

Vital Briefing—Tariff Insights

Trump pauses new Canada tariffs; rollback of tariffs on Canadian steel hinted

By Thomas Thompson

On Tuesday, August 18, less than three hours before new 50 percent tariffs on U.S. imports of certain Canadian goods were to come into effect, President Trump gave U.S. and Canadian trade negotiators three more days to agree on measures to avoid them. The president first announced the tariffs last month.

Trump [announced](#) on social media he was pausing the tariffs “based on the fact that Canada and the U.S.A., subject to the finalization of documents, have a DEAL!”

The tariffs were set to come into effect at 12:01 a.m. Wednesday, August 19. The proposed tariffs would affect about 5 percent of U.S. imports from Canada, worth about \$20 billion annually.

Imports from Canada, other than steel, aluminum and automobiles, arrive largely duty free in accordance with the USMCA, the free trade agreement between the U.S., Mexico and Canada.

According to media reports, possible modifications to the U.S.’s current 25 percent tariff on Canadian automobile imports have been swept into the negotiations. The automobile and steel tariffs were imposed under Trump’s Section 232 national security tariff on automobile imports.

Canada is reported to be optimistic that the U.S. will allow deductions from the tariffed value for local content, potentially reducing the effective tariff rate on automobile imports to about 15 percent.

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Pipeline in the deal pipeline? With no additional information or other follow-up, Trump wrote in his post Tuesday night, “The great Keystone XL Pipeline ... may be awoken from the grave!” The pipeline project was controversial during Trump’s first term. President Joe Biden subsequently cancelled it.

Earlier this year, on April 30, Trump authorized a similar cross-border pipeline project.

On Wednesday, Canadian Prime Minister Mark Carney [congratulated](#) both sides’

negotiators on their “significant progress.” Claiming on social media that Canada enjoyed “the best overall trade terms,” Carney added, “We are now moving towards an agreement that reinforces that Canadian advantage, including by securing the best terms in each of Canada’s most important strategic sectors and providing greater certainty about our future trading relationship.”

Carney did not mention the pipeline in his post.

At about the same time, Canadian Minister for Canada-U.S. Trade Dominic LeBlanc [noted](#), with less exuberance, on social media, “Efforts remain ongoing.”

News services reported on Wednesday afternoon that Trump had agreed to reduce tariffs paid by U.S. businesses on Canadian imports of steel and aluminum to 25 percent, halving the prevailing tariff of 50 percent imposed by Trump generally on imports of the metals from all countries.

Retaliation squared. On February 1, 2025, Trump accused Canada, along with China and Mexico, of being lax in guarding against exports of fentanyl to the U.S., using that as the basis for the first major tariff action in his second term. Canada announced retaliatory tariffs the same day.

The U.S. tariffs were found to be illegal by the U.S. Supreme Court one year later.

According to the Department of Finance Canada’s website, by September 1, 2025, the

Canadian government had lifted retaliatory tariffs placed on most U.S. imports that had been put in place in response to Trump's February 2025 fentanyl tariffs once the U.S. had rolled them back.

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The website [states](#), “Canada’s counter tariffs on steel, aluminum and autos remain in effect as intensive negotiations with the U.S. continue. This is in recognition that the U.S. maintains tariffs in these sectors, without providing an exemption for CUSMA-compliant goods.”

On July 20 of this year, when Trump announced new tariffs, his proclamations noted Canada had retained its retaliatory 25 percent steel, aluminum and automobile tariffs on U.S. imports. Those tariffs may violate the USMCA.

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Trump also proclaimed new tariffs to respond to a long-standing dispute about how Canada calculates dairy tariff rate quotas on imports.

Warning. Some of Canada’s retaliation against the original fentanyl tariffs, principally the automobile tariffs and alcohol ban, remain in place although the

original legal basis for the U.S.’s fentanyl tariff has been overturned. The country maintained its tariffs to address tariffs the U.S. imposed later.

The administration says its scheduled 50 percent tariffs are authorized by Section 338 of the Smoot-Hawley Tariff Act of 1930 upon Trump’s finding that Canada’s trade policies discriminate against U.S. imports. This provision allows the president to levy tariffs up to 50 percent to offset the economic effects of a foreign country’s economic discrimination.

In an article published on the Cato Institute [blog](#), Alfredo Carrillo Obregon, a Cato policy analyst, raises an alarm about the danger of retaliation. He writes, “the Trump administration is weaponizing Section 338 in response to policies engendered by its own weaponization of other executive trade authorities.”

Carrillo Obregon also warns, unless a later court action against Section 338 tariffs succeeds or Congress intervenes, Section 338 would provide the executive branch with what he calls a “tariff button whose only tangible limitations are a 50 percent cap on duties levied through it and a minimum 30-day waiting period before they take effect.”