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Why tariffs will outlast Trump

By Angelo Katsoras

Future U.S. administrations—Republican or Democrat—are likely to adopt a less protectionist stance toward Canada and other allied nations, provided they align with U.S. positions on a range of issues including sanctions, trade policy, and broader geopolitical priorities. However, we are unlikely to see a return to the level of free trade that prevailed in recent decades. This is why.

Protectionism is a bipartisan trend

While the Trump Administration's embrace of tariffs marks an unprecedented shift in post–World War II trade policy, support for protectionist measures has grown across party lines, especially with regard to China. President Biden kept many of Trump's tariffs on China and even expanded them in key sectors. Meanwhile, his Inflation Reduction Act introduced hundreds of billions of dollars in subsidies for favoured industries, prompting Canada and other countries to increase their own subsidies to remain competitive.

Tariffs tend to develop strong proponents

Once tariffs are imposed, the industries that benefit typically lobby hard to keep them in place. Case in point: the 25% tariff on imported light trucks introduced by the United States in 1964. The measure was imposed in response to European tariffs that had been levied on U.S. chicken over a trade dispute. That tariff on trucks remains in effect to this day (as do European restrictions on chicken, for that matter).

These industries have a strong incentive to lobby for tariffs to be maintained: The financial rewards are concentrated and significant, while the higher costs are distributed across millions of consumers. Consequently, eliminating tariffs rarely becomes a political priority, even when they no longer make economic sense.

The extra revenue generated

Future administrations may be reluctant to eliminate many of these tariffs because of the substantial revenue they generate. Additionally, tariffs are easier to implement politically than their alternatives. A national sales tax, for example, would likely be considered political suicide in the United States.

The nonpartisan Congressional Budget Office (CBO) recently projected that the tariffs introduced by President Trump could swell U.S. government revenues by $4 trillion over the next decade. However, the CBO's analysis did not consider the impact of tariffs on economic growth.

Presidents rarely relinquish authority claimed by predecessors

Over the course of many decades, Congress has gradually transferred significant trade authority to the executive branch. This shift enables modern presidents to unilaterally impose tariffs—a power unthinkable a century ago. President Trump has taken this to another level—going from targeting specific sectors to using emergency powers to impose sweeping tariffs on imports from dozens of countries and triggering multiple court challenges.

As Ryan Young of the Competitive Enterprise Institute put it: "*The next president, regardless of party, is not going to want to give up all the cool powers Trump collected for the presidency.*"

The impact of legal challenges

On August 29, the U.S. Court of Appeals for the Federal Circuit ruled 7-4 that President Trump exceeded his authority when he imposed broad tariffs on imports from other countries. The decision, however, does not affect sector-specific tariffs on goods such as steel, aluminum, automobiles, and copper. The tariffs will remain in effect until the U.S. Supreme Court issues a ruling, with oral arguments scheduled for early November.

But even if the Supreme Court ultimately rules against the tariffs, Trump will still have other legal options available:

- **The 1974 Trade Act** permits tariffs of up to 15% for 150 days to address balance-of-payment issues. Tariffs for a longer period require congressional approval.
- **Section 338 of the Tariff Act of 1930**, though never used, theoretically permits the president to impose tariffs of up to 50% on imports from countries discriminating against U.S. trade.

- **Section 232 of the Trade Expansion Act of 1962** authorizes the imposition of sector-specific tariffs following national security investigations. This provision has already been applied to steel, aluminum, and automobiles. On August 15, the administration expanded steel and aluminum tariffs to include over 400 related products. Although investigations are required before tariffs can be imposed, certain items can unilaterally be added to the list once the authority to target a sector has been granted.[1] In a bid to offset the impact of a negative Supreme Court judgment, the administration plans to extend application of Section 232 to other industries, including aircraft, pharmaceuticals and semiconductors.[2]

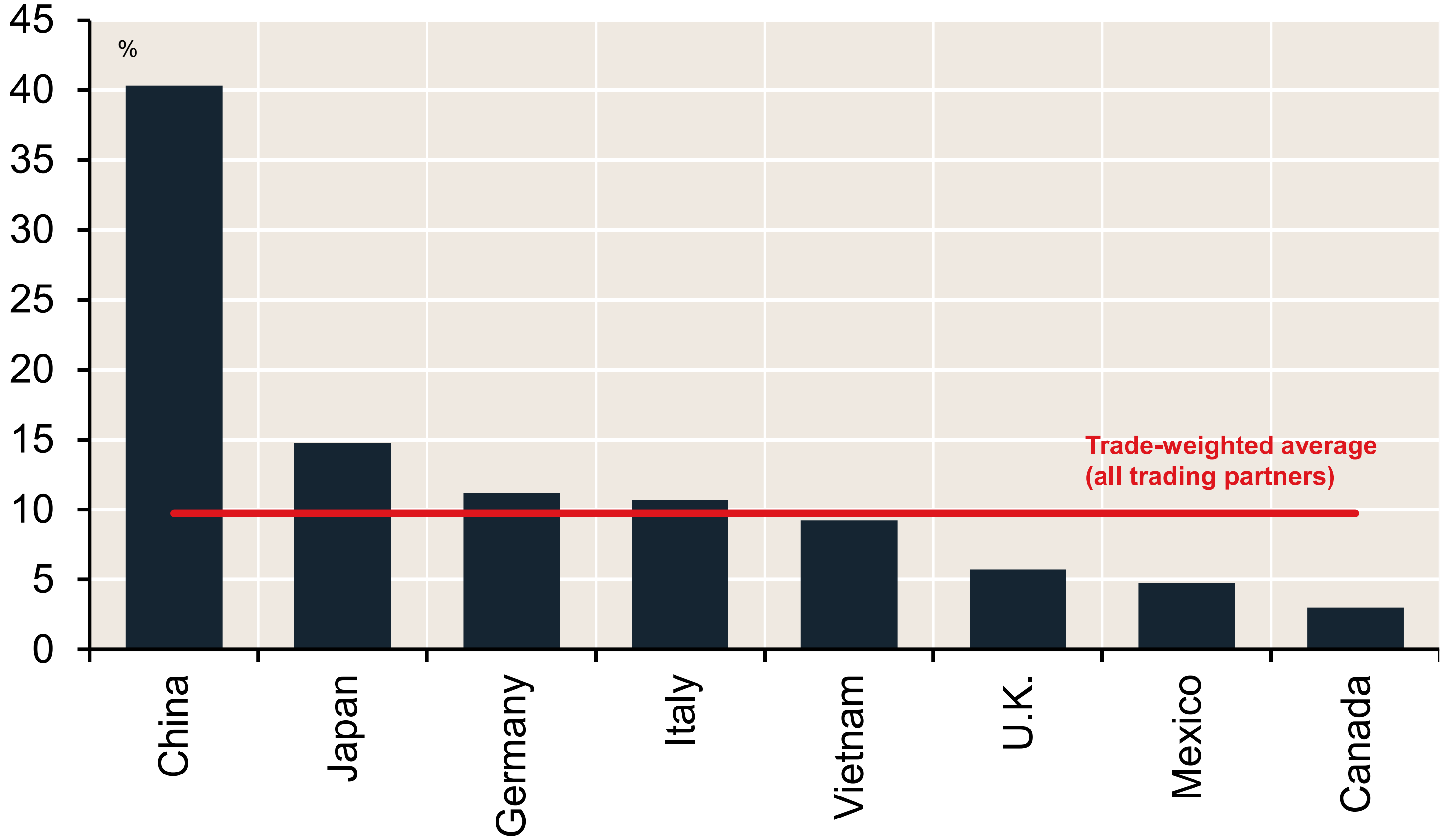
Regardless of the legal outcome, these options, combined with the negative economic impact of uncertainty, will continue to exert pressure on trading partners to negotiate.

Canada's challenge

Canada's historical strong trade ties with the United States under the USMCA make it an attractive hub for global companies targeting the North American market. As of August, 2025, U.S. tariffs on Canadian imports averaged less than 5%, compared to a trade weighted average of 10% for imports from other countries—a figure that is projected to exceed 18% by year-end. (Note: the chart below reflects data only through July.) Without this advantage, Canada's competitiveness would erode significantly. This means that a future agreement limiting U.S. market access to Canadian products could still be viewed positively, as long as Canada maintains a clear market-access advantage over other countries.

World: Average U.S.-imposed tariff rate, by country (July 2025)

U.S. duties collected as a share of customs value, by country



NBC Economics and Strategy (data via Bloomberg, USITC)

But preserving preferential access to the U.S. market will mean maintaining a close alignment with the United States on trade, sanctions and other geopolitical priorities. Like smaller neighbouring countries compelled to align with China and smaller member states compelled to align with the EU, Canada often has little choice but to follow Washington's lead. For instance, under the Biden Administration, Canada mirrored U.S. actions by imposing a 100% tariff on Chinese EVs. Reducing or eliminating these tariffs would

[1] "Trump leans on National Security to Justify Next Wave of Tariffs," The Wall Street Journal, August 28, 2025
[2] "The fight to preserve North America Trade," The Globe and Mail, September 5, 2025

significantly threaten access to the U.S. market. Canada also recently rescinded its 2026 EV mandate in line with U.S. policy, and whether it maintains targets for 2030 or 2035 will largely depend on future American policy decisions.

Conclusion

Even if future U.S. administrations adopt a less protectionist stance, a complete return to pre-2016 free trade norms is unlikely for the following reasons.

- There is bipartisan support for protectionist measures (albeit at lower levels than Trump is proposing)
- A heavily indebted government is unlikely to completely forgo the lucrative revenue generated by tariffs
- Significant pressure is likely to be exerted by industries to maintain protections
- The historical reluctance of presidents to surrender expanded powers

Bottom line:

With protectionism likely to remain a significant factor beyond the Trump administration, Canada must continue to partially offset the impact of higher U.S. tariffs on its exports by trying to maintain its much greater access to the U.S. market compared to other countries. Achieving this will require continued close alignment with Washington on key policies.

In this context, even an imperfect trade deal is preferable to none. Without an agreement, uncertainty will continue to disrupt business planning and delay investment and hiring. In some cases, it will also cause lenders to raise borrowing costs to account for market-access risks.

Finally, while Canada should continue lobbying future administrations to reduce tariffs, a return to the era of freer trade seen in the recent past remains unlikely—underscoring the need for Canada to reassess its industrial strategy.

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