

# Explainer: US Tariffs on Mexico

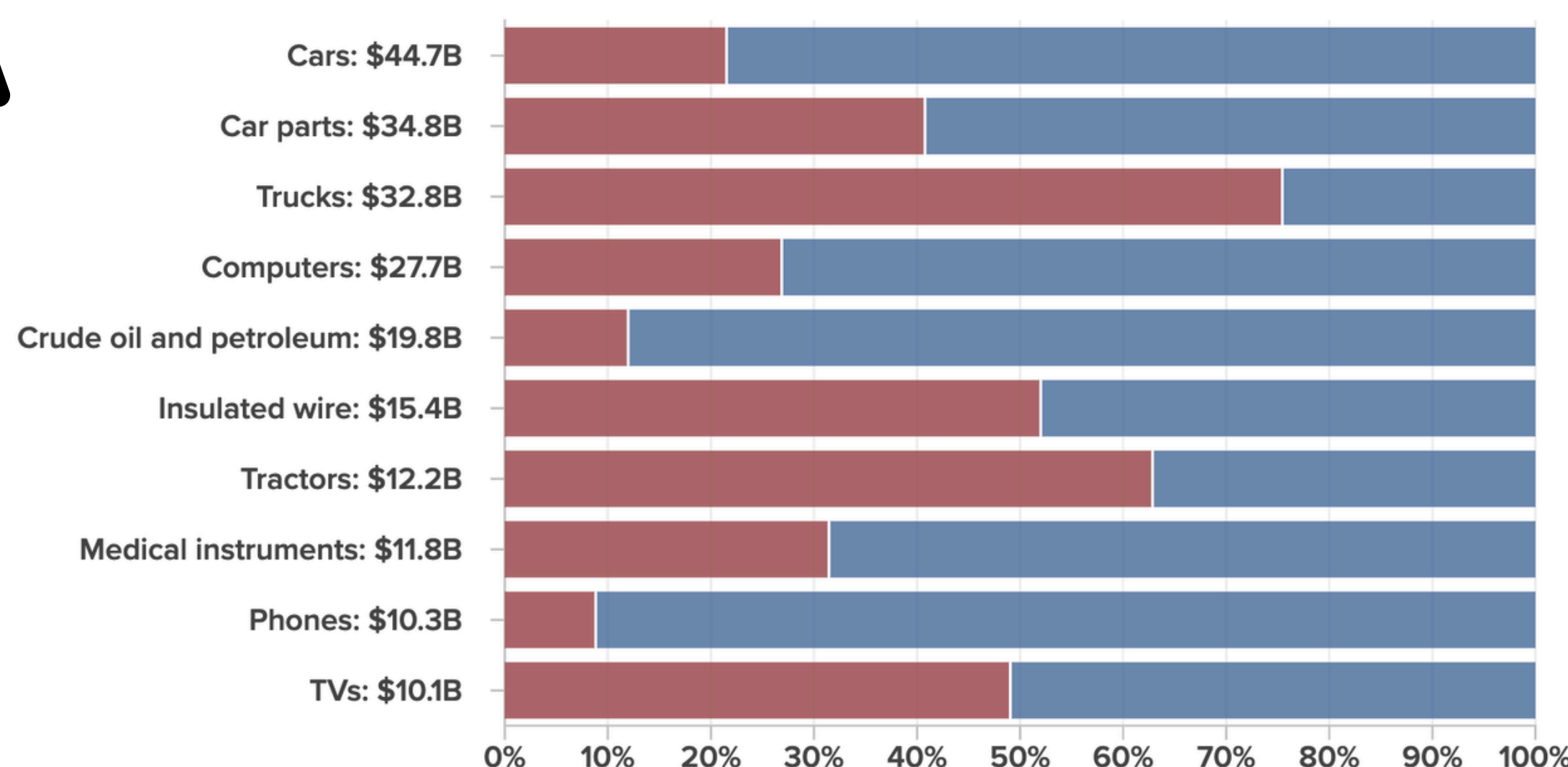
Right after his Inauguration on January 20, President Trump announced the potential implementation of **25 percent** tariffs on US imports from Mexico in addition to Canada. The measure could go into effect as soon as **February 1, 2025**. What are the President's **main objectives**, and what could be the **economic impact**?

## Top 10 US imports from Mexico

Goods imports from Mexico as a percent of global imports, ranked by US dollar value

Combined value of \$219.7 billion USD

Mexico Rest of World



Source: US Census Bureau • 2023 data  
HS 4 codes, simplified

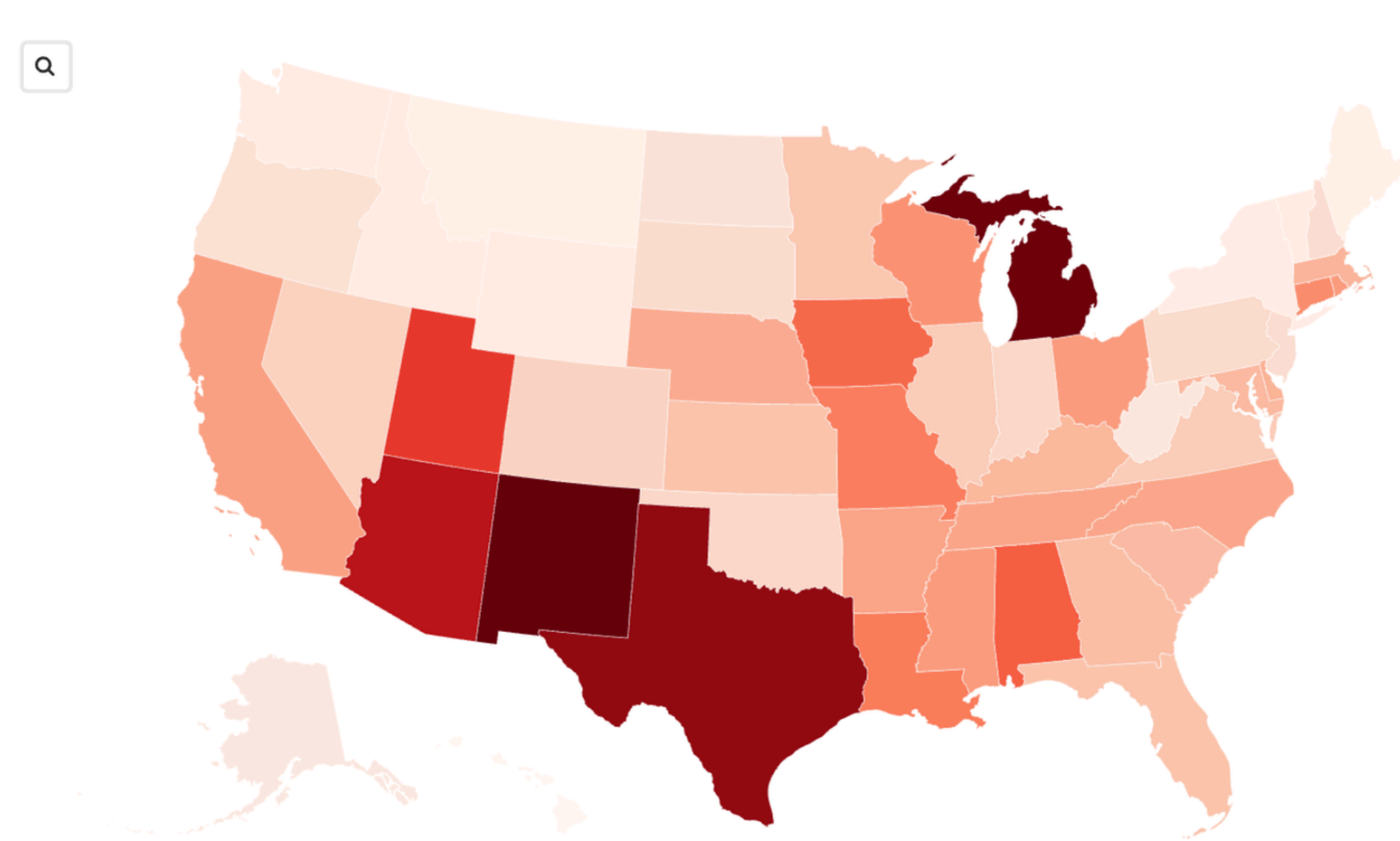
## Potential impact

- Domestically, tariffs would create **new incentives for US consumers** to buy US-made products, as available.
- Tariffs would seek to act as an **economic incentive for companies** to bring production back to the United States.
- In Mexico, among other things, tariffs would **increase pressure** to address irritants laid out by Secretary Rubio in his confirmation hearing: bilateral US trade concerns; border security; and violence alongside fentanyl trafficking.

## Key states rely on imports from Mexico

State imports from Mexico as a percent of all imports globally

0% 50%

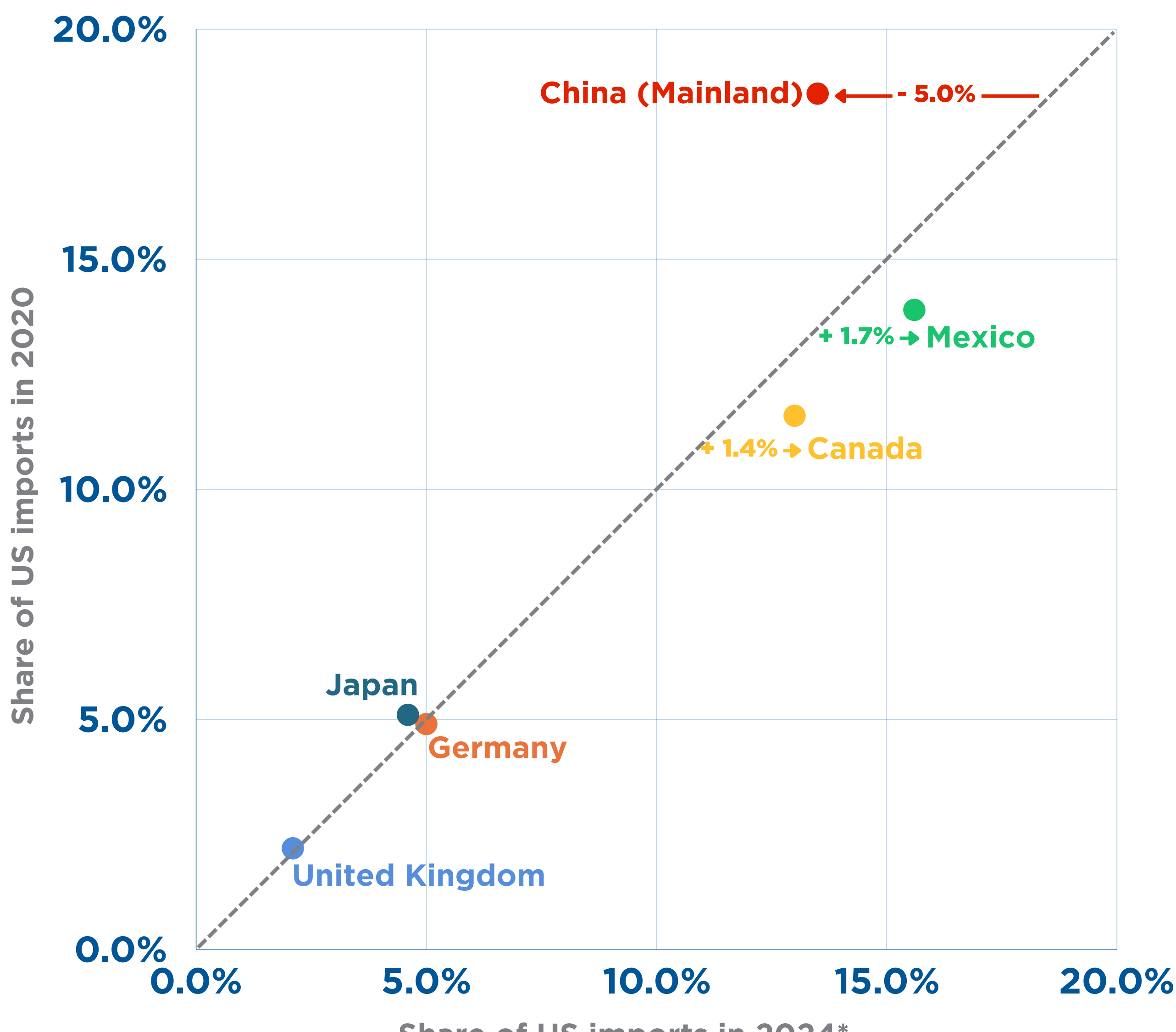


Source: U.S. Census Bureau 2021 boundaries, US Census Bureau • GeoEconomics Center calculations, 2023 data

- Tariffs could generate **price increases** in US states that are the main importers from Mexico such as **Michigan, New Mexico, Texas, and Arizona**.
- However, given its significant reliance on exports to the US, the bigger risk is for Mexico, where the effect of tariffs could increase the **likelihood of economic recession**.

## Geopolitical perspective

Change in the sourcing of US imports (2020 vs 2024)



\*Data for 2024 runs from Oct. 2023 to Sep. 2024  
Source: Calculations based on IMF, Direction of Trade Statistics

- US imports from Mexico **have grown** between 2020 and 2024, displacing other global competitors such as **China**.
- However, tariffs could reduce Mexican exports to the United States, thus creating opportunities for other commercial players to fill the void.

#ACMexico

