

## US trade

# Mexico and Canada forge united front in face of Donald Trump's tariff threats

US trade partners warn new measures would harm consumers in all three countries



Canada and Mexico have drawn up separate lists of retaliatory tariffs against the US © FT montage/Getty Images

**Christine Murray** in Mexico City, **Ilya Gridneff** in Toronto and **Aime Williams** in Washington 26 MINUTES AGO

Mexico and Canada are putting aside their differences and forming a more united front as they try to head off US President Donald Trump's threat to impose steep tariffs on them as soon as next week.

Since winning the election in November [Trump](#) has repeatedly threatened his country's two largest trading partners with [tariffs of 25 per cent](#) on all exports to the US in retaliation for what he says are rising levels of illegal immigration and the trafficking of the opioid fentanyl into the country. He has warned the tariffs could apply from February 1.

"Trump is black and white about this," said a person familiar with the Trump team's plans. "We give you access to the US market, what are you giving us?"

Mexico and Canada send three-quarters of their exports to the US underpinned by a three-way trade agreement, USMCA, that was signed during Trump's last presidency, making them vulnerable to demands from Washington.

Mexico relies on the US for about 70 per cent of its natural gas and has long been blamed by Trump for illegal migrants and drugs coming into the US.

The Canadian chamber of commerce predicts the country's GDP would shrink 2.6 per cent or roughly C\$78bn (US\$54bn), if Trump made good on his threats, costing Canadians about C\$1,900 per person annually.

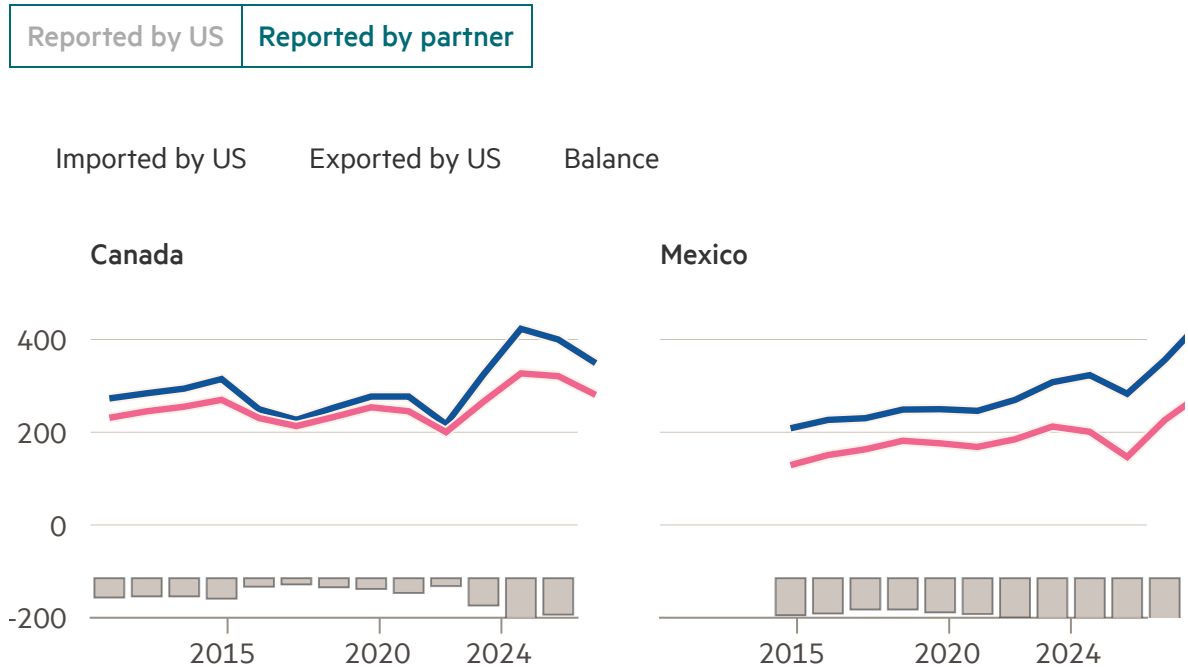
Despite the shared threat from Trump, the Mexico-Canada relationship soured last year, initially over Ottawa's ambassador raising concerns over an overhaul of the Mexican judiciary.

They worsened significantly in November after Canada's Prime Minister Justin Trudeau hinted he would be open to cutting Mexico out of USMCA and agreed with Trump that Chinese investment in Mexico was problematic, in an apparent attempt to curry favour with the newly elected president.

These and other comments prompted fury in Mexico City but the two countries are coming together in the face of Trump's tariff warning, with a flurry of calls between ministers taking place in the past month, officials said.

## The US's trade deficit with its neighbours has increased in recent years

Trade in goods\* (\$bn)



Sources: US Census Bureau; IMF • \*2024 figures are to November

“Political noise may have caused delays and clouded judgments in Ottawa, but Canadians might have finally realised that better co-ordination with Mexico is crucial,” said Diego Marroquin Bitar, the Bersin-Foster North America Scholar at the Wilson Centre think-tank.

A key aim of the rapprochement has been to align the countries’ narratives of how US tariffs would be a lose-lose proposition that would push prices up for consumers in all three countries.

Trudeau this week said: “Trump has announced he wants a ‘golden age’ for the American economy. That means they’re going to need more energy, more minerals, more steel and aluminium, more lumber, more concrete, more of the things Canada is already sending them.”

Ottawa and Mexico City have also have drawn up separate lists of retaliatory tariffs, while simultaneously sending public and private olive branches to the Trump team on border security, said people with knowledge of the matter.

Mexico has readied tariffs dubbed locally as a “carousel” of products squeezed for a few months before they are switched to other states targeting key Republican lawmakers.



Canada's Prime Minister Justin Trudeau and Mexico's President Claudia Sheinbaum at the G20 summit last November in Rio de Janeiro, Brazil © Ricardo Moraes/Reuters

Canada has also signalled it is preparing [tit-for-tat sanctions](#) that would create “the greatest amount of angst in the US with the least amount of pain in Canada”, said Jonathan Wilkinson, minister of energy and natural resources.

A review of USMCA set for 2026 is under way, with Trump pressing for changes to reduce China’s footprint in the region. Public consultations began this week in Washington and the president has asked the US trade representative to make recommendations on the pact’s future by April 1.

Ottawa and Mexico City are bracing for Trump to push for a renegotiation of USMCA — which the president renegotiated during his first term in what he called a “colossal victory for American workers” — rather than the loosely defined but narrower “review” scheduled under the pact.

“It is his to play with, it is his to refashion,” said Andrew Shoyer, a former USTR official and now trade lawyer at Sidley Austin.

People familiar with the White House’s plans say the US wants to make changes to limit foreign content in cars and to curtail growing Chinese links to Mexico’s economy.

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## Explore the data: US trade with Canada and Mexico

Trade in goods (\$bn)

US trade balance ▼      Corn ▼

Canada



FINANCIAL TIMES

Source: US Census Bureau • \*2024 data is to November

Trump has also raised the US’s high trade deficits with the two USMCA partners, warning Ottawa that Washington could use “economic force” to make Canada the country’s 51st state.

Canada “can always become a state, and if you’re a state, we won’t have a deficit”, he told the World Economic Forum in Davos on Thursday.

“We don’t need their lumber, because we have our own forests. We don’t need their oil and gas. We have more than anybody,” he added.

In fact, the US imports about 40 per cent of the crude it refines, with 60 per cent of that coming from Canada and 11 per cent from Mexico.

“Imposing tariffs will adversely affect not only American consumers but also American energy security interests,” said Mark Scholz, the chief executive of the Canadian Association of Energy Contractors.

Canada has responded to Trump’s border demands, pledging to spend more than \$1bn on security with helicopters, drones and increased manpower — although Trudeau on Thursday noted only 1 per cent of the illegal migrants and illicit drugs entering the US come from Canada.

Mexico has also stepped up immigration enforcement and will now take back asylum applicants waiting out their US claims.

Trump has threatened to deploy the US special forces to Mexico to take out drug cartels, and said in Davos that the US was also “dealing with Mexico very well”.

His approach has had a dramatic effect on what are usually routine amendment procedures in most trade deals, Shoyer said.

“This is maximum chaos, shock and awe . . . he’s using all this as leverage,” he said.

*Data visualisation by Alan Smith*



