

What to Know: Trump Tariffs on China, Canada and Mexico

As of February 1, 2025, at 6:45 pm EST

Key Takeaways

- President Trump [imposed](#) a 10% additional tariff on Chinese imports and a 25% baseline tariff on Canadian and Mexican imports (with a lower 10% tariff for Canadian energy imports). The tariffs will go into effect at 12:01am on Tuesday, February 4.
- The actions could affect approximately \$1.3 trillion in annual trade, or close to half of all U.S. imports.
- Several media outlets have reported that there will be no regulatory process for companies to request tariff exemptions.
- Media also have reported that the tariffs include a retaliation clause, allowing further U.S. tariff increases should Mexico, Canada, or China enact tariffs of their own in response to the current action.
- Mexico and Canada have said that they will retaliate with targeted tariffs on goods from core political constituencies of President Trump.

Background

The Trump administration has invoked the International Emergency Economic Powers Act (IEEPA) to impose a 10% additional tariff on all imports from China and a 25% baseline tariff on imports from Canada and Mexico (with a slightly lower tariff rate of 10% for Canadian energy imports – such as, but potentially not limited to, oil.) The tariffs aim to pressure Mexico and Canada to curb migration and narcotics flows into the U.S. and to punish China for its role in the fentanyl trade.

These actions target the U.S.'s three largest trading partners and could affect approximately \$1.3 trillion in annual trade, which many economists believe could be inflationary. The White House [said](#) there would not be an exclusion process for companies to seek tariff exceptions. Media [reported](#) that the tariff actions have built-in retaliation clauses, allowing the U.S. to further increase the tariffs should China, Canada, or Mexico retaliate with their own tariffs.

Despite Mexican and Canadian diplomatic efforts to prevent these tariffs, it is unclear whether substantial negotiations took place, and their diplomatic communications did not prevent the Trump administration from moving forward with the tariffs.

Reactions

China

Although China has not yet indicated how it will respond, its retaliatory trade toolkit has evolved significantly in recent years, incorporating a variety of formal and informal measures to counteract economic threats. Key tools include the imposition of tariffs, import bans, and anti-dumping investigations. Another critical aspect of China's economic security strategy involves leveraging regulatory inspections and compliance checks to disrupt the operations of foreign firms. These measures can create significant barriers for companies attempting to enter or operate within the Chinese market. China could also further restrict exports of critical minerals, as it did with exports of germanium and gallium in 2023 and 2024 after several rounds of U.S. semiconductor export controls. Chinese policymakers could also choose to allow the renminbi to weaken to help offset the impact of the tariffs.

In response to tariffs Trump implemented on Chinese imports during his first administration, China imposed steep tariffs on U.S. agricultural goods that were intended to affect Trump's rural base most acutely. However, some analysts suggest that China may be less willing to escalate at this moment than in 2018, given its economic slowdown, though additional tariff escalation beyond the 10% just

imposed could trigger a more rapid and forceful Chinese response. The final 10% tariff rate is notably lower than the 60% tariff Trump threatened on the campaign trail.

Canada

Prime Minister Justin Trudeau has said that Canada will react forcefully and immediately against Trump's tariffs. One likely response is the implementation of targeted tariffs on select U.S. goods like Florida orange juice, Kentucky peanut butter, and Tennessee whiskey, similar to the strategy used during previous trade disputes. This approach would aim to minimize the impact on Canadian consumers while targeting key political bases of President Trump. Additionally, Canada may consider dollar-for-dollar tariffs, matching the value of U.S. tariffs on Canadian goods. Another potential response could see Canada leverage significant energy exports to the U.S., which could include new export taxes. Canada is also exploring non-retaliatory measures, such as boosting border security and engaging in diplomatic efforts to address U.S. concerns, while preparing relief programs for businesses affected by the tariffs. Trudeau will [address](#) Canada at 8:30pm on February 1 to discuss the U.S. tariff action.

Mexico

Mexican President Claudia Sheinbaum has said that her country is ready to implement retaliatory tariffs on a range of U.S. goods, likely excluding the automotive industry due to the sector's vital importance to the economy. The targeted U.S. goods for retaliatory tariffs will likely include pork products, cheese, apples, grapes, potatoes, cranberries, Bourbon whiskey, and manufactured steel and aluminum. These products were chosen for their significant impact on regions that heavily supported Trump. Mexican officials have also said that the government is being proactive in addressing U.S. concerns by intensifying efforts to control drug trafficking and illegal migration.