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For Canada, a Shift from IEEPA to Section 232 Tariffs Will Be a Transition from National to Provincial Impacts

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EXECUTIVE SUMMARY

Canada has suffered both economically and psychologically from the radical changes to U.S. trade policy under the two Trump administrations. This is poised to change, potentially significantly.

The Supreme Court of the United States (SCOTUS) on Feb, 20, 2026 ended President Donald Trump's Executive Branch use of the *International Emergency Powers Act* (IEEPA) to impose what have become any item, any amount, at any time and for any reason, tariffs on everything Canada exports to the United States.

This ruling will bring immediate, widespread relief to Canadian federal and provincial governments and businesses, but it does not eliminate the always-imminent threat of new tariffs announced over social media. While bringing some relief, this favourable SCOTUS ruling doesn't end Canada's tariff angst; it reduces, changes and refocuses it.

Now that SCOTUS has ended the president's use of IEEPA tariffs, Trump will look to other tariff authorities that Congress has delegated to the president. In response to the SCOTUS decision, the White House imposed a "temporary" 10 per cent tariff on imports, then threatened to raise it to 15 per cent, under section 122 of the Trade Act of 1974.

There is, however, a 150-day limit on Section 122 tariffs, which is unlikely to be extended. The greater, more durable and longer-term threat to Canada are the Trump Administration's use of Section 232, or national security tariffs. Use of Section 232 tariffs, which already cover 37 per cent of Canada's exports to the U.S., has been increasing are expected to increase more rapidly as the president seeks to retain his tariff leverage over other countries.

There are major differences between IEEPA and Section 232 tariffs, with significant economic, regional and varying policy implications for Canada. They include how to respond to a shift from national to provincial impacts and how to adapt to a greater capacity for proactive responses.

This briefing paper provides the first in-depth examination of the provincial and sector-specific impacts of Section 232 tariffs and the resulting policy implications and mitigation options arising from the differences between IEEPA and Section 232 tariffs.

EXECUTIVE TARIFF MEASURES IEEPA VS. SECTION 232 AND OTHER DELEGATIONS OF TARIFF AUTHORITY

This policy brief argues that, with the Supreme Court of the United States (SCOTUS) having ended the Trump administration's use of IEEPA tariffs, the White House will turn to the sectoral Section 232 tariffs (or national security tariffs) in their place.

Under Article I, Section 8 of the U.S. Constitution, the power to levy tariffs rests solely with Congress. However, as the U.S. republic developed, governments realized that rapidly emerging international emergencies often required responses faster than Congress could act, and, over time, the power to respond was delegated, in bits and pieces, to the executive branch through various laws (Manak 2025).

In addition to the *International Emergency Powers Act*, 1977, these powers are found in Section 338 of the *Tariff Act* of 1930, Section 232 of the *Trade Expansion Act* of 1962 and Sections 122, 201 and 301 of the *Trade Act* of 1974.

The IEEPA powers are familiar enough to observers of U.S. trade policy that they do not warrant an explanation here. The University of Calgary's School of Public Policy has already published an in-depth description and analysis of the impacts on Canada (Meyer 2025). Meyer notes a key feature of the IEEPA tariffs is that they essentially became any item, any amount, any time, for any reason tariffs, threatening all of Canada's exports to the United States

A second School of Public Policy paper, "Tariffs, the Executive Branch and Recent Developments in U.S. Trade Policy," provides an in-depth examination of the other powers (Manak 2025).

To briefly recap:

- Section 122 of the *Trade Act* of 1974[1] allows tariffs of up to 15 per cent for up to 150 days. In addition, the tariffs are universal and apply to all countries. The Trump Administration implemented 10 per cent Section 122 tariffs immediately after the SCOTUS ruling;
- Section 201 of the *Trade Act* of 1974 empowers the president to, among other measures, impose tariffs in response to a surge of underpriced imports that harm U.S. producers. Tariffs are limited to 50 per cent ad valorem for only four years and the president's ability to modify the tariffs is limited;
- Section 301 of the *Trade Act* of 1974 empowers the U.S. Trade Representative to impose tariffs upon finding unjustifiable, unreasonable or discriminatory practices by a trade partner. There are no limits on tariff levels;
- Section 338 of the *Tariff Act* of 1930,[2] or the *Smoot-Hawley Tariff Act*, limits tariffs to 50 per cent and only for countries where U.S. exports face barriers not imposed on other countries. This statute has never been used (Manak 2025). However, Paulsen and Ciuriak (2025a) observe that the tariff rate calculations in Trump's "reciprocal tariff" policy, based on the size of the U.S. trade deficit with a trading partner, involved a multiplication by 0.5. This reduced the potential 100 per cent tariff implied by the formula to 50 per cent; this conveniently is also the legal limit of Section 338, setting up a seamless transition now that the IEEPA-based tariffs are disallowed; it is also important to note these tariffs can be applied to subnational jurisdictions, e.g., provinces; and

[1] U.S. Congress, House Ways and Means Committee, Senate Finance Committee, H.R.10710, Trade Act of 1974, s. 301, 93rd Congress. https://www.congress.gov/bill/93rd-congress/house-bill/10710/text.

[2] Ibid., H.R.2667, Tariff Act of 1930, s. 338. Public, No. 361. https://fraser.stlouisfed.org/title/tariff-1930-smoot-hawley-tariff-5882/fulltext.

- Section 232 of the *Trade Expansion Act* of 1962 authorizes the president, acting upon an investigation and report by the Commerce Department, to modify imports through the imposition of tariffs or quotas on "any article" that "would threaten to impair the national security" (Kitamura 2025a). While Section 232 does not define a national security threat, it is clear from precedent that an item that is not being manufactured or produced on U.S. soil by U.S. workers is part of the de facto definition. Increasingly, the line between national security and economic security has blurred, leading to, or arguably imperilling, greater use of Section 232.

Of these various measures, Section 301 appears to most closely approximate the IEEPA powers (Manak 2025). However, it has not been used for trade with Canada or other countries. Instead, the first and second Trump administrations have relied on Section 232 to supplement IEEPA tariffs with Section 301 tariffs reserved for China. The current list of Section 232 investigations, as of the writing of this report, and outcomes from the first and second Trump administrations are shown below. In cases listed as "no action," it was found that tariffs could be imposed if the administration decides to do so. "No action" is thus not a permanent state.

Most importantly, despite having access to more powerful and easier-to-implement IEEPA tariffs, the administration steadily increased its use of Section 232 tariffs. Had SCOTUS allowed the continued Executive Branch use of IEEPA to impose tariffs, the use of Section 232 tariffs would have continued to increase. Despite SCOTUS's ruling, Canada has and will have a Section 232 problem with which to contend. The biggest question is the rate of the increase in the problem and in the benefit to Canada of adopting proactive policies to mitigate Section 232 impacts.

SECTION 232 INVESTIGATIONS BY THE TRUMP ADMINISTRATIONS

Table 1: First Trump Administration (2017–2021)

Investigation	Status/Outcome	Source
Steel	Tariffs imposed – 25 per cent tariff on steel imports in 2018	CRS[3]
Aluminum	Tariffs imposed – 10 per cent tariff on aluminum imports in 2018	CRS[4]
Automobiles/Parts	No action – Commerce found a threat to national security; Trump directed USTR to negotiate instead of imposing tariffs	CRS[5]
Uranium	No action – Commerce found a threat to national security, but Trump administration did not concur and established a working group	CRS[6]
Titanium Sponge	No action – Commerce found a threat to national security, no tariffs were imposed	CRS[7]
Transformers/ Components	No action – Commerce completed investigation, finding a threat to national security	CRS[8]
Vanadium	No action – Commerce did not find a threat to national security	CRS[9]

[3] Hammond and Kitimura (2025)
[4] Ibid.
[5] Kitamura (2025b)
[6] Fefer, Hammond, Jones et al. (2021}
[7] Ibid.
[8] Kitamura (2026)
[9] Fefer, Hammond, Jones et al. (2021)

Table 2: Second Trump Administration (2025–Present)

Investigation	Initiation Date	Status	Source
Steel and Aluminum (Expansion)	February 2025	Aluminum tariffs increased to 25 per cent; steel tariffs restored to 25 per cent; all exemptions terminated effective March 12, 2025; further increased to 50 per cent effective June 4, 2025	White House[10]
Automobiles/Parts (Revival)	March 2025	25 per cent tariffs on vehicle imports effective April 3, 2025; on automobile parts effective May 3, 2025 (unless compliant with CUSMA)	White House[11]
Copper and Copper Derivatives	March 10, 2025	Tariffs imposed – 50 per cent tariffs on semi-finished copper products and copper-intensive derivative products, effective August 1, 2025	CRS, Federal Register[12]
Timber, Lumber and Derivatives	March 1, 2025	Executive Order, March 1, 2025; Proclamation implementing tariffs effective Oct. 14, 2025	White House, CRS[13]
Pharmaceuticals/ Ingredients	April 1, 2025	Under investigation – initiated April 1, 2025, covering finished drug products, medical countermeasures, active pharmaceutical ingredients and derivatives	Federal Register[14]
Semiconductors/SME	April 1, 2025	Under investigation – initiated April 1, 2025, covering semiconductors, semiconductor substrates, legacy and leading-edge chips and derivatives	Federal Register[15]
Medium- and Heavy-Duty Trucks and Parts	April 22, 2025	25 per cent tariff on medium- and heavy-duty trucks and truck parts; 10 per cent tariff on buses	Federal Register, White House[16]
Processed Critical Minerals and Derivatives	April 22, 2025	Under investigation – Executive Order signed April 15, 2025, covering 50+ critical minerals, as well as uranium and rare earth elements	Federal Register, White House[17]
Commercial Aircraft and Jet Engines	May 1, 2025	Under investigation – initiated May 1, 2025, covering commercial aircraft, jet engines and parts	Federal Register[18]
Polysilicon and Derivatives	July 1, 2025	Under investigation – initiated July 1, 2025	Federal Register[19]
Unmanned Aircraft Systems (UAS) and Components	July 1, 2025	Under investigation – initiated July 1, 2025, covering unmanned aircraft systems and their parts and components	Federal Register[20]
Wind Turbines and Components	Aug. 13, 2025	Under investigation – initiated Aug. 13, 2025	Federal Register[21]
Robotics and Industrial Machinery	Sept. 2, 2025	Under investigation – initiated Sept. 2, 2025, covering robots, CNC machining centres, industrial stamping and pressing machines and related equipment	Federal Register[22]

10 White House (2025b)
11 Ibid., (2025c)
12 Kitamura (2025a)
13 Kitamura and Riddle (2025)
14 Department of Commerce (2025a)
15 Executive Office of the President (2026a)
16 Ibid., (2025)
17 Ibid., (2026b)
18 Department of Commerce (2025b)
19 Executive Office of the President (2026b)
20 Ibid., (2026a)
21 Department of Commerce (2025c)
22 Ibid., (2025d)

Investigation	Initiation Date	Status	Source
PPE, Medical Consumables and Medical Equipment	Sept. 2, 2025	Under investigation – initiated Sept. 2, 2025, covering personal protective equipment (PPE), medical consumables and medical equipment, including devices	Federal Register[23]

Source Abbreviations: CRS - Congressional Research Service – congress.gov; Federal Register – federalregister.gov; and White House – whitehouse.gov

Reports for several first-term investigations (automobiles, uranium, titanium sponge, transformers, vanadium) were completed, but not all were publicly released or acted upon.

In his first year back in office, Trump doubled the number of Section 232 investigations from his entire first term. Based on our calculations, these products now account for 37 per cent of Canada's total exports to the U.S. by value (average over the last five years), or 28 per cent of Canada's total exports by value globally (see Table 1). Revocation of the IEEPA tariff regime permanently eliminates, rather than merely temporarily waives, the imminent threat of a 35 per cent tariff on Canadian exports to the United States. Regardless, the Section 232 tariff threat remains.

Table 3: Section 232 Exports to U.S., Five-Year Average, 2020–2024

Product	Canada
Aluminum	$80,852.24
Trucks	$29,551.51
Steel	$17,533.75
Aircraft/Jet Engines	$15,707.10
Timber/Lumber	$11,554.77
Pharmaceuticals	$11,289.00
Robotics and Industrial Machinery	$7,173.39
PPE, Medical Consumables and Equipment	$5,956.97
Semiconductors	$4,430.77
Processed Critical Minerals	$4,430.77
Wind Turbines	$3,295.79
Copper	$3,060.58
Drones	$1,675.58
Polysilicon	$149.97
Total Section 232 Exports to U.S. (five-year average)	$196,662.19
Canada Total Exports to U.S. (five-year average)	$529,800.00
Canada Total Exports to World (five-year average)	$697,264.12
Canadian 232 Exports as Share of Total Exports to U.S.	37.10%
Canadian 232 Exports as Share of Total Exports to World	28.20%

[23] Ibid., (2025e)

Likewise, if the Canada-United-States-Mexico Agreement (CUSMA) concludes and Canada-U.S. trade reverts to the World Trade Organization tariff rates, the Section 232 tariffs would remain in place, unless a specific agreement to the contrary is reached.

WHY THIS IS IMPORTANT FOR CANADA

First, under IEEPA, any product exported from Canada to the U.S. was subject to a 35 per cent tariff unless it qualified under CUSMA rules of origin (Congress 2025). However, this exemption existed solely because of a decision made exclusively by Trump. Had the president changed his mind and rescinded the CUSMA exemption, all Canadian exports to the U.S. would have been subject to the IEEPA tariff. This is also the scenario should CUSMA lapse.

While the ending of CUSMA should mean tariffs would automatically move to the World Trade Organization's Most-Favoured-Nation (MFN) rates, in reality IEEPA and Section 232 tariffs would have superseded WTO MFN tariff rates. Nothing in the CUSMA agreement prevented the imposition of IEEPA or any other tariffs unless Congress chose to act, which it failed to do. Even if Congress had acted, it would have required a 2/3 vote of both houses to override the president and end the state of emergency that allowed him to impose tariffs.

Second, under Section 232, tariffs cannot be applied immediately or universally. Only similar product groups may be targeted, and each tariff imposition must be preceded by a three- to eight-month investigation. Unlike IEEPA tariffs, which were announced by social media post and enacted almost instantaneously through issuance of an Executive Order and Proclamation, Section 232 tariffs allow time to proactively prepare and mitigate, as opposed to repair damage.

Third, because Section 232 tariffs can be imposed only one at a time on specific products, the threat and impacts do not fall equally, if at all, across the country, given not every product Canada exports is produced in all parts of the country. The following graphs illustrate this reality. These figures are estimates of tariff impacts for completed Section 232 investigations for which U.S. Harmonized Tariff Schedule (HTS) codes are known, plus estimates for HTS codes for not-yet-completed investigations. See the Methodology note for a more detailed explanation.

PROVINCIAL IMPACTS ANALYSIS

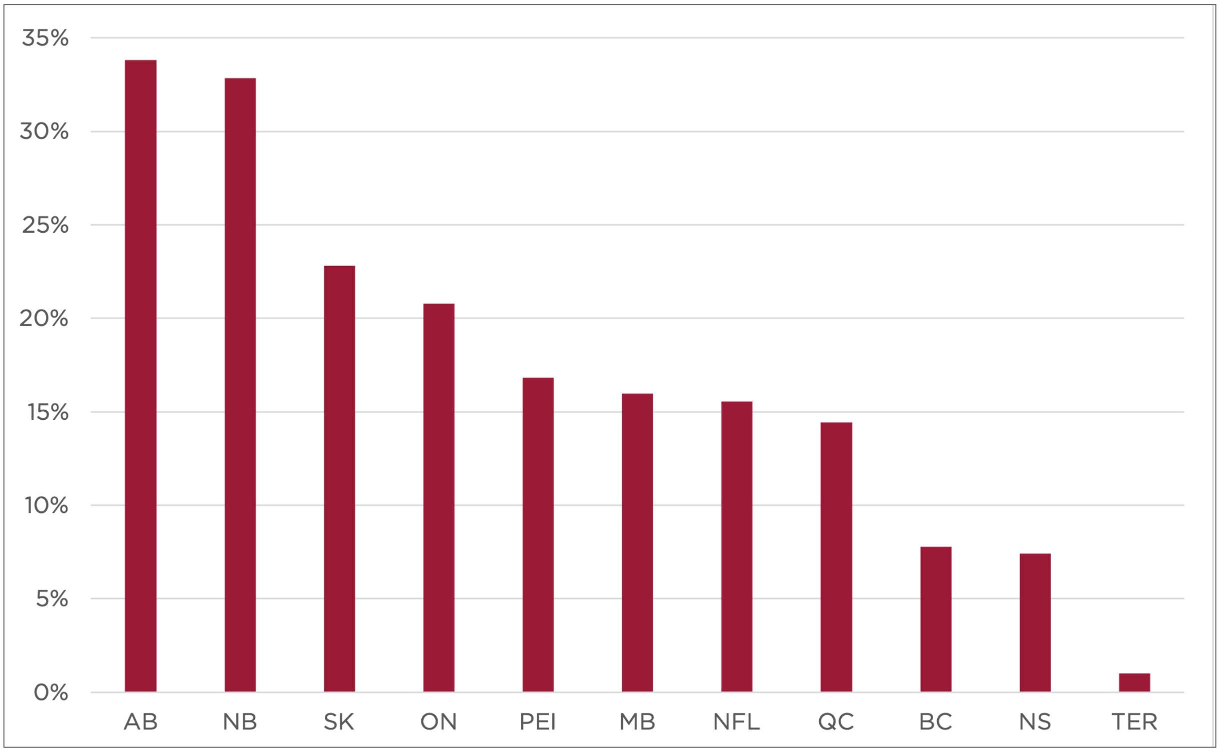
This third point — the different provincial impacts — is the most profound difference in adjusting Canada's policy response to a shift from IEEPA to Section 232 tariffs as the dominant instrument for U.S. tariff policy.

GEOGRAPHIC EXPOSURE UNDER TRUMP'S SECTION 232 INVESTIGATION

If the Trump administration's Section 232 tariffs create highly differentiated impacts across Canadian provinces, there is significant variation in both absolute exposure and impact intensity. Based on five-year average export data, Canada faces $196.7 billion in Section 232 exposure, representing 37.1 per cent of total Canadian exports to the U.S. However, these impacts vary significantly across provinces.

First, we look at the standard picture of trade dependence on the United States by province. This is the most commonly used frame of reference when considering trade with the U.S.

Figure 1: Provincial Export to US as % of Province's GDP (5 yr AVG 2020-2024)



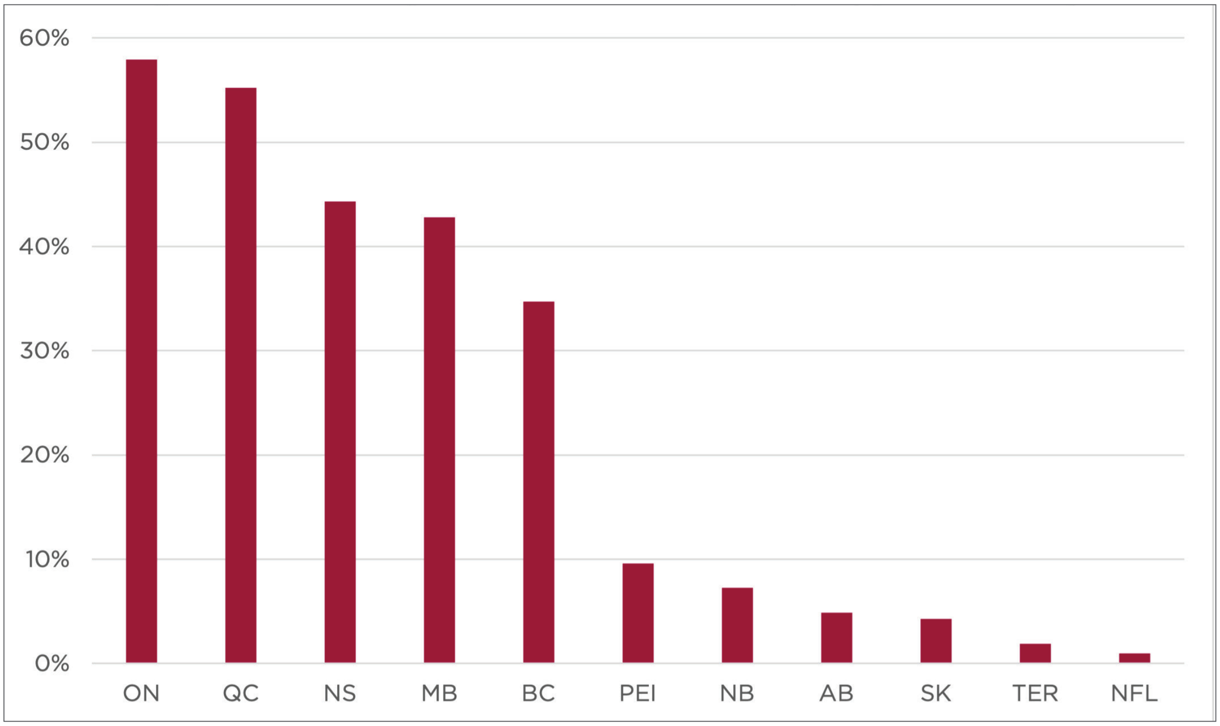
Note: TER stands for the three territories.

Source: Authors' calculations based on StatsCan, Trade Data Online.

Next, we present what turns out to be an almost inverse picture of each province's trade dependence on the U.S. — the current and estimated potential impact from pending Section 232 tariff investigations on each province's exports to the United States.

In both graphs, we use a five-year average of U.S. exports. to avoid one-off trade anomalies distorting the picture.

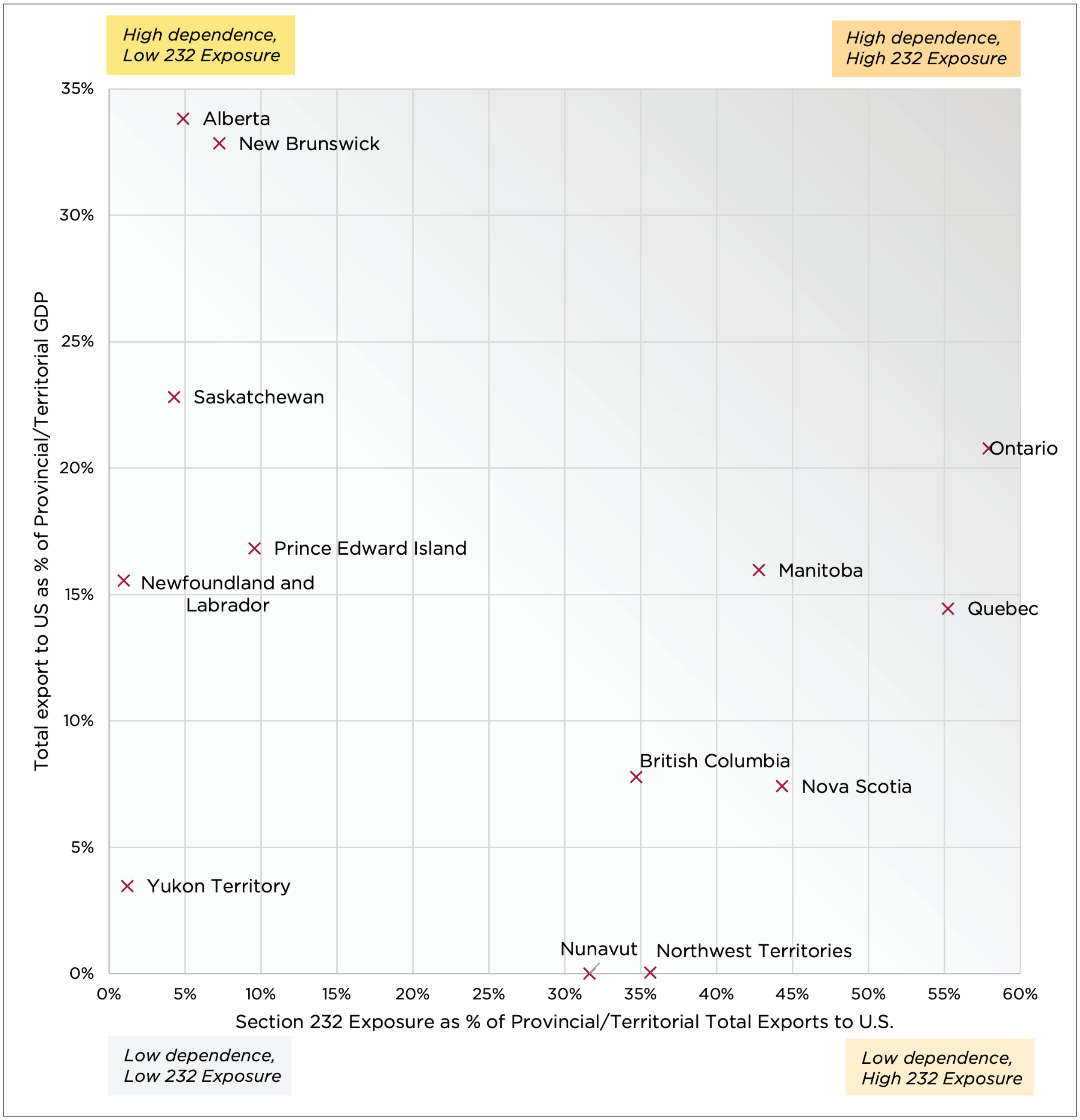
Figure 2: Provincial 232 Exports as % of Province's Total U.S. Exports (5yr AVG 2020-2024)



Note: TER stands for the three territories.

Source: Authors' calculations based on StatsCan, Trade Data Online of Section 232 tariffs; see Methodology notes.

Figure 3: Trade Dependence and Section 232 Exposure: A Risk Gradient Across Provinces



Note: Background shading is illustrative only and indicates increasing combined exposure toward the upper right (greater combined exposure).

Source: Authors' calculations based on StatsCan, Trade Data Online of Section 232 tariffs; see Methodology notes.

GEOGRAPHIC CONCENTRATION OF U.S. EXPOSURE.

Using five-year averages, Figure 1 illustrates U.S. export reliance for each province (exports to the U.S. as a share of provincial GDP). Figure 2 presents each province's Section 232 exposure (Section 232 exports as a share of the province's total exports to the U.S.).

Figure 2 shows that among Canada's 10 provinces and three territories, Ontario has the highest exposure to Section 232 tariffs: 58 per cent of its exports to the U.S. fall under Section 232, followed by Quebec (55 per cent), Nova Scotia (44 per cent), Manitoba (43 per cent) and British Columbia (35 per cent). Collectively, these five provinces account for 95.4 per cent of Canada's exports of Section 232-covered products, indicating that exposure is concentrated in Central Canada (Ontario and Quebec), with notable exposure in Atlantic Canada (Nova Scotia) and the Prairies and West (Manitoba and British Columbia). In aggregate, Section 232-covered exports from these five provinces represent 35.4 per cent of Canada's total exports to the U.S.

Figure 1 contextualizes these findings by showing the extent to which reliant provinces rely on the U.S. market. Read together, Figures 1 and 2 highlight two key points. First, Ontario stands out as a core vulnerability: it has the highest Section 232 exposure and ranks as the fourth most U.S.-export-reliant province by GDP share. Second, while provinces such as Alberta and New Brunswick currently have relatively low Section 232 exposure, they are the most U.S.-export-reliant provinces (as demonstrated in Figure 1), suggesting that any expansion of Section 232 coverage into sectors central to their export base (e.g., petroleum oils and gases, ethylene polymers, beef and canola for Alberta) could carry outsized economic implications.

COMBINED PROVINCIAL EXPOSURE INTENSITY

Figure 3 combines the two measures from Figures 1 and 2 and synthesizes the two dimensions by plotting U.S.-export dependence against Section 232 exposure into a single scatterplot. The figure is interpreted as a continuum: moving upward reflects higher reliance on the U.S. market, while moving right reflects a larger share of exports exposed to Section 232. Ontario sits furthest toward the upper right, indicating the highest combined exposure (five-year average export of $126 billion in Section 232 products and total export of $218 billion to the U.S.).

By contrast, Alberta and New Brunswick are high on U.S.-export reliance ($140 billion and $14 billion, respectively) but far left on Section 232 exposure ($6 billion and $1 billion, respectively), suggesting their vulnerability would rise primarily if Section 232 coverage expands into sectors central to their export base.

Figure 3 also highlights distinct provincial profiles beyond Ontario and Alberta. Saskatchewan sits relatively high on U.S.-export dependence but far left on Section 232 exposure, suggesting a U.S.-dependent but currently insulated risk posture that could change if Section 232 coverage expands into sectors central to its export base. Quebec lies far to the right but lower on the dependence axis, indicating that its vulnerability is driven more by the composition of its U.S.-bound exports than by overall reliance on the U.S. market. Manitoba occupies a somewhat intermediate position with both meaningful U.S.-export dependence and elevated Section 232 exposure, implying steady exposure even absent further product expansion.

PRODUCT-SPECIFIC EXPOSURE UNDER TRUMP'S SECTION 232 INVESTIGATION

Figure 4: Exports of Goods under 232 Investigation, Provincial Export to U.S., 5-year average in CAD$ billions

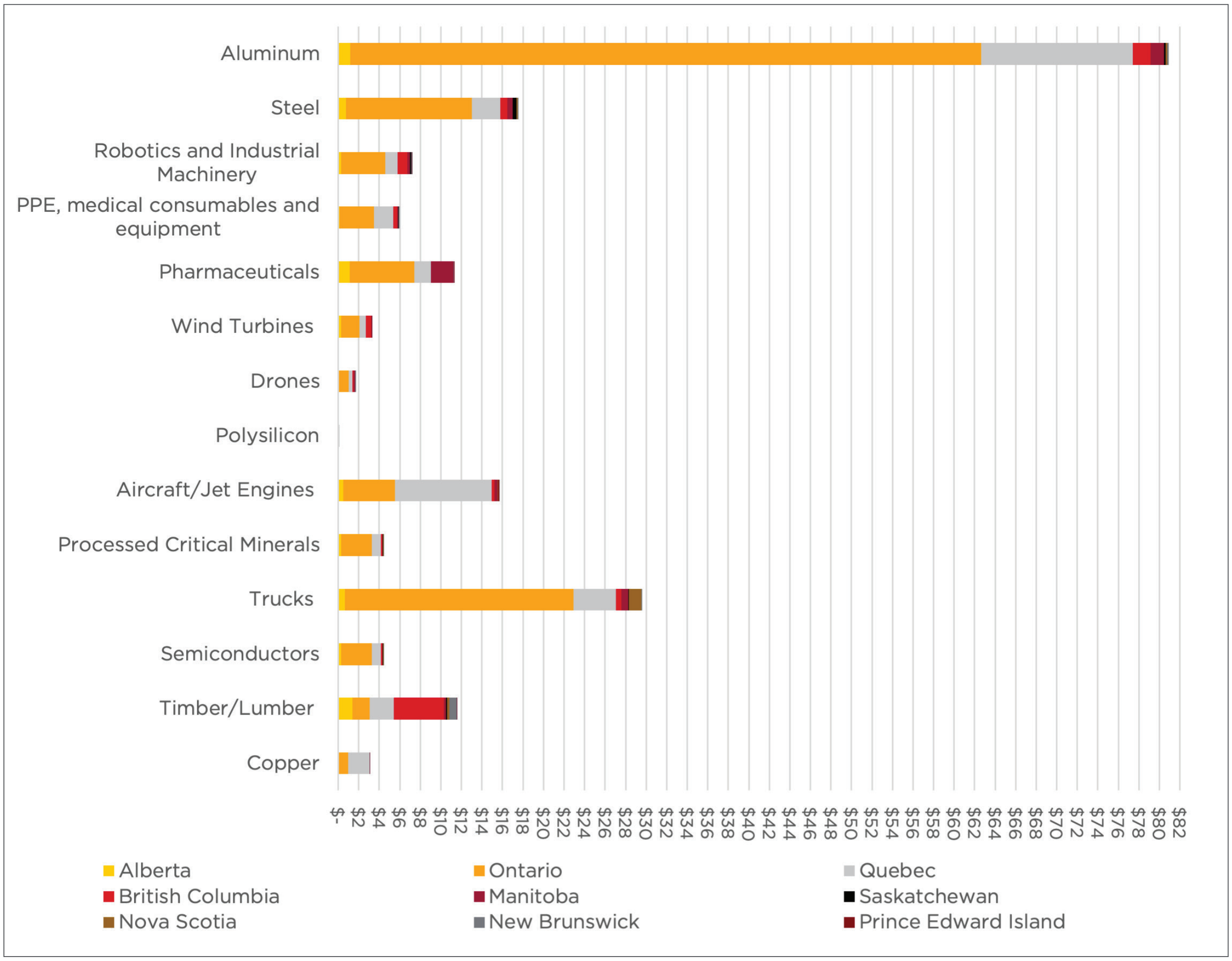


Figure 5: Specific Goods Export Examples Under Section 232 Investigation (of interest to Alberta), Provincial Exports to U.S., Five-Year Average

Figure 5A: Figure 5A: Section 232 Timber/Lumber Provincial Export to U.S., 5-year average in millions

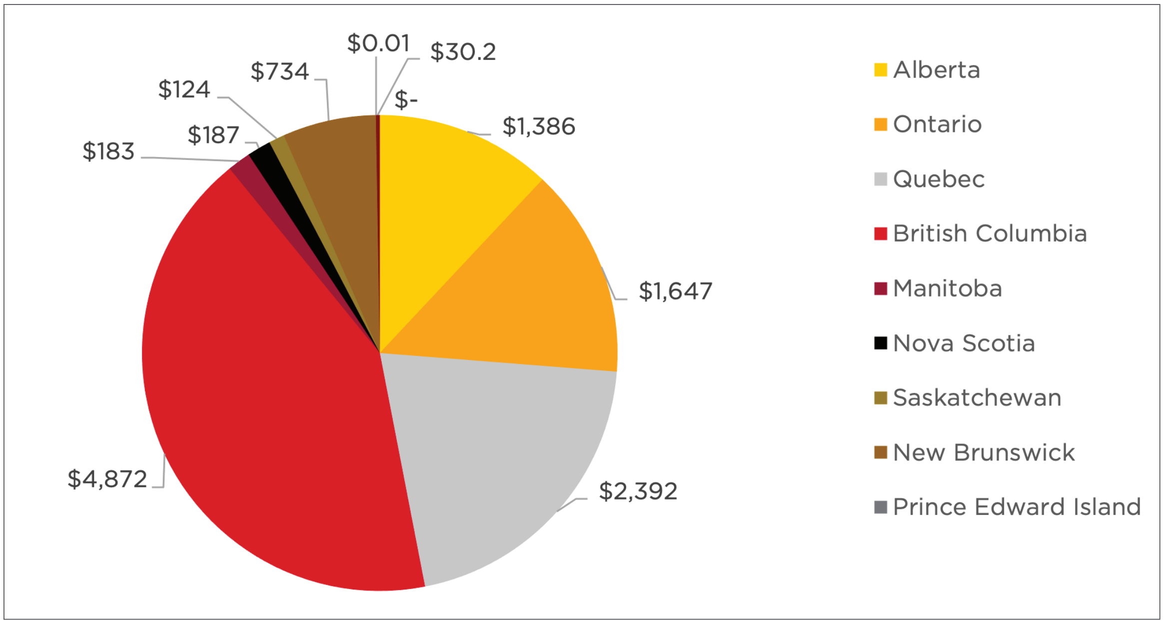


Figure 5B: Section 232 Aluminum Provincial Export to U.S., 5-year average in millions

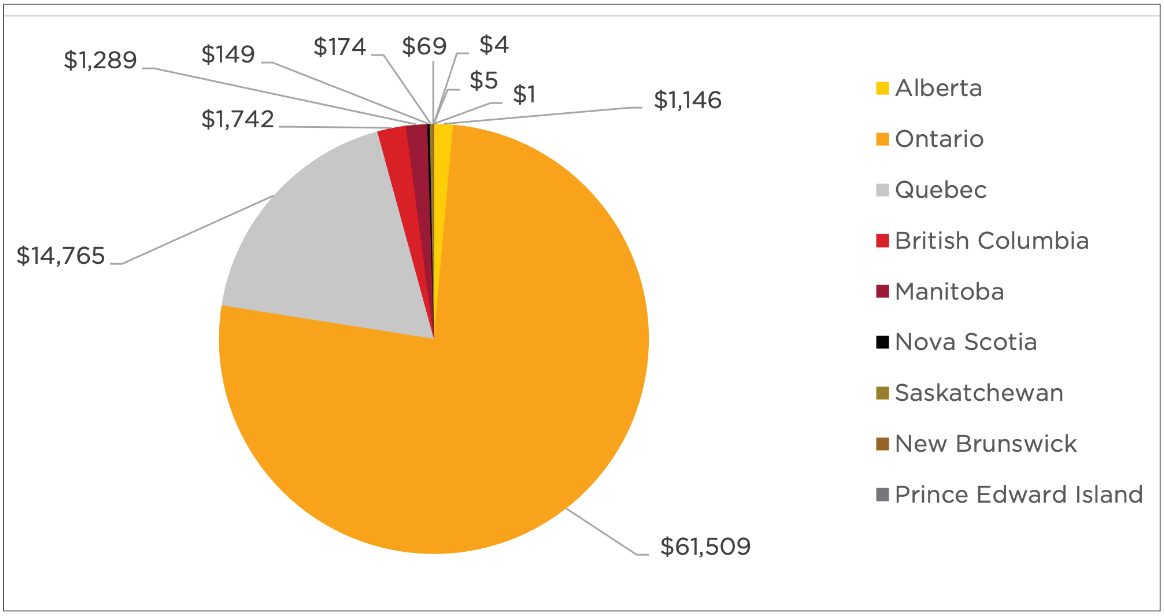


Figure 5C: Section 232 Pharmaceutical Provincial Export to U.S., 5-year average in millions

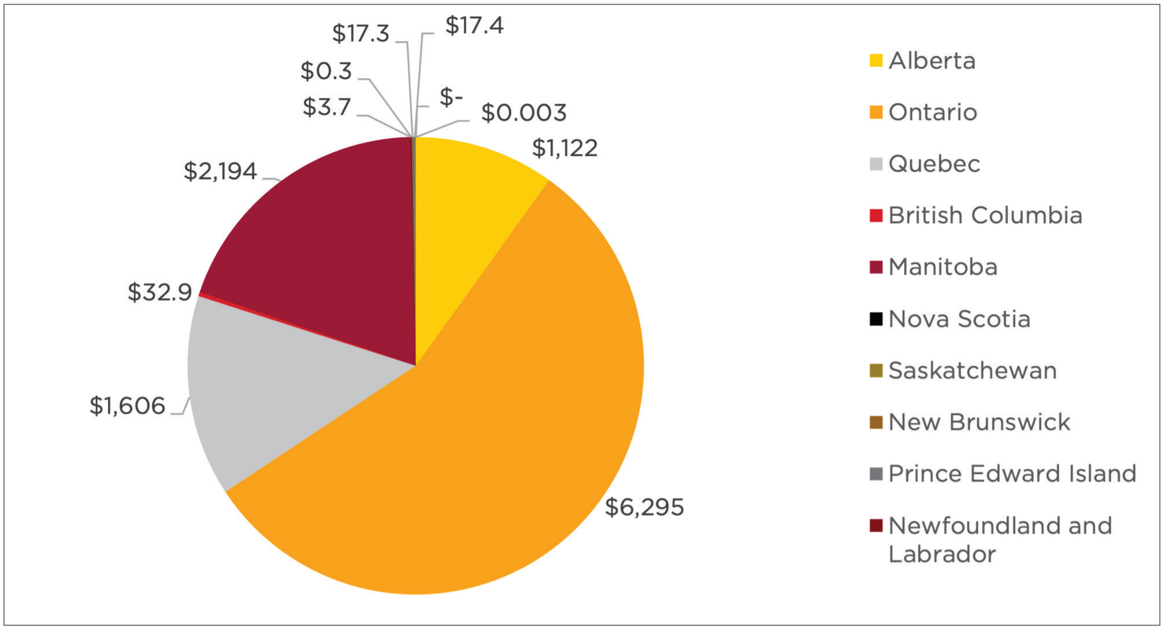
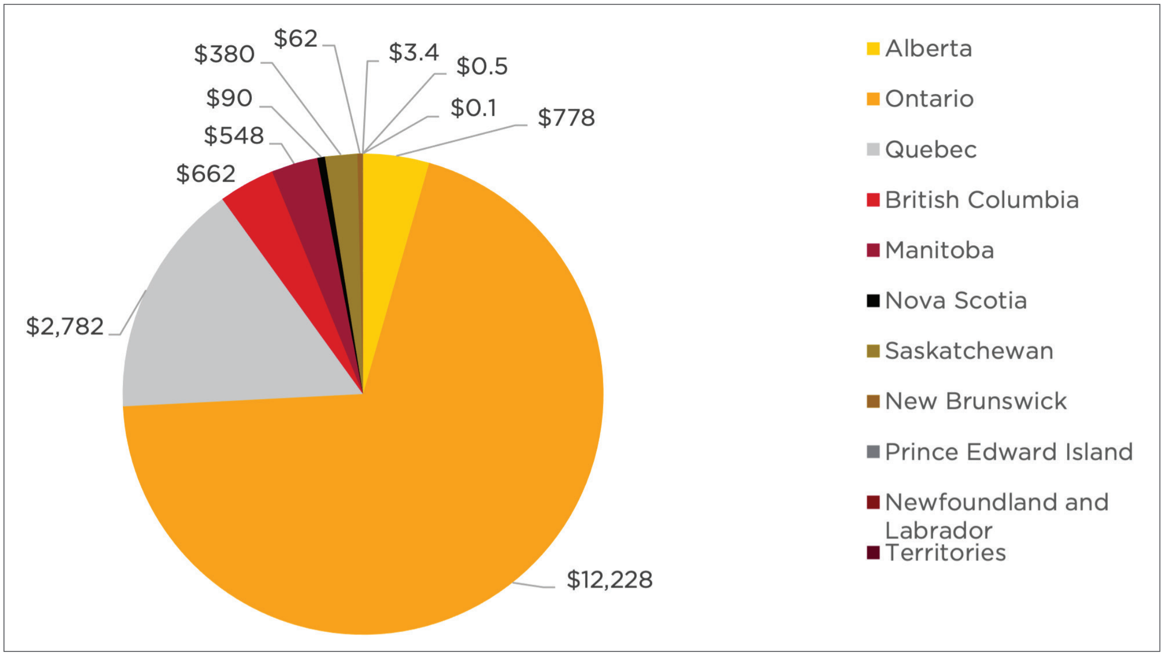


Figure 5D: Section 232 Steel Provincial Export to U.S., 5-year average in millions



PRODUCT CONCENTRATION RISKS AND VULNERABILITIES

Figure 4 illustrates Canada's Section 232 exposure by product category and shows how each category's exports to the U.S. are distributed across provinces and territories (five-year average, C$ billions). It highlights two related features of risk: scale (which products dominate Canada's overall exposure) and concentration (whether exports in a given category are dominated by one or more jurisdictions).

Of all the Section 232 products, aluminum is the largest among those exported to the U.S., followed by medium- and heavy-duty trucks and parts, and steel and its derivatives. Figure 4 demonstrates that across several high-value categories, exports are heavily concentrated in a few provinces, with Ontario dominating and Quebec often serving as the second-largest contributor. By contrast, aircraft and jet engines (ranked as the fourth major Section 232 category in Figure 4) are comparatively most concentrated in Quebec. Overall, Figure 3 shows that the largest categories are not only large in value but also concentrated geographically, amplifying the potential impact of targeted tariff actions.

Figure 5A-D provides a clearer view of concentration by breaking out four illustrative product categories into provincial pie charts. Specifically, these four products exhibit a range of impacts across provinces and sectors — for example, between manufacturing and natural resources. For timber/lumber (Figure 5A), exports are comparatively more distributed across multiple provinces, with British Columbia the largest export contributor and sizable shares also from Quebec, Ontario, Alberta and New Brunswick — suggesting a broader, multi-province footprint for forestry-related exposure.

For aluminum, steel and pharmaceuticals (Figure 5B-5D), exposure is highly concentrated in Ontario, Quebec and Manitoba (for pharmaceuticals), implying concentrated hubs and supply chains, and that related actions of these two products would be felt most acutely. The product-specific pie charts are emblematic of the types of data and analyses needed to develop relevant Section 232 mitigation strategies for federal, provincial and municipal governments.

Taken together, Figures 4 and 5 demonstrate that Section 232 risks are not only large in aggregate, but also highly concentrated in a few sectors and provinces, leaving some jurisdictions disproportionately exposed to category-specific tariff actions. Overall, the pattern implies potential pressure points in key supply chains, including aerospace (Quebec), pharmaceuticals (Ontario and Manitoba), automotive/trucks (Ontario) and forestry (British Columbia and New Brunswick).

PENDING INVESTIGATIONS AMPLIFY RISK

Current investigations into pharmaceuticals, medium- and heavy-duty trucks, critical minerals, semiconductors and aircraft components threaten to significantly increase provincial exposure, particularly in Manitoba, Ontario, Quebec and Alberta.

Figure 6: Section 232 Product Exposure as $ of Provincial GDP (Intensity of Economic Impact by Product Category)

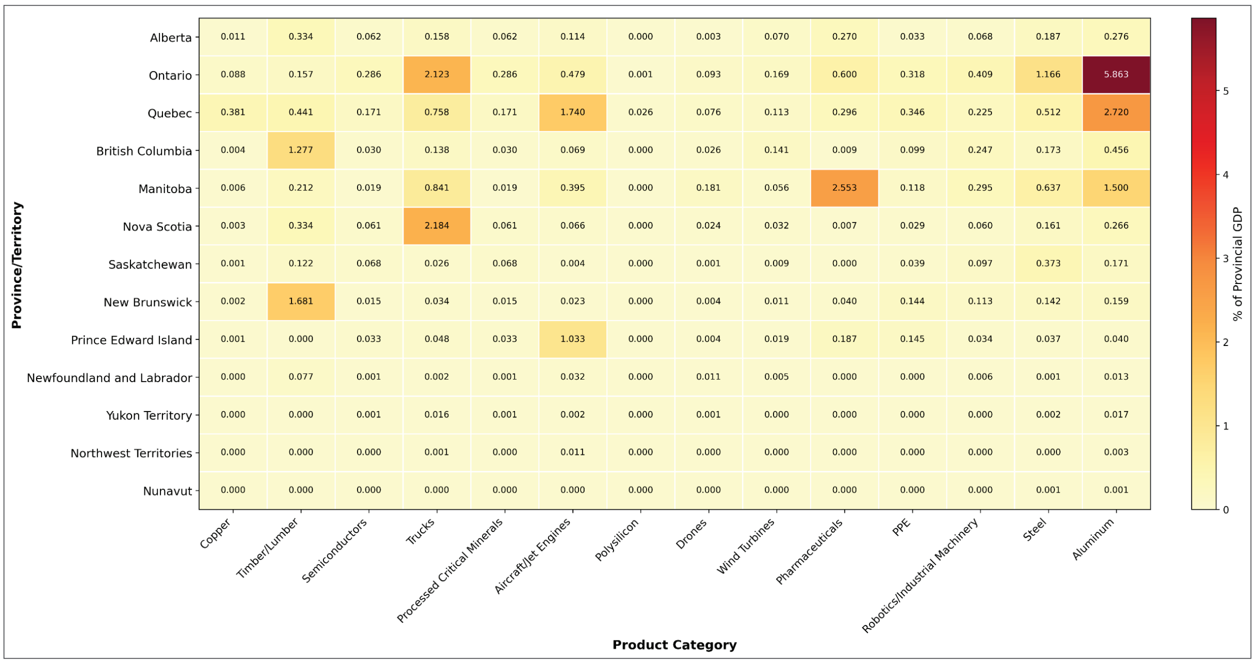


Figure 7: Provincial Export of Section 232 Products as a Percentage of Total Provincial Exports to the U.S.

232 export as % of total export to U.S.	AB	ON	QC	BC	MB	NS	SK	NB	PEI	NFL	TER
Copper	0.03%	0.42%	2.64%	0.05%	0.04%	0.04%	0.00%	0.00%	0.01%	0.00%	0.00%
Timber/Lumber	0.99%	0.76%	3.05%	16.42%	1.33%	4.51%	0.53%	5.12%	0.00%	0.50%	0.00%
Semiconductors	0.18%	1.37%	1.19%	0.39%	0.12%	0.82%	0.30%	0.04%	0.19%	0.01%	0.05%
Trucks	0.47%	10.21%	5.25%	1.77%	5.26%	29.46%	0.11%	0.10%	0.29%	0.01%	0.48%
Processed Critical Minerals	0.18%	1.37%	1.19%	0.39%	0.12%	0.82%	0.30%	0.04%	0.19%	0.01%	0.05%
Aircraft/ Jet Engines	0.34%	2.30%	12.05%	0.89%	2.47%	0.89%	0.02%	0.07%	6.14%	0.21%	0.48%
Polysilicon	0.00%	0.01%	0.18%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Drones	0.01%	0.45%	0.52%	0.33%	1.13%	0.32%	0.00%	0.01%	0.02%	0.07%	0.05%
Wind Turbines	0.21%	0.81%	0.78%	1.81%	0.35%	0.43%	0.04%	0.03%	0.11%	0.03%	0.00%
Pharmaceuticals	0.80%	2.89%	2.05%	0.11%	15.99%	0.09%	0.00%	0.12%	1.11%	0.00%	0.00%
PPE, Medical Consumables and Equipment	0.10%	1.53%	2.39%	1.27%	0.74%	0.39%	0.17%	0.44%	0.86%	0.00%	0.02%
Robotics and Industrial Machinery	0.20%	1.97%	1.56%	3.18%	1.85%	0.80%	0.42%	0.34%	0.20%	0.04%	0.01%
Steel	0.55%	5.61%	3.55%	2.23%	3.99%	2.17%	1.64%	0.43%	0.22%	0.01%	0.09%
Aluminum	0.82%	28.20%	18.83%	5.87%	9.39%	3.59%	0.75%	0.48%	0.24%	0.08%	0.64%

Figures 6 and 7 present two views of further analysis on Section 232 impacts. Figure 7 shows impact as a percentage of exports to the U.S. and Figure 6 shows impact as a percentage of provincial gross domestic product (GDP). Both are useful for understanding and ranking impacts and for prioritizing sectors for intervention or proactive mitigation measures. Both figures enable rapid quantification of impact by translating the percentage change into a whole number. Because the importance of U.S. trade varies by province, Figure 6 presents a more useful metric — the percentage of GDP — to compare impacts across provinces.

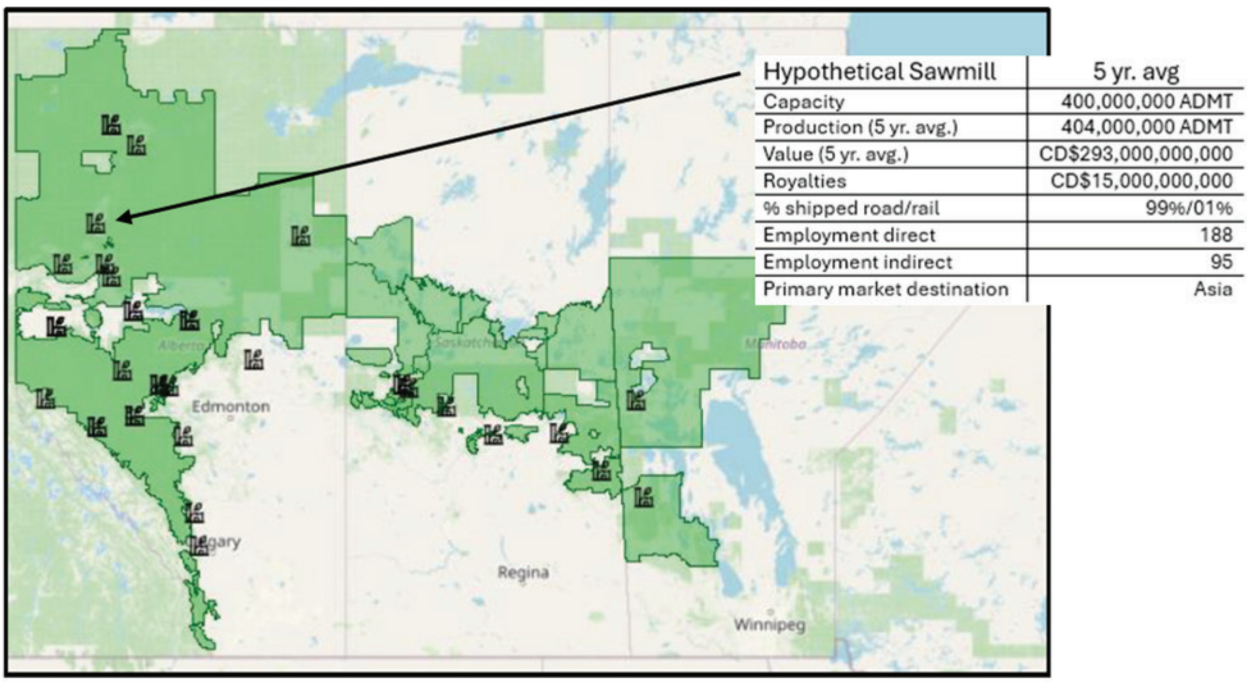
Figure 8 provides a more granular level of analysis and potential new tool for policy analysis that is tied to data and GIS mapping, which some provinces already have, that ties sources of goods production to transportation infrastructure.

In the aggregate, an impact of 0.3 per cent of provincial GDP, as is the impact of Section 232 tariffs in Alberta, may appear small, even if 0.3 per cent of provincial GDP is over $1 billion. However, what is insignificant at the national or even provincial level is not insignificant at the local level. The loss of close to 300 jobs in a hypothetical community of, for example, 4,000 individuals in a municipality of 12,000 is significant.

In seeking to understand the full range of local and regional impacts to the tariffs, GIS mapping of impacts tied to other key variables, such as transportation infrastructure, related industries and population, can provide a more comprehensive and more easily digestible understanding of broader impacts and potential mitigation measures. Access to different transportation networks will affect the ability and type of diversification options. Proximity or distance between communities likely to be impacted by the tariffs can also be a powerful tool to prioritize or leverage investments in mitigation measures. Mapping allows for an intuitive and rapid grasping of linkages and relationships that plain data do not. Figure 8 is an example of what such a mapping exercise could produce.

Working through Section 232 tariff impacts from the aggregate to the municipal level is the key to a full policy response. As opposed to IEEPA tariffs, with Section 232 tariffs, there is time — four to eight months — to make these calculations, identify communities and develop proactive mitigation strategies.

Figure 8: Local Impact, Forestry Production Facilities



Hypothetical Sawmill	5 yr. avg
Capacity	400,000,000 ADMT
Production (5 yr. avg.)	404,000,000 ADMT
Value (5 yr. avg.)	CD$293,000,000,000
Royalties	CD$15,000,000,000
% shipped road/rail	99%/01%
Employment direct	188
Employment indirect	95
Primary market destination	Asia

Source: Authors' calculations.

POLICY IMPLICATIONS

Given the Trump administration's ongoing increase in its use of Section 232 tariffs and the likely escalation of what has been a steady increase, the Supreme Court's verdict ending IEEPA tariffs means Canadian governments and businesses need to prepare contingency plans. There are two key considerations when formulating policy responses to Section 232 tariffs.

The first consideration is time. Unlike IEEPA tariffs, Section 232 tariffs require an investigation that, based on experience, may take 144 to 270 days (four to 11 months) (Kitamura 2025). This provides a long window between the announcement of an investigation and the implementation of new Section 232 tariffs.

The second consideration is the narrower scope. Under the legislation, Section 232 tariffs apply to a specific product.[24] However, the application-specific product has been broadened to encompass a range of related products originating from or associated with the specific product, e.g., aluminum

[24] H.R.11970, 87th Congress (1961–1962), Statute at Large 76, Stat. 872, Public Law No. 87-794 (10/11/1962). https://www.congress.gov/bill/87th-congress/house-bill/11970/text/pl?overview=closed.

tubing or truck parts. Although broader than the specific product named in the legislation, the range of products remains limited. In practice, the range of products covered in Section 232 tariffs is narrow enough for anticipatory analysis of potential tariff line items to be covered in an investigation and subsequent tariffs.

A third consideration is the effect of these tariffs on the CUSMA negotiation strategy, given that the tariffs currently affect 37 per cent of Canadian exports to the U.S. and the list of products is poised to grow.

TAKING ADVANTAGE OF THE TIME LAG

1. Information: Step one is to ensure that basic knowledge of Section 232 tariffs is continuously shared and understood in all segments of the Canadian export community. Smaller exporters, those distant from sources of information, and firms lacking resources to engage professional advisory services, as well as chambers of commerce, trade associations and economic development agencies, are the likely priorities. This requires simple, clear and direct communication detached from other communications — not a note at the bottom of the page of a longer communiqué or newsletter from the government. It should be succinct and emphasize that these tariffs, unlike IEEPA tariffs, are amenable to proactive mitigation measures, explain why it's the case and note that assistance to implement mitigation measures is available. Proactive push notifications of follow-up updates and alerts when new Section 232 investigations are initiated will also be required.

2. Assistance: The Government of Canada's tariff response measures, announced by Prime Minister Mark Carney on Sept. 5, 2025, neither contemplate nor address any of the measures listed below (Prime Minister of Canada 2025; Government of Canada 2026):

- Proactive assistance and the mechanisms to identify, refine, communicate and implement Section 232 tariff mitigation strategies need to be developed either by creating new mechanisms or co-ordinating existing mechanisms and personnel. Because so much of Canada's response to U.S. tariffs has been reactive, a proactive mindset must be built into any organization or initiative and the personnel who staff it;

- Governments will need to identify businesses that will be subject to Section 232 tariffs to target communication to the businesses and appropriate local, provincial and national associations and similar organizations, as well as local economic development agencies, government support services and relevant governments. Provincial and local governments should already have much of this information. If so, the task is to organize and prepare to link this information to new Section 232 communication and assistance mechanisms. If the information does not exist, the immediate task is to gather and organize it;

- Sophisticated supply and production chain information will be needed to address widespread, less obvious upstream and downstream impacts; and

- Governments can replicate the methodology and research done for this study to build business-friendly user interfaces with government analytical tools — including artificial intelligence (AI) tools for trade compliance (which should be a high-priority use case for the Government of Canada's AI adoption program). They need to be up and running to allow businesses and support agencies to identify likely U.S. HTS codes (tariff line items) and translate those codes into Canadian Harmonized System (HS) codes, so as to identify businesses that may be affected. This research should include derivative products and their impact on supply and production chains. These systems need to be built now to retroactively deal with current Section 232 tariffs and to prepare to act proactively for future Section 232 tariffs.

3. Funding: Proactive mitigation measures may require new funding or an adjustment to the language for current tariff impact mitigation programs to allow funds to be used proactively instead of purely reactively — helping businesses that may be hurt, not just those that have been hurt. The Federal Regional Development Agency for Northern Ontario has developed a more targeted tariff response fund, which improves targeting of tariff impacts relative to the broader federal program. However, this program is entirely reactionary (Government of Canada 2025).

4. Offence: Canadian preparation should also contemplate how to turn defence into offence. Section 232 tariffs can create new competitive opportunities in the U.S. for Canadian firms producing derivative products, enabling them to adjust their supply chains to substitute U.S.-sourced Section 232 products for Canadian or third-party alternatives as inputs for exports to the U.S. Note that this would simply facilitate the market response to tariff barriers. The market intelligence function to identify these opportunities in the U.S. market could be situated within the Canadian Trade Commissioner Service. However, to ensure that this does not damage Canadian upstream suppliers, there needs to be a parallel industrial policy response to facilitate adjustment in the upstream markets. The consultative mechanisms are not new — they are routinely used when Canada considers retaliation (for example); the proactive element to prepare for U.S. tariffs is new.

THE BIGGER PICTURE

5. Section 232 tariffs currently impact potentially 37 per cent of Canadian exports to the U.S. and that number is poised to climb. As the CUSMA review begins, Canada needs to prioritize securing a meaningful, effective exemption from future Section 232 tariffs. The side letter to the current CUSMA agreement, meant to constrain the use of Section 232 tariffs, has proved to be of no value. There is no evidence the Americans have respected the terms of the side agreement, and abundant evidence to the contrary (Moss 2025). Without meaningful protection from Section 232 tariffs, the value of any future agreement rests on the president's whim, not on what is signed. For example, Canada and Mexico negotiated a solution to the steel and aluminum tariffs imposed under the first Trump administration.

As far as can be told, none of the conditions of that agreement were honoured when the steel and aluminum tariffs were reimposed (Moss 2025). The May 2019 agreement to halt steel and aluminum tariffs provided a false sense of security to Canadian firms that produce aluminum, as well as those firms in their supply and production chains and end users of their products.

Accordingly, negotiating a legal, assured, iron-clad exemption to Section 232 tariffs should be a red line for Canada — echoing Canada's insistence on obtaining some discipline on the use of trade remedies for bilateral trade in the original Canada-U.S. Free Trade Agreement negotiations in 1988.

In the past, Congress did reassert its constitutional authority over the tariff by circumscribing the administration's use of powers delegated by Congress; for example, following former president Richard Nixon's use of emergency powers to impose tariffs in 1971 through the Nixon measures. Canadian negotiators would do well to start making the case now. This means that obtaining Section 232 tariff relief may be difficult, but it is not impossible. Whether to sign a new agreement with the U.S. if it does not include Section 232 tariff exemptions is a calculated risk that, given current experience, does not appear well-founded. Canada would once again be negotiating an agreement that's not worth the paper on which it is written, an agreement that provides an illusion of certainty that would, following the example of the May 2019 agreement on steel and aluminum tariffs, undercut current diversification policies.

Of the 19 agreements and frameworks the second Trump administration has negotiated, only six have provisions dealing with Section 232 tariffs. Of what has been negotiated in Trump's first year back in office, none of the Section 232 provisions come close to matching what Canada obtained in its side letter to the current CUSMA agreement. Worse, the new agreements force signatories to align with U.S. national security interests as defined in Section 232 executive orders as part of the agreements. Rather than offering defence or protection from Section 232 measures, the new agreements compel alignment with U.S.-defined security interests.

Table 4: Section 232 Provisions in Trade Agreements and Frameworks Negotiated by the Second Trump Administration

Agreement or framework	Section 232 provision
United Kingdom	✓
Indonesia	✗
Japan	✓
European Union	✓
Vietnam	✗
Cambodia	✗
Malaysia	✗
Thailand	✗
South Korea	✓
Argentina	✗
Ecuador	✗
El Salvador	✗
Guatemala	✗
Switzerland	✗
Liechtenstein	✗
Taiwan	✓
India	✓
Bangladesh	✗
North Macedonia	✗

Source: Manak (2026)

Table 5: Section 232 Provisions, CUSMA vs. Agreements and Frameworks Negotiated by the Second Trump Administration

CUSMA	Second Trump administration agreements
Full elimination of tariffs	Tariffs continue w/ partial elimination
Bilateral surge-protection measures	No surge protection
Mutual concessions	Unilateral concessions to U.S.
Protection from congressional approval through ratification	No protection; executive order only

Source: Author analysis of agreements.

The bottom line for Canada is that the combination of the rise in the number of Section 232 actions by the Trump administration; the lack of effectiveness of mitigation measures incorporated into the CUSMA agreement; the lack of any recent agreements or frameworks negotiated by the administration to improve upon what was gained and failed under CUSMA; coupled with the new knowledge of the damage of Section 232 tariffs, all combine to present new challenges and considerations for Canadian trade negotiators.

The calculus that applied to negotiating the CUSMA agreement no longer stands in light of new evidence. That recalculation should be a task for Canadian negotiators. What to do about the rise in Section 232 tariffs is a matter for federal and provincial action. Here, the provinces may have the ability, local knowledge and tools to develop and implement mitigation measures that reflect the different provincial realities.

APPENDIX A: DATA SOURCES AND METHODOLOGY

This analysis is based on a five-year average (2020–2024) of Canadian export data from Statistics Canada, cross-referenced against current Section 232 tariffs and pending investigations announced by the U.S. Department of Commerce's Bureau of Industry and Security as of December 2025.

Notably, unlike previous administrations, the Trump administration is expanding rather than contracting the range of products subject to tariffs following its initial tariff declaration. In the past, domestic industries affected by increased input costs subject to Section 232 tariffs lobbied for exemptions, which would open a trickle of tariff-free imports that would expand. The Trump administration has taken a different approach, responding more slowly to exemption requests while actively encouraging companies to request additions to its initial tariff lists. In other words, these estimates of the potential Section 232 tariff threat likely underestimate the potential damage. In addition, the complicated issue of the impact of Section 232 tariffs on goods that incorporate Section 232 tariffed items — think of beer in aluminum cans — needs to be considered.

Product categories analyzed include steel, aluminum, copper, timber/lumber, semiconductors, trucks (medium/heavy), processed critical minerals, aircraft/jet engines, polysilicon, drones (UAS), wind turbines, pharmaceuticals and PPE/medical consumables and equipment.

For each product category under examination, specific U.S. Harmonized System (HS) codes were extracted and scraped from official proclamations published by the president and converted to Canadian HS code equivalents. The Harmonized Commodity Description and Coding System (commonly referred to as the Harmonized System or HS) is a widely used nomenclature classification system and method for the import and export of goods developed by the World Customs Organization (WCO). More than 200 countries and economies use the standardized numerical method as a basis for their customs tariffs and for the collection of international trade statistics. More than 98 per cent of merchandise in international trade is classified under the HS (World Customs Organization n.d.). This study uses and examines Level 4 to 6 HS codes based on the official product proclamations issued by the president.

Note that for products such as steel, aluminum and timber/lumber, derivative products that contain these products (e.g., beer cans or electric fans that use certain steel or aluminum components) are included in this study in accordance with the official proclamations. Derivative products that are not listed in the official proclamations are not included in the analysis. For products that do not yet have official proclamations, such as semiconductors, drones, processed critical minerals and wind turbines, all relevant Canadian HS code products which Canada produces and exports to the U.S. that fall under each category were included and examined.

Calculations include provincial overall export exposure to the U.S. and provincial export exposure to the Section 232 products at the provincial aggregate level as well as at product-specific level. Provincial overall export exposure to the U.S. is calculated as a five-year average, 2020–2024, of provincial exports to the U.S. as a percentage of the province's GDP. Provincial export exposure to the Section 232 products is calculated as a five-year average, 2020–2024: 1) of absolute export value subject to Section 232 tariffs; 2) of provincial export of Section 232 products to the U.S. as a percentage of a province's total export to the U.S.; and 3) of provincial export of Section 232 products to the U.S. as a percentage of a province's GDP.

APPENDIX B: SECTION 232 RESPONSE TIMELINE

Timeline	U.S. Government Action	Canadian Policy Response
Day 0	**Investigation Announcement** President directs Commerce Secretary to investigate whether imports of specific product threaten national security.	**Map provincial industries** Develop Section 232 alert system & protocols **Immediate Response:** • Activate Section 232 protocols • Collect information to identify potentially impacted businesses and communities • Alert communities and businesses
Day 1-30	**Commerce Department Investigation Begins** Commerce holds public hearigs; businesses can request exclusions or provide input on national security determination	**Impact Assessment:** • Deploy AI tools to identify affected HTS codes • Conduct provincial-level exposure analysis • Calculate community-level job impacts • Prepare industry-specific impact reports
Day 30-90	**Public Hearings and Stakeholder Input** Commerce holds public hearings; businesses can request exclusions or provide input on nationa security determination	**Develop and Launch U.S. Campaign:** • Identify allies (Federal, State, County, Municipal) in the US • Assist U.S. companies to testify
Day 90-144	**Commerce Report Preparation** Commerce department prepares detailed report with findings and recommendations to President	**Proactive Assistance:** • Distribute one-page briefs based on analysis to SMEs and chambers • Launch targeted communications and consultations with affected sectors • Identify diversification opportunities in Canada • Begin mapping supply chains and derivative impacts
Day 144-270	**Commerce Submits Report to President** Secretary delivers confidential report to President with national security determination and recommended actions	**Advanced Planning:** • Finalize sector-specific mitigation strategies • Pre-position funding mechanisms • Identify offensive opportunities and prepare U.S. market counterplans • Ready workforce transition programs
Within 90 days of report	**Presidential Decision** If President concurs with findings and issues proclamation specifying tariff rates, effective dates, covered products (by HTS code)	**Initiate Response:** • Prepare pre-approved funding for affected businesses • Deploy Trade Commissioner Service to activate U.S. counter strategy • Implement supply chain adjustments • Position resources in high-impact communities • Activate alternative market strategies • Launch competitive advantage initiatives
Within 15 days of decision	**Presidential Proclamation**	**Adapt Response:** • Confirm predicted HTS codes with actual and adjust as needed • Launch adjusted assistance programs
	Tariffs Take Effect • Tariffs apply to goods entered for consumption. • Rates typically 25-50% on specified HTS codes. • No exclusion process under curret policy.	**Ongoing Management:** • Monitor business impacts vs. projections • Adjust support programs as needed • Document outcomes for CUSMA negotiations • Continue defensive and opportunity development

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