NEWS BRIEFS

Canada hits back with $27.6 billion in tariffs on U.S. goods. The bill won't stop at the border.

Canada's new counter-tariffs take effect September 8 and range from 15% to 50%. Ottawa wants to pressure Washington and give Canadian producers an advantage at home. Some of the cost can land here too.

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Illustration: Nasty Canuck / AI-assisted.

Canada's latest answer to Washington is easy to summarize and harder to price.

Beginning **September 8**, Canada plans to impose counter-tariffs on **C$27.6 billion worth of U.S. imports**, with individual rates of **15, 25 or 50 per cent**. Ottawa says each rate will match the corresponding U.S. tariff. The current list concentrates on products including steel and aluminum, dairy, appliances, agricultural equipment, pulp and paper, plastics and electronics. Furniture and clothing are among the goods facing the highest rate.

The response follows the United States' decision to impose new 50 per cent tariffs on **C$27.6 billion in Canadian goods**, effective August 22. Canada says it is matching those measures dollar for dollar and rate for rate.

Washington tells the story differently. In separate proclamations, the White House argues that Canadian policies discriminate against U.S. commerce in areas including alcoholic beverages, dairy and motor vehicles. Ottawa describes the breakdown differently: Carney said last-minute changes to the U.S. terms were unfair, uneconomic and called into question the reliability of any deal, so Canada suspended negotiations.

The rhetoric is loud. The mechanics are easier to follow.

Counter-tariffs are supposed to change what Canadians buy

Ottawa's stated objective is straightforward: make targeted U.S. products less competitive in Canada and give Canadian producers a better position in their own market.

If an American appliance, piece of furniture or food product becomes more expensive because of a tariff while a comparable Canadian product does not, the Canadian option suddenly looks better on the shelf or procurement spreadsheet. Some spending may shift toward producers here at the same time Canadian exporters are facing higher barriers going south.

That is the theory. The obvious limitation is that **a tariff cannot create a Canadian substitute that does not exist**.

A household can switch brands fairly easily when two similar products are sitting beside each other. A manufacturer that depends on a specialized American machine, component or material may have no comparable Canadian option at all. In that case, the tariff does not redirect much demand. It becomes another cost somebody has to absorb.

Who actually pays the tariff?

The company or person importing the product into Canada pays the tariff at the border. What happens to the cost after that depends on the market.

The importer might absorb some of it through a smaller margin. A supplier might cut its price. Or some of the tariff may be passed through to businesses and consumers in higher prices. The Bank of Canada notes that the burden can therefore be shared across importers, suppliers and customers rather than landing neatly on one party.

Canada also has recent evidence of what that pass-through can look like.

Bank of Canada staff researchers studying Canada's **2025 retaliatory tariffs** found that prices of tariffed goods rose gradually and peaked at roughly **6 per cent above comparable untariffed goods after three months**. That represented about one-quarter of the earlier 25 per cent tariff showing up in retail prices. The researchers found relatively little spillover into untariffed substitutes.

That study does not tell us precisely what will happen with this round. The products are different, the rates range from 15 to 50 per cent, inventories vary and supply chains do not all respond the same way.

But the lesson is useful: retaliation can make American products less attractive and encourage substitution without making the cost disappear.

Protecting Canadian producers and pretending counter-tariffs cost Canadians nothing are two different things.

The Bank of Canada added some fresh context on Wednesday. It said the latest U.S. tariffs directly affect only about five per cent of Canadian exports to the United States, which may limit the economy-wide effect. But it also warned that the industries directly targeted can still be hit hard, trade uncertainty can delay investment and hiring, and Canadian counter-tariffs can add to business costs and consumer prices.

In other words, the national economy can absorb something reasonably well while particular companies, workers and communities still take a hard hit.

Ottawa is putting $7.5 billion behind the response

The counter-tariffs are arriving alongside **C$7.5 billion in new and expanded federal support** for workers and businesses affected by the trade dispute.

The package includes **C$3.5 billion in rapid-response support for workers and employers**, **C$2 billion for the Canada Strong Diversification Fund**, **C$1.5 billion for regional tariff-response programs**, and **C$500 million in additional Business Development Bank of Canada liquidity**. Ottawa has also broadened access to some existing programs.

That matters because defending the Canadian market addresses only one part of the problem.

A company that relies heavily on American customers can still lose contracts, production or investment even if Canadians begin buying more of its products at home. For many exporters, Canada simply is not large enough to replace the U.S. market overnight.

Counter-tariffs can shift demand. They cannot manufacture a replacement export market.

The tariff list is not the last word

Canada's tariff remission framework remains available for exceptional relief. Finance Canada says requests can be considered where goods used as inputs cannot be sourced domestically — or reasonably from non-U.S. sources — among other circumstances.

That matters because tariff policy creates winners, losers and requests for exceptions. A measure aimed at Washington can still land somewhere inconvenient in Canada.

Granting relief or adjusting the scope is not necessarily evidence that the strategy is failing. Sometimes it means the government is trying to keep a retaliatory measure from harming the Canadian businesses it is meant to protect.

That is exactly why the details matter.

What to watch now

Canada-U.S. trade talks remain suspended. On September 1, Prime Minister Mark Carney said Washington would have to **"start being serious"** before negotiations resume, while maintaining that a mutually beneficial agreement is still possible. U.S. officials continue to argue that Canada walked away from a viable deal.

Between now and September 8, four things are worth watching:

- whether negotiations resume before the counter-tariffs take effect;
- whether Ottawa makes further changes to the tariff list or grants remissions;
- whether Canadian consumers and businesses actually switch to Canadian or other untariffed alternatives;
- and whether Canadian producers have enough capacity to capture that redirected demand.

The hardest cases may be businesses that cannot easily replace American machinery, components or materials. Those are the places where a tariff designed to defend one Canadian interest can put pressure on another.

Canada's counter-tariffs can serve a strategic purpose. They can support domestic producers, influence purchasing decisions and create political and commercial pressure inside the United States.

They are not cost-free. There is no tariff fairy waiting at customs to collect the bill and make it disappear.

Canadians should be clear-eyed about both sides of the equation: retaliation may strengthen the home market, and somebody still pays the tariff.

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