



Peter Trubowitz

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## Trump's latest tariffs on Canada and Mexico are driven by his domestic political agenda



*On February 1<sup>st</sup>, Donald Trump's administration announced 25 percent tariffs on imports from Canada and Mexico and ten percent tariffs on China, with many Republicans falling in line to support the policy. In this Q&A Phelan US Centre Director, **Professor Peter Trubowitz** writes that Trump's new tariffs have more to do with his domestic political agenda than international economics, and that they are unlikely to improve America's overall economic position.*

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- *On Tuesday 11 February 2025 from 6:30-8pm, the Phelan US Centre is holding the event, **Is there a new Washington consensus?** Join a panel of leading experts as they discuss the shift from the market-oriented consensus toward government intervention, including industrial policy, and away from free trade. **More details and how to attend in person and online.***
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## Why did Trump launch a trade war now?

Anyone listening to Donald Trump in recent weeks knew that tariffs were coming. The only questions were when, where and how big. On the timing, this is vintage Trump. Last week was a bad week for him politically. He needed to change the headlines, and he needed to do so fast. Whatever you think about the tariffs he's slapped on Canada, Mexico, and China, you have to say he's pretty much succeeded in changing the political conversation. Coverage of other controversial actions by the Trump administration – the freeze on foreign assistance, purges at the FBI, the firing of inspectors general, the stalled attempt to slash federal funding, or Elon Musk's sweeping, unchecked power in taking over the US Treasury payments system – have fallen into the background. Trump has everyone talking about tariffs and trade wars. Mission accomplished.

## Is there a connection between Trump's tariffs and tax cuts?

According to Trump and his economic advisors, there is. Trump wants to extend the 2017 tax cuts that are **set to expire later this year** and make good on his campaign pledges to cut corporate taxes, and to exempt tips and social security earnings. To do so, he needs to find a way to make up for the revenue that will be lost from the tax cuts if he wants to get it through Congress using the filibuster-proof tool known as **reconciliation**. **Trump's advisors** think tariff revenues can help – that the income they generate can offset a large chunk of the expected \$4.6 trillion shortfall in tax revenue over the next ten years. Most economists will tell you that this **is wildly optimistic**. But that won't stop Trump from trying to making the case to Congress. That means showing he means business by slapping tariffs on America's biggest trading partners.

## Will Republicans support Trump's tariffs?

Yes, and **many** already are. Some Republicans will be all in because they want the tax cuts, or because they want to stick it to America's allies, or because see this as a short-term stunt and bargaining tactic to improve America's overall economic position. Others will squirm knowing that **Canada** and **Mexico** will retaliate by targeting industries in their districts and states, or because they know the Democrats will use this issue to hammer them, especially if the tariffs fuel inflation. But at the end of the day, most Republicans will fall in line, fearing Trump's retribution if they don't.



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## What's the message for America's allies?

It reminds me of that old **Henry Kissinger line**: "it may be dangerous to be America's enemy, but to be America's friend is fatal." None of what is unfolding right now is supposed to happen under the terms of the 2018 US-Mexico-Canada trade agreement that Mr. Trump negotiated and signed during his first term, and that he claimed at the time was the **"most important ever"** trade accord. Trump

has now simply set aside America's treaty obligations under that agreement. What he seems to be betting is that for America's allies, access to America's market and consumers is more important than America's word.

## Will Trump's tariff gambit succeed?

It depends on how one defines success. If one means getting Canada, Mexico, and China to bend a knee or revitalizing American manufacturing, Trump's gambit will likely fail. Frankly, this is why Trump has set a less ambitious goal for himself, **linking the tariffs to the flow of drugs and migrants into the US**. Since all the parties will be happy to work toward this goal, it gives Trump an easy, face-saving way out if the American public turns against his trade war.

## Will Trump's tariffs stand up in the Courts?

Trump is testing the legal limits of presidential authority by **invoking** an untested emergency sanctions law – the 1977 International Emergency Economic Powers Act (IEEPA). To be sure, the courts typically uphold the president's power to take emergency actions, especially when they are related to national security, as they did, for example, in the case of Biden's sanctions against Russia were following its invasion of Ukraine. The question is whether the courts will view fentanyl and migration as comparable security threats. Stay tuned.

- *This article is based on interviews with Professor Trubowitz with **CNBC Squawk Box Europe** on 3 February 2025 and with **France24** on 2 February 2025.*
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### About the author



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Peter Trubowitz is Professor of International Relations, and Director of the LSE's Phelan US Centre. His main research interests are in the fields of international security and comparative foreign policy, with special focus on American grand strategy and foreign policy. He also writes

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