excess capacity that Washington deems harmful and ongoing Section 232 national security investigations. If Canada manages to negotiate outcomes that provide greater certainty about future tariffs, they will seek similar results.

In addition, Canada's response to the US demands may also broaden debate within Asian governments about their own options. It is too late for Asian countries to coordinate a joint response to the United States or to impose tit-for-tat tariffs — steps none of them have seriously considered. Still, Canada's resolve may lead them to conclude that they have more time to negotiate and more room to maneuver, especially ahead of the US midterm elections. They also may try to use growing US public opposition to Trump's trade policies to press the administration to recalibrate its goals or to restrain future tariff actions.

Like Canada, Asian governments are seeking to reduce their reliance on the US market and diversify their trade partnerships. They will continue to value US market access, America's balancing role in the region, security ties, and cooperation on technology and other issues. But they also understand the limits of an increasingly transactional relationship and the reality that the United States has become a less dependable partner than they long assumed. In response, Asian countries will continue strengthening their trade networks, including the Comprehensive and Progressive Trans-Pacific Partnership and the Regional Comprehensive Economic Partnership, and building supply chains and setting trade rules that offer more predictability and greater economic benefit.

Also, like Canada, Asian countries have an interest in working with the United States on shared concerns, including those related to Chinese overcapacity, which has created economic stress across the region. But Washington's aggressive posture and implicit pressure to choose between the United States and China have made such cooperation more difficult. Asian governments will continue to work with the United States on select issues, but many opportunities for progress are likely to be delayed or lost as they wait and see whether the United States rethinks its approach to its partnerships. Even if the US-Canada trade war ends, distrust of the United States will endure — and will extend well beyond North America.

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Canada's retaliatory tariffs put Trump's trade strategy to test

By Roland Paris

Former senior advisor to the prime minister of Canada

OPINION

As Canada's new retaliatory tariffs against the United States came into effect on September 8, the Canada–US trade dispute entered a new phase — one that will be closely watched around the world. Apart from China, Canada is the only country that has imposed retaliatory tariffs on the US. The key question now is whether this strategy can succeed.

The most recent escalation between the two neighbours began in August, when Canada's Prime Minister Mark Carney walked away from trade talks with the Trump administration after describing the US offer as 'unfair' and 'uneconomic' and saying that US negotiators had sought to limit Canada's ability to negotiate trade arrangements with third countries.

The Trump administration then imposed additional tariffs of up to 50 per cent on certain Canadian imports under Section 338 of the Tariff Act of 1930 — an obscure, Great Depression-era provision giving the president broad powers against countries deemed to discriminate against US commerce.

On September 8, Canada imposed 'dollar-for-dollar' counter-tariffs on a roughly equivalent amount of US goods. In response, Trump announced that the US would use Section 338 to ban imports of Canadian alcohol, motorcycles and some dairy products starting on September 29.

Trump has piled on the pressure in recent weeks. He has called on Canadian leaders to 'fall in line', ordered that Lake Ontario — which straddles the Canada–US border — be renamed 'Lake America,' and posted a map depicting the US as encompassing Canada (as well as Mexico, Greenland and Iceland).

Trump and members of his administration appear convinced that Canada will eventually fold under US economic pressure. The imbalance in the relationship might seem to support that calculation. Bilateral trade exceeded $870 billion in goods and services in 2025. But Canada is far more dependent on the US than vice versa: about two-thirds of Canadian goods exports go to the US, while Canada accounts for only about 15 per cent of US goods exports. The US economy is also roughly 13 times larger than Canada's.

However, trade wars test not only economic strength but also political resolve — and here, Canada may have an advantage. Trump's trade policies and repeated calls for Canada to become the 51st US state have provoked widespread outrage among Canadians, reinforcing the view that the dispute is about sovereignty as well as trade.

Recent polling suggests Carney has considerable room for manoeuvre at home. One survey found 85 per cent of Canadians support rejecting the proposed US trade deal, while 80 per cent back retaliatory tariffs even if they result in higher prices. Another put approval of the Carney government at a new high of 70 per cent.

Whether such high levels of public backing will endure is uncertain. Carney's standing could weaken as the economic costs start to bite, particularly if tariffs lead to significant job losses despite Ottawa's financial assistance to affected sectors. And while Trump's threats have fostered unusual unity in Canada's often fractious federal politics, longstanding divisions might reassert themselves. Separatist sentiment will be tested in Quebec's provincial election on October 5 and in Alberta's October 19 referendum, which includes a question on beginning the process towards a future vote on independence — that Trump-aligned figures have expressed support for.

US President Donald Trump (L) speaks with Canadian Prime Minister Mark Carney at a working lunch with leaders of G7 and the Middle East, in Evian-les-Bains, France, on June 16, 2026.
● ASEAN SECRETARIAT

By contrast, Trump's approval ratings have fallen sharply and there is little appetite among Americans for an escalating trade war with Canada: nearly 60 per cent oppose further tariffs on Canadian goods and almost 70 per cent favour compromise with their northern neighbour. Several US sectors and states also rely on trade with Canada, like the automotive sector and the swing states of Michigan and Ohio.

Still, Trump's enthusiasm for tariffs shows no signs of waning. Even if Democrats were to gain control of Congress after November's midterm elections, legislation curtailing presidential tariff powers could still face a Trump veto. This requires two-thirds majorities in both chambers to override, which they are unlikely to achieve.

Nor can Canada count on the US courts for rapid relief. Trump's novel use of Section 338 will likely face legal challenges, as some of his previous tariffs have, but a final resolution could take months or years.

For Canada, therefore, neither political change in Washington nor litigation offers a quick solution. But 'winning' does not require compelling Trump to back down. Success might instead mean demonstrating sufficient political and economic resolve to improve the terms on which negotiations eventually resume — a more achievable objective, given the depth of Canadian public opposition to US demands.

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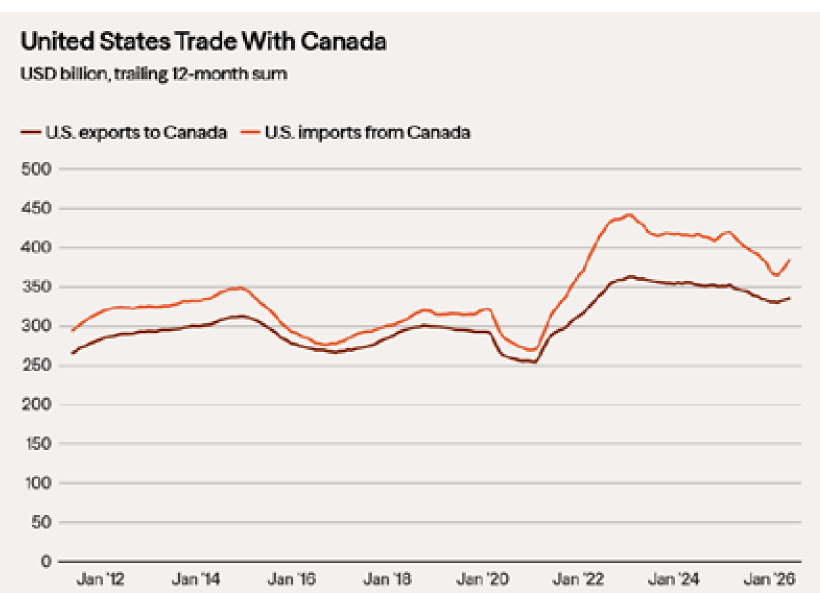
At the same time, Canada's strategy is not limited to managing the confrontation with Washington. Ottawa is pursuing a broader goal of reducing Canada's economic dependence on the US by deepening ties with other partners, particularly in Europe and the Indo-Pacific, while investing in the energy, critical minerals and infrastructure needed to reach new markets. Carney has set a goal of doubling Canada's non-US exports over the next decade and attracting new foreign investment in Canada, drawing on his experience as a former central bank governor and investment banker.

His strategy will gather momentum this month. On September 14–15, Carney hosted the Canada Investment Summit in Toronto, bringing together major global investors. He will then travel to Strasbourg as a guest of honour for European Commission President Ursula von der Leyen's State of the Union speech, where she is expected to announce a deeper partnership between the EU and Canada. Carney will address the European Parliament the following day.

Whether Canada can resist US pressure while diversifying its economic partnerships — demonstrating a 'third way' for other countries facing similar pressure — will not be clear for some time. Trade relationships can take years to bear fruit, as can the major infrastructure and resource-development investments aimed at bringing more Canadian goods to world markets. Diversification can reduce Canada's vulnerability, but it cannot quickly replace the economic relationship with its largest trading partner.

The more immediate test is whether Canada can withstand US pressure long enough to secure better terms when negotiations eventually resume. The Trump administration appears to be betting that the imbalance in economic power will ultimately force Ottawa to concede. The coming months may show that it has underestimated Canadian resolve.



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