

Historical Tariffs Context

Tariffs have played a central role in US-Canada trade relations since the 19th century. Early agreements like the Canadian-American Reciprocity Treaty (1855-1866) fostered trade by reducing tariffs, but its termination led Canada to adopt protectionist policies that were not beneficial to either nation. Over time, both nations pursued free trade agreements, culminating in the North American Free Trade Agreement (NAFTA) in 1994 between Canada, the U.S. and Mexico, creating one of the largest free trade zones in the world.

Tensions around the NAFTA agreement surfaced during President Trump's first term, where he described it as 'the worst trade deal in history', and renegotiation went forward. In May 2018, the U.S. imposed their first round of tariffs on Canada, 25 per cent on steel and 10 per cent on aluminium. Canada enacted countermeasures the next day, imposing tariffs on several U.S. produced goods, including steel, aluminium, and several consumer products, chosen to target items produced in politically sensitive states.

This dispute strained relations and accelerated the negotiation of a new trade agreement, signed November 2018, between Canada, the United States of America and Mexico; the United States-Mexico-Canada Agreement (USMCA), which replaced NAFTA. Tariffs were maintained until both countries agreed to lift them after the USMCA was ratified in May 2019.

This agreement was in place until February 2025, when President Trump in his second term, broke the USMCA Agreement, placing 25 per cent tariffs on all Canadian imports and 10 per cent on energy products.

Tariff Timeline

- Pre-20th Century: Reciprocity Treaty between the United States and Canada reduced tariffs on natural resources & products.
- 1866 Reciprocity Treaty was terminated, due to protectionist interests and anti-British sentiments at the end of the American Civil War.
- 1930: The U.S. imposed high tariffs, via the Smoot-Hawley Tariff Act, on international goods by approximately 20 per cent, including those from Canada, during the Great Depression, in an effort to regulate commerce with foreign countries to encourage investment and protect American labour. Over 25 countries, including Canada, established counter tariffs, causing global trade to plummet, and contributing to further economic decline in the Great Depression.
- 1934: The Smoot-Hawley Tariff Act was repealed
- 1947-1965: Trade negotiations between the United States and Canada opened doors to agreements such as the General Agreement on Tariffs and Trade (GATT) and the Auto Pact, aimed at reducing tariffs and promoting free trade
- 1988: The Canada-United States Free Trade Agreement (CUSFTA) began phasing out a wide range of trade regulations between the two countries over a 10 year period.

- 1994: With the ongoing success of the CUSFTA well established, with a substantial increase in economic growth for both nations, a new agreement, which now included Mexico, was established: the North American Free Trade Agreement (NAFTA), creating a tri-lateral trade bloc in North America, creating one of the largest Free Trade zones in the world, that while not perfect, and still seeing periods of disputes over products such as lumber and dairy, was a period of accelerated trade and beneficial partnership between the nations.
- 2018: The United State's President Trump, during his first term, breached the NAFTA agreement and imposed tariffs on Canada, 25 per cent on steel and 10 per cent on aluminium. Canada enacted countermeasures the next day, imposing tariffs on several U.S. produced goods, including steel, aluminium, and several consumer products, chosen to target items produced in politically sensitive states. This dispute strained relations and accelerated the negotiation of a new trade agreement, signed November 2018, between Canada, the United States of America and Mexico; the United States-Mexico-Canada Agreement (USMCA), replacing NAFTA. Tariffs were maintained until both countries agreed to lift them after the USMCA was ratified in May 2019.
- January 20, 2025: The United State's President Trump in his second term outlines his new administration's protectionist trade priorities in the "America First Trade Policy" memorandum.
- February 1, 2025: President Trump signs a U.S. Executive Order imposing a 25 percent tariff on general products from Canada and Mexico, and 10 percent on Canadian energy products, to be effective February 4, 2025, citing the need to address the flow of illicit drugs across the borders into the United States, breaching the USMCA agreement. Canada immediately announced counter tariffs on U.S. goods should the U.S. tariffs come into effect.
- February 3, 2025: Following negotiations, where Canada stated they are already investing \$1.3 billion to bolster security at the border and strengthen the immigration system, a 30 day pause on the implementation on the U.S. tariffs on all Canadian goods, both general and energy, was put in place.
- February 10, 2025: President Trump signed proclamations adjusting the import of steel and aluminum into the U.S., announcing a 25 per cent tariff on each from all countries, including Canada, effective March 12, 2025. These tariffs would be cumulative with other tariffs, meaning Canadian steel would see up to a 50 per cent tariff, and aluminum would be up to 35%.
- February 13, 2025: President Trump signs a memorandum on reciprocal trade and tariffs, announcing global plans for reciprocal tariffs on all countries that impose tariffs and tax on imports on U.S. goods.
- March 4, 2025: U.S. imposes tariffs of 25 per cent on Canadian goods and 10 per cent on Canadian energy. Canada imposes countermeasures, implementing 25 percent tariffs on \$30 billion worth of strategic American goods, and announces an additional 25 percent tariff on an additional \$125 billion worth of American goods to be put in place after a 21-day comment period. Canadian tariffs are not to be removed from American goods until the U.S. tariffs on Canadian goods are lifted.
- March 6, 2025: U.S. amends duties to provide exemption to the tariffs for any Canadian good that is compliant with CUSMA, and a reduction on potash tariff from 25 percent to 10

percent. These exemptions are predicted to be in place until April 2, 2025, when reciprocal tariffs are set to begin from the U.S. In response, Canada will delay the planned second counter tariffs beyond the ones put in place on March 4, 2025 until April 2, 2025.

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