

Trump Cites National Emergency to Launch Trade War Against Canada, China, and Mexico

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by T. Augustine Lo

ON FEBRUARY 6, 2025, AN UPDATE WAS ADDED TO THE END OF THIS POST.

According to a [White House Fact Sheet](#) published on February 1, 2025, the Trump Administration followed through with its threat to impose high U.S. import tariffs on Canadian, Chinese, and Mexican origin products. These tariffs will subject many Canadian and Mexican origin products to a 25% import duty, while Chinese origin products will be subject to a 10% import duty. U.S. President Donald Trump invoked his authority under the International Emergency Economic Powers Act (“IEEPA”) to impose the sweeping tariffs, citing a national emergency relating to fentanyl trafficking and illegal border crossings. The [Executive Order](#) that targets Canada prescribes a lower 10% tariff rate on Canadian energy products, and an effective date of February 4, 2025, for the tariffs. *The effective date was later postponed to March 4, 2025; see Update below.*

Before his election in November 2024, Trump frequently made promises to impose tariffs on U.S. imports, including specific promises to tax goods from China and Mexico, citing various policy concerns. This tariff action solidifies those promises, including a 25% tariff on many Canadian products (lowered to 10% for energy products) that displaces the preferential treatment expected under the Canada—United States—Mexico Agreement (“CUSMA,” also called the U.S.—Mexico—Canada Agreement (“USMCA”)). This latest action follows in the wake of the [“America First Trade Policy”](#) memorandum that the Trump Administration issued in its first day in office on January 20, 2025.

There is much at stake in this latest trade dispute. U.S.-Canada cross-border trade plays an outsized role in both countries’ economies. According to the [Congressional Research Service](#), three-quarters of Canadian exports are destined for the United States, and Canada relies on the United States for nearly half of its imports. Canada is the largest supplier of U.S. energy imports, which prompted the lower 10% tariff for these products. The United States also relies heavily on Canadian automotive goods, heavy equipment, machinery, and metals. There is also significant cross-border travel and e-commerce that could become collateral damage, because the Executive Order removes the duty

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exemption for small parcels that may include gifts and personal effects.

Recognizing this potential leverage, many Canadian leaders have called for retaliatory tariffs on U.S. goods and export restrictions. Within hours of the White House announcement, Canadian Prime Minister Justin Trudeau announced retaliatory tariffs at 25% against a wide range of U.S. goods imported into Canada. These moves are reminiscent of a previous round of U.S. import duties against Canadian steel products under national security grounds, Canada's counter-tariffs, and the subsequent removal of both sets of measures during the first Trump Administration. This time, it is unclear how long the trade war will last. Although Trump's Executive Order calls for periodic review of Canada's cross-border law enforcement to see if the tariffs will continue, there are no clear goalposts. While the latest U.S. tariff action cites national security, President Trump has long viewed U.S. foreign trade deficits as a major concern, which the White House cites in the Fact Sheet. The three targets of these measures, Canada, China, and Mexico, are also the United States' largest trading partners. According to trade statistics collected by the U.S. Census Bureau, these three countries account for approximately 40% of total U.S. foreign trade, and the United States has a longstanding trade deficit with each of these countries. This concern over trade deficits prompted President Trump to renegotiate and replace the previous North American Free Trade Agreement ("NAFTA") between Canada, Mexico, and the United States in 2017 with CUSMA/USMCA, which entered into force in 2020.

IEEPA, which Trump invoked for this tariff action, authorizes the U.S. President to declare a national emergency "to deal with any unusual and extraordinary threat" from outside the United States and select from a broad range of options to impose sanctions. While U.S. Presidents have invoked IEEPA frequently to target foreign countries and persons over the years, those sanctions measures usually involve prohibitions against financial transactions and trade, and not import tariffs. However, the first Trump Administration set a precedent when it invoked IEEPA in 2019 to threaten high tariffs against Mexican origin products, citing illegal border crossings, before rescinding the measure based on assurances from Mexico. Unlike most import tariffs imposed under other U.S. trade laws, IEEPA does not require any prior legislation, investigation, notice, or public hearing before the U.S. President imposes the measures.

Update:

On Monday, February 4, 2025, the White House announced a 30-day postponement of the tariffs on Canadian and Mexican products until March 4, 2025. According to multiple news sources, Trump issued this pause just hours before the tariffs were to take effect after receiving commitments from the Mexican and Canadian Governments regarding border security. It remains to be seen whether the White House will be satisfied with Canada's and Mexico's progress on this front or if the threatened tariffs will take effect in the future. As Trump stated in his subsequent Executive Order, "If the illegal migration and illicit drug crises worsen, and if the Government of Canada fails to take sufficient steps to alleviate these crises, the President shall take necessary steps to address the situation, including by immediate implementation of the tariffs described in the Executive

Order of February 1, 2025.”