

Trump reverses new tariffs threat on Canada after Ontario rescinds electricity charges

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(CNN) — President Donald Trump backed down from an extraordinary trade war escalation Tuesday that had threatened a massive surge in tariffs on Canadian steel and aluminum and new tariffs on Canadian electricity. In turn, Ontario paused surcharges on electricity to US customers.

After the back-and-forth tariff threats that sent markets sharply lower for a second day Tuesday, US Commerce Secretary Howard Lutnick, Canada's Minister of Finance Dominic LeBlanc and Ontario Premier Doug Ford said they would meet Thursday to renegotiate the free trade treaty known as the USMCA.

Ontario agreed to suspend its 25% surcharge on electricity exports to Michigan, Minnesota and New York. President Donald Trump earlier on Tuesday threatened a 50% tariff on the country's aluminum and steel, a sharp escalation in the budding trade war with Canada in retaliation for Ontario's export surcharge. But Trump later signaled he would back down.

When a reporter asked him at a White House event if that 50% tariff would still go into effect, Trump sidestepped: "I'll let you know," he said. Shortly after those remarks, White House senior counselor for trade and manufacturing Peter Navarro confirmed in a CNBC interview that Trump's threat of higher tariffs won't be going into effect.

Instead, 25% tariffs on all steel and aluminum the US imports, including from Canada, are set to take effect at midnight on Wednesday, White House spokesperson Kush Desai told CNN in an emailed statement.

"It may go up higher," Trump said Tuesday at an event hosted by the Business Roundtable. "The higher it goes, the more likely it is they're going to build," he said, referring to more companies moving their production to the US.

Markets initially fell sharply following Trump's Truth Social post announcing his 50% tariff threat on Canadian aluminum and steel but pared their losses after the joint Lutnick-Ford statement. The Dow pared its losses but still fell after Trump said in comments outside the White House Tuesday that he didn't care what happened to the stock market.

The Dow closed the day down 478 points, or 1.1%. The broader S&P 500 fell 0.8% and approached correction territory, when a stock falls 10% from its high. The Nasdaq Composite, already in correction, fell another 0.2%.

Tit for tat

Earlier Tuesday morning, Trump said he would respond in kind to Ontario's 25% surcharge on electricity to New York, Minnesota and Michigan with a 25% tariff on Canadian electricity. The surcharge, announced Monday, could have increases utility bills by \$100 a month, according to Ford.

In addition, Trump said he would levy even larger tariffs on Canadian steel and aluminum than he had planned Wednesday.

“Based on Ontario, Canada, placing a 25% Tariff on ‘Electricity’ coming into the United States, I have instructed my Secretary of Commerce to add an ADDITIONAL 25% Tariff, to 50%, on all STEEL and ALUMINUM COMING INTO THE UNITED STATES FROM CANADA, ONE OF THE HIGHEST TARIFFING NATIONS ANYWHERE IN THE WORLD,” Trump said in a social media post Tuesday.

Ford threatened to shut off electricity supply to the US entirely, and Mark Carney, Canada’s next leader, said he would continue to keep the pressure on America in response to Trump’s tariff actions.

“My government will keep our tariffs on until the Americans show us respect and make credible, reliable commitments to free and fair trade,” he said in a post on X on Tuesday before the announcement from Lutnick and Ford. White House Press Secretary Karoline Leavitt said on Tuesday that Trump has yet to speak with Carney but that “his phone is always open to leaders who wish to speak with him.”



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Trump had said he would declare a national electricity emergency in the states Ontario targeted. “Can you imagine Canada stooping so low as to use ELECTRICITY, that so affects the life of innocent people, as a bargaining chip and threat?” he said in a Truth Social post.

Meanwhile, he threatened to “substantially” increase tariffs on cars coming into the United States from Canada starting on April 2.

The president said those autos tariffs “will, essentially, permanently shut down the automobile manufacturing business in Canada. Those cars can easily be made in the USA!”

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When Trump threatened to impose 25% tariffs across all steel and aluminum imports to the United States, Canada would still be included in those tariffs.

Another looming threat: A 250% tariff on dairy products from Canada, which the president announced on Friday, though he has yet to finalize anything. Trump said the tariff would be in response to Canada’s taxes on American dairy products, which can be as high as 241% in the case of milk.

In an interview with CNN’s Wolf Blitzer on Tuesday, Ford said such tariffs get “under (Trump’s) skin,” but said it’s all the more reason why he thinks Trump should want to “sit down and talk about it.”

A threat to the American economy, too

While Trump’s aim is to hurt the Canadian economy by imposing higher steel and aluminum tariffs on them, the move risks hurting the American economy as well.

Canada is the top source of iron, steel and aluminum sent to the US. The US imported \$11.4 billion

worth of aluminum and \$7.6 billion worth of iron and steel from Canada last year, according to data from the US Commerce Department. (The government data groups iron and steel together.) RELATED X

Canadian aluminum exports account for 41% of all aluminum the US imported last year, while Canadian iron and steel accounted for nearly a quarter of it.

A 25% tariff on Canadian aluminum alone could cost the US 100,000 jobs, the CEO of one of the largest US aluminum makers, Alcoa, recently warned.

In total, the aluminum industry directly employs 164,000 workers in the US and indirectly employs an additional 272,000 workers within industries such as mining, construction and manufacturing, according to the Aluminum Association.

Though Alcoa is headquartered in Pittsburgh, a significant share of Alcoa's aluminum production is located in Canada and then shipped to the US, William Oplinger, CEO of Alcoa, said at an industry conference last month.

Former Treasury Secretary Larry Summers labeled the tariff threats "the worst trade policy yet."

"It is a self-inflicted wound to the U.S. economy that we cannot afford, at a moment when recession risks are rising," Summers said in a Tuesday post on X.

In a statement to CNN, United Steelworkers president David McCall said, "China and other bad actors for decades have abused international trade laws, undercutting our domestic industries and threatening the livelihoods of thousands of workers who play by the rules."

"Canada, however, has always been a strong ally and should not be lumped with trade cheaters seeking to dominate global markets at our expense," he said.

From cars to appliances

Aluminum and steel are used heavily in an extensive list of goods. Tariffs on both metals could significantly raise prices for Americans.

For instance, cars contain hundreds, if not thousands, of pounds of steel and aluminum. So, while Trump said his "substantially" higher auto tariffs will "shut down" the auto industry in Canada, they are more likely to backfire on US auto production, given how intertwined the North American car supply chain is.

Appliances, machinery, infrastructure, medical devices, cans and power lines are all among the many commonly used products that also rely on steel and aluminum.

CNN's Vanessa Yurkevich contributed reporting.

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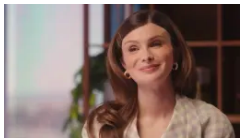
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