
Wednesday, June 5, 2019

On May 30, United States President Donald Trump announced plans to impose new tariffs on all products imported from Mexico to the United States. Such an act would significantly impact binational trade and especially those sectors that have integrated supply chains, such as the automotive, agriculture, clothing, alcohol, electronic devices, and oil and gas industries.

Mexico is the United States’ largest commercial partner, so this proposed tariff action would impact not only Mexican businesses, but American consumers, who would face higher product costs. This measure would especially affect those states dependent on the import of key raw materials for manufacturing, including Texas, California, Illinois, Michigan, Louisiana, Pennsylvania, Ohio and New York. Despite assurances from both sides, the threat of these new tariffs has also inserted new uncertainty into efforts to enter the United States-Mexico-Canada Agreement.

In Mexico, this situation has also awakened new uncertainty in the automotive, especially among brands already facing low sales. The tariff increase could significantly increase costs affecting beer and tequila, as well as key computer technologies. Several associations of agricultural producers of products such as corn, tomato, avocado and pork among other products are also preparing for potential tariffs.

President Trump plans to gradually increase the tariffs from 5 percent to 25 percent between June and October, unless Mexico takes actions to stem the flow of migrants into the United States. Specifically, the White House advises that the tariff rate will increase by 5 percent on June 10; 10 percent on July 1; 15 percent on August 1; 20 percent on September 1; and 25 percent on October 1, remaining at this level indefinitely, pending action by Mexico.

The Mexican President Lopez-Obrador sent a letter inviting President Trump to resolve the differences diplomatically, based on dialogue and cooperation. On June 3, a Mexican delegation made of Mexican Foreign Affairs Secretary, Marcelo Ebrard; Mexican Economy Secretary García-Márquez; Mexican Under Secretary for North America Jesus Seade, and others, began talks with Secretary of State Mike Pompeo and U.S. Trade Representative Robert Lighthizer to come to an agreement. According to Mexican Foreign Affairs Secretary Ebrard, Mexico is expecting to have an answer by June 7. Republican lawmakers have already expressed deep concerns with the threatened tariff action.

Further information is expected in the coming days. This post will be updated at that time.

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