The Daily Dish

TACO-T

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Section 338 of the Tariff Act of 1930 allows the president to impose tariffs of up to 50 percent in response to discriminatory trade actions by a country. Section 338 had never been used until President Trump announced duties on Canada in response to its discriminating against U.S. autos, alcohol, and other products. The tariffs were set to be levied on August 19 against $20 billion (about 5 percent) of imports from Canada, primarily motor vehicles, alcoholic beverages, and dairy products.

Except they weren't imposed, with the president announcing his decision on Truth Social a few hours before the midnight deadline. This sounds like the now-familiar TACO (Trump Always Chickens Out) routine. But there is a twist, so let's call it a TACO-T. The president deferred their imposition for three days, saying: "I have paused the 50% Tariffs against Canada, that were scheduled to kick in tomorrow morning for a three day period, based on the fact that Canada and the U.S.A., subject to the finalization of documents, have a DEAL!" Canada, meanwhile, did not acknowledge that a deal had been struck. This sounds familiar from foreign policy forays, so it looks like Canada is getting a TACO with an Iranian twist.

(The president added: "The great Keystone XL Pipeline, long ago killed by Sleepy Joe Biden, may be awoken from the grave! Thank you for your attention to this matter. President DONALD J. TRUMP." Your guess is as good as Eakinomics'.)

While parties on both sides of the border try to sort out the actual state of play, it is worth noting what is at stake. There are various estimates of the tariff revenue involved ranging from a high of $4 billion by the Penn Wharton Budget Model and Committee for a Responsible Federal Budget down to $1.7 billion by the Tax Foundation. AAF puts the dollars at $3.3 billion.

But probably more significant is the fact that there is no exemption for USMCA-compliant imports, as has been the case for other tariffs imposed on both Canada and Mexico. This is a much bigger shot in the trade war with Canada because the impact would be much larger. In addition, Section 338 allows for “secondary tariffs” (a Trump term) on other countries that might benefit from Canada’s discrimination against U.S. goods. So, if Mexico were found to benefit from Canadian discrimination against American wine, the administration could impose an up to 50-percent tariff on Mexico.

So, while it is TACO-T for the moment, it looks like the deadline is now midnight Saturday to choose either TACO or another damaging trade war.