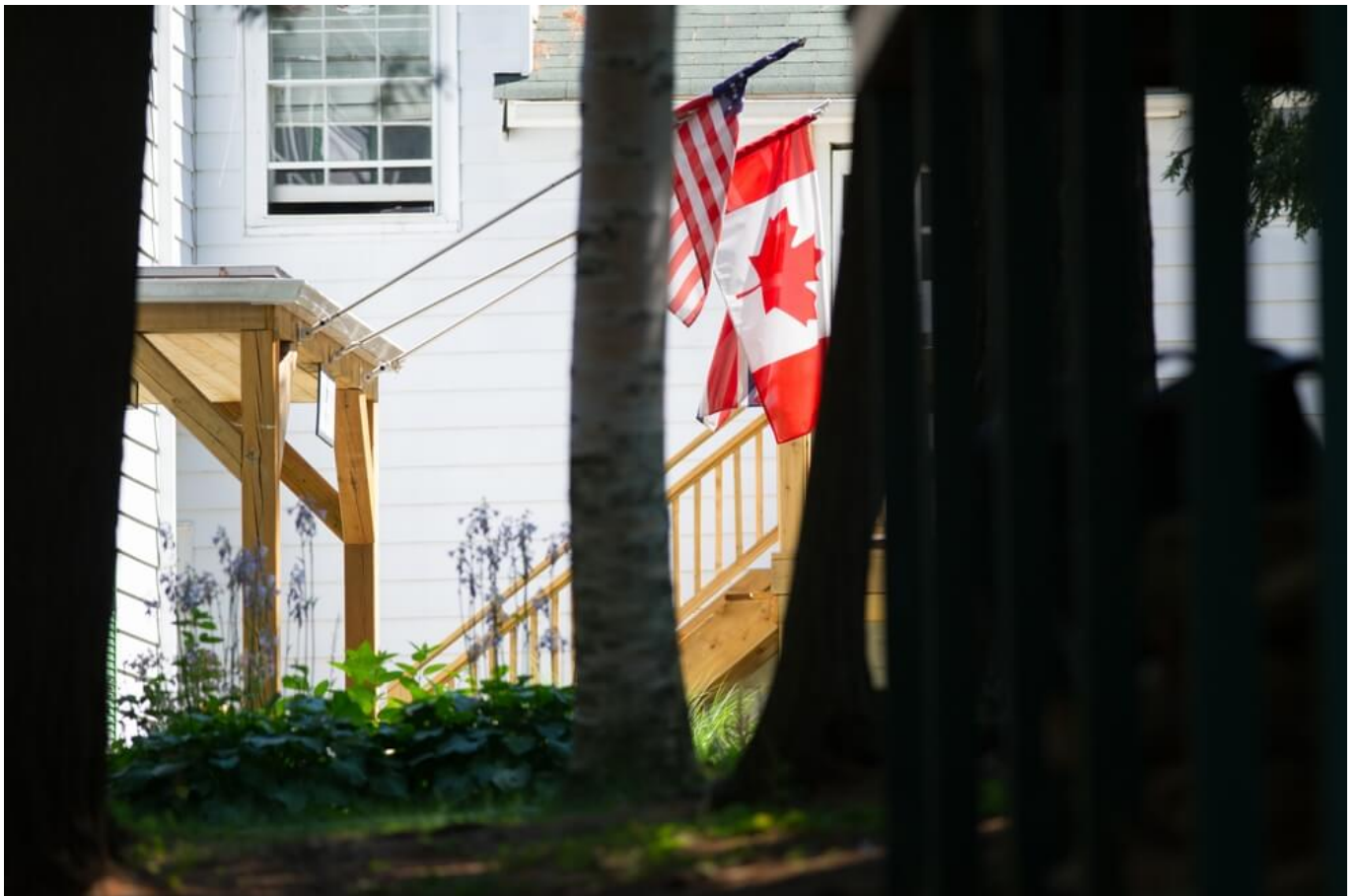




By: TA | AP Insight

Americans and Canadians have reason to be frustrated with the new tariff war



The United States imposed 50% tariffs on \$20 billion worth of **Canadian products** early Saturday, and Canada said it would retaliate beginning Sept. 8 after last-ditch negotiations failed to resolve the **latest strain** in relations between the historic allies.

President Donald Trump's import taxes will hit about **5% of what Canada ships** to the United States every year, including products ranging from hockey sticks to tongue depressors.

Carney said that "in the coming days, we will release the details of these new tariff measures, which will come into force the Tuesday after Labor Day." The dollar-for-dollar retaliation would target steel, dairy, appliances, agricultural equipment, pulp and paper and electronics, he said from Ottawa.

He disclosed that Canada had been willing to drop remaining retaliatory tariffs on steel, aluminum and autos if the United States substantially lowered its own, and to encourage provinces to restore U.S. alcohol sales.

But he said Washington's final demands went too far, saying, "They asked too much and offered too little," Carney said.

Trump's top trade negotiator, Jamieson Greer, said the Republican administration was offering to cut tariffs on steel, autos and lumber, "things that are sensitive for them. And they've always had the best deal, and they still would have an even better deal, but they didn't want that," he told "Fox & Friends Weekend.

He added: "We're moving forward with measures that respond to Canadian retaliation."

The moves also call into question the future of a **North American trade agreement** covering the United States, Canada and Mexico that is crucial to industry in all three countries.

Carney said the U.S. added last-minute terms that would have reduced tariff relief for Canadian-made vehicles, restricted Canada's

ability to strike trade deals with other countries and weakened protections for language, culture and sovereignty. He said such demands were "unacceptable."

But Greer, the U.S. trade representative, said that after a year of retaliation by its longtime ally, "We've said enough, and so we've taken countermeasures. Our interest is in protecting American workers and protecting American supply chains."

No further talks are planned.

The breakdown in negotiations marked a sharp reversal from two days earlier, when officials from the two countries sounded as if they were headed toward a compromise.

Carney said Ottawa would "hit back" with targeted tariff protection for industries exposed to the new U.S. duties, including some steel products.

Ontario Premier Doug Ford, who leads Canada's most populous province, backed Carney's response, saying the prime minister had his "full support" for retaliation "tariff for tariff, dollar for dollar" and that "everything needs to be on the table."

A typically cooperative alliance goes sour

The political impact will likely be even bigger than the economic fallout. The countries sold each other \$880 billion worth of goods and services last year.

The tariffs were initially supposed to kick in at 12:01 a.m. Wednesday.

Trump extended the deadline for three days to allow talks to continue, but the countries could not reach an agreement in time.

Trump's approach to dealing with Canada marks an extraordinary departure from the traditionally cooperative relationship between the two countries

The U.S. and Canada have wrangled for decades over trade, poking each other over sore spots such as Canadian softwood lumber imports and U.S. access to Canada's protected dairy market.

Somehow, they still managed to remain friends, allies and trading partners. Canadian soldiers fought alongside Americans in Afghanistan after 9/11.

The 5,525-mile **U.S.-Canada border** is undefended, and nearly 330,000 people and \$2 billion worth of goods cross it every day; 800,000 Canadians live in the United States.

Trump's approach to dealing with Canada marks an extraordinary departure from the traditionally cooperative relationship between the two countries.

Trump has imposed tariffs on Canadian goods in a push to bring manufacturing back to the United States and made inflammatory comments about turning Canada into **America's 51st state**.

Carney said Canada had recognized that "America has changed" and that the two countries would "not return to our old relationship."

Canadians and Americans are frustrated

The Canadian public is fed up. A petition to expel U.S. Ambassador Pete Hoekstra, a Trump ally, has collected nearly 248,000 signatures since July 21. It accuses the former Republican congressman from Michigan of having "normalized" Trump's talk of annexing Canada, among other things.

The two countries had good reasons to find a compromise.

Nearly **72% of Canada's goods** exports last year went to the United States. The Trump administration might be wary of imposing new tariffs — paid by U.S. importers who try to pass along the cost to consumers via higher prices — before the November's midterm elections. American voters are already frustrated with the high cost of living.

Both sides will be under immense pressure in the coming days to still find an off-ramp - Ryan Majerus

"Canada likely wanted further sector-specific relief than the U.S. was willing to offer, or Canada's concessions did not go far enough," said Ryan Majerus, a partner at King & Spalding and a former U.S. trade official. "Either way, I think both sides will be under immense pressure in the coming days to still find an off-ramp. But if Canada has agreed to also impose tariffs, the off-ramp may be even harder to find."

Candace Laing, president and CEO of the Canadian Chamber of Commerce, called the tariffs "a body blow to North American competitiveness" and warned they would raise costs for Americans while threatening Canadian customers, investment and small businesses.

Trump has turned to Depression-era trade penalties

Trump has made tariffs the centerpiece of his second-term economic agenda.

Last year, he imposed double-digit import taxes on almost every country, justifying them by declaring the long-standing U.S. trade deficit a national emergency.

The Supreme Court in February ruled that he had overstepped his authority. The justices

struck down the trade penalties and set the stage for the federal government to **pay refunds to importers**.

So Trump has looked for other legal authority to justify tariffs.



The rift comes as the United States, Mexico and Canada are trying to renew a trade agreement that Trump negotiated in his first term and once praised as a triumph

To punish Canada, he reached back to the Great Depression, invoking Section 338 of the Tariff Act of 1930 to threaten 50% tariffs on products that account for about 5% of Canadian exports to the United States.

Nearly a century ago, with the U.S. and world economies in collapse, Congress passed the 1930 tariff law, imposing taxes on imports from around the world.

Known as the Smoot-Hawley tariffs after their congressional sponsors, they are notorious among economists and historians for limiting world commerce and making the Great Depression worse.

Section 338, which has never been used before to impose tariffs, authorizes the president to slap import taxes of up to 50% on imports from countries that have discriminated against U.S. businesses.

No investigation is required to justify the levies. Nor is there any limit on how long they can stay in place.

The rift comes as the United States, Mexico and Canada are trying to renew a **trade agreement** that Trump negotiated in his first

term and once praised as a triumph.

The United States has begun formal talks with Mexico over revamping the US-Mexico-Canada Agreement, known as USMCA. But talks with Canada have not begun and escalating trade conflict casts doubt on whether they will.

"Canada told the Americans in advance that if these tariffs landed, it would stop negotiating and retaliate," said Barry Appleton, senior fellow at the Center for International Law at New York Law School. "The American trade representative said publicly he would not tolerate retaliation. Both sides have now committed themselves in public, which is how escalation stops being a choice."