The US Without Canada and "The West": A Cautionary Tale Told in Carbohydrates and Hydrocarbons

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Introduction

In early September 2026, the trade relations between Canada and the US are in flux as not seen in generations. On August 22nd, the US introduced tariffs of 50 percent on a swath of Canadian products based on alleged discriminatory treatment by Canada of US automobiles, alcohol, and dairy products, under Section 338 of the Trade Act of 1930. The tariffs were levied against some agri-food products, notably certain dairy product and food preparations.

Canada enacted retaliatory duties to the US tariffs on September 8, 2026, on a dollar-for-dollar basis, largely on like products targeted by the US but with others added to match the total value of the US 338 action, including agri-food products, notably cheese.

The recent US trade action against Canada is only the most egregious in a series of coercive trade measures enacted by the US, notably against its traditional allies. The US has particularly singled out the EU with tariffs, and the EU agreed to 15 percent tariffs on most imports into the US this summer. Japan and South Korea also face 15 percent tariffs on most imports to the US. Australia and New Zealand face 12.5 percent tariffs on imports into the US, based on US concerns with forced labour. In these arrangements, the US has generally imposed duties on country imports to the US but required that the exporting countries keep all import duties against US product at zero.

The decline in trade relations between the US and its allies' parallels declining geo-political relations. The US administration has by times been highly critical and even condescending of the EU. It has also been critical of NATO, of which it is a founding member, and has threatened action against Greenland and NATO member Denmark. The US threatened Spain with trade sanctions when it declined a US request to use its airspace in connection with the US war in Iran. Aspects of bilateral arrangements that the US has pressed with others serve to explicitly limit their foreign policy subject to a US veto, or require alignment with US foreign policy.

Through both statements and realignment of military resources, the US appears to be decreasing its commitments to far-east security, especially for South Korea and also for Japan.

The US has repeatedly threatened Canada by referring to it as the 51st state. Consistent with this, counter-retaliation by the US against Canada's retaliatory tariffs are an imminent possibility- in the form of exclusion from US import of Canadian alcoholic beverages, cheeses, and a range of other Canadian products, effective September 29th, 2026 and exclusion of Canadians from US public procurement, as per a September 16th Presidential Memorandum.

The Issue

The US turn against its traditional western allies is occurring as the key strategic challenge perceived by the US has been China. Outside of the US, "The West"- the countries traditionally aligned with the US- share many of the US concerns regarding China, and especially concerns with Russia as an imminent security threat to- many are NATO countries. At the same time, the US is engaged in a hot conflict with Iran, while Russia is supplying advanced weaponry to Iran and China is reported to have supplied dual use technologies.

The prospect that the US action with its allies could create a rift that splits the West relative to China, Russia and others that pose economic or security risks appears not to register with the US, or is not seen as important.

The situation readily presents the prospect of the world reforming into rival spheres of influence, or blocs- one based on China and its associates, and another on The West. But the US trade and geopolitics direction is increasingly to split The West in terms of economy and security; restricting the foreign policy latitude (and thus sovereignty) of US allies greatly exacerbates it. This could then create distinct blocs.

In this context, agriculture and food security, along with the resources necessary to support it, looms large. The world is hungry, with a warmer, drier climate in many regions- particularly in 2026, with a strong and developing El Nino impacting regional weather- is tightening global food supplies. The war in Ukraine has destroyed critical infrastructure, notably in grain handling, and the Black Sea is seen as high risk to navigation and thus grain shipments. Moreover, wars in both Ukraine and in the Middle East have seen widespread destruction of energy and petrochemical infrastructure. Among other things, the global diesel fuel market could get desperately tight; Russia (among the largest diesel fuel producers and net exporters) is having to import diesel fuel.

How does the withdrawal of the US from its traditional alignment with the west influence this situation and dynamic? This policy note develops some baseline data for preliminary assessment.

Resilient Agri-Food Capacity

Because food is an imminent need of the population, and because specialization in food production, distribution, and availability facilitates the division of labour in any modern economy, the prospect of being isolated from staple food supplies is a critical matter of national security. It is thus a critical issue different from almost all other trade in goods.

At the same time, the locations of food production capacity and population have evolved distinctly over time- leaving some countries with deficits in staple foodstuffs and others with surpluses. A well-functioning, rules-based trade system can (and has) ironed out these differences very effectively, with food surplus producing countries exporting to fill demand gaps elsewhere, under more-or-less equal treatment. Alternatively, countries can develop alliances with others to alleviate deficits via transfers within the bloc. Cohesive international blocs and strength in numbers, an alternative to free and open rules-based trade, are especially critical in a context of international rivalry where access to food and the resources to produce it can be used as a weapon.

One way to assess a country's security of supply in staple products is through trade balance (net exports) and also a country's relative trade balance (net exports/production). The latter measures the degree to which a country's own production feeds into its trade balance, and clarifies the difference between exports that actually originate from imports, rather than exports due to a surplus of domestic production versus domestic demand.

Trade Balance in Blocs

The situation today is one in which spheres of trade and security, or blocs, are more readily coming into view.

China is a clear trading bloc unto itself, given its aggressive export-driven model for economic growth, especially in manufacturing and technology. Hot wars, coordinated security and intelligence actions, and economic sanctions by a wide swath of western countries identify Russia and Iran as a bloc.

China does not have formal alliances with Russia or Iran. However, it is clear that economic relations between China and Russia are strong, and the leaders of China and Russia have spoken of a bilateral relationship without limits. China and Iran also have a legacy trading relationship in oil.

The liberal democracies that have espoused rules-based, open trade and security have formed a cohesive bloc- "The West". However, potential shifts are occurring.

The US exited the Trans-Pacific Partnership negotiations in 2017; in its wake the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) was formed, binding parts of North America to eastern Asia and most recently to the UK. Prime Minister Carney has discussed the possibility of widening this arrangement to include others- particularly the EU. Canada already has trade arrangements with the EU through the Comprehensive Economic and Trade Agreement (CETA), and has strong security ties to the UK and Europe through NATO.

The current US administration has expressed skepticism over its trade agreements, most evident in not renewing CUSMA and indeed violating it on multiple occasions through trade actions taken against Canada and Mexico. President Trump does not have Trade Promotion Authority from the US Congress to negotiate trade agreements, and has not sought it, preferring to make (or impose) US trade arrangements with others on a bilateral basis through Presidential Orders. Some arrangements are relatively narrow- for example, commitments with other countries to purchase specific quantities of US goods- and in others, using broader arrangements entailing a uniform tariff across a range of products. Many of the countries in the CPTPP and CETA have been targeted by these US actions, and it is hard to see how they could comply with the most-favored nation concept under GATT/WTO, let alone many other provisions of international trade rules.

In any event, recent US action has had the opposite effect of drawing The West together to meet the challenge of China, and some are now looking to forge alternate arrangements to bridge the loss of trade with the US, and indeed to obtain critical mass to better withstand US intimidation. An "associate" membership for Canada with the EU is consistent with this. This could be critical to trade in foodstuffs and the means to produce them.

Some Preliminary Data

To put the situation in context, baseline data was obtained from FAO Food Balance Sheets and Supply Utilization Accounts for 2023 (the most recent year available), with some gaps filled in from USDA P, S, & D data. Fertilizer trade data are for 2023 were obtained from UN Comtrade, with gaps filled in from the *resource.earth* database from Chatham House. Information on oil and petroleum are for 2025, obtained from the Energy Institute.

The data were sorted into specific blocs. The West includes NATO countries, the EU, Ukraine, Japan, South Korea, Australia, and New Zealand. The China-Russia Bloc includes China, Russia, Belarus, and Iran. The analysis is thus partial by nature, as important production and consumption regions- South America, Southeast Asia, Africa, and the Middle East- are left external to the analysis as they are external to The West and China-Russia blocs.

Figures 1 and 2 present the basic data on foodstuffs according to blocs. Figure 1 shows that The West has broadly higher production levels compared with China, the Russian bloc, and China combined with the Russian bloc, with the exception of pork. The West less the US has higher production than the China-Russian bloc for wheat, oilseeds, and beef, but falls lower than the China-Russian bloc for feed grains, pork, and poultry. The US by itself a larger producer of feed grains of oilseeds than the China-Russian bloc, but not wheat, pork, or poultry.

Figure 2 characterizes net trade flows (exports-imports) viewed through the lens of trading blocs. The percentages in the figure give net trade as a percentage of production. The figure shows that The West as a whole is trade surplus in staple foodstuffs; China is trade deficit in each of the products- acknowledging that rice, not included in the figure, would make some difference. The Russian bloc has a large trade surplus in wheat, a smaller surplus in feed grains, and close to in balance in the other products.

Separating the US from The West changes the picture of strategic competition in food considerably. The US is major net exporter, especially of soybeans and also feed grains, but is trade deficit in beef. Without the US, The West flips to trade deficits in feed grains and oilseeds, by significant margins. Canada is trade surplus in all of the

Figure 1 Production of Staple Foodstuffs, 2023

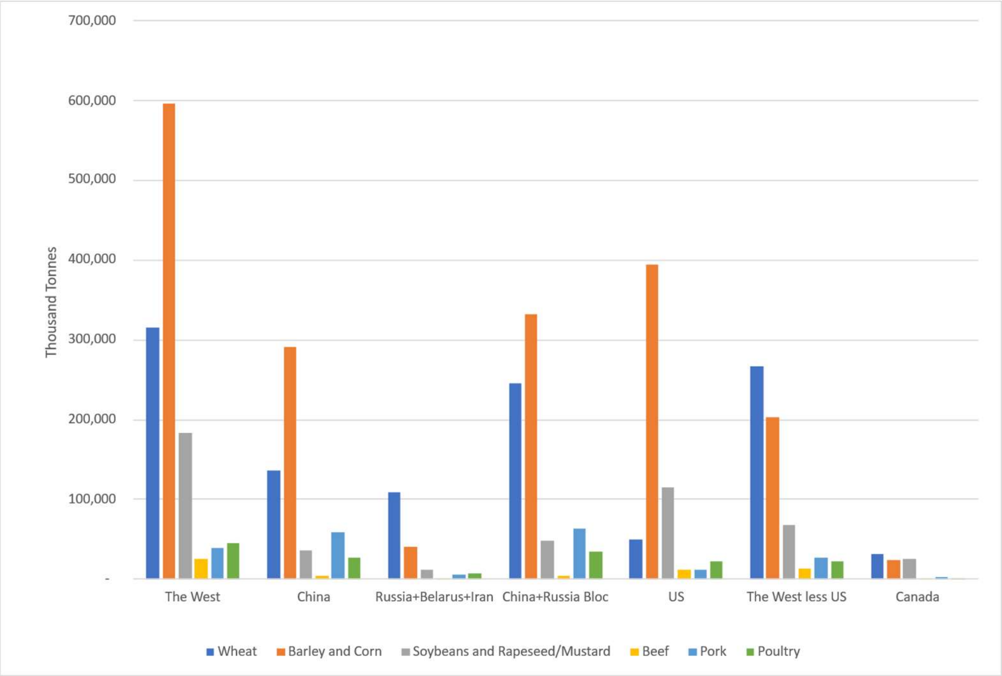

Figure 2 Net Exports of Staple Foodstuffs, 2023

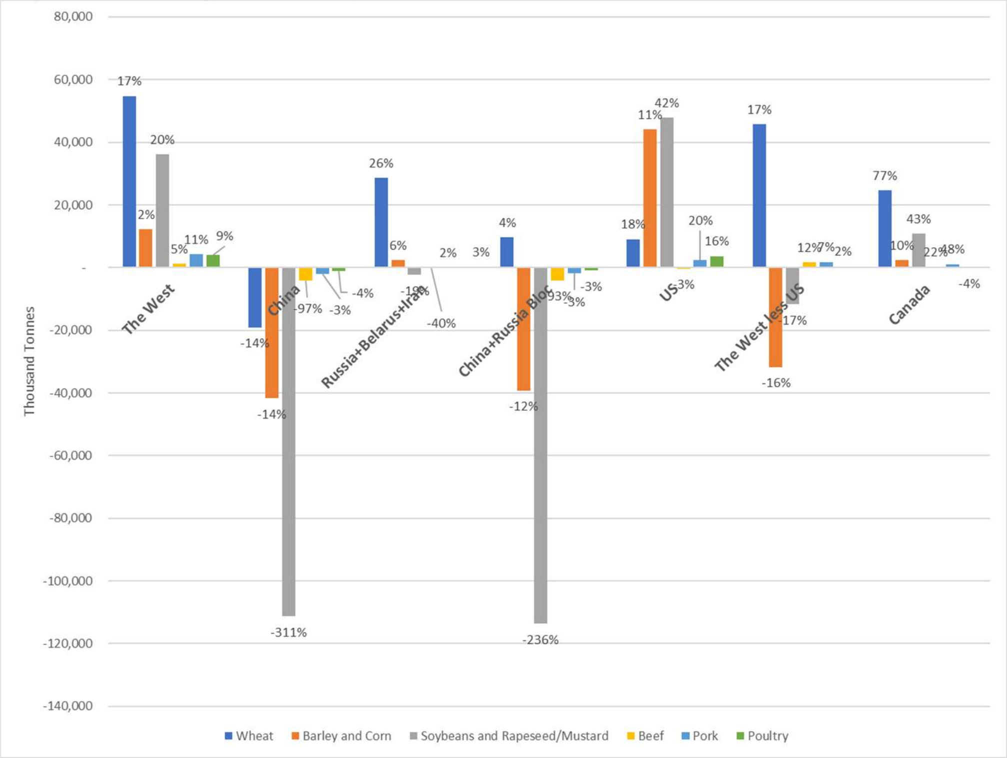

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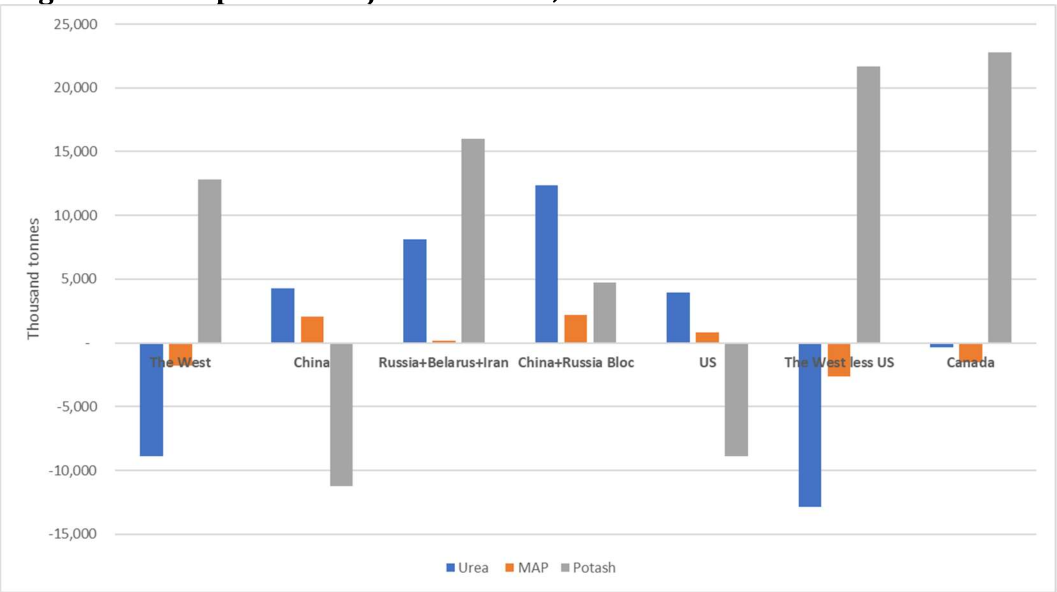
Figure 3 Net Exports of Major Fertilizers, 2023



staple products except poultry (where the deficit is small) and without the US, Canada becomes the core of net exports within The West for wheat, feed grains, and oilseeds.

Figure 3 presents basic trade data characterizing fertilizers by geopolitical bloc. The West is collectively trade deficit urea and phosphates (Mono-Ammonium Phosphate- MAP), but surplus potash. China is trade surplus in urea and MAP, and deficit potash. The Russian bloc is surplus urea and potash, and only slightly surplus MAP.

The picture changes markedly when the US is separated from The West and with China-Russia as a bloc. The US is surplus urea and MAP, and sharply deficit potash; without the US, The West faces a sharp deficit in urea and also a deficit in MAP, but a large surplus in potash, which is essentially entirely due to Canada. The China-Russia bloc is significantly surplus in each of the fertilizers.

Figures 4, 5, and 6 shift the discussion to energy, with the focus on oil. With this focus, it is acknowledged that natural gas production is significant throughout the world, and that trade in liquified natural gas (LNG) is significant, but highly concentrated with the US, Qatar, Australia and a handful of others as exporters. Natural gas exports via pipeline, which are regional by nature, are about equal to LNG exports. The implication is that international trade oil and its refined products must be much more significant, and natural gas and LNG trade is set aside here.

Figure 4 presents production of oil in 2025 sorted into blocs. The West collectively is a larger producer than China and the Russian bloc. This changes markedly with the US separated out. The US is just under the China-Russia bloc in oil production, and without the US The West well behind the China-Russia bloc, with Canada the anchor producer within The West.

Figure 5 presents net exports of oil. The percentages in the figure give net exports as a share of production. Both The West and China are net importers of oil; the Russian bloc is significant net exporter. The China-Russia bloc and the West are net importers by a similar margin versus production, but with The West the more oil-deficit of the two.

However, with the US partitioned from The West, the US has a much smaller deficit in oil, and the trade deficit increases for the remainder of The West. Canada, a net exporter of crude oil, stands out within The West.

Figure 6 presents oil refinery capacity. The West has a significantly larger capacity to refine oil into products versus others. But splitting the US from The West changes this, leaving the US behind China in refinery capacity, and the remaining West behind with the China-Russia bloc. Canada's refinery capacity appears relatively small.

Observations

The evidence presented here suggests the following. If strategic competition between The West versus China and the Russian bloc entails competition along the lines of resource nationalism, then the capacity to produce food using natural resources, energy, and petrochemicals is paramount. The West starts from a favorable position- with broadly larger production of foodstuffs and energy. The China and the Russian bloc appears better positioned in fertilizers, especially as a single China-Russia bloc and especially in phosphates, understanding that urea production can occur with plant investments almost wherever there is a local natural gas supply (which is many places. China has significant urea production derived from coal). Fragmentation of the US away from The West changes this balance fundamentally, in each of foodstuffs, fertilizers, and oil.

There are instances, such as with feed grains, oilseeds, and MAP, that the US may seem to be in a stronger trade balance position on its own outside of its traditional western allies. But if the true challenge facing the US is strategic competition with China and with the Russian bloc, this misses the point. The West is stronger together- for the US and others- relative to the China and the Russian bloc.

Partitioning the US from The West does serve to illustrate the significance of Canada's role in the trade and geopolitics of natural resources. In multiple instances- oilseeds; potash; oil- Canada stands out as a central distinct contributor in a Western alliance.

It also highlights the distinct oddity of the US threatening to disengage from Canadian potash, in favour of potash from Belarus. Quite apart from the fact that doing so would benefit an adversary, the structural deficit the US has in potash, with the largest surplus supplier located next door-and a western ally- would surely impose significant costs on the US.

From Baseline to a Fluid Situation

The observations from historical data above contain some abstractions and anomalies that come with a baseline- for example, Canada is a net exporter of oil, but almost all of it has been to the US, and the infrastructure to export elsewhere in material volumes is still being developed. Western European production of urea was unusually low in 2022-23, consistent with low levels of natural gas consumption following the Russian invasion of Ukraine (it has not recovered).

Figure 4 Production of Oil, 2025

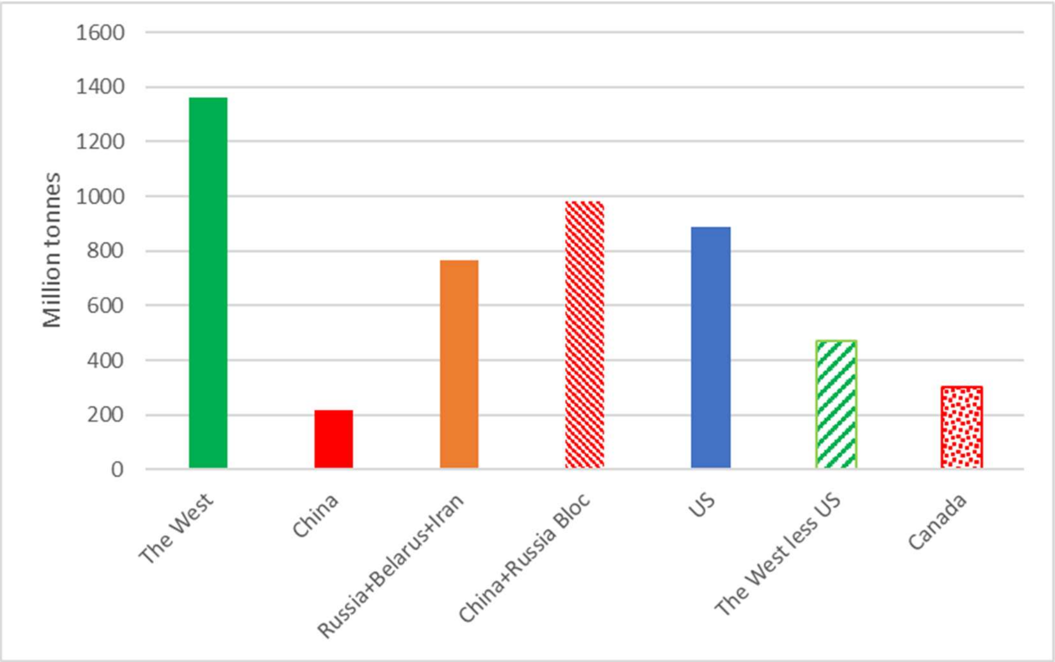


Figure 5 Net Exports of Crude Oil, 2025

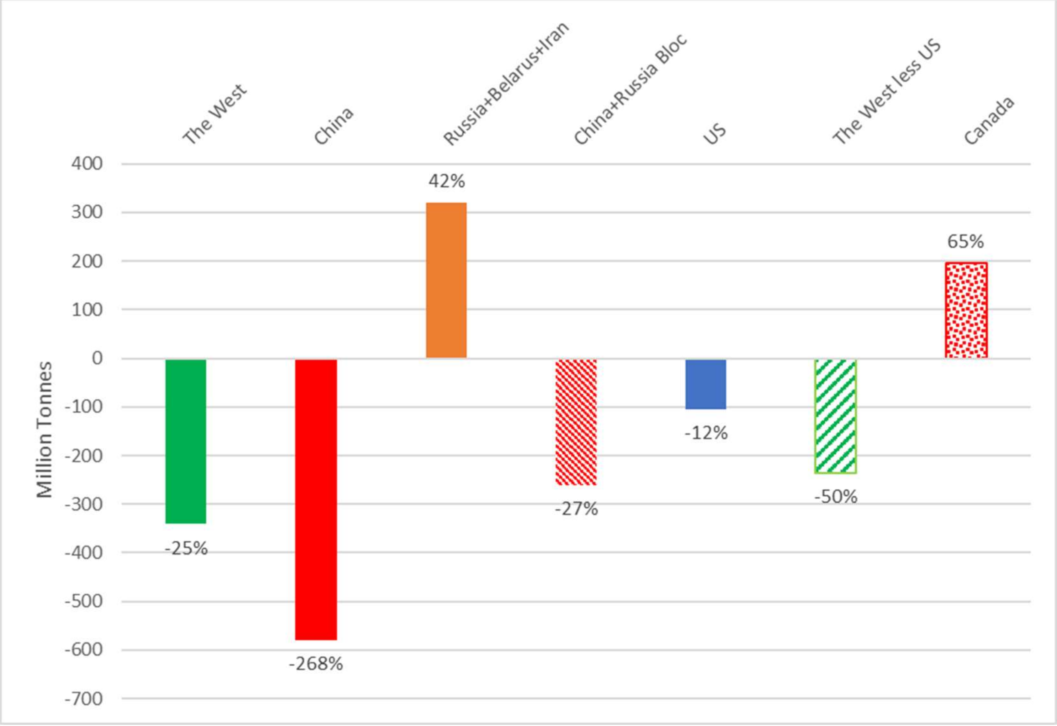
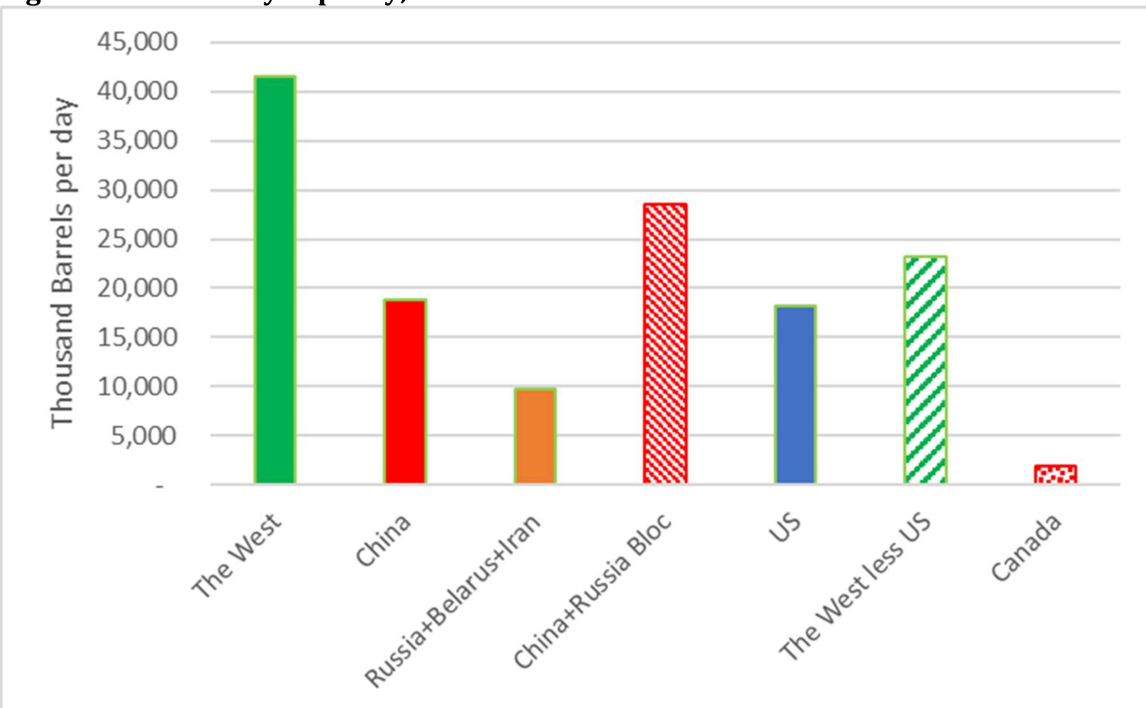


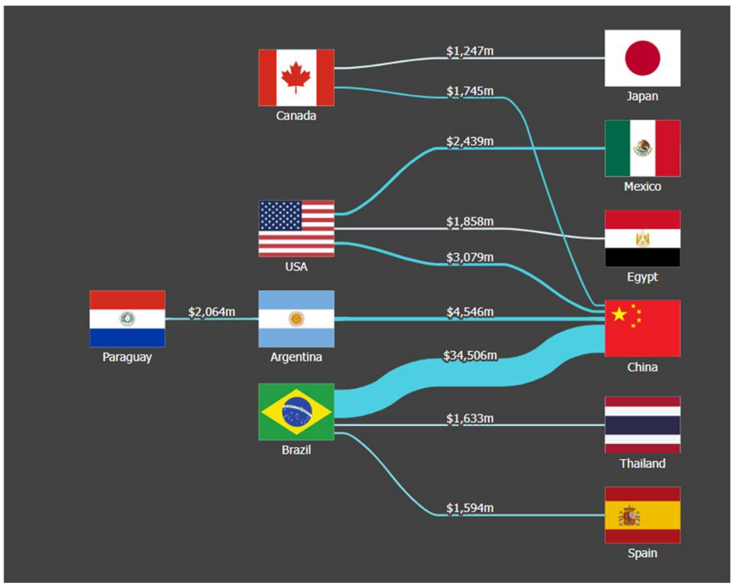
Figure 6 Oil Refinery Capacity, 2025



Trade in foodstuffs is more complex than dichotomous or rival blocs might suggest. Even relatively simple products illustrate the point- Figure 7 illustrates top 10 trade flows in soybeans and rapeseed combined for 2025 compiled using the Spiceflow database and visualization.

Clearly, trade occurs within The West (e.g. Canada-Japan) but also between rival blocs (e.g. US-China) and within/among countries outside of the blocs identified here. Countries outside blocs are critical suppliers, customers, and potential targets for foreign relations activities from importers within blocs (e.g. Brazil-China).

Figure 7 Top 10 Trade flows in Soybeans and Rapeseed Combined, in $ US, 2025



The point of focusing on capacity and intra-bloc trade is to understand prospective security and leverage in critical foodstuffs as the world devolves into rival blocs that are more inward-looking- rather than a narrow discussion of self-sufficiency (more on this below).

Finally, compared with history, the situation today is fluid:

- Much of Europe has suffered a very serious drought in 2026. Yields of grain crops are likely to be down significantly with harvest. The extent of drought has seen water levels in major rivers fall, handicapping river logistics in parts of Europe.
- A remarkably strong El Nino pattern stands to adversely impact harvests regionally, especially in India and Southeast Asia, and parts of Australia in 2026 and perhaps also in 2027.
- As harvest begins, the US corn crop has been recently downgraded, but it is expected that it will be within the range of normal. In August, Statistics Canada reported that "The production of all principal field crops is expected to increase modestly by 1% y/y and be higher than the five-year average by 7%. Total supply of all principal field crops is projected to decrease by 1% y/y though, as the decrease in carry-in stocks (beginning-year inventories) offsets the increase in production."
- Conflict in the Black Sea has badly hampered seaborne logistics for Russian grain and oil, and also Ukrainian grain.
- Ukraine and Russia have extensively attacked each other's oil and refinery infrastructures. The results have been protracted and ongoing fuel shortages- especially in Russia, and especially for diesel fuel. It is unknown to what degree this could impact Russia's fall harvest, and/or the associated logistics system.
- The war in the Persian Gulf, now almost 7 months in duration and impacting both the Strait of Hormuz and the Bab-el-Mandeb Strait, has strangled shipping of oil and petrochemicals outbound from Gulf states, with profound impact. To illustrate, data from the Energy Institute show that in 2025, about 57 percent of China's oil imports came from Saudia Arabia, Iraq, UAE, Kuwait, and other Middle East (including Iran). It has other cascading effects; for example, sulfur

obtained from oil refining and originating in the Gulf states is used to make sulfuric acid, and in turn phosphoric acid- a precursor to phosphate fertilizers.

- The diesel situation is growing in urgency. In a September 16, 2026 article, *Energy Newsbeat* noted that “Europe is structurally short diesel. It has been since the post-2022 rupture with Russia, and the deficit has widened as European plants closed… The Middle East stepped into the gap: exports to Europe rose from 18.1 million tons in 2022 to 22.9 million tons in 2024. The United States shipped 16.5 million tons and India 7.1 million tons in 2024. In 2025, Middle East diesel exports to Europe averaged 519,000 barrels per day, with Saudi Arabia alone at 311,000 barrels per day. France was the top destination.” The article observes, on European diesel supplies, that “Saudi Arabia, Kuwait, and the UAE were supposed to be the product backstop after Russia. New Gulf capacity underpinned the 2024–25 surge into Europe. That system is now impaired by war risk, Hormuz disruption, the East-West [pipeline] outage, and plant-level problems”[1]

A more refined analysis of the developing situation thus requires a subjective mapping from the baseline data from either 2023 or 2025 through information on the current situation to arrive at the expectations for the rest of 2026, and beyond. But it can only be speculative and low-resolution.

In short, the current context, when compared with the baseline, ratchets up the significance of resource nationalism. Relative to baseline, production of grains and oilseeds, and thus export capacity will be broadly lower in The West (drought in Western Europe; El Nino in part of Australia) and also in the Russian bloc (Black Sea conflict; lack of diesel fuel impacting Russian harvest and logistics). Trade deficits in oil could be dramatically worse for the Russian bloc and for China, but also for The West as Europe and its Asian elements struggle to find diesel fuel through imports, or oil to feed their refineries. Secondary policy impacts are also possible. Just as Russia has banned exports of diesel fuel, some US lawmakers are considering export controls on diesel fuel.

Conclusion

Resource nationalism is an aspect of strategic competition between rival blocs; food and the resources used in producing it are central elements. The data tell us that The West, as traditionally defined, is fairly well-placed in this regard as it pertains to staple foodstuffs and essential hydrocarbon energy. The West’s situation on phosphate fertilizers is more tenuous, and China- especially when aligned with the Russian bloc- appears well-balanced on fertilizers.

But a serious rupture in which the US splits with its traditional allies changes this entirely. The West without the US, and the US separately facing challenges with China and the Russian bloc are markedly weaker, and have some critical gaps. Without the US, The West would find itself badly out of balance on oilseeds and feed grains and deficit phosphates; the US would be deficit beef and seriously deficit potash. These are not positions of strategic strength for the US, nor its traditional allies in competing with China and the Russian bloc.

The analysis reveals the centrality of Canada among the traditional allies of the US if the US departs the group, on a broad range of products- oilseeds; feed grains; potash; oil. But there are also challenges within the group. In his speech to the EU Parliament on September 17th, Prime Minister Carney made reference to “trade in non-agricultural goods”- why state this limitation when

[1] https://energynewsbeat.co/diesel/russia-extends-diesel-export-ban-through-october-the-eu-about-to-get-hit-by-the-saudi-oil-crisis/

Canada has so much in precisely these goods that the EU would be a beneficiary of?

Perhaps it is simply a statement of the reality that agricultural trade between Canada and the EU has been somewhat fraught, especially over technical trade issues. This is ongoing, perhaps only to be rectified as European countries must reckon with food crises due to increasing weather extremes and lagging agricultural productivity, and past decisions to limit or reject specific agricultural technologies that have been used beneficially elsewhere in The West.

In his September 17th speech, Prime Minister Carney also said, regarding the relationship between Canada and Europe, that "The objective is not self-sufficiency. It is collective resilience." That is how to understand the alignment of blocs in strategic competition more generally. It is why US overreach in external relations with its traditional western allies risks splitting with The West- which weakens the US as well as the remainder of The West. It is also why agricultural goods should actually be core discussion between Canada and the EU in deepening their relationship, and center stage as Canada reaches out in support of additional allies within The West, especially in East Asia.

Finally, strategic competition among blocs need not imply an Orwellian geopolitical rivalry to trade, particularly as it pertains to trade between the West and China. Acknowledging competition between blocs of countries does not preclude trade between them, and indeed trade can serve to build peace and goodwill between competing blocs. This is especially true of agricultural trade, in which differences in international preferences and local supplies can naturally generate win-win outcomes.

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