Trump Will Hit Mexico, Canada and China With Tariffs

The White House said it would move forward with levies on America's largest trading partners on Saturday.



By Ana Swanson, Alan Rappeport and Colby Smith
Reporting from Washington

Published Jan. 31, 2025 Updated Feb. 3, 2025, 10:44 a.m. ET

President Trump plans to impose stiff tariffs on Mexico, Canada and China on Saturday, a move aimed at pressuring America's largest trading partners into accepting more migrants and halting the flow of migrants and drugs into the United States.

Mr. Trump will put a 25 percent tariff on goods from Mexico and Canada, along with a 10 percent tariff on Chinese products, Karoline Leavitt, the White House press secretary, said in a news briefing Friday.

Speaking to reporters in the Oval Office on Friday, Mr. Trump said the tariffs were punishment for Canada, Mexico and China allowing drugs and migrants to flood into the United States.

Mr. Trump's decision to hit America's trading partners with tariffs could mark the beginning of a disruptive and damaging trade war, one that is far messier than the conflict that defined Mr. Trump's first term.

Back then, Mr. Trump placed tariffs on nearly two-thirds of Chinese imports, resulting in China hitting the U.S. with levies of its own. Mr. Trump also imposed tariffs on steel and aluminum, inciting retaliation from the European Union, Mexico and Canada.

While the tariffs against allies were viewed as controversial, they were relatively limited in scope. It remains to be seen exactly what products Mr. Trump's new tariffs apply to, but the president has implied that they would be expansive and cover imports from Canada and Mexico, close allies of the United States.

Mr. Trump said on Friday that he would also "absolutely" impose tariffs on the European Union, saying they had "treated us so terribly." He added that the United States would eventually put tariffs on chips, oil and gas — "I think around the 18th of February," he said — as well as later levies on steel, aluminum and copper.

Canada, Mexico and China are America's three largest trading partners, supplying the United States with cars, medicine, shoes, timber, electronics, steel and many other products. Together, they account for more than a third of the goods and services imported to or bought from the United States, supporting tens of millions of American jobs.

The three governments have promised to answer Mr. Trump's levies with tariffs of their own on U.S. exports, including Florida orange juice, Tennessee whiskey and Kentucky peanut butter. All three of those states have Republican senators representing them in Congress and voted for Mr. Trump in 2024.

Mr. Trump's tariffs would immediately add a surcharge for the importers who bring products across the border, most of which are U.S. companies. In the nearer term, that could disrupt supply chains and lead to shortages, if importers choose not to pay the cost of the tariff.

If importers do pay the tariff, it will probably translate into higher prices for some American goods, as those companies generally pass the cost of tariffs on to their customers.

"Hopes that Trump's tariffs threats were merely bluster and a bargaining tool are now crumbling under the harsh reality of his determination to deploy tariffs as a tool to shift other countries' policies to his liking," said Eswar Prasad, a trade policy professor at Cornell University.

Mr. Trump had said in November that he would put the tariffs on Canada, Mexico and China, in an effort to halt the flow of migrants and drugs, particularly fentanyl, into the United States.

The threat set off a scramble from Canadian and Mexican officials, who tried to persuade the administration to hold off on tariffs by engaging in last-minute talks with Secretary of State Marco Rubio and detailing the efforts they were making to police the border.

Auto, agricultural and energy companies have all been pushing the Trump administration hard not to apply tariffs, and have called for an exclusions process that could give some products an exemption.

Marcelo Ebrard, the Mexican economy minister, said Friday that tariffs would most likely lead to shortages in specific goods, and that U.S. prices on Mexican goods would increase. He called the move “a strategic mistake” by the Trump administration.

“The main impact is clear: Millions of families in the United States would have to pay 25 percent more,” he said.

Prime Minister Justin Trudeau of Canada, in a post on X on Friday afternoon, said that “no one — on either side of the border — wants to see American tariffs on Canadian goods.” He said that “if the United States moves ahead, Canada’s ready with a forceful and immediate response.”

A spokesman for the Chinese embassy said that China firmly opposed tariffs and that any differences or frictions should be resolved through dialogue. “There is no winner in a trade war or tariff war, which serves the interests of neither side nor the world,” the spokesman said.

Mr. Trump’s advisers had been weighing different options for the tariffs, like applying them to specific sectors, such as steel and aluminum, or delaying their effective date for several months, according to people familiar with the planning.

Ms. Leavitt said the president had chosen to impose tariffs because the countries "have allowed an unprecedented invasion of illegal fentanyl that is killing American citizens, and also illegal immigrants into our country."

"The amount of fentanyl that has been seized at the southern border in the last few years alone has the potential to kill tens of millions of Americans," she said. "And so the president is intent on doing this."

At both borders, the number of illegal crossings has dropped sharply.

The number of unauthorized crossings at the southern border in December 2023 reached nearly 250,000, overwhelming the Border Patrol and causing the government to shut down a port of entry. At the northern border, the flow of migrants crossing illegally skyrocketed during the 2024 fiscal year. During that time, more than 23,000 arrests were made of migrants crossing illegally — two years before that figure was around 2,000.

The situation at the border has changed since then.

In December, agents made roughly 47,000 arrests at the southern border and 510 at the northern border.

The economic fallout from the tariffs would depend on how they were structured, but the ripple effects could be broad. Canada, Mexico and the United States have been governed by a trade agreement for more than 30 years, and many industries, from automobiles and apparel to agriculture, have grown highly integrated across North America.

Mary Lovely, a senior fellow at the Peterson Institute for International Economics, said the tariffs would be "very costly" for U.S. businesses.

U.S. factories rely on inputs from both countries, including minerals and timber from Canada and auto parts from Mexico. The tariffs would also go against efforts that U.S. companies have made in recent years to move out of China, at the urging of the Trump and Biden administrations, Ms. Lovely said.

According to economists at S&P Global, the auto and electric equipment sectors in Mexico would be most exposed to disruption if tariffs were enacted, as would mineral processing in Canada. In the United States, the largest risks would be to the farming, fishing, metals and auto sectors.

Jonathan Samford, the president of Global Business Alliance, which represents international companies, said the tariffs might result in rising costs for U.S. consumers, slowdowns for U.S. businesses and lost opportunities for future investment.

In his remarks from the Oval Office Friday, Mr. Trump said he would “probably” reduce the tariff on Canadian oil to 10 percent. Roughly 60 percent of the oil that the United States imports comes from Canada, and about 7 percent comes from Mexico, and experts have warned that cutting off those flows could cause American energy prices to spike.

While the United States is the world’s largest oil producer, refineries need to mix the lighter crude produced in domestic fields with heavier oil from places like Canada to make fuels like gasoline and diesel.

The potential economic implications from tariffs are also complicating matters for the Federal Reserve, which is still trying to wrestle inflation down to its 2 percent target. The Fed this week held interest rates steady, after a series of cuts, amid persistent inflation and questions about how the tariffs would play out.

On balance, most economists expect higher trade barriers to raise prices for U.S. businesses and households, which could lead to a temporary burst of higher inflation. Whether that escalates into a more pernicious problem will depend on whether Americans’ expectations about future inflation start to shift higher in a meaningful way.

Ernie Tedeschi, the director of economics at the Yale Budget Lab, estimates that a 25 percent tariff on all Canadian and Mexican imported goods — paired with a 10 percent tariff on all Chinese imports — would lead to a permanent 0.8 percent bump in the price level, as measured by the Personal Consumption Expenditures price index. That translates to roughly $1,300 per household on average. Those estimates assume that the targeted countries enact retaliatory measures and that the Federal Reserve does not take action by adjusting interest rates.

Mr. Tedeschi expects tariffs on that level to eventually shave 0.2 percent off gross domestic product once inflation is taken into account.

Mr. Trump's top economic advisers have disputed the idea that the tariffs fuel inflation, and argued that exporters from countries such as China would lower their prices in the face of higher U.S. tariffs.

In the press briefing, Ms. Leavitt said inflation had remained subdued in Mr. Trump's first term, despite tariffs being imposed. And she said the president was undertaking other policies that would lower inflation, like passing tax cuts and encouraging energy production.

Hamed Aleaziz, Vjosa Isai and Emiliano Rodríguez Mega contributed reporting.

Ana Swanson covers trade and international economics for The Times and is based in Washington. She has been a journalist for more than a decade. More about Ana Swanson

Alan Rappeport is an economic policy reporter, based in Washington. He covers the Treasury Department and writes about taxes, trade and fiscal matters. More about Alan Rappeport

---

A version of this article appears in print on , Section A, Page 1 of the New York edition with the headline: Trump Primed To Bring About Tariff Promises