

Trump Plans Tariffs on Mexico, Canada and China That Could Cripple Trade

The president-elect said that he would impose the across-the-board tariffs on Day 1 and that they would stay in place until Canada, Mexico and China halted the flow of drugs and migrants.



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President-elect Donald J. Trump said on Monday that he would impose tariffs on all products coming into the United States from Canada, Mexico and China on his first day in office, a move that would scramble global supply chains and impose heavy costs on companies that rely on doing business with some of the world's largest economies.

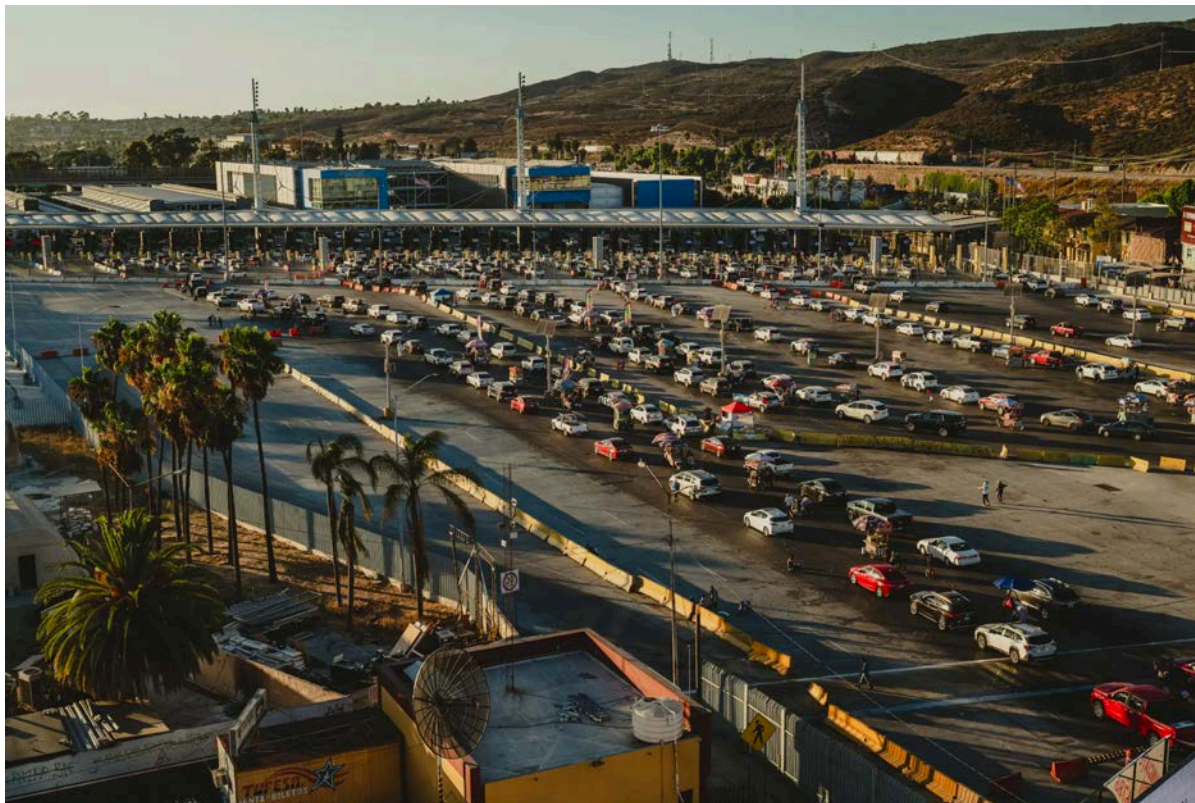
In a post on Truth Social, Mr. Trump mentioned a caravan of migrants making its way to the United States from Mexico, and said he would use an executive order to levy a 25 percent tariff on goods from Canada and Mexico until drugs and migrants stopped coming over the border.

“This Tariff will remain in effect until such time as Drugs, in particular Fentanyl, and all Illegal Aliens stop this Invasion of our Country!” the president-elect wrote.

“Both Mexico and Canada have the absolute right and power to easily solve this long simmering problem,” he added. “We hereby demand that they use this power, and until such time that they do, it is time for them to pay a very big price!”

In a separate post, Mr. Trump also threatened an additional 10 percent tariff on all products from China, saying that the country was shipping illegal drugs to the United States.

“Representatives of China told me that they would institute their maximum penalty, that of death, for any drug dealers caught doing this but, unfortunately, they never followed through,” he said.



Vehicles lining up on the Tijuana side of the U.S.-Mexico border to cross into Southern California. Meredith Kohut for The New York Times

Taken together, the tariff threats were a dramatic ultimatum against the three largest trading partners of the United States, and a move that threatens to sow chaos in America’s diplomatic and economic relationships even before Mr. Trump sets foot in the White House.

News of the tariffs immediately set off alarms in the three nations, with the currencies of Canada and Mexico sliding against the dollar and a spokesman for the Chinese Embassy in Washington warning that “no one will win a trade war.”

The tariffs would also have serious implications for American industries, including auto manufacturers, farmers and food packagers, which busily ship parts, materials and finished goods across U.S. borders. Mexico, China and Canada together account for more than a third of the goods and services both imported and exported by the United States, supporting tens of millions of American jobs.

The three countries together purchased more than \$1 trillion of U.S. exports and provided nearly \$1.5 trillion of goods and services to the United States in 2023.

Trump’s Tariffs Would Target Top 3 Sources of U.S. Imports

Mexico, Canada and China are the biggest sources of U.S. imports. In 2018, during the first Trump administration, the U.S. imposed tariffs on some imports, particularly those from China.

20% of all U.S. imports



Note: Figures for 2024 are through September. • Source: U.S. Census Bureau • By The New York Times

The costs could be particularly high for the industries that depend on the tightly integrated North American market, which has been knit together by a free-trade agreement for over three decades. Adding 25 percent to the price of imported products could make many too costly, potentially crippling trade around the continent. It could also invite retaliation from other governments, which could put their own levies on American exports.

That, in turn, could cause spiking prices and shortages for consumers in the United States and elsewhere, in addition to bankruptcies and job losses. Mr. Trump has insisted that foreign companies pay the tariffs, but they are actually paid by the company that imports the products, and in many cases passed on to American consumers.

Imposing tariffs on Canada and Mexico would also violate the terms of the North American trade agreement that Mr. Trump himself signed in 2020, called the United States-Mexico-Canada Agreement. That could open the United States to legal challenges, and potentially threaten the pact itself and the terms of trade it sets for North America.

While Mr. Trump did not explicitly invite any negotiations from Canada, Mexico or China, he has a history of using tariffs as leverage in negotiations. That may raise questions about whether his Monday evening announcements were merely an opening offer in what could be an extended negotiation.



The United States is the largest importer of Canadian fossil fuels. Todd Korol/Reuters

He and Prime Minister Justin Trudeau of Canada spoke about two hours after the president-elect's announcement, at Mr. Trudeau's initiative, said a Canadian official with knowledge of the call who was not authorized to brief the press and requested anonymity to discuss the exchange. The conversation, the official said, was constructive and focused on trade and security at the border.

Still, if Mr. Trump follows through on his plans to impose tariffs on Day 1, that may leave little time for the negotiations needed to delay or defuse the tariffs.

Flavio Volpe, the president of the Automotive Parts Manufacturers' Association, a Canadian industry group, said he believed Mr. Trump's post was just the opening salvo to what would be a negotiation that ultimately was about allies in a fight against China.

"How do you compete with China if you price Quebec aluminum, Ontario cars, Saskatchewan uranium and Alberta oil prohibitively?" he said, citing some top Canadian exports to the United States.

"Half of the cars made in Canada are made by American companies, and half of the parts that go into all the cars made in Canada come from U.S. suppliers, and more than half of the raw materials are from U.S. sources," Mr. Volpe added. "We are beyond partners. We are almost as inseparable as family."

But other trade experts said an increased trend toward protectionism suggested that the tariffs might really materialize. "The increasing specificity of Trump's tariff threats, both in terms of the amounts and the countries to be targeted, indicates the strong possibility that these are looming actions rather than just blustery threats," said Eswar Prasad, a professor of trade policy at Cornell University.

Canadian and Chinese officials defended their efforts to fight fentanyl on Monday night, and emphasized the mutual benefits of trade with the United States.

In a statement, the Canadian government sought to focus on the deep, inextricable ties between the two economies.

“Canada is essential to U.S. domestic energy supply, and last year 60 percent of U.S. crude oil imports originated in Canada,” said the statement, issued by Mr. Trudeau; the finance minister, Chrystia Freeland; and the public safety minister, Dominic LeBlanc. It added, “We will of course continue to discuss these issues with the incoming administration.”

Liu Pengyu, a spokesman for the Chinese Embassy in Washington, said that “the idea of China knowingly allowing fentanyl precursors to flow into the United States runs completely counter to facts and reality.”

“China believes that China-U.S. economic and trade cooperation is mutually beneficial,” he added.

Mexican officials did not immediately react, but the announcement most likely did not come as a surprise to them after repeated threats from Mr. Trump to impose such tariffs. In the closing days of his campaign, Mr. Trump threatened to place tariffs as high as 100 percent on all goods from Mexico.

Mexican officials had already signaled that they were prepared to respond with retaliatory tariffs of their own.

“If you put 25 percents tariffs on me, I have to react with tariffs,” Marcelo Ebrard, Mexico’s economy minister, told a radio interviewer this month. “Structurally, we have the conditions to play in Mexico’s favor,” he added.

Mr. Trump imposed high tariffs during his first term in office, which began in 2017, including levies of up to 25 percent on global metals and a variety of products from China. In 2019, he threatened to impose tariffs on all products from Mexico and shut down the border entirely unless the country halted illegal immigration. But he was persuaded to walk away from those threats.

While campaigning for a second term in office, Mr. Trump made even larger tariff threats, including suggesting that he would impose a levy of 60 percent or more on Chinese goods, and tariffs of 10 percent to 20 percent on products from other countries.



The tariffs would also have serious implications for many American industries. Philip Cheung for The New York Times

He has also threatened aggressive action to stop the flow of migrants across U.S. borders, as well as mass deportations of millions of undocumented immigrants.

The Associated Press reported last week that a caravan of roughly 1,500 migrants, mainly from Central and South America, had formed in southern Mexico and was traveling north, hoping to reach the United States before Mr. Trump's inauguration in January.

U.S. tariffs could send shock waves across Mexico's economy, which is exceptionally dependent on trade with the United States, exporting about 80 percent of its goods to its northern neighbor.

So far, Mexico's president, Claudia Sheinbaum, has taken a conciliatory approach to dealing with Mr. Trump, speaking with the president-elect by telephone and saying that her government is eager to meet with his transition team before he takes office.

While seeking to project calm and confidence in its relationship with the United States, Canada has acknowledged that the border is a sore spot in the relationship.

Over the summer, even as illegal border crossings from Mexico plummeted, the number of people arriving in the United States from Canada illegally hit an all-time high. Smugglers have begun using Canada as a steppingstone for people trying to get to the United States illegally, primarily from India.

The Biden administration has repeatedly raised the issue with the Canadian authorities, and, in response to the summer surge, introduced emergency measures to quickly deport people back to Canada. Since then, the numbers have plunged. The U.S. Customs and Border agency last week said that encounters — meaning interactions between agents and undocumented migrants including arrests and expulsions — had dropped by 69 percent from June to October.

Doug Ford, the premier of Ontario, a province with major economic links to the United States primarily through its auto industry, said Mr. Trump's statement called for an urgent Canadian response.

“A 25 percent tariff would be devastating to workers and jobs in both Canada and the U.S.,” Mr. Ford said on social media. “The federal government needs to take the situation at our border seriously. We need a Team Canada approach and response — and we need it now. Prime Minister Trudeau must call an urgent meeting with all premiers.”

Christopher Buckley contributed reporting.

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