

## Trump Confirms 25 Percent Tariff on Goods From Mexico and Canada



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On Monday, President Donald Trump confirmed that he will impose steep tariffs on imports from Mexico and Canada, effective Tuesday. The decision upends the U.S.-Mexico-Canada Agreement (USMCA), the free-trade deal that Trump signed during his first term in office, and will have profound effects on North American manufacturing networks that have been built around cross-border trade.

"The tariffs . . . they're all set. They go into effect tomorrow," he said. "What [foreign manufacturers] have to do is build their car plants, frankly, and other things in the United States, in which case they have no tariffs."

According to America's automakers, Japanese and Korean car companies have the most to gain from the new tariffs, as they will not be exposed to a 25 percent import duty at each point in their parts supply chain - nor when their cars are sold in the United States. All American-made cars contain parts supplied by Canadian and Mexican contractors, and some of those parts cross the U.S. border multiple times during assembly.

Tariffs this high have not been seen since the early days of the Cold War, and are widely expected to impact the price of goods for American consumers. The S&P 500 index dropped nearly two percentage points on the announcement.

Economists expect the tariff plan to put Mexico and Canada into recession, and to reduce U.S. GDP growth. Canadian Foreign Minister Melanie Joly described the tariffs as an "existential threat," and announced plans to retaliate with tariffs on \$150 billion worth of U.S. goods, to be phased in over time.

China, the United States' third-biggest trading partner, faces an additional tariff of 10 percent - less than half the rate for America's neighbors.