TRADE QUESTIONS

A Guide to Foreign Business in Oklahoma 2025 report compiled by the Oklahoma Department of Commerce shows Canada is the state's top export destination, with in-state businesses exporting $1.65 billion in goods to Canada. GEOFF ROBINS, AFP VIA GETTY IMAGES

Tariffs on Canada could raise fuel and food prices for Oklahomans

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An escalating trade dispute between the U.S. and Canada threatens to disrupt Oklahoma's largest international export market and a primary source of foreign business investment, with potential fallout hitting local industries, consumer prices and even municipal budgets.

The tensions come after President Donald Trump's implementation of broad tariffs on Canadian imports, as part of an aggressive trade posture aimed at adjusting the balance of commerce between the two neighboring nations. He enacted a 50% tariff under Section 338 of the Trade Act of 1930.

The decision has drawn threats of retaliatory measures from Ottawa, creating an unpredictable landscape for supply chains.

Alongside the tariff actions, the

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Canadian Consulate data shows that Oklahoma imports $7.8 billion in goods from Canada.
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Canada trade

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dispute has been accompanied by heightened rhetoric from Trump, including provocative comments related to renaming Lake Ontario to Lake America.

Trade negotiations and tariff scheduling remains in flux, and the fractured relationship has implications for Oklahoma, as Canada is the largest international export market for the state, according to the state Department of Commerce.

For Oklahoma City Mayor David Holt, the friction has underscored the importance of civic and economic goodwill. In a recent statement made on the app formerly known as Twitter, Holt praised the relationship between Oklahoma and Canada, acknowledging a cultural connection strengthened by Canadian-born Oklahoma City Thunder star Shai Gilgeous-Alexander, who helped lead the local NBA franchise to its first league championship and second era of prominence.

"Canada is Oklahoma's largest trade partner," Holt said in the post. "We love Canada, from Vancouver to Lake Ontario and all points in-between. We respect Canada and we value the friendship and partnership between us."

The mayor's comments highlighted a recent farewell visit to Oklahoma City by Susan Harper, the longtime Consul General of Canada based in Dallas, whose diplomatic responsibility includes Oklahoma, Texas, New Mexico, Louisiana and Arkansas.

Holt told The Oklahoman Friday, Sept. 4, that his statement was inspired by local interests and his broader experience as past president of the U.S. Conference of Mayors, where summits and joint meetings between Canadian and American municipal leaders were a regular occurrence. He said the inflammatory language at the federal level risks undermining decades of diplomatic cooperation.

"I think most people in our city, our state and our country want to have a good relationship with our most reliable ally and neighbor, and want to tone down the rhetoric," Holt said. "Sometimes we all just need to lead by example, and we need to be out there saying, 'Hey, this relationship matters, and let's treat people with respect.' Some of the stuff that's caused the greatest consternation isn't even the policy proposals; it's the outlandish disrespect."

A relationship worth billions to Oklahoma

State and international data provide a bit of insight into the scale of Oklahoma's economic relationship with The Great White North.

A Guide to Foreign Business in Oklahoma 2025 report compiled by the Oklahoma Department of Commerce shows Canada is the state's top export destination, with in-state businesses exporting $1.65 billion in goods to Canada, which easily outpaces Japan at $701 million and Mexico at $560 million, in second and third place, respectively. The agency declined to comment further on the trade dispute.

A fact sheet produced by the Canadian Consulate General reveals heavy trade volume between the two countries. The analysis found that 111 Canadian owned companies operate in Oklahoma, supporting roughly 6,250 jobs.

Consulate data shows that Oklahoma imports $7.8 billion in goods from Canada. The portfolio is dominated by equipment and machinery, transportation equipment, energy, and metals and minerals. Heating, cooling and refrigeration equipment account for about $287 million in Oklahoma exports to Canada, according to the data.

The relationship extends into national defense. Canadian Armed Forces personnel have served alongside U.S. Air Force's 552nd Air Control Wing at Tinker Air Force Base in Oklahoma City since 1979 as part of the North American Aerospace Defense Command partnership.

Where might tariffs hit Oklahoma the most?

While the trade dispute may not hit Oklahoma comprehensively, targeted tariffs could quickly hurt the state's manufacturing and energy sectors.

Jayash Paudel, associate professor of economics at the University of Oklahoma, said Oklahoma's overall exposure to international trade is narrower than the national average, but heavily concentrated in key sectors.

He said exports account for roughly 3-4% of Oklahoma's GDP compared with 5-8% nationally, while imports represent 5.8% of the state GDP compared with 11% nationwide.

"It's not that Oklahoma is going to get hammered across the board, but the exposure is definitely there, and it's concentrated in specific sectors," Paudel said.

Among the most vulnerable export sectors is industrial machinery and heating and cooling equipment. Paudel said the Bosch HVAC plant in Norman is one example, adding that machinery and equipment make up 45-50% of Oklahoma's total goods exports to Canada. Other exposed areas, he said, include aerospace and transportation equipment, a sector where Oklahoma has twice the employment specialization than the national average, and iron and steel products, which represent about $81 million in annual shipments to Canada.

Oklahoma's energy refining businesses face a supply-chain vulnerability. Paudel said major regional refineries, including facilities operated by Phillips 66 and CVR Energy, are configured to process heavy sour crude oil, a primary Canadian export. Canadian crude accounts for about 73% of the region's total crude imports, he said.

"Economists call this asset specificity," Paudel said. "Refineries tend to have a very short run substitution margin because they can't easily switch crude inputs without significant cost. That's why a potential tariff on Canadian crude is likely to get passed forward to consumers and end users rather than simply being absorbed by refiners."

An extended period of policy uncertainty also poses risks to cross-border capital investment, including Canadian-affiliated agricultural and commercial operations in Oklahoma.

"A tariff might not hit them immediately, but sustained uncertainty freezes investment decisions," Paudel said. "That is an important channel to consider."

Impact on consumer prices, agricultural inputs, and municipal budgets

While national attention is increasing regarding the question of export retaliation, Paudel said the most immediate impact on ordinary Oklahomans would likely arrive through imports and production inputs.

He said Oklahoma consumers could see price pressure emerge with respect to three categories.

The first category is fuel due to the acquisition cost of Canadian heavy crude for Midwest refineries without readily available pipeline alternatives, followed by housing and construction costs, as Canada is a primary supplier of softwood lumber. Finally, he said groceries could be impacted, as Oklahoma imports about $98 million annually in Canadian food products, but exports only about $37 million in agricultural goods to Canada.

In agriculture, Paudel said direct retaliations from Canada against Oklahoma farm products would be limited. Total agricultural trade between Oklahoma and Canada stood at roughly $13 million in 2023, he said, with Oklahoma exporting about $35-37 million, primarily wheat, pork and sausages, representing less than 10% of the state's agricultural export market.

The bigger concern in the ag sector is input costs, particularly fertilizer, Paudel said.

"When you think of fertilizers, potassium comes from potash, and roughly 90% of U.S. potash imports come through Canada. Higher potash prices increase production costs for Oklahoma wheat farmers," Paudel said, going on to suppose that farmers might decide to reduce fertilizer application rates or alter crop rotations, adjustments that can erode crop yields and farm profitability over time.

As for Oklahoma City and other municipalities, cross-border trade tension could create complications for local infrastructure and public finances.

Paudel said rising import tariffs on steel, aluminum, lumber and industrial pipe are unlikely to halt municipal capital improvements straight up, but they frequently erode purchasing power.

"Steel, aluminum, lumber and pipe cost inflation is not necessarily going to cancel projects, but it could shrink their scope," Paudel said. "When cities work with fixed bond budgets and face rising unit costs, that mechanism reduces what can actually be built."

Oklahoma City is highly dependent, to an "unusual extent," Paudel said, on sales tax receipts to fund general municipal operations and core services. Although higher consumer prices can generate higher nominal sales-tax collections on paper, Paudel said that dynamic can be countered if inflation erodes household purchasing power, and because of that, consumers may pull back on discretionary spending.

"Whether the price effect or the contraction in spending dominates is an empirical question, but the risk is a squeeze where city operational costs rise against a revenue base that is not keeping pace," Paudel said.