Article

بسم الله الرحمن الرحيم

The US Tariff War Aims to Keep Canada as a Voiceless Resource Colony in America’s Anti-China Bloc

On 22 August 2026, 50 percent US tariffs took effect on roughly $20–28 billion of Canadian goods after last-ditch talks collapsed before a midnight deadline. The White House invoked Section 338 of the 1930 Tariff Act, targeting wine, dairy, hockey sticks, cement and other products. Prime Minister Mark Carney suspended negotiations, rejected the terms as “unfair” and “uneconomic,” and promised dollar-for-dollar retaliation starting September 8. The measures follow President Trump’s refusal to renew the United States-Mexico-Canada Agreement (USMCA) for another term of sixteen years, leaving North American trade under an annual review mechanism and permanent uncertainty.

The US’s stated rationale is weak. In 2025 the United States ran a goods deficit of $1.241 trillion, but Canada accounted for only $46.4 billion of it (about 3.7 percent). China accounted for $202.1 billion, the European Union $218.8 billion, Mexico $196.9 billion and Vietnam $178.2 billion. If the objective were simply to reduce the US trade deficit, Canada is a strange place to concentrate effort. Moreover, American imports from Canada are overwhelmingly complementary inputs that actually benefit US manufacturing industry: crude oil, natural gas, electricity, uranium, metals, lumber, automotive parts and industrial materials, and not the consumer electronics and machinery that define the US-China relationship.

The real target is China. The US wants Canada’s resources locked inside a US-led bloc with China on the outside, but Canada has been courting Beijing and relations improved dramatically in January 2026 when Carney visited China and signed a “strategic partnership” allowing up to 49,000 Chinese electric vehicles annually at the normal 6.1 percent tariff, reversing the earlier 100 percent surtax, and seeking Chinese investment in Canada’s electric vehicle (EV) supply chain. Carney stated: “At its best, the Canada-China relationship has created massive opportunities for both our peoples. By leveraging our strengths and focusing on trade, energy, agri-food, and areas where we can make huge gains, we are forging a new strategic partnership that builds on the best of our past, reflects the world as it is today, and benefits the people of both our nations”, and China’s President Xi said, here's been a "turnaround of ties" between China and Canada. Then, in May 2026, China’s Foreign Minister Wang Yi visited Ottawa and the two sides agreed to annual foreign-minister meetings, political-security consultations and an economic-financial dialogue. Canada said it wants to increase exports to China by 50 percent by 2030; Wang suggested they could double.

This thawing of Canadian relations with China has concerned the US, whose Trade Representative’s 2026 agenda is explicit: it wants stronger rules of origin to prevent “non-market-economy content” from entering through Canada and Mexico. The USMCA already contains Article 32.10, inserted by the US, threatening termination if Canada signs a free trade agreement with a “non-market economy.” Canadians call it the “poison pill.”

Canada-US relations have historically been difficult from the beginning. More so than the strong military and strategic partnerships developed through the “Cold War” years would suggest. Canada was formed by the British North American colonies that did not join the American rebellion and thousands of people that supported the British colonial rule emigrated to what would become Canada during the American war of independence, and from that day on Canada has been to some extent the antithesis of the US, and the US has looked to Canada as having slipped away from them. The Government of Canada today lists among the external factors behind its confederation in 1867: “growing insecurity over American expansionism.” Nevertheless, some degree of economic integration with the United States was seen to be beneficial to Canada and in 1911 Prime Minister Wilfrid Laurier negotiated a reciprocity agreement with the United States, which actually resulting in the two countries being pushed further apart. US President William Howard Taft declared that Canadians were “coming to the parting of the ways”, meaning that they had to choose between remaining separated from American markets and closer commercial relations, which Canadian opponents understood as a choice between the British connection and absorption into the US sphere. More damagingly, US Democratic leader Champ Clark told Congress he supported reciprocity because he hoped “the American flag will float over every square foot of the British North American possessions clear to the north pole," and when asked whether reciprocity would bring Canada into the Union, answered, "Yes, sir; have no doubt about that." Robert Borden's Conservatives warned that the reciprocity agreement was a possible first step towards economic dependence and political absorption, and they defeated Laurier's Liberals at the 1911 election and the reciprocity agreement died.

The 1988 Canada-US Free Trade Agreement and NAFTA deepened integration, raising the economic cost of diverging from the US. In 2017 and 2018 Donald Trump imposed steel and aluminum tariffs under Section 232, then forced the renegotiation of NAFTA into the USMCA. Trump has repeatedly called Canada the "51st state" and mocked former Prime Minister Justin Trudeau as the "Governor" of Canada, as if it were a US province. More than 223,000 Canadians signed a parliamentary petition earlier this month demanding the expulsion of the US ambassador for amplifying annexation threats. After the current talks collapsed and the new tariffs were implemented Carney stated that Canada will impose its own sanctions against the US "dollar for dollar" saying also: "You're at war when you're attacked, and we got attacked… We cannot accept what they've offered and we will not give what they've asked". Trump responded: "Canada wants the benefits of being a State, without being one!!!", and added "They have also charged our great farmers, for many years, massive amounts of tariffs," he added. "No more!!!". Trump's claim that the US is the victim is dishonest.

In 2025 the United States imported roughly $111 billion in energy from Canada, with crude oil accounting for about 69 percent. Canada also exported $76.4 billion in minerals and metals to the US. These resources are strategically important because the United States remains heavily dependent on China for the processing of several critical minerals, including rare earths, graphite and antimony. China has already demonstrated its willingness to use export controls on critical minerals and battery materials as geopolitical leverage. Canada is therefore an obvious Western alternative: a source of nickel, copper, lithium, cobalt, uranium, potash, graphite and rare earths. The strategic supply chain that the US wants is one that brings these valuable minerals to be processed in the US rather than in the China followed by subsequent export to the US, and Canada's developing trade with China means that US fears may be realized.

In 2025 Canada exported $12.1 billion in mostly raw minerals to China, including copper, iron ore, coal and gold. It imported $15.2 billion in minerals from China, 79 percent of them highly processed stage-four products. Thereby, Canada is a major supplier of raw materials while China remains a major supplier of high-value manufactured mineral products.

The new 50 percent tariffs on roughly $20 billion of Canadian goods officially target alleged Canadian discrimination against US automobiles, alcohol and dairy. But the measures exclude energy, potash, critical minerals and other strategically important products. The package therefore does not look like an attempt simply to punish Canada for its trade surplus, which anyway is very small. It is more consistent with the broader strategy: retain access to Canadian resources while using US economic leverage to shape the terms of North American trade, investment and supply chains. That broader strategy is explicit in the USMCA review. The US has called for stronger rules of origin and measures to prevent third-country, particularly non-market-economy, content from entering North America through Canada or Mexico.

The US wants Canada integrated into a North American economic bloc that can compete with China. Ottawa wants North American integration without surrendering the freedom to diversify beyond the United States. Canada's renewed economic engagement with China therefore matters to the US not simply because of the value of bilateral Canada-China trade, but because of the possibility that Chinese capital, technology and processing capacity could become embedded in Canadian resource and manufacturing supply chains.

The result is a contest between the US and China with Canada being the prize in the middle. The US wants Canadian resources feeding American industry while limiting China's access to those resources, technology and supply chains. Canada increasingly wants to sell its resources and attract investment wherever it can in order to maintain its historic identity and independence from the US by seeking powerful economic trading partners such as the US's number one enemy in the world: China.

Written for the Central Media Office of Hizb ut Tahrir by

Abdul Hamid Martin