

Vital Briefing—Tariff Insights

Fifty percent U.S. tariffs on Canadian imports take effect; Ottawa to retaliate

By Thomas Thompson

After senior-level negotiations meant to avoid a trade war broke off on Friday night, August 21, the Trump administration imposed new tariffs on a variety of imports at 12:01 ET Saturday morning. The measures had been announced in July.

Approximately \$20 billion worth of U.S. imports from Canada will be subject to Trump's latest taxes. Last year, the U.S. imported goods worth a total of \$381.9 billion.

The great bulk of Canadian imports arrive in the U.S. duty free under the USMCA free trade agreement that includes Mexico. The USMCA continues in force.

Trump invoked the long-dormant Smoot-Hawley Tariff Act of 1930 to authorize his tariffs.

The law requires that the International Trade Commission first make a finding that the U.S. has been discriminated against by a foreign country and that the U.S. have rules and regulations in place for imposing tariffs of up to 50 percent on imports from the discriminating country.

Trump's action against Canadian imports ignored the procedural requirements of the trade act, potentially inviting legal challenges like those that sank his International Economic Emergency Powers Act (IEEPA) tariffs earlier this year.

Retaliation. Canadian Prime Minister Mark Carney's government announced on Tuesday, August 25, that Canada would impose tariffs of up to 50 percent on imports from the U.S. starting next month. Carney's tariffs target the same value of goods as the new U.S. tariffs across a swath of import products.

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Bloomberg reported on Tuesday that its analysis of the new Canadian measures showed they "will hit the highest total value of northbound exports from Ohio, Illinois, Pennsylvania, Michigan and California."

While no further trade talks have been announced, Canada's announcement goes into effect on September 8, two weeks later, providing an opportunity for the parties to agree to a truce.

Daniel Béland, a political science professor at McGill University in Montreal, [told](#) the AP on Saturday, "The collapse of the tariff talks points to the fact that the old Canada-U.S. relationship is over, and for many Canadians, it also confirms the perception that Canada can't trust the Trump administration."

The Canadian prime minister reportedly withdrew his support for the agreement with the U.S. that was on the table Friday when its representatives refused to commit not to renege on their agreements. In public remarks on Saturday, Carney [told](#) reporters the U.S.'s "signature was written in pencil."

More retaliation. In a document titled *President Trump Is Finally Ending Canada's Free Ride* released on Tuesday morning, the White House [laid out](#) "the record of Canadian abuse" which is "clear and deliberate." In addition to the grounds Trump pointed to in July as the basis for the 50 percent tariffs imposed on Saturday, the document states that only Canada and China had chosen "retaliation over negotiation. Their continued discriminatory treatment of

U.S. commerce has burdened American workers, farmers, and businesses.”

On Monday, ahead of the Canadian tariff announcement the next day, Trump threatened in a post on Truth Social that he would punish Canadian exports to the U.S. with tariff increases to 50 percent for all cars, trucks, car parts and steel, effective January 1.

“Someone should get these clowns to ‘fall in line’ or the consequences for Canada will be far WORSE!” he [wrote](#).

Refund update: According to a [declaration](#) filed by Customs and Border Protection (CBP) with the Court of International Trade (CIT), refunds of duties plus interest totaling approximately \$106.6 billion had been sent to the Treasury Department.

CBP also informed the trade court that it delayed the August 20 rollout of the final phase of its automated system for handling refund requests for technical reasons.

The agency said the length of the delay is uncertain.

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The payments followed under the supervision of trade court Judge Richard K. Eaton. The government initially balked at paying refunds of the IEEPA tariffs struck down by the Supreme Court on February 20. Since March, Eaton has issued a series of orders that the government promptly repay the tariffs that were struck down.

This delay in the final phase does not implicate up to \$30 billion of refunds that the DOJ claims cannot legally be processed by CBP without individual court orders. DOJ argues individual importers must sue the CBP for refunds of IEEPA tariffs in cases where the tariff collection process had already been fully closed out on CBP’s accounts.

DOJ claims that the current statute does not permit the CBP to reopen a closed customs payment without a court order. DOJ has appealed the CIT’s original orders to pay out all claims. A hearing on DOJ’s appeal has not been scheduled.