

United States and Canada Reciprocal Tariff Actions

August 27, 2026

by Dave Townsend, T. Augustine Lo, Lawrence Ward, and Paula Ortiz Cardona

The United States began imposing 50% tariffs on Canadian goods into the United States on August 22, 2026. In response, Canada is imposing tariffs ranging between 15 to 50% on U.S.-origin goods, starting on September 8, 2026. The Canadian countermeasures are expected to affect approximately \$20 billion in U.S. annual exports to Canada, i.e., roughly the same amount of U.S imports of Canadian goods that became subject to tariffs earlier this week.

This update provides links to official guidance that could assist companies with tracking the goods that are subject to the reciprocal tariff actions. There are also some practical steps that companies can take in a climate of escalating trade measures and countermeasures.

Summary of Actions

As we [summarized in July 2026](#), the United States announced tariffs on a wide range of Canadian goods under Section 338 of the Tariff Act of 1930 ("Section 338"). President Trump issued three separate Proclamations, citing trade tensions with Canada over U.S. exports of alcoholic beverages, automotive goods, and dairy products to Canada. These Section 338 tariffs were scheduled to commence on August 19, 2026. In an effort to head off those tariffs, Canada and the United States engaged in intensive trade negotiations. President Trump delayed the Section 338 tariffs by three days, citing progress on those negotiations.

The negotiations broke down just before the end of that pause. As a result, members of the trade community woke up on the morning of Saturday, August 22, 2026, to new U.S. tariffs at 50% on many Canadian goods from Canada. The list of imported Canadian products to which the 50% tariff applies under Section 338 can be reviewed in three separate annexes, which are found in [Annex 1-1](#), [Annex 1-2](#), and [Annex 1-3](#). There are limited exemptions from these Section 338 tariffs.

Related People

- Dave Townsend
- T. Augustine Lo
- Lawrence Ward
- Paula Ortiz Cardona

Related Capabilities

- Government Enforcement & Corporate Investigations
- Government Contracts Counseling & Litigation
- International Trade

In response, the Canadian Government announced that it would impose tariffs on U.S. origin goods imported into Canada, effective on September 8, 2026. The list of U.S. origin goods that will be subject to the Canadian tariffs will range from 15 to 50%. The Canadian Government stated that these countermeasures are “dollar for dollar,” covering approximately \$20 billion in annual Canadian imports of U.S. origin goods, in retaliation for the estimated \$20 billion in annual U.S. imports of Canadian goods that are subject to the Section 338 tariffs at 50%.

Practical Considerations

Companies may wish to consider a variety of coping strategies for the new Section 338 tariffs and Canadian countermeasures.

First, the duration of these tariffs and countermeasures is uncertain, but they may not last very long if both sides back down. Many companies already considered how to handle escalating tariffs because of the U.S. border emergency tariff actions imposed by the Trump Administration, announced in February 2025, and later expanded through “global reciprocal tariffs” in April 2025. In particular, as part of those and related measures, tariffs on Chinese-origin goods into the United States skyrocketed to 145% at one point (and higher after accounting for other tariffs on Chinese goods), with prohibitive tariff levels on U.S. exports to China. Eventually, the United States and China reached a truce that put tariffs at a much lower level, and both sides agreed to stop further tariff escalations, pending trade negotiations. It is possible that this pattern may be repeated with respect to Canada. However, it is impossible to predict how long the tariffs will remain in effect.

Second, companies could check whether they are using the correct tariff classification and correctly applying the rules of origin to shipments between the United States and Canada. Under the U.S.- Mexico-Canada Agreement (“USMCA”), tariff rates in North America have been very low and uniform. Companies may wish to check whether a product from the United States or Canada actually originates from that country, or if it is actually a product of another country (potentially subject to a lower tariff rate). By the same token, it is possible that goods from countries other than Canada and the United States actually are subject to the new tariffs because they originate from the United States or Canada. Of course, companies should be mindful there must be documentary support and a lawful basis for any revisions to classification and origin. There also could be collateral legal consequences and considerations for past shipments and other products. In addition, the tariff rates could change as tariff policies evolve, which could undermine the benefits of such revisions, and potentially lead to higher tariff consequences. For these reasons, companies should focus on the facts and the law in each case, instead of only the potential short-term tariff benefits.

Third, companies may wish to revisit their calculation of dutiable value, which has an effect on duty calculations. This review should proceed with caution, however, as there is a well-developed body of rules and guidance on dutiable value. While there may be a lawful way to report a different dutiable value, such as a bona fide first sale in a chain of

transactions, companies also should be wary of any strategies that may lack sufficient documentary support. Again, there also could be collateral consequences for past and ongoing shipments.

Lastly, companies may wish to assess their inventory levels and ability to avoid importing new goods that are subject to the higher tariffs, while at the same time considering potential alternative sources of goods. Also, there may be options to avoid entering merchandise into the customs territory of a country, such as use of a customs bonded warehouse or free trade zones, which may offer temporary relief from the high tariff rates. Companies could explore the feasibility of these options with advice from customs attorneys and trade consultants. In short, companies may have alternatives to avoid a sudden liquidity crunch from these higher tariffs.

Conclusion

Dorsey & Whitney has experienced attorneys who can help assist companies in assessing their options in an ever-changing tariff environment. Please feel free to contact the co-authors if there are any questions about this update.