

Trump ends trade talks with Canada over tax hitting US tech firms

Ottawa said will adjust its 25% counter tariffs on US steel and aluminum

- Dozens of economies face a July 9 deadline for steeper duties to kick in
- China began requiring export licenses in early April

AFP | Washington, United States

President Donald Trump said yesterday he is calling off trade negotiations with Canada in retaliation for taxes impacting US tech firms, adding that Ottawa will learn of their new tariff rate within a week.

Trump was referring to Canada's digital services tax, which was enacted last year and forecast to bring in Can\$5.9 billion (US\$4.2 billion) over five years.

While the measure is not new, US service providers will be "on the hook for a multi-billion dollar payment in Canada" come



June 30, noted the Computer & Communications Industry Asso-

ciation recently.

The three percent tax applies to large or multinational companies such as Alphabet, Amazon and Meta that provide digital services to Canadians, and Washington has previously requested dispute settlement talks over the matter.

"Based on this egregious Tax, we are hereby terminating ALL discussions on Trade with Canada, effective immediately," Trump said in a post on his Truth Social platform Friday.

Canada may have been spared some of Trump's sweeping duties, but it faces a separate tariff regime.

Trump has also imposed steep levies on imports of steel, aluminum and autos.

Last week, Canadian Prime

Minister Mark Carney said Ottawa will adjust its 25% counter tariffs on US steel and aluminum -- in response to a doubling of US levies on the metals to 50% -- if a bilateral trade deal was not reached in 30 days.

"We will continue to conduct these complex negotiations in the best interest of Canadians," Carney said Friday, adding that he had not spoken to Trump on the day.

US Treasury Secretary Scott Bessent told CNBC that Washington had hoped Carney's government would halt the tax "as a sign of goodwill."

He now expects US Trade Representative Jamieson Greer to start a probe to determine the harm stemming from Canada's digital tax.

China progress

Trump's salvo targeting Canada came shortly after Washington and Beijing confirmed finalizing a framework to move forward on trade.

A priority for Washington in talks with Beijing had been ensuring the supply of the rare earths essential for products including electric vehicles, hard drives and national defense equipment.

China, which dominates global production of the elements, began requiring export licenses in early April, a move widely viewed as a response to Trump's blistering tariffs.

Both sides agreed after talks in Geneva in May to temporarily lower steep tit-for-tat duties on each other's products.

China also committed to easing some non-tariff countermeasures but US officials later accused Beijing of violating the pact and slow-walking export

license approvals for rare earths.

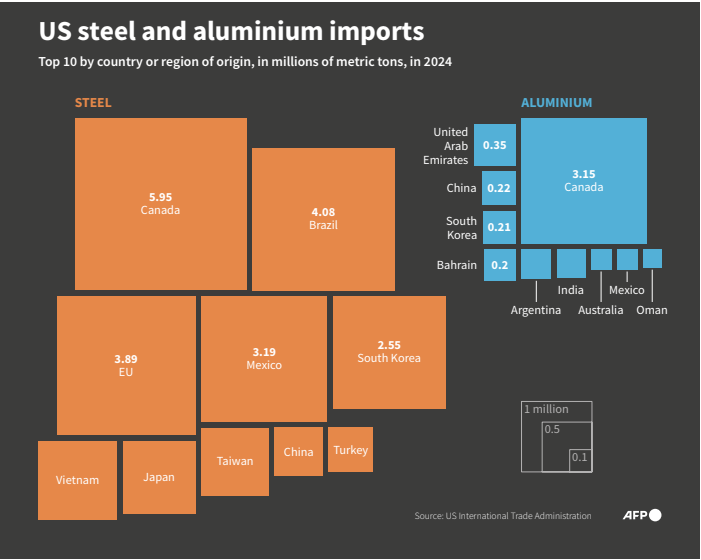
They eventually agreed on a framework to move forward with their Geneva consensus, following talks in London this month.

A White House official told AFP on Thursday that the Trump administration and China had "agreed to an additional understanding for a framework to implement the Geneva agreement."

This clarification came after the US president told an event that Washington had inked a deal relating to trade with China, without providing details.

Under the deal, China "will review and approve applications for the export control items that meet the requirements in accordance with the law," China's commerce ministry said.

"The US side will correspondingly cancel a series of restrictive measures against China," it added.



Upcoming deals?

Dozens of economies, although not China, face a July 9 deadline for steeper duties to kick in -- rising from a current 10 percent.

It remains to be seen if countries will successfully reach agreements to avoid them before the deadline.

On talks with the European Union, for example, Trump told an event at the White House on Friday: "We have the cards. We have the cards far more than they do."

But Bessent said Washington could wrap up its agenda for trade deals by September, indicating more agreements

could be concluded, although talks were likely to extend past July.

Bessent told Fox Business there are 18 key partners Washington is focused on pacts with. "If we can ink 10 or 12 of the important 18, there are another important 20 relationships, then I think we could have trade wrapped up by Labor Day," Bessent said, referring to the US holiday on September 1.

Wall Street's major indexes finished at fresh records as markets cheered progress in US-China trade while shrugging off concerns about Canada.

California governor files \$787 mn defamation suit against Fox News

Los Angeles, United States

California Governor Gavin Newsom filed a lawsuit Friday against broadcaster Fox News, claiming defamation after alleged purposeful misrepresentation of details of a phone call with US President Donald Trump earlier this month.

The suit seeks \$787 million in damages and was filed in a Delaware court, where Fox News is registered as a corporation.

Trump and Newsom spoke on the phone in the early hours of June 7 Washington time, but the pair did not address protests against Immigration and Customs Enforcement (ICE) raids occurring throughout Los Angeles, according to the lawsuit.

Later that day, Republican Trump ordered thousands of National Guard troops to deploy to the city in response to the protests, against the wishes of the Democratic governor.

Trump said during a June 10 White House press conference

The amount Newsom's lawsuit seeks in damages, \$787 million, is nearly the same as the amount Fox News paid in a settlement to Dominion.

that he talked with Newsom "a day ago" -- a claim the California politician quickly refuted on social media.

"There was no call. Not even a voicemail," Newsom wrote on X.

In response, Fox News host Jesse Watters claimed Newsom was lying about the call.

Another Fox News reporter, John Roberts, said Trump sent him a call log to prove Newsom was lying, but the screenshot he provided showed the call happened on June 7.

"Rather than leave the matter alone, or simply provide the facts, Fox News chose to

defame Governor Newsom, branding him a liar," the lawsuit said.

Newsom told broadcaster MeidasTouch he was used to criticism from Fox News, "but this crossed the line -- journalistic lines, ethical lines, defamation, malice."

The lawsuit said Fox News deliberately mislead viewers about the call to harm Newsom's career, saying those who watched Watters's report would be less likely to support his future campaigns.

Fox News called the lawsuit a "publicity stunt."

It said in a statement to AFP that the legal action "is frivolous and designed to chill free speech critical of him."

Newsom in a statement compared his case to a 2023 lawsuit against Fox News filed by election technology company Dominion Voting Systems, which said the broadcaster knowingly spread lies that its voting machines swayed the 2020 presidential election against Trump.

US Fed says large banks can weather major downturn

AFP | Washington, United States

Major banks in the United States have enough resources to hold up in a severe recession and keep lending to families and businesses, the Federal Reserve said Friday.

All 22 large banks subject to the Fed's annual "stress test" exercise, to gauge if they can weather a sharp downturn, were found to have passed.

"Large banks remain well capitalized and resilient to a range of severe outcomes," said Fed vice chair for supervision Michelle Bowman in a statement.

"The 2025 stress test results show that the 22 large banks subject to the test this year have sufficient capital to absorb more than \$550 billion in losses," the Fed said in its report.

A senior Fed official added that even after enduring such projected losses, they still have more than double their minimum capital requirements,



marking solid levels.

This year's scenario included a severe global recession with elevated stress in commercial and residential real estate markets, as well as corporate debt markets.

The hypothetical crisis included a 30 percent drop in commercial real estate prices, and a 33 percent fall in house prices.

The unemployment rate rose nearly 5.9 percentage points to reach 10 percent in this situation, while economic output

also declined.

But the scenario was less severe than last year's due to the test's "countercyclical design," the Fed said.

The stress tests were implemented in the wake of the 2008 global financial crisis, and they apply to banks with at least \$100 billion in total assets, including a top tier designated as "global systemically important banks."

But smaller banks are only subjected to the stress tests every two years.