

# Tariffs, Trade, and U.S. – Canada Relations

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**Center for U.S.-Canada Studies**

Presentation to the Council of State  
Governments Midwest Legislative  
Conference Annual Meeting

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# USMCA

- Review July 1, 2026
- Canada and Mexico ready to renew, United States says no
- Business shifts supply chains to USMCA compliance
- What is missing? Political recommitment, updates to text



# Canada and Mark Carney

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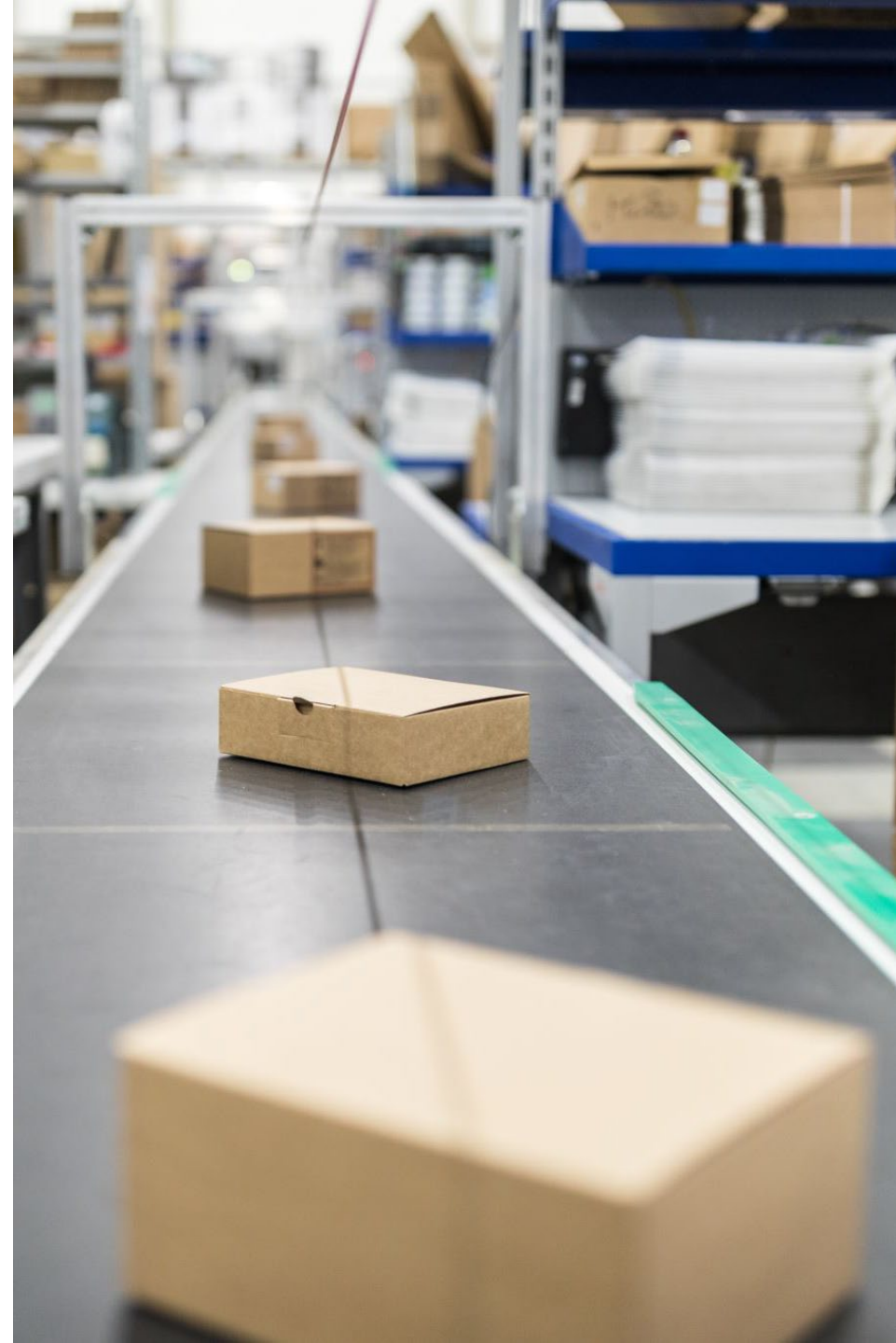
- Elbows Up election, April 28, 2026
- Plan A: A new Security and Economic Agreement
- Plan B: USMCA review and renew
- Plan C: No deal is better than a bad deal
- Now what?



# U.S. Tariffs Currently Applied to Canadian Goods

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Today, Canadian exports face a 10 percent Section 301 tariff where they do not qualify for USMCA treatment; new 50 percent Section 338 tariffs on specified Canadian products; and an expanding series of Section 232 sectoral tariffs covering metals, vehicles, lumber and wood products, semiconductors, and certain pharmaceuticals.



# U.S. Tariffs Currently Applied to Canadian Goods: Sections 301 & 338

| Authority                         | Products / Scope                                                                                       | Rate | Effective     |
|-----------------------------------|--------------------------------------------------------------------------------------------------------|------|---------------|
| Section 301<br>Trade Act of 1974  | Most Canadian goods not qualifying for USMCA preferential treatment; specified exclusions apply        | 10%  | July 24, 2026 |
| Section 338<br>Tariff Act of 1930 | Specified Canadian products targeted in actions concerning alcoholic beverages, dairy & motor vehicles | 50%  | Aug. 22, 2026 |

Key distinction:

- USMCA-originating goods are exempt from the Section 301 tariff, but not from Section 338.
- The previous IEEPA tariffs and temporary Section 122 tariff are no longer in effect.

# U.S. Tariffs Currently Applied to Canadian Goods: Section 232

| Products / Scope                                          | Rate                                         | Effective     |
|-----------------------------------------------------------|----------------------------------------------|---------------|
| Steel, aluminum & copper, including specified derivatives | 15–50%; some U.S.-content products 10%       | Apr. 6, 2026  |
| Passenger automobiles                                     | 25%; USMCA vehicles: non-U.S. content only   | Apr. 3, 2025  |
| Automobile parts                                          | 25%; qualifying USMCA parts currently exempt | May 3, 2025   |
| Medium/heavy trucks & specified parts                     | 25%; USMCA content rules/exemptions apply    | Nov. 1, 2025  |
| Buses                                                     | 10%                                          | Nov. 1, 2025  |
| Softwood timber & lumber                                  | 10%                                          | Oct. 14, 2025 |
| Upholstered wooden furniture                              | 25%                                          | Oct. 14, 2025 |
| Kitchen cabinets & vanities                               | 25%                                          | Oct. 14, 2025 |
| Certain advanced semiconductors & derivatives             | 25%; substantial end-use exemptions          | Jan. 15, 2026 |
| Certain patented pharmaceuticals & ingredients            | Up to 100%; specified exemptions             | July 31, 2026 |

Section 232 measures are sectoral tariffs that apply to Canadian exports; exemptions and content rules vary by product.

# Canada Retaliates

Canada currently maintains 25 percent retaliatory tariffs on U.S. steel, aluminum, and automobiles. On September 8, it will expand its retaliation to C\$27.6 billion of U.S. goods, imposing tariffs of 15, 25, or 50 percent designed to match the corresponding new U.S. tariffs rate for rate.

# NEW YORK

**You Have No Idea  
How Furious the Canadians Are**



**And without them, what friends do we have left?**

**By SIMON VAN ZUYLEN-WOOD**

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# A Trade Civil War?

- Retaliation to include firms that are USMCA compliant following the rules
- Uncertainty impacts investment, new hires
- Unpacking impacts along supply chains
- Escalation risk
- Role of U.S. courts versus USMCA



# USMCA Initiative

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- USMCA Tracker
- State and Provincial Trade Data
- USMCA Scenarios with the University of Calgary
- Brookings Trade Lab
- USMCA Forward – annual in March



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# USMCA: Shelter in the Storm

Share of exports to the United States meeting USMCA rules of origin

## MEXICO

**49.5%**

Dec. 2024



**76.1%**

July 2025

## CANADA

**35.5%**

Dec. 2024



**78.7%**

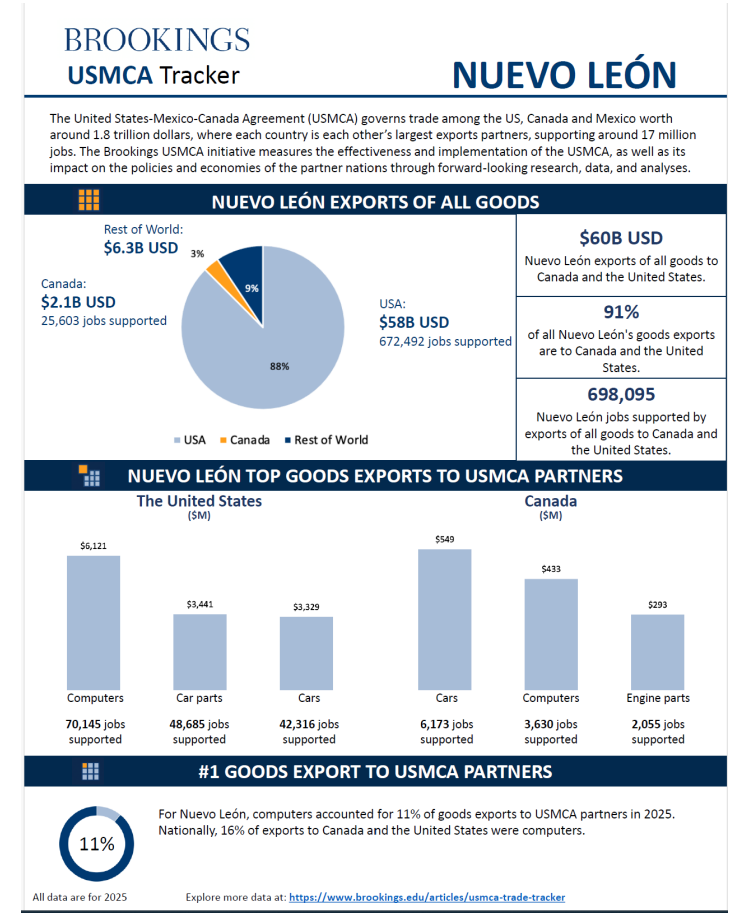
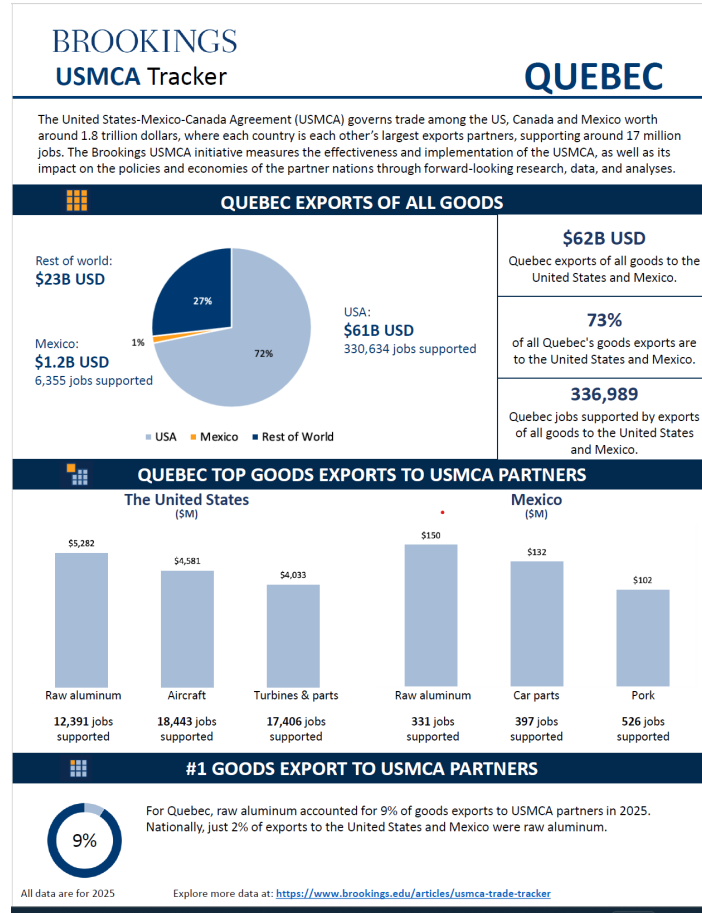
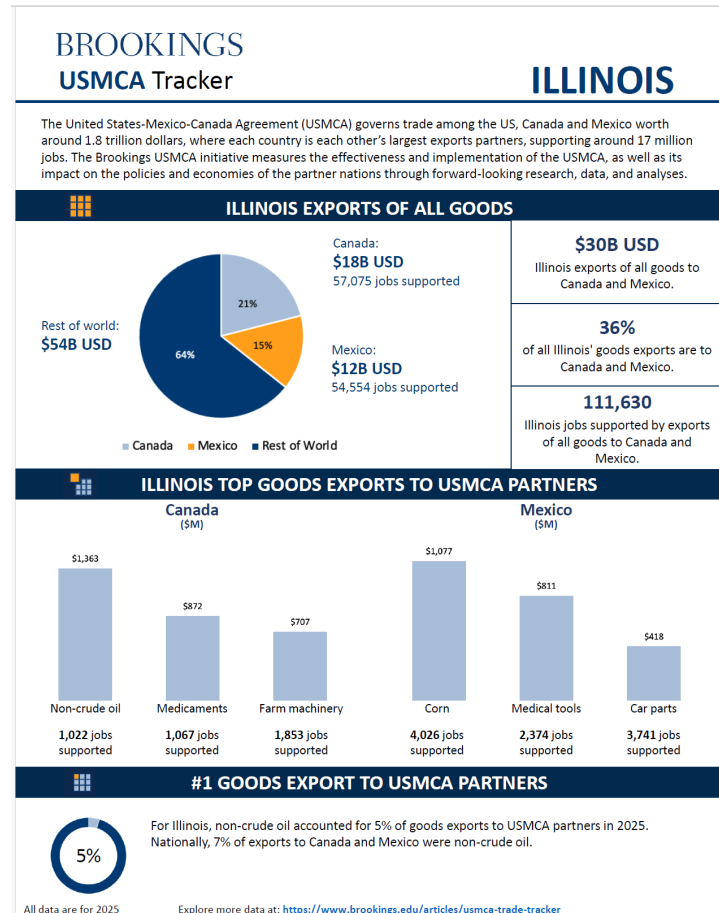
July 2025

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**When tariffs increased, firms used USMCA.**

BROOKINGS

# Making North America's Economy Visible



# What Brookings Is Building

## SEE IT

### 50 STATES • 50 DAYS

USMCA Tracker

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Make North America's  
economy visible

## TEST IT

### USMCA SCENARIOS

Economic modeling

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Test alternative  
futures

## SHAPE IT

### USMCA FORWARD 2027

China • AI • Environment

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Develop ideas for  
what comes next

**See the evidence. Test the choices. Shape what comes next.**

**BROOKINGS**