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The United States imposes a 25% tariff on Mexican products

Subject to commitments on migration and drug trafficking

1. Introduction

On 1 February 2025, US President Donald Trump imposed additional tariffs on imports of goods from Mexico, Canada and China. These actions complement recent measures taken on migration policy and border security.

This decision has repercussions in the field of international law, specifically affecting the Free Trade Agreement between Mexico, the United States and Canada (USMCA) and the World Trade Organisation (WTO), a situation that has created significant tensions in the trade relationship with Mexico.

2. Imposition of tariffs and justification

The additional tariffs for Canada are 25% for products in general, except for energy products, which will be subject to an additional 10% tariff; 25% for products from Mexico, without exception; and 10% for products from China. These measures will take effect from 4 February.

Donald Trump's administration justified these measures as a strategy to:

- Put pressure on Mexico and Canada to strengthen their migration and anti-narcotics policies (mainly relating to fentanyl).
- Protect the US industry from what they see as unfair competition.

The US government stated that this is a matter of "national security" under the International Emergency Economic Powers Act (IEEPA). The legislation gives the US president broad powers to regulate and restrict financial and commercial transactions in order to deal with crises that pose a threat to national security, foreign policy or the US economy.

Generally speaking, the IEEPA allows the Executive to impose economic measures without subjecting them to a prior process of investigation or legislative oversight, which gives it considerable discretion in their application.

The official statement issued by the White House on the evening of 1 February states that the flow of contraband drugs such as fentanyl through illegal means of distribution has created a national emergency, and that the cartels are a threat to the national security of the United States.

Notably, at the moment no tariff distinctions have been established by type of product, which means that this generalised measure will affect manufactured goods, agricultural products, vehicles, and electronics, among others.

The US government indicated that these measures will be implemented indefinitely as long as Mexico can ensure cooperation with its government in the fight against drugs, and the situation will be periodically evaluated in order to reduce or eliminate the tariffs when it is considered that Mexico has taken the necessary measures to that effect.

It is worth mentioning that the additional tariffs imposed during Donald Trump's first administration were quickly eliminated or adjusted following Mexico's commitments to combat illegal migration and drug trafficking.

3. Response from the Mexican government

In response to the actions taken by the United States, the President of Mexico, Claudia Sheinbaum, rejected the White House's accusations of alliances with criminal organisations, and proposed establishing a working group between the two governments in order to jointly resolve the drug problem that both governments are facing.

President Trump and Mexican President Claudia Sheinbaum had a friendly phone call today in which they agreed to halt the measure for 30 days, while working groups are established to address the issues of migration and fentanyl. The agreements include (I) Mexico's pledge to tighten security along its northern border (II) the United States' commitment to work to prevent arms trafficking into Mexico.

In the event that the working groups do not yield results, Mexico could implement tariff and non-tariff restrictions against US products as a retaliatory measure and in defence of Mexico's interests.

4. USMCA and WTO violations

The tariffs imposed by the United States on both Mexico and Canada represent a direct violation of Article 2.4 of the USMCA, which provides for preferential duty-free access for goods between member countries, as well as various WTO provisions.

However, President Donald Trump has decided to frame this imposition of tariffs as being the result of an alleged risk to his country's national security. This is in order to fall under an exception provided for in both treaties that allows any member country to establish measures to protect national security without violating the provisions of the treaties in question.

In order for Mexico to bring a formal dispute before the treaty's dispute settlement mechanisms or to take equivalent retaliatory trade measures (imposing tariffs on US products), it must prove that the imposition of the measures by the US is not directly linked to safeguarding the country's national security.

In this context, Mexico's actions, albeit politically justified, could be seen as violating these treaties, which could affect the negotiations for the revision of the USMCA in 2026.

5. Most affected industry sectors

- **Automotive:** It could face a decrease in production, an increase in manufacturing costs that would be reflected in the final price of vehicles and possible adjustments to the workforce.
- **Energy:** The imposition of tariffs on oil and gas would impact the production chain, affecting both refining processes and the supply of these inputs in Mexico.
- **Electronics:** Electronic devices and components would experience an increase in their production and marketing costs as a result of the tariffs.
- **Agri-food:** Products such as fruit and vegetables would see their competitiveness in the US market affected.

6. Effects of tariffs for Mexico

Various economic analysts have pointed to the following as the most significant macroeconomic effects that could occur¹:

- GDP contraction by -1.5% due to the fall in exports and investment.
- Rising inflation in the United States, as more than 40% of its agricultural imports come from Mexico.
- Possible impact on the peso exchange rate.

¹ BBVA Research (2025). 25% tariffs on Mexico: Impact on the economy and key sectors.

In addition to the above, in the area of foreign trade, we consider that the main effects that could occur include the following:

- Loss of competitiveness of the United States and the North American trade bloc (Mexico, United States and Canada) vis-à-vis other countries.
- Mexico losing its appeal as a nearshoring destination.
- Loss of interest in national support programmes and the maquiladora industry (IMMEX, PROSEC, etc.).

Finally, if Mexico decides to impose additional tariffs on imports of goods from the United States, this could have trade and economic consequences for the country, as well as create bilateral tensions between the countries, which could lead to inflationary pressures and challenges in import substitution.

7. Conclusions

The results of the working groups agreed between President Sheinbaum and President Trump will have to be closely monitored so that, if they are not satisfactory, the impact on strategic sectors can be better assessed and appropriate mitigation strategies can be designed.

If the US moves ahead with a 25% tariff on Mexican products after the working groups, this would represent a significant challenge for Mexico's economy, impacting key sectors such as automotive, energy, electronics and agri-food. These measures not only contradict the principles of the USMCA and the WTO, but also create uncertainty surrounding bilateral trade, future revisions of the USMCA and Mexico's competitiveness as a destination for nearshoring.

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