Trump Will Impose 25% Tariffs on Canada and Mexico

President Trump said he would impose levies on America's largest trading partners Tuesday. Industries are preparing for the worst.

  

By Ana Swanson, Simon Romero and Ian Austen
Ana Swanson reported from Washington, Simon Romero from Mexico City, and Ian Austen from Ottawa.

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President Trump said Monday that sweeping tariffs on Canada and Mexico would go into effect on Tuesday, stating in remarks at the White House there was no chance for a last-minute deal to avert the levies.

"The tariffs, you know, they're all set," Mr. Trump said. "They go into effect tomorrow."

Mr. Trump has proposed adding a 25 percent fee on all Mexican and Canadian exports coming across those borders and an additional 10 percent for Chinese goods, beginning just after midnight Tuesday, saying those countries have not done enough to stem the flow of drugs and migrants into the United States.

The move will increase the levies that the United States charges on foreign goods to levels not seen at least since the 1940s, and is likely to shatter regional supply chains and raise the cost of products ranging from automobiles to breast pumps and vegetables.

The tariffs are also expected to further deteriorate the U.S. relationship with its two closest neighbors, whose economies are stitched together across North America. Leaders from Canada and Mexico have been scrambling to convince Mr. Trump to change his mind by devoting more resources to policing the border.

Canada, Mexico and China account for more than 40 percent of U.S. imports, and economists have said that stiff tariffs could send the Canadian and Mexican economies into a recession.

Mr. Trump's announcement sent stock markets tumbling, with the S&P 500 falling 1.8 percent, its worst one-day drop so far this year.

"So much for tariffs being just bluster and a bargaining tool," said Eswar Prasad, a professor of trade policy at Cornell University. "U.S. trading partners are clearly going to face monumental challenges in appeasing Trump and getting him to back off from using tariffs as a broad tool to influence their policies."

For weeks, Mr. Trump has described the tariffs as way to pressure Canada, China and Mexico to crack down on fentanyl and illegal immigration. But on Monday, at an event celebrating a U.S. investment by a Taiwanese chip manufacturer, Mr. Trump appeared to change the terms, saying Canada and Mexico needed to relocate auto factories and other manufacturing to the United States.

"What they have to do is build their car plants, frankly, and other things in the United States, in which case they have no tariffs," he said.

He added that companies would be "much better off building here, because we have the market. We're the market where they sell the most."

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March 11 Walked back plans to double metal tariffs on Canada after escalating threats ›

March 6 Suspended many of the tariffs imposed on Canada and Mexico ›

March 5 Paused tariffs on cars from Canada and Mexico for a month ›

March 5 Accused Prime Minister Justin Trudeau of Canada of imposing tariffs on the U.S. "to stay in power" ›

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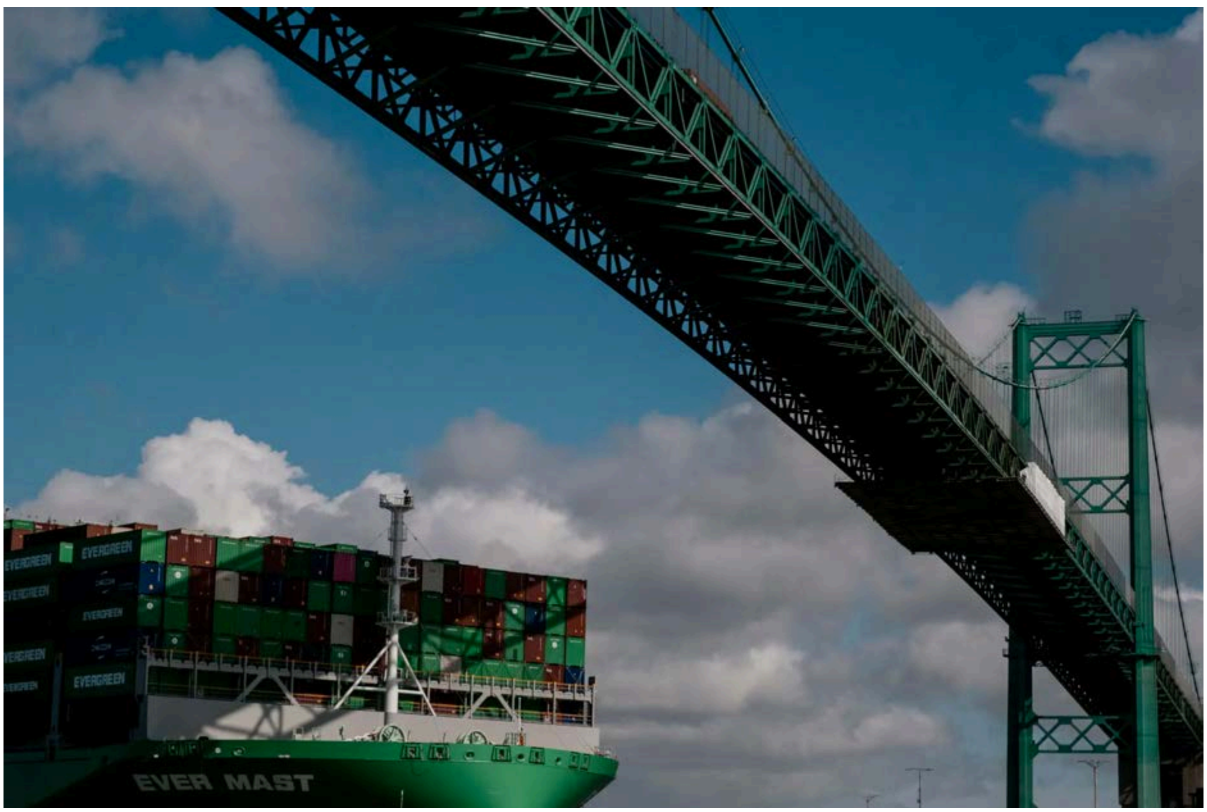
Mr. Trump had threatened to impose the levies on the three countries beginning Feb. 4. But he decided to pause them on Canada and Mexico for one month after both countries promised measures, like Mexico's sending more troops to the border and Canada's appointing a "fentanyl czar."

Mr. Trump did move forward with imposing a 10 percent tariff on all products from China, which triggered retaliation from that country. He is now planning another 10 percent on all Chinese imports, which would come on top of the tariffs he imposed on many Chinese products in his first term.



The tariffs set to go into effect Tuesday would add a 25 percent fee on top of Mexican and Canadian exports coming across the border, and an additional 10 percent for Chinese goods. Mark Abramson for The New York Times

The prospect of new tariffs — in addition to a variety of other proposed levies on steel, aluminum, copper, timber and other products — have elicited anxiety and frustration from businesses selling everything from automobiles to solar panels, who say tariffs will raise their costs as they move goods across borders.

For Canada and Mexico, most trade with the United States has faced zero tariff rates since the 1980s, with free trade agreements for automobiles even dating back to the 1960s, said Chad Bown, a senior fellow at the Peterson Institute for International Economics. The sudden imposition of tariffs may also violate the terms of the trade agreement the United States has with Canada and Mexico, which was signed by Mr. Trump himself.

"Increasing tariffs from zero to 25 percent overnight is likely to be much more disruptive to those now highly integrated North American supply chains than anything President Trump did in his first term," Mr. Bown said.

Canada and Mexico are both deeply dependent on exports to the United States, and Mr. Trump's threats have whipped their governments into action. Delegations of officials have made trips to Washington in recent weeks, including to meet with Howard Lutnick, the commerce secretary.

Mexico had adopted a strategy of seeking to appease Mr. Trump on several fronts at once: taking action against fentanyl-producing cartels, curbing migration and limiting China's economic sway. The Mexican government has unleashed a crackdown on criminal groups which manufacture fentanyl. In recent days, Mexican authorities handed over dozens of top cartel operatives to the United States and disclosed that they are accepting intelligence from C.I.A. drone flights to hunt down others.

Seizures of the synthetic opioid have been taking place almost on a regular basis in recent weeks, including the capture last week of six kilos of fentanyl at Mexico City's new international airport, in a package bound for New Jersey.

Mexico also pledged to deploy 10,000 National Guard troops to help deter migration, building on earlier efforts to disassemble migrant caravans well before they reach the border with the United States.

The border was already exceptionally quiet when Mr. Trump took office in January. Mexico detained about 475,000 migrants in the last quarter of 2024, according to government figures, more than double the amount detained in the first nine months of the year.

But in recent weeks, border crossings have declined to once unthinkable levels, reflecting the Trump administration's new policies aimed at restricting migration and Mexico's own deterrence efforts. At one point in February, U.S. personnel on the Mexican border encountered only 200 migrants in a single day, the lowest such figure in recent history.

In Canada, the threat of tariffs has galvanized Prime Minister Justin Trudeau's government, provincial politicians and businesses, and prompted a surge of patriotism and anti-American sentiment.

The Canadian government swiftly put together a plan to increase security at its border. While some of it involved repackaging programs that were previously announced, it included some flashy items like leasing Blackhawk helicopters for Royal Canadian Mounted Police Patrols and buying a fleet of drones.

Because U.S. government statistics clearly show that Canada is not a significant route into the U.S. for drugs or migrants, Canadian officials have been able to claim success with their crackdown.

"We don't have any data that suggests that there's that number of fentanyl pills or products going south of the border," Commissioner Mike Duheme of the Royal Canadian Mounted Police told The Globe and Mail, a Toronto newspaper.

Canada also drew up its own package of retaliatory tariffs, designed to maximize grief in U.S. states that are home to influential Republican politicians. Last month, Mr. Trudeau said that Canada would move quickly to impose them. There have also been suggestions that Canada may also cut off shipments of electricity, oil and gas, uranium or potash, a vital fertilizer for American farmers who source about 80 percent of their supply from Canada.

Doug Ford, the premier of Ontario who was recently returned to office, vowed again on Monday to strike back against any U.S. tariffs. "If they want to try to annihilate Ontario, I will do anything — including cutting off their energy — with a smile on my face," he told a news conference.

Mr. Ford renewed his promises to impose an export tariff on electricity sent to the United States, to end a 100 million Canadian dollar deal with Elon Musk's Starlink for rural internet service and to remove U.S.-made products from the shelves of government-owned liquor stores.

Flavio Volpe, the president of the Auto Parts Manufacturers Association of Canada, wrote on social media that the United States may "have to learn the hard way." He added: "Nobody wins when you attack the very allies you depend on."

Unlike their Canadian and Mexican counterparts, Chinese officials have not rushed to Washington with new concessions. People familiar with the discussions say that Beijing is still probing what Mr. Trump wants more broadly from the relationship.

Business leaders said that the tariffs would raise their own costs and cut into their ability to invest in expansion and hiring.

Of all the industries that depend on North American trade, automotive manufacturing could see the biggest impact. Canada and Mexico account for nearly half of U.S. car imports and exports, and an even greater share of the trade in motor vehicle bodies and parts.

Automakers have argued that parts and vehicles that are exempt under the current free trade treaty should continue to cross borders duty free.

"Our American automakers, who invested billions in the U.S. to meet these requirements, should not have their competitiveness undermined by tariffs that will raise the cost of building vehicles in the United States and stymie investment in the American work force," said Matt Blunt, the president of the American Automotive Policy Council, which represents General Motors, Ford Motor and Stellantis, the maker of Jeep, Chrysler, Ram Trucks and other brands.

Auto companies have said they cannot quickly relocate production to the United States and will have to pass the tariffs on to customers, adding thousands of dollars to car prices. "You don't have to be an expert in autos to see how detrimental this would be," said John Helveston, an assistant professor at George Washington University who teaches engineering management.

The prospect of tariffs has also created intense uncertainty for small business owners. Logan Vanghele, 28, who runs a small company that sells lighting and equipment for aquariums, all of which is made in China, said that he was facing roughly $25,000 in tariffs on a large shipment of products coming in from China.

When the $120,000 shipment left Yantian Port in southeastern China in January, just days before Mr. Trump's inauguration, Mr. Vanghele had no idea that it might face such fees. After Mr. Trump announced last week that an additional 10 percent tariff on Chinese goods would take effect on Tuesday, Mr. Vanghele immediately called the logistics company that was handling the cargo.

He pleaded with them to unload his container at a port in Norfolk, Va., where it stopped on Friday, instead of traveling on to Boston, hoping he could bring the products in before the tariffs went into effect. While it is possible that Mr. Trump's new tariffs will include an exemption for goods that are already on the water, there is no guarantee.

"Even if I've got to pay an absurdly high amount for it to get trucked over, it's not going to come close to what the tariffs are," Mr. Vanghele said. "I'm basically in Hail Mary mode."

Reporting was contributed by Joe Rennison, Minho Kim, Paulina Villegas, Rebecca F. Elliott, Jack Ewing and Danielle Kaye.

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