

Trade War Chaos:

The Latest Developments on Tariffs and Other Economic Warfare

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Today's Focus

- geopolitical context and tools of economic warfare
- update on Trump tariffs and the global and US-Canada trade war
- economic sanctions overview
- beyond Russia – what's been happening and what's coming

Geopolitical Context

- decline in the rule of law in international economic relations
 - from 1995 to 2025 and beyond
- rise in the use of economic warfare tools
 - national security = economic security
- Canada's 2024 consultations on new measures "to advance and defend Canada's economic security interests"

Recent Examples

- tariffs
 - Canadian tariff war with China – electric vehicles, steel and aluminum products
 - Trump tariffs and Canadian retaliation
 - friendly fire - “diversionary” tariffs on steel and steel-containing products
- economic sanctions
 - Russia, China
 - unconventional use – e.g., International Criminal Court, expropriation of sanctioned-person assets
 - convergence of tariffs and sanctions (IEEPA, “secondary tariffs”)
- Canada’s terrorist entity listings of Mexican cartels – in response to US tariff threat

Recent Examples

- convergence of sanctions evasion and anti-money laundering (AML) reporting obligations under the Proceeds of Crime and Money Laundering (Terrorist Financing) Act
 - new importer and exporter declaration to CBSA re sanctions evasion, terrorist financing and money laundering
- new modern slavery and supply chain measures
 - Customs Tariff import prohibitions on goods made in whole or in part from forced or child labour
 - Fighting Against Forced Labour and Child Labour in Supply Chain Act reporting obligations
 - possible implementation of mandatory supply chain due diligence

Recent Examples

- expanding Canadian export controls on quantum computing and semiconductors, AI-related technologies and new guidance on movement and storage of controlled technology in the cloud
- release of new Sensitive Technologies List “to inform work on foreign investment reviews and export controls among other activities”
- revised Investment Canada Act Guidelines on the National Security Review of Investments “to recognize the importance of economic security”

US-Canada and Global Tariff War

- US tariffs whipsaws and u-turns - what's in and what's out?
 - International Emergency Economic Powers Act (IEEPA)
 - 35% on most Canadian goods and 10% on energy products, potash
 - exemption on USMCA originating goods (over 90% of Canadian exports to US) and goods already under Section 232 tariffs
 - February 20, 2026 US Supreme Court decision that tariff cannot be imposed under IEEPA
 - loss of de minimis access to US market
 - almost immediately replaced with 10% (15%?) temporary global tariff under Trade Act of 1974
 - exemption for a number of goods, including USMCA originating
 - continued suspension of de minimis access to US market

US-Canada and Global Tariff War

- US tariffs whipsaws and u-turns - what's in and what's out?
 - section 232 tariffs (Trade Expansion Act of 1962)
 - 50% on steel/aluminum and derivatives, auto/light trucks at 25%
 - others – lumber and timber (wood products such as kitchen cabinets), aircraft/engines/parts, copper, semiconductors
 - ongoing investigations – truck and truck parts, pharma, critical minerals and derivatives, aircraft and parts, drones and parts, semiconductors and manufacturing equipment, robotics and industrial machinery, polysilicon and derivatives
 - initiation of new section 301 investigations (Trade Act of 1974)
 - March 2026 – structural excess capacity in EU, Japan, China, Mexico and others (not Canada)
 - March 2026 – forced labour enforcement in Canada, EU, Mexico, Japan, UK and 55 others

US-Canada and Global Tariff War

- Canada's tariff and non-tariff retaliation – e.g., government procurement and export restrictions/taxes
 - “elbows down” – 25% tariff on wide range of US products removed effective September 1, 2025
 - remaining retaliatory tariffs against the United States
 - 25% on steel and aluminum, including certain derivative products (no CUSMA exemption)
 - 25% on non-CUSMA-compliant vehicles and on Non-Canadian / non-Mexican content in otherwise CUSMA-compliant vehicles
 - remissions for certain products and end-uses are available, including for automakers with production in Canada
- CUSMA review – expiry in 2036
 - July 2026 – meet to decide whether to extend for another 16 years (2042)
 - if no extension decision, review every year

US-Canada and Global Tariff War

- Canada's tariffs against others
 - China
 - October 2024 – 25% tariff on steel and aluminum products from China
 - July 2025 – 25% tariff on goods from anywhere if contain steel melted/poured in China or aluminum smelted/cast in China
 - January 2026 – Canada removes 100% tariff on 49,0000 electric vehicles from China
 - global (diversionary)
 - June 2025 - steel tariff-rate quotas (portion of 2024 imports) – 50% tariff on above quota
 - December 2026 – 25% tariff on steel derivative products from all countries
 - Structural steel components (beams, columns, girders, prefabricated structures, bridges, towers), doors, windows, frames, thresholds and other steel building fittings, steel wire products (wire, wire rope, cables, mesh, fencing, barbed wire), fasteners (nails, screws, bolts, nuts, washers, rivets, staples), chains, springs, hinges, brackets and similar steel hardware, and furniture and seating with steel frames

Mitigating Tariff Risk Exposure

- tariff engineering – customs law and compliance is back!
 - customs valuation
 - tariff classification
 - originating status
 - consider available remission and remission applications
- addressing tariff liability in contracts, due diligence in corporate transactions
- enhanced monitoring of legal developments
 - CBSA “last sale” efforts on value for duty

Mitigating Tariff Risk Exposure

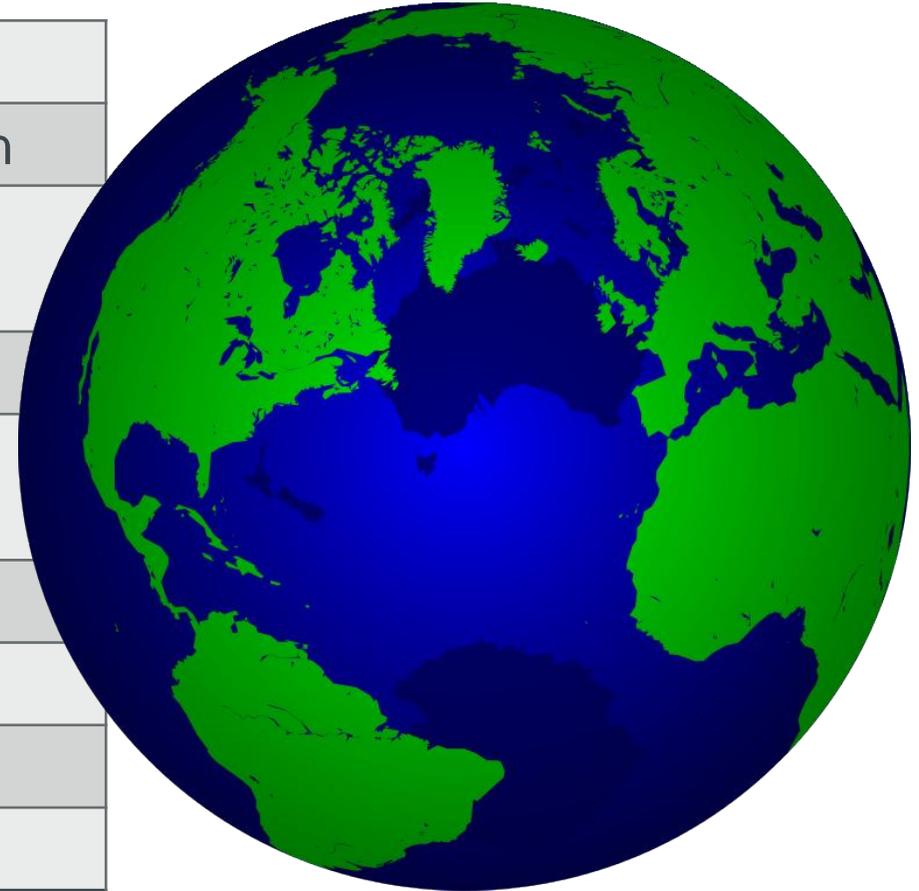
- the diversification question – can we reduce reliance on US markets?
 - internal trade among provinces
 - estimated pick-up of \$100–\$200 billion annually to Canada’s economy - approx 4–8% of GDP
 - feasible?
 - increasing trade and investment with non-US countries, even those not fully aligned with “Canadian values”
 - Mexico (USMCA, CPTPP)
 - European Union (CETA)
 - United Kingdom (Canada-United Kingdom Trade Continuity Agreement)
 - other CPTPP countries (Japan, Australia, etc.)
 - recent initiatives – China, India, UAE, Qatar, Indonesia, Mercosur

Mitigating Tariff Risk Exposure

- Canadian companies now looking to new and higher risk markets
 - new Defence Industrial Strategy
 - defence related exports to non-US markets
 - new high-risk markets for Canadian producers and service suppliers raising compliance risk
 - anti-corruption – foreign government officials
 - anti-terrorism risk – designations of groups that govern regions/countries – Mexican cartels
 - export and technology transfer controls – expanding from civil to defence production
 - economic sanctions risk

Countries Subject to Canadian Economic Sanctions

Afghanistan	Lebanon	Somalia
Belarus	Libya	South Sudan
Central African Republic	Mali	Sri Lanka
China	Moldova	Sudan
D.R. of the Congo	Myanmar	Syria
Guatemala	Nicaragua	Ukraine
Haiti	North Korea	Venezuela
Iran	Russia	Yemen
Iraq	Saudi Arabia	Zimbabwe
Israel		



Sanctions in Response to Russian Invasion of Ukraine

- most impactful sanctions regime in modern history – three categories:
 - **Sanctioned Persons** - broad prohibitions against dealings, and direct or indirect facilitation of dealings, with listed persons
 - now about 3,000 listed entities and individuals – including Russian leaders, government departments and agencies, politicians, oligarchs, businesses – and entities they own or control – include many persons not sanctioned, or not sanctioned to same extent, by US, UK, EU
 - new deemed ownership rule
 - **Goods, Software and Technology** - broad supply and sourcing prohibitions covering wide range of sensitive as well as non-sensitive goods and technology, including oil and gas, machinery and equipment, gold, diamonds, luxury items
 - **Services** - broad prohibitions against provision of 30 categories of services in relation to 15 industries, including oil & gas, mining, chemicals and manufacturing

“Fallout” from Russia Sanctions

- US Department of Justice: “sanctions are the new FCPA” and “should now be at the top of every company’s risk compliance chart”
- the Canadian experience
 - often the most aggressive sanctions on paper – significant gaps vs US, UK, EU
 - immature administration and enforcement
 - seizure and forfeiture mechanism and new “windfall tax”
 - new FINTRAC and CBSA sanctions reporting requirements
 - administrative penalties
 - new deemed ownership and control rule – due diligence and KYC implications

The “Ownership and Control Problem”

- typical prohibition against dealings with listed persons:
 - it is prohibited for any person in Canada and any Canadian outside Canada to
 - (a) deal in any property, wherever situated, that is owned, held or controlled by or on behalf of a listed person;
 - (b) enter into or facilitate, directly or indirectly, any transaction related to a dealing referred to in paragraph (a);
 - (c) provide any financial or other related service in respect of a dealing referred to in paragraph (a);
 - (d) make available any goods, wherever situated, to a listed person or to a person acting on their behalf; or
 - (e) provide any financial or related service to or for the benefit of a listed person.

—**Issue: how do we address dealings with entities that are directly or indirectly owned or controlled by listed persons?**

Canada's (New) Deemed Ownership Rule

- deems a person, including a listed person, to own any property that is owned - or that is held or controlled, directly or indirectly - by an entity, other than a foreign state, if any of the following apply:
 - the person holds, directly or indirectly, 50% or more of the shares or ownership interests in the entity or 50% or more of the voting rights in the entity;
 - the person is able, directly or indirectly, to change the composition or powers of the entity's board of directors; or
 - it is reasonable to conclude, having regard to all the circumstances, that the person is able, directly or indirectly and through any means, to direct the entity's activities

Beyond Russia: Other Developing Sanctions Issues

- increasing focus on targeted listings continue vs broader trade or financial services measures
 - most sanctions list-based only – China, Venezuela, Nicaragua, Guatemala, Sri Lanka, Haiti, Israel, Hamas
 - Canadian “screening deficit”
 - listing of domestic organizations like Proud Boys as terrorist entity
 - listing of “quasi-government” groups as terrorist entities – e.g., Taliban in Afghanistan and HTS in Syria
 - 2025 listings of cartels from Mexico, El Salvador (MS13), Venezuela and India (Bishnoi Gang)
- lack of effective exemptions for humanitarian activities
 - Afghanistan
 - Syria earthquake and other relief (until significant relaxation in February 2026)
 - Ukraine
 - North Korea

Beyond Russia: Other Developing Sanctions Issues

- new and expanding sanctions
 - Iran
 - September 2022- killing of Mahsa Amini - newly sanctioned individuals and entities
 - October 2022 - over 10,000 senior Iranian officials and IRGC members deemed inadmissible into Canada
 - June 2024 – IRGC listed as a terrorist entity under Criminal Code
 - 2025-2026 – continued expansion of sanctions list
 - Israel and Hamas
 - February 2024 - Special Economic Measures (Hamas Terrorist Attacks) Regulations
 - May 2024 - Special Economic Measures (Extremist Settler Violence) Regulations
 - June 2025 - Canada sanctions Israeli government ministers

Beyond Russia: Other Developing Sanctions Issues

- is China the next big sanctions target?
 - February 2021 Global Affairs Canada Advisory on Doing Business With Xinjiang-Related Entities and Integrity Declaration
 - March 2021 first sanctions against China in over 30 years – four individuals and one entity
 - tightening measures against China under export and technology transfer controls
 - prohibition against forced/child labour imports (in effect July 1, 2020) and Bill S-211 Modern Slavery Act (came into force on January 1, 2024)

Beyond Russia: Other Developing Sanctions Issues

- is China the next big sanctions target?
 - December 2024 - expansion of China sanctions list
 - February 2025 – addition of Chinese entities to list under Canada’s Russia sanctions
 - potential sanctions triggers to watch for
 - Xinjiang conditions and other human rights issues
 - assistance in evasion of sanctions against Russia or DPRK
 - Taiwan
- growing exposure of Canadian businesses to sanctions and anti-terrorism risk as they are being forced/encouraged to diversify beyond US markets – China, UAE, India, Qatar

Links to Canadian-Related Sanctions Resources

- New from Global Affairs Canada
 - [Canadian Sanctions - Information and Guidance](#) (November 2025)
 - [Canadian Sanctions Guidance — Financial Sector](#) (November 2025)
- [McCarthy Tétrault Terms of Trade Blog](#)
- FINTRAC [Special bulletin on financial activity associated with suspected sanctions evasion](#) (June 25, 2024)
- [Global Advisory on Russian Sanctions Evasion Issued Jointly by the Multilateral REPO Task Force](#) (March 9, 2023)
- “Export Enforcement Five” or “E5” [Guidance for Industry and Academia: Russia Sanctions – Common High Priority Items List](#) (September 26, 2023)



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