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ANALYSIS

Why Trump's new trade barriers are more

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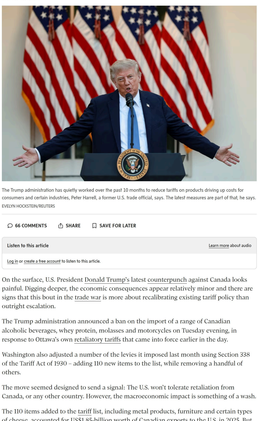

The Trump administration has quietly worked over the past 10 months to reduce tariffs on products driving up costs for consumers and certain industries, Peter Harrell, a former U.S. trade official, says. The latest measures are part of that, he says. EVELYN HOCKSTEIN/REUTERS

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On the surface, U.S. President Donald Trump's latest counterpunch against Canada looks painful. Digging deeper, the economic consequences appear relatively minor and there are signs that this bout in the trade war is more about recalibrating existing tariff policy than outright escalation.

The Trump administration announced a ban on the import of a range of Canadian alcoholic beverages, whey protein, molasses and motorcycles on Tuesday evening, in response to Ottawa's own retaliatory tariffs that came into force earlier in the day.

Washington also adjusted a number of the levies it imposed last month using Section 338 of the Tariff Act of 1930 – adding 110 new items to the list, while removing a handful of others.

The move seemed designed to send a signal: The U.S. won't tolerate retaliation from Canada, or any other country. However, the macroeconomic impact is something of a wash.

The 110 items added to the tariff list, including metal products, furniture and certain types of cheese, accounted for US$1.85-billion worth of Canadian exports to the U.S. in 2025. But the 10 products that were removed from the list, including cement, electronic switchboards, salt and toilet paper, accounted for US$1.74 billion worth of exports.

So all told, the total value of tariffed goods under Section 338 inched up from US$20.15-billion to US$20.26-billion.

"Trump, if you were to ask him, he would say, 'Oh, we really now put the screws tight on Canada. So that's a little bit of the showmanship," said Wolfgang Alschner, a trade law professor at the University of Ottawa. "But if you then look at the data, it's really more of a nothing burger."

The same is true, to a certain extent, of the bans on alcohol and other products. All of the goods that can't now be shipped into the U.S. were already hit with a 50-per-cent tariff imposed last month.

At that level, the tariff was already high enough to effectively stop trade, said Michael McAdoo, Montreal-based director of global trade and investment at Boston Consulting Group. "There are some things that might move at 25 per cent … But at 50 per cent, if there's any alternative available in the market, the tariffed product has just been priced out."

While the latest tariff changes may not have a large macroeconomic impact, they will be felt very differently by industry. For the 14 cement plants in Canada, the changes on Tuesday are a lifeline. For hundreds of small furniture or cabinet manufacturers, they could be a death knell.

William Pellerin, an Ottawa-based trade lawyer with the law firm McMillan LLP, said the new levies added on Tuesday have effectively shut down the "tariff engineering" methods furniture companies had been using to get their products into the U.S.

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Because some types of furniture products were previously tariffed while others weren't, a company could skirt the duties by using different types of wood or sending products across the border in pieces to be reassembled on the other side.

"Working with U.S. lawyers, we had strategies in place, and it was possible to ship, and that was kind of a relief to Canadian businesses. And those doors are being closed," he said.

For the industries that are losing out in the latest tariff shuffle, he added, "it's no solace to them that other things fell off the list."

Ultimately, the Office of the United States Trade Representative used the latest retaliation to recalibrate the Section 338 tariffs imposed last month after Canada walked away from the negotiating table. It doubled down on industries for which there are plenty of domestic substitutes, while offering relief on products like cement and toilet paper, where tariffs would have driven up construction costs and shown up in the grocery aisle.

Ottawa did its own version of this two weeks ago, when it announced tariffs on U.S. seafood as part of its retaliation against the Section 338 tariffs, only to drop them a few days later in the face of opposition from domestic retailers.

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Peter Harrell, a visiting scholar at Georgetown University's Institute of International Economic Law and a former U.S. trade official, said he thinks USTR realized it had miscalculated some of the recent tariffs and was looking to change course.

"Over the last nine or 10 months, we've seen a number of these steps where [the Trump administration] has tried to quietly reduce tariffs on products that were causing consumer pain or certain industry pain, and I think this reshuffling is a part of that," Mr. Harrell said.

The reversal on cement is case-in-point. In 2025, the U.S. imported US$383.5-million worth of Portland cement – which appeared on the original Section 338 list – to feed its construction and precast concrete sectors.

In mid-August, the National Precast Concrete Association (NPCA) penned a letter to U.S. Trade Representative Jamieson Greer urging the administration to lift the cement duty, noting one-fifth of cement consumed in the U.S. was imported and that the fallout from the tariff was felt particularly strongly down the U.S. East Coast.

Rift with Canada shown potential to become a pressing U.S. election issue

NPCA's chief executive officer Nick Rhoad said while precast products are manufactured in the U.S., they rely on imported cement from Canada.

"The president is a builder and he understands that."

A similar dynamic was at play for switchgear assemblies, used for electrical equipment. It was another product hit with a 50 per cent Section 338 tariff last month, but was removed from the list this week.

The U.S. imported US$760-million of switchgear assemblies from Canada last year, a nearly nine-fold increase from 2021 amid rapid data centre growth, electrical grid modernization projects and industrial electrification.

Cherith Sinasac, director of government affairs with Electro-Federation Canada, said the removal made sense.

"We weren't surprised they dropped that one, they were shooting themselves in the foot," Ms. Sinasac said.

There was one other threat made on Tuesday. Mr. Trump said he would order the U.S. General Services Administration to remove Canadian products from its Multiple Award Schedule program, which government agencies use to purchase things such as information technology and office supplies.

Laurence Schor, a lawyer with the Washington firm Asmar, Schor & McKenna, PLLC, said that removing Canadian products from the schedule could be painful. "I would have to call it significant because the upkeep of the federal government is expensive, and multiple agencies are buying off these lists."

But it's difficult to know how much the measure will bite without actually seeing how officials at the GSA turn Mr. Trump's Truth Social threats into regulation, he said.

The regulations could exclude any products that contain Canadian parts, he said. "But they might even say, in accordance with the Buy American Act, you can go up to like 48 per cent Canadian, and that's okay, but 50 per cent being Canadian is not okay."

More on the Canada-U.S. trade war

THE LATEST: After Canada's retaliatory tariffs came into effect on Sept. 8, President Trump announced a ban on imports of Canadian goods including alcohol, molasses, whey protein and motorcycles, as well as new tariffs on additional items.

THE CONTEXT: Following a collapse in trade talks between the two countries last month, negotiations appear to have reached an impasse. Meanwhile, Prime Minister Carney's office says his focus is on attracting investment and stimulating economic growth.

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