

# Special Update

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## Current Tarriff Negotiations Between the U.S., Canada, & Mexico: March 2025

### Overview

Tariff negotiations between the United States, Canada, and Mexico remain a critical focus of North American economic policy. Following President Donald Trump’s inauguration on January 20, 2025, the U.S. has pursued aggressive tariff threats to address illegal immigration, fentanyl trafficking, and trade imbalances. Initially set for February 4, these tariffs—25% on most goods from Canada and Mexico, with a 10% rate on Canadian energy—were delayed to March 4 after negotiations [Web ID: 15]. Despite further talks, no last-minute deal was reached by March 3, and tariffs took effect on March 4, prompting retaliatory measures and ongoing discussions [Web ID: 17].

### Negotiation Developments

The U.S. imposed tariffs on March 4, citing insufficient progress on border security and drug interdiction [Web ID: 9]. Canada and Mexico secured a one-month delay in February after pledging enhanced border measures—Canada committed CA\$1.3 billion and a “fentanyl czar,” while Mexico deployed 10,000 National Guard troops [Web ID: 7]. However, Trump declared on March 3 that “no room” remained for further delays, a stance echoed by Commerce Secretary Howard Lutnick, who noted partial progress but unmet demands [Web ID: 2].

On March 6, Trump exempted automotive goods covered by the United States-Mexico-Canada Agreement (USMCA) until April 2, following pressure from U.S. automakers, offering a temporary reprieve amid Mexico's diplomatic efforts [Web ID: 14]. Canada's retaliatory 25% tariffs on CA\$155 billion in U.S. exports and Mexico's planned tariff and non-tariff responses began concurrently with U.S. tariffs [Web ID: 17].

## Economic and Political Stakes

The tariffs disrupt a deeply integrated North American economy, with over \$900 billion in annual U.S. imports from Canada and Mexico supporting 17 million jobs [Web ID: 13]. Economists warn of supply chain upheaval, with the Budget Lab at Yale estimating a \$1,200 loss in U.S. household purchasing power [Web ID: 2]. Canada, heavily trade-dependent, faces potential recession risks, while Mexico's auto sector braces for a 12% export drop [Web ID: 18]. Politically, the tariffs strain the USMCA, set for review in 2026, and signal Trump's willingness to leverage trade for security goals, though critics argue they violate the agreement [Web ID: 13]. Canadian PM Justin Trudeau, set to resign by March 9, and Mexican President Claudia Sheinbaum emphasize sovereignty and collaboration, yet both nations prepare robust counter-measures [Web ID: 15].

## Outlook

Negotiations persist amid economic fallout, with U.S. stock markets dropping 1.8% on March 3 and oil prices rising due to Canadian energy tariffs [Web ID: 2]. The April 2 deadline for USMCA goods offers a window for diplomacy, but Trump's concurrent tariff hike on China to 20% complicates global trade dynamics [Web ID: 9]. Analysts debate whether tariffs are a negotiation tactic or a firm policy shift, with Brookings suggesting high costs may force reconsideration [Web ID: 0]. For now, the U.S., Canada, and Mexico face a tense balancing act between security, trade, and economic stability.

## References:

[Web ID: 0]: Brookings, "Trump's 25% Tariffs on Canada and Mexico," February 3, 2025.

[Web ID: 2]: Wikipedia, "2025 U.S. Trade War with Canada and Mexico," February 1, 2025.

[Web ID: 7]: Skadden, "Trump's Tariffs on Canada, Mexico and China," February 5, 2025.

[Web ID: 9]: White & Case, "U.S. Tariffs on Canada and Mexico Enter into Effect," March 4, 2025.

[Web ID: 13]: Brookings, "Assessing Trump's Proposed 25% Tariff," December 3, 2024.

[Web ID: 14]: Reuters, "Trump Delays Tariffs for Goods Under Mexico, Canada Trade Deal," March 6, 2025.

[Web ID: 15]: NPR, "Trump Puts Mexico and Canada Tariffs on Hold," February 3, 2025.

[Web ID: 17]: NBC News, "Trump Puts U.S. Tariffs on Thousands of Goods," March 5, 2025.

[Web ID: 18]: Wikipedia, "2025 U.S.–Canada–Mexico Trade War," February 1, 2025.