

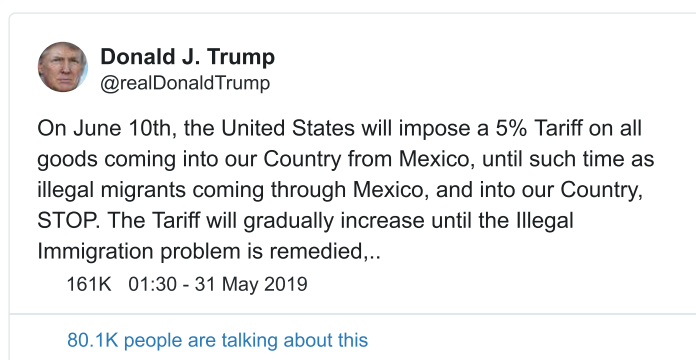
# Trump Says U.S. Will Hit Mexico With 5% Tariffs on All Goods

By Annie Karni, Ana Swanson and Michael D. Shear

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WASHINGTON — President Trump said Thursday that he would impose a 5 percent tariff on all imported goods from Mexico beginning June 10, a tax that would “gradually increase” until the flow of undocumented immigrants across the border stopped.

The announcement, which Mr. Trump made on his Twitter feed, said the tariffs would be in place “until such time as illegal migrants coming through Mexico, and into our Country, STOP.”



In a presidential statement that followed, he said that tariffs would be raised to 10 percent on July 1 “if the crisis persists,” and then by an additional 5 percent each month for three months. They would remain at 25 percent until Mexico acted, he said.

An across-the-board tariff on all Mexican goods would exact a serious toll on American consumers and corporations, and is likely to generate significant opposition among businesses. Rufus Yerxa, the president of the National Foreign Trade Council, which represents the nation’s largest exporters, called the move “a colossal blunder.”

The president’s threat escalated his immigration fight with Mexico and is a significant move against an American ally that essentially dared the Mexican government to risk economic catastrophe on both sides of the border if it did not capitulate to the demands of the United States president.

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But while Mr. Trump has made cracking down on illegal immigration a priority, his announcement on Thursday could derail another of his chief goals: Revising the North American Free Trade Agreement with Canada and Mexico.

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Markets reacted quickly. The Mexican peso weakened against the American dollar, while shares of Japanese automakers fell because many of them have manufacturing facilities in Mexico. Futures that track American stocks suggested Wall Street would open lower on Friday.

Previous administrations have tried to pressure the Mexican government to do more to stem the flow of migrants and to combat drugs and other crime. But no president has used the kind of blunt-force threat that Mr. Trump wielded on Thursday night against a neighbor and an ally as critical to the American economy as Mexico.

Mexico is Washington's largest trading partner, sending across the border items like tomatoes, cars and rugs. Mexico sent the United States \$346.5 billion of goods last year — meaning that a 5 percent tariff on those products would amount to a tax increase of more than \$17 billion.

Most of the costs would then be passed on to businesses and consumers.

Mexico's deputy foreign minister for North America, Jesús Seade, said at a hastily arranged news conference on Thursday that Mr. Trump's announced tariffs would be "disastrous" and suggested Mexico could retaliate against American products. But in a letter to Mr. Trump posted online, President Andrés Manuel López Obrador of Mexico said he did not want a "confrontation" with his American counterpart and insisted on the need for dialogue.

Mr. Trump's frustration over the rising number of illegal border crossings has steadily risen since January, when Democrats refused to grant him billions of dollars to build his long-promised wall along the southwestern border. Since then, he has consistently framed immigration as a national security crisis and tried different tactics to punish the countries he blames for the flow of migrants.

*[Read on how China is planning a list of US firms to block in answer to Trump.]*

He has moved to cut off all foreign aid to countries like Guatemala, Honduras and El Salvador, and threatened to completely seal off the border with Mexico, a move that numerous officials told him would violate American law and international treaties.

He later retreated from that threat by giving Mexico a "one-year warning" instead and threatening heavy auto tariffs on cars coming into the United States. Mr. Trump also shifted hundreds of Customs and Border Protection agents from inspecting goods flowing into the United States to policing the southwestern border, a move that has disrupted trade by producing long wait times at border crossings.

He has also purged top officials at the Department of Homeland Security, including the secretary, Kirstjen M. Nielsen. But he has continued to say that he believes Mexico could do more to prevent the problem.

Earlier on Thursday, the administration said it planned to seek congressional approval of its revised trade pact with Mexico and Canada, known as the United States-Mexico-Canada Agreement, which would preserve the ultralow tariffs originally put into place under Nafta. To hasten approval of the deal in all three countries, Mr. Trump recently agreed to lift tariffs the United States had placed on steel and aluminum imports from Canada and Mexico. Those countries, in turn, agreed to lift punishing tariffs on American goods, including farm products like pork, whiskey, apples and cheese.

Administration officials on Thursday portrayed the president's move as a matter of national security, suggesting it would take priority over other goals.

"The situation is both a humanitarian and a border security crisis that has become a national emergency," Kevin McAleenan, the acting secretary of homeland security, said in a conference call with reporters after the announcement, echoing the messaging that Mr. Trump has used relentlessly for the past several months.

White House officials were vague about what actions by Mexico would satisfy Mr. Trump enough to postpone or cancel the tariffs. Mr. McAleenan said the Mexicans needed to do three things: increase security at the border with Guatemala, crack down on criminal gangs that help migrants and help the United States more with asylum seekers.

“We are going to judge success here by the number of people crossing the border and that number needs to come down substantially,” said Mick Mulvaney, the acting White House chief of staff. He added that the administration would judge Mexico’s actions on a “day-to-day, week-to-week basis.”

Mr. Mulvaney said administration officials had consulted with leadership in both chambers of Congress before announcing the tariffs, saying that they had “talked to Republicans more than we did Democrats.”

He later joked that the actual number of Democrats the administration had briefed was “zero.”

In the past, the president has used the threat of tariffs to try to pressure foreign leaders into taking an array of actions, like renegotiating trade deals or limiting the amount of metal or cars shipped to the United States.

In April, he threatened to place a 25 percent tariff on cars assembled in Mexico if it would not take action to stem the flow of migrants, walking back a promise he had made in the revised North American trade pact.

The president has told his advisers that he likes tariffs because they can take effect immediately and unilaterally. He has already imposed tariffs on \$250 billion worth of Chinese goods and threatened to tax nearly all Chinese imports. And the United States continues to tax metals from Europe, Japan and other trading partners.

But tariffs are typically used to counter violations related to trade. If the administration followed through with unilateral tariffs against Mexico, it is likely to face serious legal challenges.

In the statement, Mr. Trump said he was using authorities granted to him by the International Emergency Economic Powers Act, which gives the president broad power to take action to address any “unusual or extraordinary threat.”

Imports from Mexico include billions of dollars of cars, machinery, fuel, medical devices and many other goods. The country is also the United States’ largest supplier of agricultural imports, including cucumbers, grapes, beer and avocados.

The nations also share complex cross-border supply chains. Many of the products that Mexico sends to the United States, including cars and clothes, are made with parts or materials that were originally made in the United States.

Mr. Seade, speaking to reporters, called the threat serious. “If it comes to pass, we — in my opinion — should respond in an energetic way,” he told reporters.

For now, he said, Mexican officials would make “discreet” contact with their counterparts in Washington to figure out “what we’re talking about and make sure that that isn’t really on the table.”

“There is no justification for doing this over migration,” he added.

Senator Charles E. Grassley, a Republican from Iowa who has been one of the biggest critics of Mr. Trump’s trade approach, rebuked the president over his actions on Thursday night.

“Trade policy and border security are separate issues,” he said in a statement. “This is a misuse of presidential tariff authority and counter to congressional intent.”

Eswar Prasad, a professor of trade policy at Cornell University, said the tariffs would have “substantially disruptive effects on the tightly-woven supply chains in North America and portend even greater uncertainty in U.S. relationships with major trading partners.”

Immigration hard-liners, however, praised the move. “President Trump went out of his way to work with Mexico to alleviate this crisis,” said Stephen K. Bannon, the former White House chief strategist. “They failed to act. Now he dropped the hammer. The ratcheting up to 25 percent will get their attention.”

Kirk Semple contributed reporting from Mexico City.

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