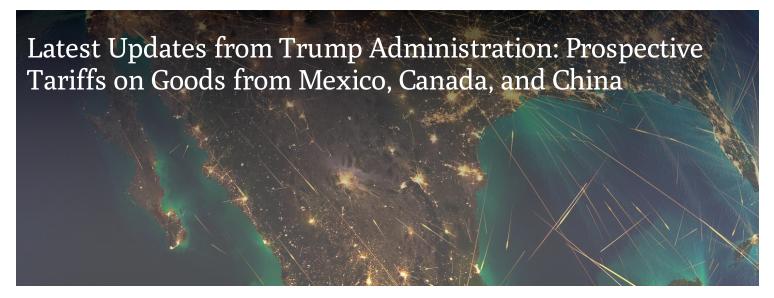


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JANUARY 22, 2025

Following his inauguration on Monday, January 20, 2025, President Donald Trump held off on issuing an executive order instituting additional tariffs of any form. Later that evening during an Oval Office signing ceremony, the President stated that the administration will institute 25% tariffs on goods from Canada and Mexico on February 1, 2025. This statement relates to the President's concerns surrounding migration and fentanyl, which the President attributes to persons illegally entering the United States from these countries. On Tuesday, in response to this statement, Prime Minister Justin Trudeau suggested that he understood such statements to perhaps be an intentional negotiating tactic. That said, to the extent that such tariffs are implemented, the Prime Minister indicated that Canada will rapidly respond with retaliatory measures, including potentially dollar-for-dollar matching tariffs. With respect to Mexico, it has been reported that President Claudia Sheinbaum and top government officials are prepared to respond to President Trump's concerns and have already increased efforts to deter migration and seize illicit opioids. On Tuesday, President Sheinbaum indicated that she will defend Mexico's independence and that it is important to "have a cool head" in such matters. The institution of tariffs on the part of any party to the United States Mexico Canada Agreement (USMCA or the Agreement) could potentially violate the Agreement.

Also, during the Oval Office ceremony, President Trump was asked about any further tariffs to be imposed on goods from the People's Republic of China. In response, he referenced the tariffs that were imposed during his first administration, which remain in effect; though, on Tuesday evening, President Trump suggested that his team was considering a 10% tariff on goods from China, above and beyond any applicable tariffs that currently apply, with a potential implementation date of February 1, 2025. Any such tariffs would also be the result of fentanyl concerns related to Mexico and Canada. China's Vice Premier Ding Xuexiang stated on Tuesday that there are "no winners" in a trade war.

Further, in response to a question concerning countries like Spain with defense spending that does not meet NATO's minimum threshold (2%), President Trump erroneously stated that Spain was a BRICS (Brazil, Russia, India, China and South Africa) country and indicated that because of it, 100% tariffs will apply to goods from Spain. It is unclear if he intends to impose tariffs on BRICS countries or countries with low defense spending, if at all. When asked about global tariffs, President Trump stated that they may do so, but they aren't quite ready for that.

While no executive orders were issued implementing any tariffs, a memorandum containing President Trump's America First Trade Policy (the "Policy") was signed. The Policy directs various departments within the government to

prepare reports, due on April 1, 2025, concerning a number of outlined issues. This includes, but is not limited to, assessments on unlawful migration and fentanyl flows, considerations for additional Section 301 tariffs related to supply chains and circumvention through third countries, and the impact of the USMCA on American workers. The Policy also directs the government to determine the feasibility of establishing an External Revenue Service to collect duties, tariffs, and fees on imports. Our breakdown of the Policy itself can be located <u>here</u>.

Companies are already preparing for the potential significant spike in importation costs, whether that be tariffs targeted at specific countries or universal tariffs. To prepare, importers may want to consider, among other things:

- · Accelerating stocking inventory within the United States
- Influencing the provisions or implementation of any potential tariff policy
- Preparing for potential increased prices and how that will impact product offerings, customer pricing, and margins
- Considering the ability to take advantage of duty-savings strategies (including, but not limited to, foreign trade zones, bonded warehouses, first sale for export, eliminating certain costs from the dutiable value, etc.)
- Diversifying supply chains

The professionals at Winston & Strawn can help potentially impacted importers navigate these discussions and considerations to legally eliminate or mitigate the imposition of tariffs on their goods. Please contact the authors or your Winston relationship attorney with any questions or to learn more.

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Authors

Cari Stinebower

Amanda M. Simpson

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Cari Stinebower



Amanda M. Simpson

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