

## Ontario and Washington Back Down From Escalating Tariff Threats



The Sir Adam Beck Power Generating Complex on the Ontario side of Niagara Falls (Ontario Power Generation)

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After days of back-and-forth threats, the White House and the premier of Ontario, Canada backed down from steep tariff hikes that would have hit consumers on both sides of the border.

Last week, in response to Trump's ongoing tariffs on Canadian goods, Ontario Premier Doug Ford announced that he would impose tariffs of 25 percent on all exports of electricity to U.S. customers - and pledged to raise the levy or shut off power exports completely if the White House added any more tariffs. "Believe me when I say I do not want to do this, I feel terrible for the American people, because it's not the American people who started this trade war. It's one person who's responsible. That's President Trump," Ford said.

The Canadian and American grids are deeply intertwined, and the states of Michigan, Minnesota and New York all import power from Ontario. The province estimated that about 1.5 million homes would be affected, and that the tariff would generate about \$300-400,000 daily for Ontario's government. (Utilities in Minnesota and Michigan downplayed the impact and suggested that it would be negligible for the average household.)

Trump responded Tuesday by threatening to double tariffs on Canadian steel and aluminum to a total of 50 percent - a crippling impact on Canada's metal producers and on the U.S. manufacturers that rely upon a Canadian supply chain. He blasted Ford for using electricity as a bargaining chip and again called for the annexation of Canada.

"The only thing that makes sense is for Canada to become our cherished Fifty First State," Trump said Tuesday morning. "The artificial line of separation drawn many years ago will finally disappear."

By the afternoon, tensions appeared to have cooled, at least temporarily. Ford announced that he had arranged a meeting with U.S. Secretary of Commerce Howard Lutnick to discuss renegotiation of the U.S. Mexico Canada Agreement (USMCA), the free trade deal that Trump negotiated in 2019. In response, Ford said that Ontario would suspend its 25 percent tariff on electricity exports, and the White House confirmed that it would suspend the threat to double tariffs on Canadian steel and aluminum.

A 25 percent U.S. tariff on steel and aluminum imports from all countries remains in effect, along with a 10 percent tariff on Canadian oil and a 25 percent tariff on all Canadian and Mexican goods that fall outside of the USMCA framework. An across-the-board 25 percent tariff on both USMCA members takes effect April 2, though implementation has been delayed twice.

### ***Farmers begin to feel tariff pinch***

In response to newly-imposed 20 percent U.S. tariffs on most Chinese goods, Beijing has imposed an array of retaliatory tariffs on American agricultural products, calibrated to target goods that China can replace with other sources. The tariffs include a 15 percent hike on U.S. exports of chicken, wheat and corn, and a 10 percent hike on soybeans, pork, beef and fruit. Goods that are already en route will not be affected, so long as they arrive by April 12.

"Farmers are frustrated. Tariffs are not something to take lightly and 'have fun' with. Not only do they hit our family businesses squarely in the wallet, but they rock a core tenet on which our trading relationships are built, and that is reliability," said Caleb Ragland, a soy farmer and the president of the American Soybean Association.