

U.S.-Canada Relations amid Tariffs Under the International Emergency Economic Powers Act

March 25, 2025

On February 1, 2025, President Donald J. Trump issued [Executive Order \(E.O.\) 14193](#), stating that “the failure of Canada to do more” to address illicit fentanyl and other drug trafficking “constitutes an unusual and extraordinary threat” to U.S. national security and foreign policy. The E.O. declared a national emergency under the National Emergencies Act ([50 U.S.C. §§1601 et seq.](#)) and invoked the [International Emergency Economic Powers Act](#) of 1977 (IEEPA; [50 U.S.C. §§1701 et seq.](#)) to impose a 10% tariff on Canadian energy imports and a 25% tariff on all other Canadian imports. The President subsequently [paused implementation](#) of the tariffs on February 3, [allowed](#) the duties to enter into effect on March 4, and [suspended tariffs](#) (until April 2) on goods [compliant](#) with the United States-Mexico-Canada Agreement (USMCA; P.L. 116-113) on March 7.

These U.S. actions, and Canadian retaliatory measures, have strained bilateral relations and may call into question long-standing [economic, political, and security ties](#). Congress may assess the situation and consider whether and how to shape U.S. policy using its legislative powers and prerogatives.

Cross-Border Drug Trafficking

Canadian law enforcement agencies [assessed](#) in 2023 that organized crime groups began producing fentanyl within Canada in 2021. According to the [U.S. State Department](#), “authorities estimate that in 2024, Canadian fentanyl production was primarily for domestic consumption, although fentanyl production capacity significantly exceeds domestic consumption rates.” While the full scope of cross-border drug flows is [difficult to ascertain](#), U.S. and Canadian government seizure data suggest that drugs cross the border in both directions and, to date, Canada is not a major source of fentanyl or other drugs consumed in the United States. In FY2024, U.S. Customs and Border Protection (CBP) [seized](#) 11,600 pounds of drugs, including 43 pounds of fentanyl, in the U.S. Northern Border region, representing 2.0% of CBP’s total drug seizures and 0.2% of CBP’s total fentanyl seizures for the fiscal year. The Canadian Border Services Agency [reportedly seized](#) nearly 18,300 pounds of drugs, including 1.2 pounds of fentanyl, entering Canada from the United States in 2024.

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Canadian Response to IEEPA Tariffs

The Canadian government has taken steps to address President Trump's border concerns since November 2024, when he [posted on Truth Social](#) his intention to impose tariffs on Canadian imports. In December 2024, the Canadian government announced a C\$1.3 billion (about \$910 million) [plan](#) to increase border surveillance and enhance coordination and information sharing with the U.S. government, building on [existing arrangements](#). The Canadian government also has [issued](#) a new intelligence directive targeting organized crime, [appointed](#) a Fentanyl Czar, [listed](#) seven transnational criminal organizations as terrorist entities, and [launched](#) a joint strike force in accordance with policy commitments it said it made to the Trump Administration on [February 3, 2025](#). On March 4, then-Canadian Prime Minister Justin Trudeau asserted that the Trump Administration's decision to begin enforcing IEEPA tariffs despite Canada's efforts demonstrated that the legal pretext for the tariffs was "[totally false](#)."

In response to U.S. tariffs, the Canadian government [imposed](#) 25% tariffs on C\$30 billion (about \$21 billion) worth of U.S. imports and announced public consultations on a [second phase of tariffs](#) on C\$125 billion (about \$87 billion) worth of U.S. imports. New Canadian Prime Minister Mark Carney [stated](#) that Canada will maintain retaliatory tariffs until the United States makes "credible, reliable commitments to free and fair trade." The Canadian government asserted that the tariffs [violate](#) USMCA and [challenged](#) them at the World Trade Organization.

The Canadian government also is discussing potential non-tariff measures (e.g., related to [critical minerals and energy](#)) with Canadian provincial and territorial governments, many of which have announced their own [retaliatory actions](#) related to alcohol and government procurement. The province of Ontario [announced](#) and then [suspended](#) a 25% surcharge on electricity exports to the United States. Canadian consumer boycotts of U.S. [goods](#) and [travel](#) in response to U.S. tariffs reportedly are underway.

Implications for U.S.-Canada Relations

The IEEPA tariffs may call into question the [U.S.-Canada trade relationship](#), which is among the largest in the world and includes highly integrated energy and automotive markets. [In 2024](#), Canada was the third-largest source of U.S. goods imports (\$413 billion) and the top destination for U.S. goods exports (\$349 billion). In 2024, Canada exported about 76% of its goods to, and imported half of its goods from, the United States. [Additional trade actions](#) also seem to be straining bilateral relations, including potential U.S. "[reciprocal tariffs](#)" on all trading partners as well as U.S. [steel and aluminum tariffs](#) (and [Canadian retaliation](#)). Canadian observers and government officials, including [Prime Minister Carney](#), have discussed strategies for reducing Canada's economic dependence on the United States, including [diversifying trade relationships](#) and addressing [interprovincial trade barriers](#).

U.S. and Canadian officials appear to be reassessing their broader bilateral relationship. During conversations with their Canadian counterparts, U.S. officials [reportedly](#) have threatened to annul several long-standing agreements, including a [1908 border treaty](#) and the binational [North American Aerospace Defense Command \(NORAD\)](#). President Trump also has [repeatedly asserted](#) that Canada should become a U.S. state. Such U.S. statements and tariffs have sparked widespread concern and [anti-American sentiment](#) in Canada. According to a [March 2025 poll](#), the percentage of Canadians viewing the United States favorably has fallen to a 21st-century low (24%). The Canadian government says it is [reconsidering](#) major arms purchases from U.S. defense contractors and seeking to [diversify](#) its security partnerships.

Options for Congress

Congress may monitor the Trump Administration's implementation of IEEPA tariffs and the tariffs' effects on the United States, Canada, and bilateral relations. Congress could support the Administration's approach or act to modify or block the tariffs, including through a joint resolution of disapproval to

terminate the underlying national emergency (e.g., H.J.Res. 72, S.J.Res. 37). Congress in its oversight capacity could inquire with the Administration regarding its longer-term plans for the IEEPA tariffs on Canada and under what circumstances, if any, the President would lift them. Members may engage with their Canadian counterparts on these matters, including through the [Canada-United States Inter-Parliamentary Group](#). Additionally, Congress may exercise its legislative prerogatives related to the 2026 [joint review](#) of USMCA.

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