

Trump tariffs: Canada mostly avoids U.S. ‘reciprocal’ tariffs...for now

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On April 2, 2025, U.S. President Trump announced long-threatened “reciprocal” tariffs, issuing an [executive order](#) (the EO) imposing *ad valorem* tariffs beginning at 10% on all imports from all countries, but with much higher rates for many. While Canada is not exempt, goods that qualify as CUSMA-originating can continue to be imported under CUSMA preferences (that is, typically duty-free), with the exception of the [steel](#), [aluminum](#) and [automotive goods](#) on which the Trump administration imposed tariffs last month.

This Update describes the key details of the EO, explains how it does and does not affect Canadian goods and discusses what to expect next.

Executive order: key facts

- A 10% *ad valorem* baseline tariff applies to all imports from all countries starting at 12:01 a.m. ET on April 5, 2025.
- Some countries will face higher baseline tariffs for imports into the U.S. These higher country-specific rates will take effect at 12:01 a.m. ET on April 9, 2025.
 - Details on the additional countries, and their respective country-specific rates, will be set out in annexes when the EO is published in the Federal Register. Countries facing tariff rates higher than 10% will include China (34%), the European Union (20%), Vietnam (46%), Taiwan (32%), Japan (24%), India (26%), South Korea (25%), Thailand (36%), Switzerland (31%), Indonesia (32%), Malaysia (24%), Cambodia (49%), South Africa (30%), Bangladesh (37%), Israel (17%) and others.
- For Canada (and Mexico) specifically:
 - With the exception of the steel and aluminum and automotive goods that are subject to 25% tariffs under section 232 of the *Trade Expansion Act of 1962*, goods that qualify as CUSMA-originating can continue to be imported into the United States duty-free.
 - Steel and aluminum goods to which section 232 tariffs apply will remain subject to those tariffs, but will not face additional “reciprocal” tariffs.
 - Automobile and automobile parts to which section 232 tariffs apply will remain

subject to those tariffs but will not face additional “reciprocal” tariffs. The automotive section 232 tariffs took effect April 3, 2025. Details of which automobiles and parts are subject to the tariffs were [released April 2 \[PDF\]](#).

- Goods that do not qualify for CUSMA preferences, other than the steel and aluminum and automotive goods to which section 232 tariffs apply, will continue to be subject to the 25% *International Emergency Economic Powers Act* (IEEPA) tariffs (and 10% tariffs for non-CUSMA energy and potash) in effect since March 4.
- Should the 25% IEEPA tariffs on Canadian (and Mexican) goods be lifted, CUSMA-originating goods will remain eligible for CUSMA preferences, while non-CUSMA-originating goods imported from Canada and Mexico will be subject to a 12% tariff rate (i.e., two percentage points higher than the baseline 10% rate). Additional goods excluded from the EO will be set out in an annex when the EO is published in the Federal Register. These will include “copper, pharmaceuticals, semiconductors, lumber articles, certain critical minerals, and energy and energy products” and all articles that may become subject to duties pursuant future section 232 actions.

Other notable features of the EO

- **U.S. content in imported goods is not subject to the “reciprocal” tariffs, provided that at least 20% of the total value of the imported good is U.S.-originating.** “U.S. content” is determined by the value of an article attributable to the components produced entirely, or substantially transformed, in the United States. This appears to be an incentive for manufacturers to onshore at least parts of their production in the United States. While the EO authorizes U.S. Customs and Border Protection to require information and documentation to verify whether imports qualify for this U.S. content exemption, it remains to be seen how it will be operationalized.
- ***De minimis* treatment remains available for goods subject to the EO — for now.** Once the U.S. Secretary of Commerce notifies the President that adequate systems are in place to accommodate the additional customs processing burdens, *de minimis* treatment will no longer be available. These systems are expected to be in place by early May 2025, but may take longer given the volume and range of *de minimis* goods.
- Goods in transit on the final mode of transportation before 12:01 a.m. ET on April 5, 2025, are exempt from the reciprocal tariffs.
- The EO is silent with respect to duty drawback. Past executive orders imposing tariffs under the IEEPA and section 232 (e.g., the [25% IEEPA tariffs on Canada](#)) have explicitly stated that duty drawback is not available. The current EO’s silence suggests that duty drawback may still be available, for example, for input goods that are incorporated into U.S. production and then re-exported.

The legal basis for the tariffs

President Trump is again relying on the IEEPA. The EO states that the reciprocal tariffs are being imposed in response to “a national emergency arising from conditions reflected in large and persistent annual U.S. goods trade deficits”.

A brief breather for Canada?

The April 2 EO leaves Canada in substantially the same position it was in with respect to U.S. tariffs on April 1. Most CUSMA-originating goods continue to be sheltered from tariffs, but major manufacturing sectors — steel, aluminum and automotive — are highly exposed. Canadian exports — most notably lumber products — also remain targeted by pending section 232 investigations, and the Trump administration has threatened section 232 investigations of other key exports for Canada, including pharmaceuticals.

That Canadian exports emerged largely unscathed by the April 2 EO suggests that U.S. imports into Canada are less likely to face additional retaliatory tariffs in the near term, with the exception of U.S.-origin content of automobiles on which Canada announced retaliatory tariffs on April 3 in response to the U.S. section 232 automotive tariffs. However, the prospect remains high for further disruptive trade actions in the months to come.

It is also unclear whether the continuation of the “exemption” from the IEEPA tariffs for CUSMA-qualifying goods indicates a longer-term strategy on the part of the U.S. administration to renegotiate the CUSMA on terms even more favourable to the United States, or merely reflects the realization that effecting tariffs on all goods from deeply integrated North American supply chains — and the broad trade retaliation from Canada and Mexico that would ensue — would cause too much economic pain for U.S. consumers and political pain for Republicans.