When a 100% Tariff Is Justified – Canadian Pulp Should Be Addressed in Renewed Trade Talks

Published at the Washington Times, 7-9-25

By John Talberth, Ph.D.

Now that Canada is rescinding its retaliatory tax on US tech in the face of President Trump's tariff threats, and bilateral trade talks are resuming, Ottawa is said to have caved to Washington's "hardball tactics."

This may be as good a reminder as any that trade is often neither free nor fair. It's an elbows-out competition that can come with steep economic, environmental, and social costs foisted onto one side. It may be unfairly subsidized on one end, and dump goods on the other, distorting markets away from fairness or public benefit and toward exporters grabbing whatever profits they can.

In such cases, tariffs can be a good corrective. A ripe candidate for correction is Canadian wood pulp exported to the US and manufactured into toilet paper and paper towels. The average American uses 140 rolls of toilet paper a year, most of it made from clearcutting Canada's boreal forests.

This imposes direct, though hidden, costs on American companies, consumers, and taxpayers. For example, Canadian wildfires are made worse by logging, and Americans are increasingly breathing the smoke. According to the National Bureau of Economic Research, premature death from wildfire smoke will likely cost Americans $244 billion a year by 2050.

There are other costs, too. Canadian logging is subsidized, resulting in cheap lumber and pulp being dumped on US markets and undercutting US employers and jobs. US logging companies say that the subsidies are predatory and unfair, and caused "egregious harm" to the US timber industry.

In one recent study, researchers found that clearcutting 32,000 acres of softwood for pulp on just two concessions in Ontario emits about 3.8 million metric tons of carbon dioxide a year, equivalent to the carbon emissions of over 824,000 passenger vehicles. Regardless of what one thinks about climate change, those emissions have costs to economies which someone ends up paying. Using the lowest value for the "social cost of carbon," the report estimates that the cost of emissions from Canadian pulp pencil out to $1,715 per metric ton of pulp exported, or over $560 million annually.

But since none of these costs are factored into the export price of Canadian pulp, and are instead externalized, Canadians don't pay them – someone else does. Guess who?

Strategic import tariffs are a way to recoup direct or indirect costs imposed on the importing country – in this case, American companies, consumers, and taxpayers. They also help correct market distortions and perverse incentives so that less harmful, more sustainable alternatives can compete.

Coincidentally, the $1,715 damage value is about the going export price, which suggests a tariff of 100% could be used to reduce demand of this harmful commodity and scale up production of less carbon intensive wood or non-wood substitutes supplied by US farmers and foresters. These include US manufacturers of pulp from non-wood alternatives such as bamboo, hemp, kenaf, or agricultural wastes that can be produced with a zero or negative carbon footprint but also wood pulp from forests managed with climate smart practices, such as alternatives to clearcutting.

Border carbon adjustments (BCAs) are a specialized tariff designed to help US producers make and sell goods that are less carbon intensive than those imported from abroad. BCAs are included in several bills now before Congress, including some which have bi-partisan support, like the PROVE IT (Providing Reliable, Objective, Verifiable Emissions Intensity and Transparency) Act sponsored by Senators Kevin Cramer (R-ND) and Chris Coons (D-DE). It "would demonstrate our advantage in clean production," Cramer and Coons wrote, "and make clear to consumers around the world the environmental damage caused by some emissions-intensive foreign products."

Somewhere between "hardball" trade war tactics and free trade orthodoxy there lies a common ground where governments can put down sledgehammers and pick up scalpels to recoup one-sided costs and excise perverse incentives. Instead of imposing and rescinding tariffs haphazardly and unpredictably and wrecking trade relationships, we can target them rationally and narrowly to correct specific problems, like reducing the costs, harms, and pollution of Canadian pulp, and leveling the playing field for better alternatives.

Dr. John Talberth is President and Senior Economist for the NGO Center for Sustainable Economy