

FROM THE DESK OF



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TRUMP IMPOSES 35% TARIFF RATE ON CANADA

August 1, 2025

What happened?

President Donald Trump has announced a new 35% tariff on a portion of Canadian imports, effective August 1, 2025, after trade negotiations failed to reach an agreement by the deadline. This represents an increase from the 25% tariffs imposed in early March under emergency legislation. The new tariff applies to goods that are not United States-Mexico-Canada Agreement (USMCA)-compliant.

Why 35% to Canada, and the impact this could have

The Trump administration has cited Canada's failure to curb the flow of fentanyl and illicit drugs as the primary reason for the tariff increase. Canada's prior retaliation against U.S. tariffs has also been a factor. While some speculate that this is a negotiation tactic, the unpredictable nature of the administration makes this uncertain. Prime Minister Mark Carney and President Trump did not speak on the evening before the announcement.

It's important to note that the USMCA carveout was preserved, which means that goods that are USMCA-compliant can still be traded duty-free. This exemption covers a large majority of bilateral trade. However, the new tariffs will affect goods that do not meet the USMCA rules of origin, and they are expected to increase the effective average tariff rate on Canadian goods.

It's also important to note that the 35% tariff on Canadian goods is separate from other sectoral tariffs. The Trump administration has also implemented or threatened tariffs on a variety of other products:

- **Steel and aluminum:** These products already face a 50% import tax.
- **Autos:** Subject to a 25% tariff, though some exemptions exist for USMCA-compliant vehicles.
- **Copper products:** A new 50% tariff on these products is set to begin.
- **Other products:** Trump has threatened tariffs on lumber, pharmaceuticals, and semiconductors.

What's next for Canada?

Prime Minister Carney has issued a statement indicating that Canada remains committed to USMCA, while also being disappointed by these latest actions. Carney also stated that Canada will continue to negotiate with the United States, while concurrently focusing on building Canada strong through diversifying trading relationships, reducing internal trade barriers and by launching major national-building infrastructure and resource projects.

What is the Empire Life Investment Team doing?

The team continues to monitor this very fluid situation; while also using any resulting volatility to find opportunities in the companies we own or want to own on our watch list.

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