Trump takes a consequential gamble pulling the trigger on tariff threats

**By**[**Tiana Lowe Doescher**](https://www.washingtonexaminer.com/author/tiana-lowe-doescher/) **March 7, 2025 4:50 am**

After months of late-night threats, offline and online backchanneling, and eleventh-hour temporary reprieves, [President Donald Trump](https://www.washingtonexaminer.com/tag/donald-trump/) has finally enacted 25% [tariffs on imports](https://www.washingtonexaminer.com/tag/tariffs/) from our two top trading partners, [Mexico](https://www.washingtonexaminer.com/tag/mexico/) and China. In the process, Trump has made the highest-stakes gamble on his presidency, first and second terms.

Trump retroactively paused tariffs on specific auto imports for at least another month, but the erasure of all New York Stock Exchange gains since winning back the presidency on Nov. 5, 2024, shows investors broadly never believed that Trump would go through with his tariff regime. And given the risks, they would be right not to.

Trump’s tariff threats have proven a wise and worthwhile diplomatic tool. Especially in Mexico, where President Claudia Sheinbaum’s left-wing Morena party has historically been beholden to the cartels, Trump’s tariffs have given her administration the political cover to finally crack down on both the flow of migrants to our southern border, along with the cartels that produce the drugs that eventually get there.

Since Trump’s 2024 victory, Sheinbaum has made nearly 900 arrests in Sinaloa, the epicenter of a major cartel, based in that Mexican state along the Pacific coast. Now, the Mexican government is sending another 29 wanted cartel operatives to U.S. custody. Fentanyl seizures have dropped by 50% since Trump’s victory. February yielded the lowest number of southern border crossings in America’s records.

While Canada was beginning from a much lower baseline, northern border crossings in January were down to one-third of the monthly rate before Trump’s victory.

Tariffs as an economic end goal are quite a different story.

While consumers, investors, and governments across the West seem willing and prepared to take a short-term financial hit to pivot trade away from China in the name of national security, our relationship with Mexico and Canada is dramatically different. Though neither government is perfect, both are democracies, unlike the communist dictatorship in Beijing.

Since the North American Free Trade Agreement took effect in 1994, North America has constituted one of the largest free trade zones on the planet. The U.S.-Mexico-Canada Agreement, which Trump spearheaded during his first term to update NAFTA, further modernized and strengthened the trade bloc. It included enhanced labor protections that made U.S. labor more competitive, plus more stringent rules to limit Chinese state-owned enterprises’ operations in Mexico, while also expanding intellectual property protections. For the first time, Mexico has become our top trading partner, followed by Canada. Meanwhile, our trade with China has fallen by 12% since 2018. Trump’s 25% tariffs on the two nations threaten to disturb all of this, and Americans would pay the price. But just how much?

Trump’s tariffs go into effect as roughly 13 million U.S. jobs are currently supported by trade with Canada and Mexico and as the 3% inflation rate he inherited from former President Joe Biden’s disastrous fiscal policy shows signs of heating up again rather than coming down to the Federal Reserve’s 2% benchmark.

The Tax Foundation estimates that the tariffs on Mexican and Canadian imports would reduce after-tax incomes by an average of 0.6% and long-run GDP by 0.2% before accounting for the retaliatory tariffs initiated by the two countries. Combined with the added 10% tariffs on Chinese imports — tariffs that, given the national security justification and long-term pivot away from Chinese trade, are much less controversial — it would cost households an average of $1,072 in increased tax payments. Recall that a tariff is a tax paid to Customs and Border Protection instead of the IRS.

While the tariffs on Mexico and Canada would raise around $1 trillion in federal revenue over a decade, the annual amount would diminish as consumers and corporations change spending patterns to circumvent the tariffs. The Tax Policy Center estimates that $110.5 billion in extra federal revenue in 2026 will fall to barely $75 billion by 2035.

The Brookings Institution projects that the U.S. tariffs alone would cause 177,000 U.S. job losses, with retaliatory tariffs costing another 400,000.

The Yale Budget Lab estimates that tariffs against Mexico, Canada, and China, in addition to a full retaliatory response from all three, would increase the Fed’s preferred inflation measure of personal consumption expenditures inflation by 1.22%. That would result in a short-run average consumer loss of $1,600 to $2,000 per household. For the middle quintile of earners, the Peterson Institute for International Economics estimates the annual loss in post-tax income would amount to $1,200.

The effects, of course, vary across the country and between markets. Canada supplies the overwhelming majority of crude oil, electricity, and natural gas imports into the U.S., meaning that New England could see gas prices surge by 40 cents per gallon within days, [according](https://www.washingtonpost.com/business/2025/03/05/trump-tariffs-consumer-prices-americans/) to GasBuddy’s head of petroleum analysis. An agricultural historian from the University of Iowa told the Washington Post that avocados in America, the majority of which come from Mexico, could get about 20% more expensive in a matter of weeks.

If Trump lays out clear parameters of what a successful response from our neighbors would be — say, for Canada to increase its dismal defense spending from 1.3% of its GDP to at least 1.8% in its federal budget due in April, or Mexico arresting a specific number of Sinaloa operatives — the tariffs could do some good. While the goals may be ambitious, setting clear expectations would require Mexico and Canada to achieve consequential deliverables. But without any actual plan going forward, the tariffs are just a tax on U.S. consumers who specifically elected Trump to help bring prices down.