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Trump vows new Canada, Mexico, China tariffs that threaten global trade

By Costas Pitas

November 26, 2024 2:29 AM PST · Updated 2 months ago



Trump said on social media

00:10 / 01:55

Summary

Trump: 25% tariff on Mexico, Canada over fentanyl, migration

For China: 'an additional 10% tariff, above any additional tariffs'

China: No one will win a trade war

Feedback

Nov 25 (Reuters) - President-elect Donald Trump on Monday pledged big tariffs on the United States' three largest trading partners - Canada, Mexico and China - detailing how he will implement campaign promises that could trigger trade wars.

Trump, who takes office on Jan. 20, said he would impose a 25% tariff on imports from Canada and Mexico until they clamped down on drugs, particularly fentanyl, and migrants crossing the border, in a move that would appear to violate a free-trade deal.

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Trump separately outlined "an additional 10% tariff, above any additional tariffs" on imports from China. It was not entirely clear what this would mean for China as he has previously pledged to end China's most-favored-nation trading status and slap tariffs on Chinese imports in excess of 60% - much higher than those imposed during his first term.

The two posts on Truth Social represent some of Trump's most specific comments on how he will implement his economic agenda since winning the Nov. 5 election on promises to "put America first".

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"On January 20th, as one of my many first Executive Orders, I will sign all necessary documents to charge Mexico and Canada a 25% Tariff on ALL products coming into the United States, and its ridiculous Open Borders," Trump said.

The U.S. accounted for more than 83% of exports from Mexico in 2023 and 75% of Canadian exports.

The tariffs may also spell trouble for overseas companies like the many Asian auto and electronics manufacturers that use Mexico as a low-cost production gateway for the U.S. market.

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Trump's threatened new tariffs would appear to violate the terms of the U.S.-Mexico-Canada Agreement (USMCA) on trade. The deal which Trump signed into law took effect in 2020 and continued the largely duty-free trade between the three countries.

Canada and the United States at one point imposed sanctions on each others' products during the rancorous talks that eventually led to USMCA. Trump will have the opportunity to renegotiate the agreement in 2026, when a "sunset" provision will force either a withdrawal or talks on changes to the pact.

After issuing his tariff threat, Trump held a conversation with Canada's Prime Minister Justin Trudeau in which they discussed trade and border security, a Canadian source familiar with the situation said.

"It was a good discussion and they will stay in touch," the source said.

Trump could be counting on the threat of tariffs to prompt an early renegotiation of USMCA, said William Reinsch, a former president of the National Foreign Trade Council.

"This strikes me more as a threat than anything else," Reinsch said. "I guess the idea is if you keep hitting them in the face, eventually they'll surrender."

Mexico's lower house leader Ricardo Monreal, a member of the ruling Morena party, urged "the use of bilateral, institutional mechanisms to combat human, drug and arms trafficking."

"Escalating trade retaliation would only hurt the people's pocketbooks and is far from solving underlying problems," he said in a post on social media platform X.



[1/5] Trucks wait in a queue at the Zaragoza-Ysleta border crossing bridge to cross into the U.S., in Ciudad Juarez, Mexico November 25, 2024. REUTERS/Jose Luis Gonzalez [Purchase Licensing Rights](#)

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Trump's announcement [sparked a dollar rally](#). It rose 1% against the Canadian dollar and 1.6% against the Mexican peso , while share markets in Asia fell, as did European bourses in early trade. S&P 500 futures were little changed.

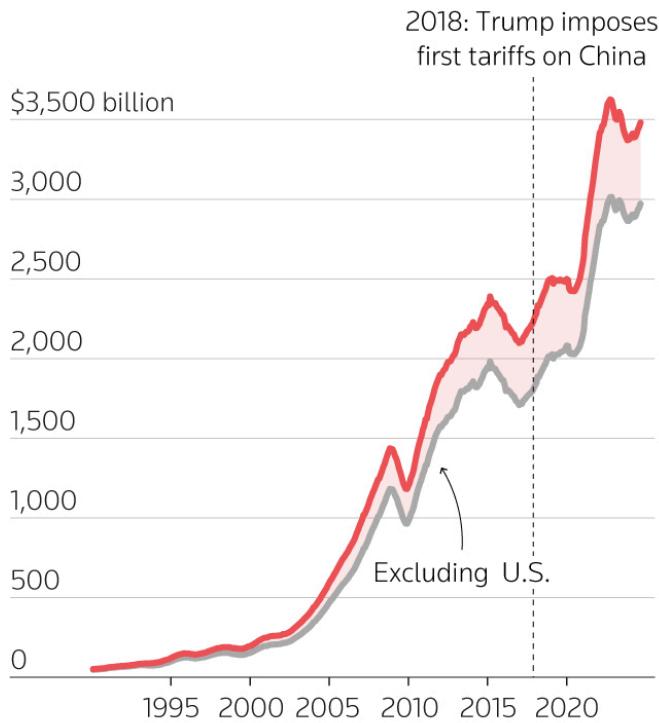
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Almost perfect symmetry

The world's two largest economies depend heavily on trading with each other, but their relationship is deeply imbalanced.

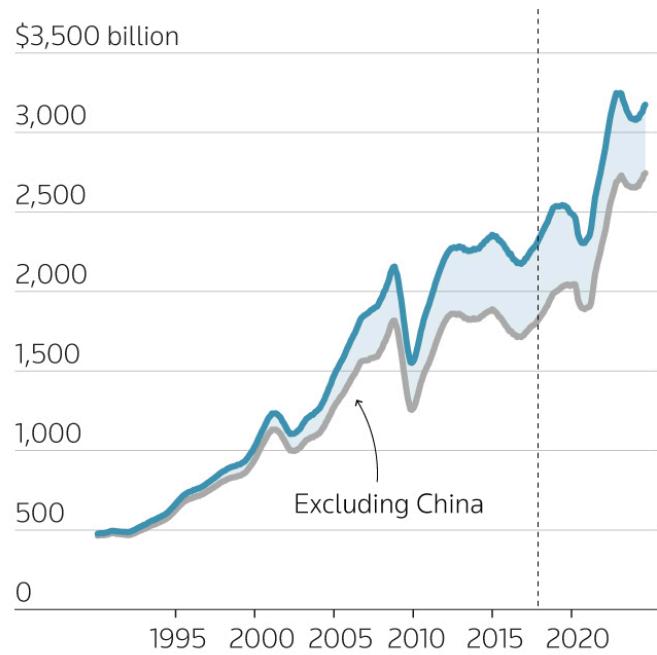
TOTAL CHINA EXPORTS

12-months rolling sum



TOTAL U.S. IMPORTS

12-months rolling sum

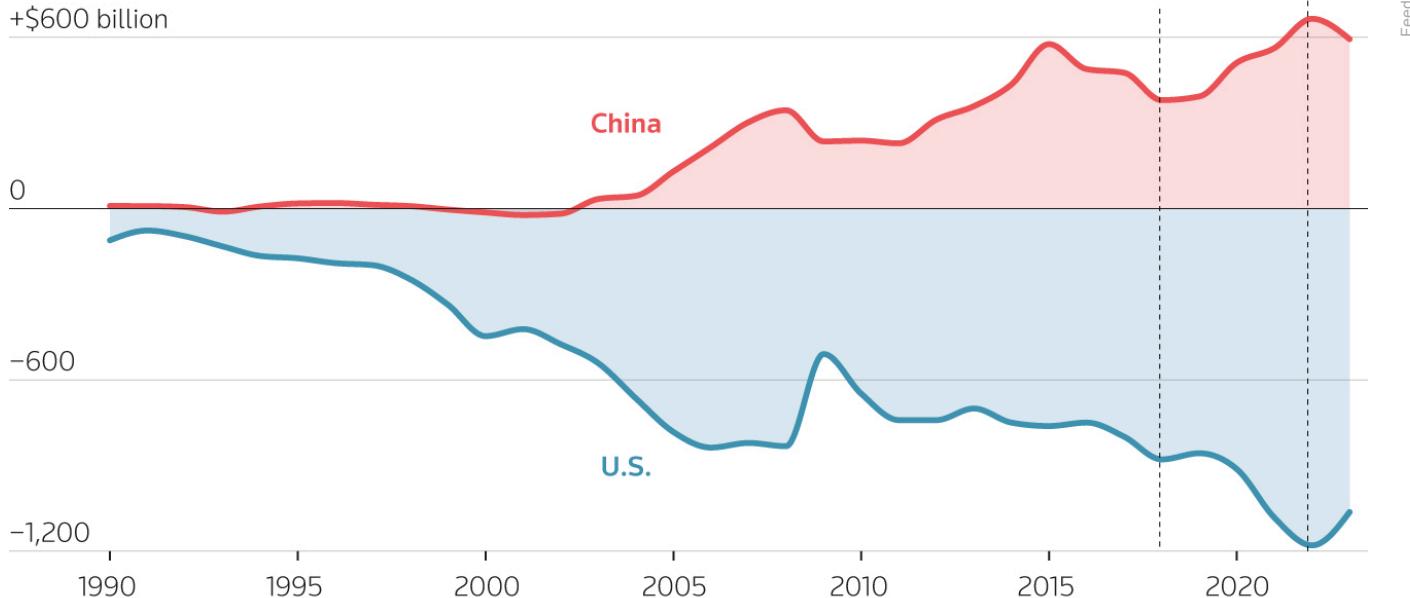


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2018: Trump imposes first tariffs on China



Note: Export and import data through August 2024. Net trade data in current U.S. dollars and through 2023.

Sources: World Bank, LSEG Datastream, National Bureau of Statistics, China

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China-U.S. trade relationship: Trade imbalance between U.S. and China

Southeast Asia is winning the U.S.-China trade war

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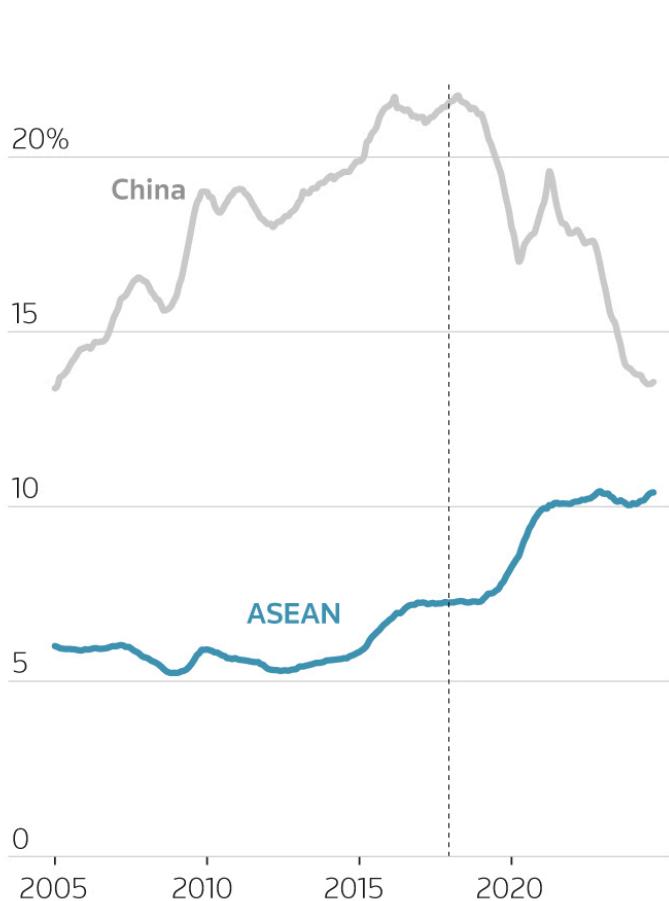
SHARE OF CHINA EXPORTS

12-months rolling sum



SHARE OF U.S. IMPORTS

12-months rolling sum



Feedback

Note: Data through August 2024. ASEAN stands for Association of Southeast Asian Nations.

Sources: U.S. Census Bureau, LSEG Datastream, National Bureau of Statistics, China

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China-U.S. trade relationship: Chinese exports and U.S. imports to and from ASEAN

CHINA: NO ONE WINS TRADE WARS

On China, Trump accused Beijing of not taking strong enough action to stop the flow of illicit drugs into the U.S. from Mexico.

"Until such time as they stop, we will be charging China an additional 10% Tariff, above any additional Tariffs, on all of their many products coming into the United States of America," Trump said.

A Chinese embassy spokesperson in Washington said China believed that China-U.S. economic and trade cooperation was mutually beneficial. "No one will win a trade war or a tariff war," Liu Pengyu said.

The embassy also cited steps it said China had taken since a 2023 U.S.-China meeting after which Beijing agreed it would stem the export of items related to the production of the opioid fentanyl, a leading cause of drug overdoses in the United States.

"All these prove that the idea of China knowingly allowing fentanyl precursors to flow into the United States runs completely counter to facts and reality," the spokesperson said.

Chinese foreign ministry said in a statement that China was willing to continue anti-drug cooperation with the U.S. on the basis of "equality, mutual benefit and mutual respect."

"The U.S. side should cherish China's goodwill and safeguard the hard-won sound situation of Sino-US drug control cooperation," the ministry said.

Chinese Vice President Han Zheng, speaking at a supply chain expo in Beijing on Tuesday, said China was ready to work with other countries to build an open world economic system and maintain the stability of global industrial and supply chains.

China's economy is in a vulnerable position amid a prolonged property downturn, debt risks and weak domestic demand.

In the run-up to the Nov. 5 election, Trump floated plans for blanket tariffs of 10% to 20% on virtually all imports. He also said he would put tariffs as high as 200% on cars coming across the U.S.-Mexico border.

Mexico's finance ministry said of Trump's tariff pledge: "Mexico is the United States' top trade partner, and the USMCA provides a framework of certainty for national and international investors."

Economists say Trump's overall tariff plans, likely his most consequential economic policy, would push U.S. import duties back up to 1930s levels, stoke inflation, collapse U.S.-China trade, draw retaliation and drastically reorder supply chains.

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