Canada-U.S. tariff war resumes

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On March 4, 2025, the Trump administration proceeded to impose sweeping tariffs on Canadian exports to the U.S. Canada retaliated swiftly, announcing tariffs in respect of a limited range of U.S. products, fanning the flames of a trade war between longstanding allies and trading partners.

Background

President Trump first signed an Executive Order 14193 (Imposing Duties to Address the Flow of Illicit Drugs Across Our Northern Border) on February 1, 2025, imposing a 25 per cent tariff on nearly all goods exported to the U.S. from Canada. Canada retaliated by imposing a 25 per cent tariff on a wide range of U.S.-origin goods imported into Canada.

The tariffs were set to come into effect on February 4, 2025, however Prime Minister Trudeau and President Trump negotiated a deal to suspend tariffs coming into effect for 30 days and President Trump signed Executive Order 14197 (Progress on the Situation at Our Northern Border) accordingly.

The latest Executive Order, effectively suspending the suspension, means that the threatened tariffs came into immediate effect as of 12:01 am on March 4, 2025. Similar tariffs against Mexico and a 10 per cent tariff against China have also come into force. Canada's retaliatory tariffs came into effect at the same time.

Which goods are affected?

U.S. tariffs on Canadian goods

Most Canadian imports into the U.S. would be subject to the 25 per cent tariff; a defined set of energy resources, however, are subject to a 10 per cent tariff to mitigate price impacts. As it stands, there are no exclusions (that is mechanisms for requesting tariff relief) under the U.S. framework.

Canadian tariffs on U.S. goods

The list of products subject to the tariffs includes only “hard goods”. Notable inclusions include various food products (including dairy, meat, and fruits and vegetables), wine, spirits, beer, coffee, appliances, apparel, footwear, motorcycles, cosmetics, and certain pulp and paper products.

These tariffs only apply to goods originating from the U.S., which shall be considered as those goods eligible to be marked as a good of the U.S. in accordance with the *Determination of Country of Origin for the Purposes of Marking Goods (CUSMA Countries) Regulations*. Generally speaking, these rules provide that a good originates in the U.S. if it is grown in the U.S. or manufactured in the U.S. However, origin determinations are more complex where a good is manufactured in the U.S. using foreign-sourced materials. BLG’s International Trade and Investment group can assist in interpreting the origin rules in this situation.

Canada’s remission framework

The federal government recognizes the immense strain such tariffs would place on Canadian business that rely on U.S. imports and the difficulty to abruptly alter supply chains. In the event that these tariffs do come into effect, the Canadian government has already promised to implement a remissions framework, whereby Canadian importers may apply for tariff relief.

Similar to previous remissions framework implemented, importers may request relief from the payment of tariffs or the refund of tariffs already paid. The government will only consider remission where it is required to address exceptional and compelling circumstances that, from a public policy perspective, are found to outweigh the primary rationale behind the application of the tariffs. Requests for remission will only be considered in the following instances:

- to address situations where goods used as inputs cannot be sourced domestically, either on a national or regional basis, or reasonably from non-U.S. sources; or
- to address, on a case-by-case basis, other exceptional circumstances that could have severe adverse impacts on the Canadian economy.

Looking forward

Is there an end in sight?

There may yet be a path forward for Canada to negotiate an end (or perhaps another suspension) in this ongoing tariff war based on statements from U.S. Cabinet members. Despite the tariffs coming into immediate effect, U.S. Commerce Secretary Howard Lutnick describes the situation as fluid. Furthermore, U.S. Treasury Secretary Scott Bessent has made statements urging Canada to match Washington’s tariffs on China, indicating that such measures may have positive repercussions for Canada.

Canada already imposes hefty tariffs on Chinese goods such as electric vehicles, steel and aluminum in coordination with U.S. policy. Also, Canada recently held public consultations on additional measures in response to the exceptional threats posed by Chinese policies and practices in critical manufacturing sectors. Canada is considering

surtaxes on Chinese batteries, semiconductors, solar panels and critical minerals. A promise to move forward on these measures could be an effective bargaining chip.

Next steps for businesses

During these uncertain times, there are concrete steps businesses can and should take to protect their interests, including:

- gathering the data and information necessary to include in a remission request based on the 14-point template provided;
- engaging with U.S. suppliers or customers on the impact of tariffs and securing support for any remission requests;
- preparing submissions for the upcoming public consultation on the second list of goods that will be subject to tariffs, when and if it becomes available; and
- reviewing your existing commercial contracts for provisions dealing with price adjustments due to sudden tariffs and considering the inclusion of such contractual language in future agreements.

BLG's International Trade and Investment team is well equipped to assist businesses in navigating these uncertain times and will continue to monitor the situation as it evolves.

By

Rambod Behboodi

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BLG Offices

Calgary
Centennial Place, East Tower
520 3rd Avenue S.W.
Calgary, AB, Canada
T2P 0R3

T 403.232.9500
F 403.266.1395

Ottawa
World Exchange Plaza
100 Queen Street
Ottawa, ON, Canada
K1P 1J9

T 613.237.5160
F 613.230.8842

Vancouver
1200 Waterfront Centre
200 Burrard Street
Vancouver, BC, Canada
V7X 1T2

T 604.687.5744
F 604.687.1415

Montréal

1000 De La Gauchetière Street West
Suite 900
Montréal, QC, Canada
H3B 5H4

T 514.954.2555
F 514.879.9015

Toronto

Bay Adelaide Centre, East Tower
22 Adelaide Street West
Toronto, ON, Canada
M5H 4E3

T 416.367.6000
F 416.367.6749

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