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Tariffs on Canada and Their Implications for Arizona

Targeted Tariffs, Two-Way Trade, and Investment Links

On July 20, President Donald Trump signed three separate proclamations under Section 338 of the Tariff Act of 1930, imposing additional 50 percent tariffs on different groups of Canadian goods beginning August 19, 2026. Each proclamation responds to a Canadian policy that the U.S. administration says placed American exports of motor vehicles, alcoholic beverages, or dairy products at a disadvantage. Together, the tariff lists cover nearly $20 billion in U.S. imports from Canada.

The new duties are targeted rather than economy-wide. Energy, potash, fish, critical minerals, certain civil-aircraft products, and other specified goods are excluded. Products already subject to tariffs under Section 232 of the Trade Expansion Act of 1962, the U.S. national-security trade authority, are also excluded, avoiding overlap with existing tariffs. Products included in the new lists are scheduled to face the 50 percent duty even when they qualify for preferential treatment under USMCA.

The July 20 measures are separate from the broader tariffs announced on July 23 under Section 301 of the Trade Act of 1974. The July 23 action applies tariffs of 10 or 12.5 percent to imports from 60 economies in connection with forced-labor import enforcement. Canada received a 10 percent rate, while Canadian products entering the U.S. duty-free under USMCA are exempt from that action.

For Arizona companies, the immediate business question is which products, suppliers, customers, and contracts are connected to the federal tariff lists. The wider relationship is also significant: Arizona and Canada exchanged approximately $5.6 billion in merchandise during 2025, more than 250 Canadian-owned companies have locations in Arizona, and Canada opened a new consulate in Phoenix on June 24.

Executive Takeaway

- **The 50 percent tariff is targeted rather than economy-wide:** Its effect on Arizona will depend on the specific products imported by individual companies.
- **Different U.S. tariff actions follow different rules:** A Canadian product may be exempt from one tariff and still be covered by another.
- **Arizona's business relationship with Canada extends beyond imports:** Trade, investment, employment, corporate operations, and export markets create several possible channels of impact.

Top Developments

1. Only specific Canadian products face the 50 percent tariff

Arizona imported approximately $2.8 billion in goods from Canada in 2025. Leading imports included aircraft and parts at $275 million; pasta, breads, and cereal preparations at $186 million; optical, medical, and precision instruments at $141 million; softwood lumber at $126 million; plastics and plastic articles at $119 million; and electric motors and generators at $118 million. Other important imports included engines and turbines, furniture and bedding, motor-vehicle parts, and heating, cooling, and refrigeration equipment. This range of imports shows that Canadian goods support economic activity across several Arizona industries.

The federal lists identify individual products through customs codes rather than applying the tariff to every product within an industry. The additional duty is scheduled to apply to covered goods entering the United States on or after August 19.

Why this matters: *Arizona companies should identify the exact products they import, confirm the applicable customs codes, and review shipment dates, supplier agreements, inventory, and responsibility for paying the tariff before estimating costs or changing prices.*

Further reading: *White House: Additional Tariffs on Canada*; *USTR: Section 338 Tariffs on Canada*; *Reuters: U.S. Imposes New 50% Tariffs on Canadian Products*; *CSIS: Understanding the New Tariffs on Canadian Imports*; *Arizona Commerce Authority: Arizona–Canada International Trade One Sheet*; *Government of Canada: Arizona Trade and Investment Profile*.

2. Canada is both a major export market and import source for Arizona

Canada is one of Arizona's most important international business partners. According to the Arizona Commerce Authority, Arizona recorded approximately $2.8 billion in goods exports to Canada and $2.8 billion in imports from Canada in 2025. Canada ranked as Arizona's third-largest export destination and fifth-largest import source. Leading goods exported from Arizona included fruits and vegetables at $402 million, motor vehicles at $279 million, and aerospace products and parts at $258 million.

The relationship therefore extends in both directions. Arizona companies sell important agricultural, transportation, and aerospace products to Canadian customers, while Arizona businesses also rely on Canadian equipment, food products, materials, and industrial inputs. Changes in trade policy could affect this relationship through higher import costs, weaker export demand, or shifts in sourcing and purchasing decisions.

Why this matters*: Canada is both a major customer for goods shipped from Arizona and an important supplier to Arizona businesses. The economic implications therefore extend beyond the Canadian products directly covered by the new U.S. tariffs.*

Further reading: *Arizona Commerce Authority: Arizona–Canada International Trade One Sheet*; *Arizona Commerce Authority: Arizona's 2025 International Trade*; *University of Arizona: Exports to Canada*; *University of Arizona: Imports from Canada*; *International Trade Administration: TradeStats Express FAQs*.

3. Canadian companies, investment, and jobs expand Canada's economic presence in Arizona

Canada's economic role in Arizona extends beyond trade in goods. Global Affairs Canada reports that more than 250 Canadian-owned companies have locations in the state and identifies Canada as Arizona's largest foreign employer. The Arizona Commerce Authority separately reports that, since 2019, Canadian companies have accounted for 52 Arizona expansion projects representing more than $5.8 billion in announced investment and nearly 8,700 projected jobs.

The new Canadian consulate in Phoenix also gives businesses, public institutions, and economic-development organizations a permanent local point of contact for trade, investment, and economic engagement. The consulate does not determine U.S. tariff policy, but it can support information-sharing, business connections, and coordination with Canadian trade officials.

Why this matters: *The economic relationship can affect Arizona through several channels at once. A company may import Canadian equipment, supply a Canadian-owned facility in Arizona, receive Canadian investment, or sell goods and services to Canadian customers.*

Further reading: *Global Affairs Canada: Opening of the Consulate of Canada in Phoenix*; *Arizona Commerce Authority: Canada Consulate Office Opening*; *Phoenix Business Journal: Canada Set to Reopen Arizona Trade Office*; *Canada Arizona Business Council: Research and Trade Data*; *Greater Phoenix Economic Council: U.S., Mexico & Canada Insights*.

4. USMCA does not protect Canadian goods from every U.S. tariff

Canadian products can receive different tariff treatment depending on which U.S. trade law applies.

The July 20 tariffs use Section 338 of the Tariff Act of 1930. Selected Canadian products are scheduled to face the additional 50 percent duty even when they qualify for duty-free or reduced-tariff treatment under USMCA.

The separate July 23 action uses Section 301 of the Trade Act of 1974 and applies tariffs of 10 or 12.5 percent to imports from 60 economies in connection with forced-labor import enforcement. Canada received the 10 percent rate, while Canadian goods entering the United States duty-free under USMCA are exempt from that action.

Products already covered by national-security tariffs under Section 232 of the Trade Expansion Act of 1962 are excluded from the new Section 338 and Section 301 actions.

Why this matters: *USMCA qualification does not produce the same result under every U.S. tariff action. A Canadian product may be exempt from the Section 301 tariff while still facing the separate 50 percent duty under Section 338.*

Further reading: *USTR: Section 301 Action Covering 60 Economies*; *USTR: Final Section 301 Notice and Tariff Annexes*; *White House: Section 338 Tariffs on Canada*; *Reuters: New Tariffs on 60 Trading Partners*; *Associated Press: What to Know About the Latest Tariffs*.

5. Canada's next move will shape the risk for Arizona exporters

Canada is continuing negotiations with the United States and has reserved the option to respond if the 50 percent tariffs take effect. A Canadian response could include tariffs on selected U.S. products or other trade measures. Canadian federal and provincial officials have expressed different views about the timing and scope of any response.

As of July 24, 2026, Canada had not published a final new list of measures specifically responding to the Section 338 tariffs. Goods shipped from Arizona would face a direct tariff effect only if a future Canadian response includes those products. The business impact would depend on the goods selected, the rates applied, the effective dates, and the outcome of bilateral negotiations.

Why this matters: The current U.S. measures primarily create questions for Arizona importers. A Canadian response could extend the issue to Arizona companies that sell goods to Canadian customers.

Further reading: *Prime Minister of Canada: July 20 Statement on the U.S. Tariffs*; *Global Affairs Canada: Advisory Committee Readout*; *Reuters: Canada Considers Retaliation*; *Reuters: Separate U.S. Talks with Canada and Mexico*; *Associated Press: U.S. Imposes 50% Tariffs on Selected Canadian Goods*

HERE'S THE CHALLENGE

Translating the 50 Percent Tariff into Arizona Business Implications

The new tariff is significant, but its Arizona impact will depend on which companies buy, distribute, use, or sell the products included in the federal lists. Statewide trade figures provide context; company-level product and supply-chain information will determine the actual business effect.

The key question is: Which Arizona companies and supply chains are connected to the listed goods, and how could implementation, negotiations, or Canadian countermeasures change their costs and market position?

Mistakes to avoid

- Treating the action as a 50 percent tariff on every Canadian product
- Assuming that USMCA qualification provides the same protection under every tariff action
- Presenting possible price increases, retaliation, or investment effects as confirmed outcomes

Where Arizona firms can act

Identify the products and customs codes connected to their Canadian trade
Review contracts, shipment dates, inventory, suppliers, and customer commitments
Prepare cost, sourcing, and market scenarios before the August 19 effective date

How the Arizona Institute for the Americas Can Help

The Arizona Institute for the Americas translates U.S.–Canada trade developments into Arizona-specific business intelligence and decision support.

About the Arizona Institute for the Americas

The Arizona Institute for the Americas is an independent strategic intelligence institute focused on developments across the Americas that shape Arizona's economy and regional position. We help organizations convert policy and market changes into informed business decisions, partnerships, and sustained initiatives.

Contact

Contact us to discuss how your organization can assess the new U.S. tariffs on selected Canadian goods and prepare for changes in North American trade policy.

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