Value Extraction: When Canadian consumers choose American brands over domestic alternatives, the premium they pay for brand equity flows to American companies. This value extraction occurs regardless of where the physical product was manufactured.

2. Modes of Commercial Engagement: A Complete Framework

2.1 The GATS Framework

The World Trade Organization's General Agreement on Trade in Services (GATS), which entered into force in 1995, provides a comprehensive framework for understanding international commercial engagement that extends far beyond traditional trade statistics. GATS recognizes four distinct 'modes of supply' through which services cross international boundaries:

Mode 1, Cross-Border Supply: Services delivered remotely across borders, such as call centers, software delivered electronically, cloud computing services, financial analysis, or legal research provided via telecommunications.

Mode 2, Consumption Abroad: Services consumed by nationals of one country while physically present in another. Tourism is the primary example: when a Canadian visits the United States and spends money on hotels, restaurants, and attractions, this constitutes a U.S. services export under Mode 2.

Mode 3, Commercial Presence: Services supplied through the establishment of a physical presence in the foreign market, such as a subsidiary, branch, or affiliate. This is the dominant mode for many services industries.

Mode 4, Presence of Natural Persons: Services delivered by individuals temporarily present in another country, such as consultants, technicians, or intra-company transferees.

2.2 Mode 3: The Invisible Giant (2024 Data)

Mode 3 commercial presence represents the largest single channel for international services delivery, yet it appears nowhere in balance of trade statistics. According to Statistics Canada's December 2025 release on Activities of Multinational Enterprises, U.S. multinationals maintain an extraordinary presence in the Canadian economy:

Employment: In 2024, 1.71 million jobs in Canada were at U.S. multinationals, representing 11.9% of corporate sector employment. The top sectors by number of jobs at US multinationals were retail trade (363,000 jobs) and manufacturing (320,200 jobs).

Value Added: In 2023, US multinationals generated \$265.8 billion worth of value added in Canada, up \$11.1 billion from the previous year. Altogether, US multinationals accounted for 14.5% of value added in the Canadian corporate sector. Manufacturing

(\$71.3 billion) was the sector in which US multinationals generated the most value added.

Exports: US multinationals were the largest exporter of goods among foreign MNEs operating in Canada, demonstrating their integration into North American supply chains.

Canadian firms also maintain substantial U.S. commercial presence through finance, insurance, and holding company structures, but the nature differs: American FDI in Canada generates direct employment across retail, manufacturing, and services sectors serving Canadian consumers. Notably, the U.S. employment figure of 1.71 million likely understates actual American commercial presence, as Statistics Canada only counts majority-owned affiliates, excluding franchises where Canadian owners operate American brands but profit-sharing and royalty flows benefit American parent companies (e.g., McDonald's).

2.3 Beyond GATS: Additional Commercial Channels

The GATS framework, while more comprehensive than trade statistics, still fails to capture several important channels of international commercial engagement:

Human Capital Flows (Brain Drain): When talented individuals educated in one country emigrate to work in another, they carry human capital often financed by the origin country's education system. The United States has been a primary beneficiary of this phenomenon, attracting skilled workers from Canada and around the world whose productivity contributes to American GDP rather than their countries of origin.

Foreign Direct Investment Returns: Investment income, including dividends, interest, and reinvested earnings, represents a major channel of value extraction that operates independently of trade flows.

Data Monetization: American technology platforms extract value from Canadian users through data collection and monetization that escapes traditional measurement. When Canadians use social media, search engines, or e-commerce platforms, their attention and behavioral data generate advertising and algorithmic value for American companies. This data asset accumulates continuously and compounds the competitive advantages of American platforms, yet appears nowhere in bilateral economic statistics.

2.4 Summary: Modes of Commercial Engagement

The following table summarizes how different commercial channels are captured (or not) in official statistics, with specific notes on measurement quality:

Mode/Channel	Description	Statistical Capture	U.S.-Canada Direction
Cross-Border Goods	Physical merchandise crossing borders	Full (Customs data)	Deficit ~\$62B (energy-driven)
Mode 1 Services	Remote/digital service delivery	Survey estimates only; quarterly; no monthly country detail	Surplus (unmeasured)
Mode 2 Services	Tourism and consumption abroad	Sampled surveys plus BLS data	Surplus ~\$5-8B
Mode 3 Services	Foreign affiliate operations	Not in trade stats; separate FATS program	Substantial surplus
Mode 4 Services	Temporary worker presence	Included with Mode 1 in surveys; difficult to separate	Likely surplus
FDI Income	Investment returns	Balance of Payments, not trade	Surplus (US FDI stock > Canadian)
Brain Drain	Human capital migration	Not captured in economic accounts	Substantial surplus
Brand Premium	Consumer brand preferences	Not measured	Very large surplus
Platform Value	Data and attention monetization	Not measured	Substantial surplus

3. Mode 3 Commercial Presence: America's Invisible Advantage

3.1 The Scale of U.S. Commercial Presence in Canada (2024)

The United States maintains an enormous commercial presence in Canada through foreign direct investment. According to Statistics Canada's December 2025 data release, U.S. multinationals represent a dominant force in the Canadian economy:

11.9% of all Canadian corporate sector jobs (1.71 million positions) are at U.S. multinationals.

14.5% of Canadian corporate sector value added (\$265.8 billion in 2023) is generated by U.S. multinationals.

U.S. multinationals are the largest goods exporters among foreign MNEs in Canada.

Top employment sectors for U.S. multinationals in Canada: Retail trade (363,000 jobs), Manufacturing (320,200 jobs), and Professional services.

None of these activities appear in trade statistics. They represent pure Mode 3 commercial presence, invisible to bilateral trade accounting but enormously significant to understanding actual economic flows.

A technical note on ownership: when we describe value flowing to “American shareholders,” we refer to the shareholders of American-headquartered corporations. The beneficial owners of Apple, Google, or Walmart stock include foreign investors alongside American citizens. However, this does not diminish the asymmetry. The relevant question is not citizenship of shareholders but control of commercial infrastructure. American corporations—governed by American boards, managed by American executives, subject to American regulatory oversight, and headquartered in American cities—control the platforms, brands, and supply chains through which value is extracted. The strategic decisions, intellectual property, and accumulated brand equity remain domiciled in the United States regardless of where individual shares are held. Foreign investment in American equities represents confidence in American commercial dominance; it does not transfer that dominance abroad.

3.2 Sectoral Distribution of U.S. Mode 3 Presence

The industries where American brands dominate globally (detailed in Section 4.4) are the same industries where U.S. companies maintain substantial Mode 3 presence in Canada. However, the Canadian context reveals specific patterns:

Retail dominance is exceptional: Walmart is Canada's single largest retailer. Combined with Costco, Home Depot, Lowe's, and Amazon's e-commerce dominance, American companies likely capture over 40% of Canadian retail spending. These operations employ hundreds of thousands of Canadians whose labor generates profits flowing to American shareholders.

Digital services operate through local subsidiaries: Unlike cross-border goods trade, American technology companies (Google, Amazon, Netflix, Meta, Microsoft) establish Canadian entities for permanent establishment compliance and sales tax collection. Revenue appears as Canadian subsidiary income, not cross-border trade, making it invisible in trade statistics.

Financial infrastructure extracts continuous fees: Visa and Mastercard process virtually every Canadian card transaction, extracting interchange fees on each. American investment banks, insurance companies, and asset managers operate throughout Canadian financial markets. These represent ongoing value extraction rather than discrete transactions.

Quick-service food represents pure Mode 3: McDonald's, Starbucks, Subway, and other American chains operate thousands of Canadian locations. Food is sourced locally, employees are Canadian, but franchise fees and profit margins flow to American parent companies. None appears in trade statistics.

3.3 Measurement Challenges and Data Limitations

Even the Mode 3 figures cited above likely understate American commercial presence for two reasons. First, Statistics Canada only counts majority-owned affiliates, excluding franchise operations where Canadian owners operate under American brands (McDonald's, Starbucks, etc.) but profit-sharing, royalties, and supply chain requirements benefit American parent companies. Second, multinational corporate structures route profits through low-tax jurisdictions such as Ireland, Luxembourg, and the Netherlands, making bilateral attribution of investment income effectively impossible. An American company's Canadian subsidiary may pay dividends to a Dutch holding company that ultimately benefits American shareholders, with the value flow appearing nowhere in U.S.-Canada bilateral statistics.

4. Global Supply Chains and American Competitiveness

4.1 Supply Chains as Competitive Infrastructure

American companies have built their global dominance in part through the strategic construction of international supply chains. These networks allow U.S. firms to combine American strengths in design, branding, technology, and management with lower-cost manufacturing and raw material inputs from other countries. The result is products that are competitive in global markets at price points that purely domestic production could not achieve.

Apple provides the canonical example. By designing products in California but manufacturing them through partners in China, Taiwan, Vietnam, and increasingly India, Apple delivers devices at price points competitive with Samsung (Korean design, Asian manufacturing) and Chinese brands. If Apple manufactured entirely in the United States, production costs would increase substantially, prices would rise, and Apple would likely lose global market share to competitors unencumbered by such constraints.

The supply chain is thus not a leakage of American value but rather an enabler of American value capture. Without access to efficient international manufacturing, Apple could not have become the world's most valuable company, American shareholders would be poorer, and American jobs in design, engineering, marketing, and retail would be fewer.

4.2 The Tariff Paradox: Domestic Protection vs. Global Competitiveness

Tariffs on imported goods and components create a paradox for American competitiveness. While tariffs may protect the domestic market for American manufacturers by raising the cost of imports, they simultaneously undermine American competitiveness in global markets by raising the cost of inputs that American companies use to produce goods for export.

Consider an American machinery manufacturer that exports to Asia, Europe, and Latin America. This company competes against German, Japanese, and Chinese manufacturers in those markets. If U.S. tariffs raise the cost of steel, components, or intermediate inputs that the American manufacturer uses, its production costs rise. Meanwhile, its German and Japanese competitors, not subject to American tariffs, face no such cost increase. The American company becomes less competitive in markets that represent the majority of global demand.

The domestic American market, while large, represents only about 25% of the global economy. Policies that protect that 25% while undermining competitiveness in the other 75% may not be beneficial on net, particularly for industries where export markets represent significant revenue.

This dynamic is especially acute for technology companies, whose products are designed in the United States but assembled from global components. Tariffs that raise the cost of those components raise the cost of finished products not only for American consumers but also for the company's entire global operation, affecting competitiveness from Brazil to Japan to Nigeria.

4.3 American Ownership of Foreign Production

Trade statistics fundamentally assume that the country of production captures the value of production. This assumption is deeply flawed. American companies own farms, mines, factories, and distribution networks throughout the world. When these foreign-located but American-owned assets produce goods, trade statistics credit the value to the country of physical production, not to the American owners who capture the profits.

Manufacturing Abroad for Global Markets: When Tesla operates a factory in Shanghai and sells vehicles to Australian consumers, this transaction appears nowhere in U.S. trade statistics, yet the profits flow to Tesla's American shareholders. The same applies to Apple products manufactured in China and sold in Europe, Nike shoes made in Vietnam and sold in Brazil, or Caterpillar equipment assembled in various countries for local markets. American companies have built global manufacturing footprints precisely to serve global markets efficiently. These operations represent American commercial success, not American commercial loss.

Agricultural Production: American agribusiness corporations own or control significant agricultural production abroad. When Dole or Chiquita bananas grown in Central America are sold in Canada, the transaction registers as a Central American export, yet American companies capture the value. The same pattern applies to coffee plantations, fruit farms, vegetable operations, and commodity production across Latin America, Africa, and Asia. Blueberries labeled 'Product of Peru' may be grown on American-owned farms, shipped by American logistics companies, and sold through American retail chains.

Mining and Resource Extraction: American mining companies operate copper mines in Chile, gold mines in Africa, rare earth processing in various jurisdictions, and oil fields globally. ExxonMobil, Chevron, Freeport-McMoRan, Newmont, and other American resource giants extract value worldwide. When copper from an American-owned

Chilean mine is sold to a Chinese manufacturer, trade statistics credit Chile with an export. The profits, however, flow to American shareholders. The United States 'imports' commodities that American companies extracted abroad.

Implications for Trade Balance Interpretation: This pattern means that American 'imports' often represent American companies bringing home the products of their own foreign operations. The trade deficit with a given country may largely reflect American corporate decisions about where to locate production, not foreign competitive advantages or unfair trade practices. Imposing tariffs on these imports effectively taxes American companies' own production and raises costs for American consumers without benefiting American workers, since the production was never going to occur domestically regardless.

The scale of American foreign production is enormous. U.S. multinational enterprises employed 14.3 million workers outside the United States in 2022, according to BEA data. These workers produce goods and services that generate profits for American parent companies, yet their output appears in trade statistics as foreign production. Any analysis of trade balances that ignores ownership structure fundamentally misunderstands the nature of modern American commercial engagement with the world.

4.4 Industries Where U.S. Brands Dominate Foreign Manufacturing

Across numerous consumer and industrial categories, American brands capture the majority of global value while conducting little or no manufacturing in the United States. These industries illustrate how trade deficit statistics systematically misrepresent American commercial success:

Consumer Electronics: Apple, the world's most valuable company, manufactures virtually nothing in the United States. iPhones, iPads, MacBooks, AirPods, and Apple Watches are assembled in China, Vietnam, and India. Yet Apple captures approximately 58% of iPhone value and maintains profit margins exceeding 40%. Dell, HP, and other American PC brands similarly manufacture abroad. When these products are 'imported' to the United States or sold globally, trade statistics credit Asian countries despite American companies capturing most profits.

Athletic Footwear and Apparel: Nike, the dominant global athletic brand, owns no manufacturing facilities. All production is contracted to factories in Vietnam, Indonesia, China, and other Asian countries. Nike captures value through design, branding, and marketing conducted in the United States. Under Armour, New Balance (partially), and other American athletic brands follow similar models. A \$150 Nike shoe manufactured

for \$25 in Vietnam generates substantial American profit that appears nowhere in trade statistics.

Furniture: American furniture brands including Williams-Sonoma (Pottery Barn, West Elm), RH (Restoration Hardware), Ethan Allen, and La-Z-Boy source extensively from Asia, particularly Vietnam and China. IKEA, while Swedish, operates significant U.S. retail presence. The American furniture manufacturing base has largely relocated abroad, yet American brands continue to dominate the domestic retail market, capturing margins on imported goods.

Toys and Games: Hasbro and Mattel, the two largest American toy companies, manufacture almost entirely in China and other Asian countries. When American children receive toys for Christmas, trade statistics record imports from China, yet American companies designed the products, own the intellectual property (Barbie, Transformers, Monopoly), and capture the brand premium.

Small Appliances and Tools: Black & Decker, Stanley, DeWalt, Craftsman (now owned by Stanley Black & Decker), KitchenAid, and other iconic American tool and appliance brands manufacture primarily in China and Mexico. The 'Made in China' label on a DeWalt power tool obscures that an American company captures the design, brand, and profit value.

Televisions and Home Entertainment: While no major American TV manufacturers remain, American companies dominate the streaming devices and content that drive TV purchases. Roku is American. Amazon Fire TV is American. Apple TV is American. The television hardware may be manufactured by Korean, Chinese, or Japanese companies, but American platforms increasingly capture the value of what appears on screen.

Medical Devices: American companies including Medtronic, Abbott, Johnson & Johnson, Boston Scientific, and Stryker dominate the global medical device industry. While some manufacturing remains domestic, substantial production occurs in Ireland, Costa Rica, Mexico, and Asia. These 'imports' represent American companies' own production returning home.

The common thread across these industries is the separation of value capture from physical production. American companies have systematically retained high-value activities (design, branding, marketing, distribution, intellectual property) while relocating manufacturing to lower-cost locations. Trade statistics, designed for an era when production and value capture were geographically unified, cannot accurately represent these modern commercial arrangements.

5. Case Study: The iPhone and the Illusion of Trade Deficits

5.1 The iPhone in Trade Statistics

The Apple iPhone provides perhaps the most instructive case study of how traditional trade statistics misrepresent modern commerce. Since its introduction in 2007, the iPhone has become the world's most valuable consumer electronics product, generating hundreds of billions of dollars in annual revenue for Apple and establishing the company as the world's most valuable corporation.

In conventional trade statistics, iPhones assembled in China and shipped to the United States appear as Chinese exports. According to teardown analyses by researchers Yuqing Xing and others, importing one iPhone X from China generated a \$332.75 trade deficit for the United States under conventional accounting. This figure treats the entire FOB value of the phone as Chinese value added.

Yet this attribution bears no relationship to actual value distribution.

5.2 Value Distribution Analysis

Multiple research teams have conducted detailed teardown analyses of iPhone components and their origins:

Assembly costs in China consistently account for only 3-6% of iPhone manufacturing costs across model generations, or approximately \$20-35 per device. For the iPhone 7, researchers calculated China earned approximately \$8.46 of the \$237.45 factory cost (3.6%). For the iPhone 15 Pro Max, assembly costs were estimated at \$20-30 of approximately \$473 in materials. Labor costs specifically represent approximately 2-5% of the retail price.

For the iPhone X, Chinese firms collectively captured approximately 25.4% of production cost value added. For the iPhone 16, domestic value added in China is estimated at approximately \$38.89 out of \$563.73 total cost, or about 7%.

In terms of value added rather than gross trade value, researchers calculate the U.S. deficit with China from one iPhone X import at approximately \$104, less than one-third of the conventional figure.

Apple itself captures approximately 58.5% of iPhone value despite conducting no manufacturing. This value accrues to American shareholders, executives, engineers, designers, marketers, and other high-wage employees.

Figure 1: iPhone X Value Distribution by Country/Company

Value Recipient	Share of Value
Apple (USA) - Design, Brand, Marketing, Profits	58.5%
South Korea - Memory, Displays (Samsung, SK Hynix)	~15%
Japan - Camera sensors, Components (Sony)	~7%
Taiwan - Processors (TSMC)	~5%
USA - Chips (Qualcomm, Broadcom, Intel)	~5%
China - Assembly & Some Components	3-7%
Other Countries	~5%

Source: Compiled from Xing & Huang (2021), Counterpoint Research teardown analyses, and CEPR VoxEU.

Note: Under conventional trade statistics, when this iPhone is imported to the United States from China, the entire \$332.75 FOB value is credited to China as a Chinese export, generating a \$332.75 'trade deficit' with China. The actual Chinese value added is approximately \$20-35.

The most valuable components come from outside China: TSMC in Taiwan fabricates the processors, Samsung and SK Hynix in Korea supply memory and displays, Sony in Japan provides camera sensors, and American companies like Qualcomm and Broadcom supply cellular and connectivity chips. China's role, while expanding, remains concentrated in lower-value assembly and increasingly in components for non-core functions.

5.3 Implications for U.S.-Canada Analysis

The iPhone case study illuminates dynamics that apply throughout the U.S.-Canada trading relationship. When American brands sell products manufactured in Canada, or when products assembled in Asia are sold to Canadian consumers through American retail platforms, trade statistics may credit value to countries other than the United States even when American companies capture the majority of profits.

It should be noted that the iPhone represents a high-margin extreme case. Apple's 58% value capture reflects its exceptional brand power and integrated ecosystem. Many industries—including automobiles, energy, and industrial machinery—exhibit smaller margin spreads between brand owners and assemblers. The iPhone is illustrative of the principle that country-of-assembly does not determine value capture, but the specific percentages should not be extrapolated across all traded goods.

The integrated North American automotive sector, where parts cross borders multiple times before final assembly, exemplifies this phenomenon. A vehicle assembled in Canada from parts manufactured in the United States, Mexico, and Canada, designed

by American engineers, and sold under an American brand, appears as a Canadian export if shipped to the United States, despite American companies and workers capturing substantial value throughout the production process.

6. The True U.S.-Canada Economic Balance

6.1 Per Capita Import Asymmetry

Perhaps the most striking indicator of the bilateral relationship's true nature is per capita import intensity. Despite the headline trade deficit, Canada purchases far more from the United States per person than Americans purchase from Canada.

Canadian imports from the United States: Approximately \$350 billion in goods and services annually (2024). With a population of approximately 40 million, this translates to roughly \$8,750 per Canadian.

American imports from Canada: Approximately \$470 billion in goods and services annually (2024). With a population of approximately 340 million, this translates to roughly \$1,380 per American.

The per capita ratio is approximately 6.3 to 1. Canadians purchase more than six times as much from the United States, per person, as Americans purchase from Canada. By this measure, Canada is by far the most important per-capita market for American exports in the world.

This asymmetry reflects Canada's deep integration with the American economy and Canadian consumers' heavy reliance on American goods, services, and brands. The trade deficit exists not because Americans are losing to Canada but because Canada, with one-ninth the population, cannot possibly export enough to match what it imports from its much larger neighbor.

6.2 Energy: Competitive Pricing for Strategic Inputs

The bulk of the U.S. merchandise trade deficit with Canada reflects energy imports. According to analysis by the C.D. Howe Institute, Canada recorded a surplus of \$35.7 billion in total goods and services trade with the United States in 2024. Critically, without energy trade, the United States would register a trade surplus of \$63.2 billion with Canada.

This finding requires careful interpretation. The United States imports Canadian energy not because of unfair trade practices but because American industry requires energy inputs that domestic production cannot fully supply. More importantly, the United States purchases Canadian energy at competitive market prices, often below what it would pay for energy from other sources.

Canadian oil, particularly from Alberta's oil sands, typically trades at a discount to global benchmark prices due to transportation constraints, quality differentials, and refining

requirements. According to the Alberta Energy Regulator, the WTI-WCS price differential averaged US\$14.73 per barrel in 2024 and US\$18.65 in 2023, with historical ranges typically between \$10-15 per barrel depending on pipeline capacity and seasonal demand. The differential narrowed to approximately \$11 per barrel in late 2025 following the Trans Mountain Pipeline expansion. American refiners purchasing Canadian crude at these discount prices gain a competitive advantage over refiners in other countries paying benchmark prices.

The energy 'deficit' thus represents not a loss but a value acquisition in which the United States secures strategic inputs at competitive prices. American refiners, manufacturers, and consumers benefit from access to reliable, discounted energy from a stable, friendly neighbor.

6.3 The Impossibility of Comprehensive Balance Estimation

Given the analysis presented throughout this report, we must acknowledge that calculating a comprehensive bilateral economic balance is impossible with available data. However, we can state the directional conclusions with confidence:

Official merchandise trade balance (2024): U.S. deficit of ~\$62 billion, driven by energy imports purchased at competitive prices.

Services trade balance (2024): U.S. surplus of ~\$33 billion (survey-based estimate with acknowledged limitations).

Combined goods and services: U.S. deficit of ~\$35-36 billion.

Excluding energy: U.S. surplus of ~\$63 billion.

Mode 3 commercial presence: U.S. multinationals generated \$265.8 billion in value added in Canada in 2023, representing 14.5% of Canadian corporate sector value added. Canadian firms maintain presence in the U.S. primarily through finance and holding company structures. The asymmetry favors American commercial interests given the larger absolute scale and broader sectoral footprint of U.S. operations in Canada.

Investment income: U.S. advantage (though precise bilateral figures are distorted by tax jurisdiction routing).

Brand premium extraction: Very large U.S. advantage (unmeasured but clearly substantial given brand dominance documented above).

Human capital flows: U.S. advantage (Canadian-educated workers migrating to U.S. labor market).

When every measurable metric beyond the narrow goods trade balance shows American advantages, the only reasonable conclusion is that the overall economic relationship is deeply asymmetric in America's favor. The magnitude cannot be precisely calculated, but the direction is unambiguous.

6.4 Statistical Capture by Industry

The following table summarizes how the industries where American brands dominate (see Section 4.4 for global context) are captured—or not—in official Canada-U.S. trade statistics:

Industry	Major U.S. Brands	Typical Mfg Location	Statistical Capture
Smartphones	Apple	China, India	Goods import from Asia; brand profit invisible
Computing	Apple, Dell, HP	China, Taiwan, Mexico	Goods import from assembly location; profits invisible
Software/Cloud	Microsoft, Google, Amazon, Salesforce	Local entities (Mode 3)	Mode 3: NOT in trade stats; local subsidiaries for tax/PE compliance
Streaming Media	Netflix, Disney+, Amazon, Spotify	Local entities (Mode 3)	Mode 3: NOT in trade stats; registered locally for sales tax
E-commerce Platforms	Amazon, eBay	Local entities (Mode 3)	Mode 3: NOT in trade stats; platform fees through local subsidiary
Social Media	Meta, X, TikTok (US ops), Snap	Local entities (Mode 3)	Mode 3: NOT in trade stats; ad revenue through local entities
Quick Service Food	McDonald's, Starbucks, Subway, etc.	Canada (local ops)	Mode 3: NOT in trade stats; franchise fees partially captured
Retail	Walmart, Costco, Home Depot, Lowe's	Various sourcing	Mode 3: NOT in trade stats; profits flow to US shareholders
Power Tools/Hardware	Black & Decker, Stanley, DeWalt	China, Mexico	Goods import from assembly; brand profit invisible
Personal Care	P&G, Colgate, J&J, Kimberly-Clark	Various incl. Canada	Mixed: goods imports + Mode 3 for local production

Beverages	Coca-Cola, PepsiCo, Kraft Heinz	Canada (bottled locally)	Mode 3: NOT in trade stats; franchise/royalty fees partially captured
Furniture	Williams-Sonoma, RH, Pottery Barn	Asia, various	Goods import from assembly; Mode 3 retail ops uncaptured
Automobiles	GM, Ford, Tesla, Chrysler/Stellantis	Various incl. Canada	Complex: integrated supply chains; value attribution problematic
Payments	Visa, Mastercard, AmEx, PayPal	Local entities (Mode 3)	Mode 3: NOT in trade stats; interchange through local subsidiaries
Pharmaceuticals	Pfizer, J&J, Merck, AbbVie	Various	Goods imports + Mode 3 local operations

In each of these industries, American companies extract substantial value from Canadian consumers through channels that conventional trade statistics either fail to capture entirely (Mode 3) or capture only partially. The systematic understatement of American commercial advantages is not a minor measurement issue but a fundamental mischaracterization of the bilateral economic relationship.

7. The Irreducible Complexity of 21st Century Commerce

7.1 The Obsolescence of Bilateral Accounting

The fundamental challenge in measuring modern international commerce is that the very concept of bilateral trade has become increasingly meaningless. Products assembled in one country routinely contain components from dozens of nations, designed in yet another country, marketed by a company headquartered in still another, and financed through capital markets spanning the globe.

Traditional trade statistics were designed for an era when a Ford automobile was manufactured in Detroit from American steel using American labor, and when it was exported, the entire value accrued to the United States. In such an environment, bilateral trade balances provided meaningful information about economic relationships between nations.

Today's economy operates on fundamentally different principles. A single smartphone contains components from over 40 countries. Attempting to assign the 'value' of such products to any single country represents a category error.

7.2 Why Any Bilateral Balance Estimate Is Meaningless

Having established the numerous unmeasured channels through which value flows between the United States and Canada, we must confront an uncomfortable conclusion: any attempt to calculate a comprehensive bilateral balance would produce a figure so imprecise as to be meaningless.

Consider what would be required to calculate a true bilateral economic balance:

We would need to attribute goods trade by actual value added rather than country of assembly, requiring detailed input-output analysis of every traded product.

We would need accurate measurement of all four GATS modes of services supply, when in practice we have survey estimates for Modes 1, 2, and 4, and entirely separate data systems for Mode 3.

We would need to account for investment income flows, adjusting for the use of intermediate jurisdictions that distort bilateral attribution.

We would need to measure brand premium extraction, human capital transfers, and platform value capture, none of which current statistical frameworks address.

The practical impossibility of this exercise means we must reason from directional indicators rather than precise balances. And when we examine the directional evidence, the conclusion is clear: merchandise trade statistics show a modest deficit; every other measurable and unmeasurable flow shows substantial American advantages. The reasonable inference is that the overall relationship is deeply asymmetric in America's favor, even if we cannot calculate by precisely how much.

7.3 The 'Gold for Silver' Problem

Even within merchandise trade, balance figures tell us nothing about who benefits from an exchange. Consider a hypothetical: two countries could trade gold for silver at equal weight and equal price, achieving perfect bilateral balance. Yet one country is clearly gaining more value than the other.

This dynamic applies directly to U.S.-Canada trade. The United States 'imports' Canadian energy at competitive market prices. These imports represent essential inputs that enable American industrial production and maintain U.S. competitiveness in global markets. The 'deficit' in energy trade is not a loss but rather a value exchange in which the United States acquires strategic inputs that enable greater value creation domestically.

Similarly, when U.S. companies outsource customer support to lower-cost jurisdictions, paying \$1/hour rather than \$20/hour for equivalent service, the 'import' of services represents not a loss but a cost savings that flows directly to corporate profits and ultimately to American shareholders. Trade statistics record an import; economic reality records a gain.

The fundamental error of trade deficit analysis is the assumption that balanced trade represents neutral economic outcome and that deficits represent losses. In reality, trade is valuable precisely because it allows each party to acquire goods and services more efficiently than producing them domestically. A country that imports cheap energy and cheap labor inputs while exporting high-value intellectual property and brand equity may be gaining substantially, regardless of what bilateral balances show.

7.4 The Asymmetry of Commercial Relationships

Commercial relationships between economies of vastly different scale exhibit a structural asymmetry that trade statistics cannot capture. The larger economy, with its deeper pool of human capital, greater capital reserves, and established global brands, is inherently more competitive across most industries when other factors are equal. It dominates in most sectors, while the smaller economy competes only in niches where it holds inherent advantages, such as natural resource endowments.

The larger economy purchases from the smaller one only what it needs. The United States buys Canadian energy because American industry requires it. Canada, meanwhile, is flooded with American products across virtually every other sector. American brands dominate Canadian retail, food service, entertainment, technology, financial services, and consumer goods—not because Canadians specifically chose each product category, but because American commercial infrastructure expands into every available market opportunity. The Canadian consumer encounters American brands at every turn; the American consumer rarely encounters Canadian ones.

This asymmetry reflects economic gravity, not trade policy manipulation. Under standard gravity models of international trade, smaller economies naturally import more per capita from larger neighbors. Luxembourg imports far more per capita from Germany than vice versa; this does not mean Germany is “winning” in any meaningful sense. However, when the larger economy’s commercial presence extends beyond trade to encompass ownership of production facilities, dominant brand positions, and control of distribution channels, the relationship transcends what bilateral trade balances can measure. The smaller economy becomes integrated into the commercial ecosystem of the larger one, generating ongoing value flows that appear nowhere in trade statistics. A dynamic equilibrium emerges: if the smaller economy became too impoverished, it could no longer consume from the dominant economy. The purchases from the smaller economy ultimately help sustain the larger one’s commercial dominance.

8. American Brand Power: The Unmeasured Asset

8.1 The Value of Global Brand Dominance

American brands dominate global rankings of the world's most valuable commercial entities. According to Kantar BrandZ 2025, the top 10 most valuable global brands are overwhelmingly American: Apple (\$1.3 trillion brand value), Google (\$944 billion), Microsoft (\$885 billion), Amazon (\$866 billion), NVIDIA (\$509 billion), Facebook, Instagram, McDonald's, Oracle, and Visa. The total value of the Top 100 global brands reached a record \$10.7 trillion in 2025, with American companies comprising the vast majority.

Brand value represents the premium that consumers are willing to pay for branded products over equivalent unbranded or lesser-known alternatives. When a Canadian consumer chooses to pay more for Nike sneakers than for an equivalent generic product, that premium flows to American shareholders regardless of where the sneakers were manufactured.

8.2 Brand Power as Strategic Asset

Brand power represents a strategic economic asset qualitatively different from manufacturing capacity or natural resource endowments. Brands are difficult to create, require decades to build, and generate persistent competitive advantages that resist erosion.

The United States has built the world's most valuable portfolio of consumer brands through investments in innovation, marketing, and cultural production over many decades. This portfolio generates ongoing returns that manifest as corporate profits, shareholder value, and high-wage employment in brand management, marketing, design, and related functions.

Unlike manufacturing capacity, which can be replicated through investment, brand value is largely non-transferable. When Apple designs a new product, contracts for its manufacture in Asia, and sells it globally under the Apple brand, the majority of value accrues to Apple and its American shareholders. Competing nations can build factories, but they cannot easily replicate the brand equity that enables premium pricing and market dominance.

9. Current U.S. Policy and Threats to American Brand Value

9.1 The Brand Equity Paradox

Current U.S. trade policy presents a paradox. Tariffs and aggressive trade rhetoric are justified as measures to correct merchandise trade deficits and protect American workers. Yet these policies risk damaging the very brand equity that represents America's most valuable and sustainable source of international economic advantage.

American brand dominance depends fundamentally on positive associations with American culture, innovation, and values. When U.S. government actions generate negative perceptions internationally, these negative associations can transfer to American brands, reducing their competitive advantages and premium pricing power.

9.2 The Emergence of Consumer Boycotts

The year 2025 has witnessed unprecedented consumer boycott movements targeting American brands and products. According to Morning Consult, Trump's tariff announcements coincided with a 'staggering upswing' in global anti-American sentiment that has already resulted in 'steep drops in purchasing consideration' for some U.S. companies overseas.

These boycotts have manifested across multiple markets:

Canada: Canadian consumers have been the most aggressive boycotters, with apps like Maple Scan allowing shoppers to identify and avoid American-owned products. Ontario Premier Doug Ford terminated a \$100 million Starlink contract, stating that 'Ontario won't do business with people hellbent on destroying our economy.'

Europe: The European Central Bank reports that consumers are 'very willing to actively move away from U.S. products and services,' potentially signaling 'a long-term structural shift in consumer preferences.' In Denmark, a Facebook boycott group attracted nearly 100,000 members (in a country of 5.9 million). In France, 62 percent of respondents expressed willingness to boycott American products. Denmark's largest retailer, Salling Group, introduced black star stickers to help customers identify European-made products.

Tesla specifically has experienced dramatic sales declines, including an 81% plunge in Sweden and 50% decline across Europe, driven in part by consumer opposition to the political positions of its CEO.

9.3 Corporate Concerns

American corporations have begun explicitly warning about the commercial risks of anti-American sentiment:

McDonald's CEO Chris Kempczinski stated that 'the aura around America has dimmed a bit' and announced the company would emphasize 'locality' rather than 'Americanness' in marketing.

Brown-Forman, parent company of Jack Daniel's, reported a 62 percent year-over-year decline in Canadian sales in Q1 2025, attributed to trade disputes and boycott activity.

Levi's listed 'rising anti-Americanism as a consequence of the Trump tariffs and governmental policies' among risk factors in SEC filings.

Beyond Meat expressed concerns about losing customers 'in countries such as Canada due to anti-American sentiment.'

9.4 Long-Term Brand Damage

The European Central Bank's consumer behavior survey suggests that current boycott activity may not represent temporary friction but rather a 'possible long-term structural shift in consumer preferences away from U.S. products and brands.' If this shift persists, the damage to American commercial interests could far exceed any benefits from tariff revenue.

Goldman Sachs estimated that foreign boycotts could reduce U.S. GDP by 0.1 to 0.3 percent, equivalent to \$28-83 billion annually. This figure likely understates long-term damage if negative brand associations persist beyond immediate policy disputes.

The contrast is stark: policies justified by merchandise trade deficits measured in tens of billions of dollars risk destroying brand equity measured in trillions. This represents a profound misalignment between the metrics driving policy and the actual sources of American international economic advantage.

10. Conclusions and Policy Implications

10.1 Summary of Findings

This analysis has demonstrated that conventional trade statistics fundamentally misrepresent the U.S.-Canada economic relationship:

Per capita, Canadians purchase more than six times as much from the United States as Americans purchase from Canada, making Canada the most important per-capita export market for American goods and services.

The merchandise deficit is overwhelmingly driven by energy imports purchased at competitive prices that support American industrial competitiveness. Excluding energy, the United States runs a substantial surplus.

Services trade measurement relies on survey estimates with significant limitations, including five-year benchmark cycles, cutoff sampling, and estimation for non-respondents, systematically understating the American services surplus.

Mode 3 commercial presence, entirely excluded from trade statistics, shows U.S. multinationals generating \$265.8 billion in value added in Canada (14.5% of corporate sector) and employing 1.71 million Canadians (11.9% of corporate sector jobs). Even these figures likely understate American presence due to franchise exclusions and profit routing through low-tax jurisdictions like Ireland and Luxembourg.

Global value chain dynamics mean country-of-assembly attribution bears little relationship to value capture. American companies profit from products appearing as imports from other countries.

American brand dominance represents an enormous source of value extraction operating independently of trade flows.

Any comprehensive bilateral balance estimate is rendered difficult by the magnitude of unmeasured flows. The available evidence suggests asymmetry favoring American commercial interests, though a definitive quantification would require data on net factor income flows, tax-adjusted profit repatriation, and capital income balances that are not currently available at the bilateral level.

10.2 Policy Implications

Trade deficit statistics should not be used as the primary indicator of bilateral economic relationships. These statistics measure a subset of commercial activity using methodologies that systematically misrepresent value flows in modern global value chains.

Policies targeting merchandise trade deficits may damage American interests by disrupting supply chains and commercial relationships that ultimately benefit American companies. Tariffs that protect the domestic market may simultaneously undermine American competitiveness in global markets that represent 75% of world GDP.

American brand equity represents a strategic asset requiring protection. Policies generating anti-American sentiment internationally risk damaging this asset in ways that trade statistics cannot measure but that affect American prosperity.

The U.S.-Canada relationship requires recognition of deep integration. Tariffs and trade barriers between the two countries disrupt shared supply chains and may reduce American competitiveness without generating net benefits.

10.3 Final Assessment

The U.S.-Canada economic relationship, when properly understood, is substantially asymmetric in America's favor. American companies dominate Canadian markets across virtually every sector. American brands extract premium value from Canadian consumers. American investors receive returns on substantial direct investments in Canadian operations. American multinationals employ nearly 12% of Canada's corporate workforce and generate nearly 15% of its corporate value added.

Policies predicated on the assumption that merchandise trade deficits represent American losses fail to account for these realities. Such policies risk damaging the commercial relationships, supply chain integrations, and brand equities that actually drive American prosperity.

The United States would be better served by policies that recognize the true sources of American international economic advantage and that protect rather than undermine the intangible assets, particularly brand equity, that represent America's most valuable and sustainable competitive position in global markets.

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