

CLIENT ALERT

Trade Status Quo Continues as Trump Pauses Tariff Hike on Mexico



July 31, 2025

Executive Summary

Since returning to the White House in January, President Donald Trump has radically reshaped U.S. trade policy, sharply reversing decades of liberalization in favor of sweeping tariff increases. In just seven months, the U.S. has imposed — or threatened — tariffs across much of the global trade system. While Mexico and Canada have received comparatively favorable treatment under the USMCA, they have not been fully shielded from this protectionist shift.

In a significant development today, President Trump announced a 90-day pause on his threatened increase of IEEPA tariffs on Mexico, opening a window for further negotiations and easing immediate trade tensions. Though the pause signals possible flexibility, the broader environment remains uncertain and politically charged.

For businesses operating in Mexico, this evolving trade landscape presents both challenges and strategic opportunities as Mexico gains a relative competitive edge over countries facing steeper U.S. tariffs.

Timeline of Key Tariff Developments Affecting Mexico

- **January 21** – Trump administration threatens 25% tariffs on imports from Mexico and Canada.
- **February 10** – Trump announces 25% tariffs on global steel and aluminum imports under Section 232 (national security grounds), effective March 12.
- **March 4** – 25% IEEPA tariffs on Mexico and Canada take effect. Energy imports from Canada face only a 10% tariff.

- **March 6** – Trump suspends IEEPA tariffs on imports from Mexico and Canada that comply with the USMCA.
- **March 12** – Section 232 tariffs on steel and aluminum officially take effect.
- **March 26** – Trump announces 25% tariffs on automotive imports (cars, light trucks, and auto parts) under Section 232, effective April 3. U.S.-made components are exempt for Mexico and Canada.
- **April 3** – Auto tariffs take effect.
- **April 14** – U.S. Commerce Department announces 90-day notice to withdraw from the 2019 suspension agreement on Mexican tomato imports. As of July 14, a 20.91% anti-dumping tariff applies to most fresh tomatoes.
- **April 29** – Tariff simplification announced: non-USMCA-compliant auto and steel/aluminum imports will face 25% tariffs (not 50% as previously threatened).
- **May 30** – Trump announces increase of steel and aluminum tariffs from 25% to 50%.
- **June 4** – 50% steel and aluminum tariffs take effect under Section 232.
- **July 12** – Trump announces increase of IEEPA tariffs from 25% to 30%, effective August 1.
- **July 14** – A 17.09% tariff on Mexican tomatoes takes effect, following the expiration of the 2019 suspension agreement.
- **July 31** – Following a call with Mexican President Claudia Sheinbaum, Trump postpones the IEEPA tariff increase (30%) for 90 days.

What Comes Next

Trump's team has signaled that while tariffs are a negotiating tool, they are also part of a broader strategy to "re-shore" supply chains and create leverage in international negotiations. Whether further exemptions or reductions are offered will likely depend on bilateral progress on immigration, security, fentanyl, and trade.

The 90-day postponement of the IEEPA tariff hike on Mexico suggests that Washington remains open to negotiation — but also that tariff policy could shift quickly based on political considerations. In the current framework, where clear benchmarks are seemingly lacking, U.S. trade demands risk becoming a moving target. Businesses should prepare for continued volatility.

Trade Status Quo and Mexico's Competitive Advantage

In just the first five months of 2025, the average effective U.S. tariff rate — that is, total tariffs collected as a share of total imports — rose from 2.23% to 8.75% (see [Appendix 1](#)). Mexico, however, remains relatively shielded due to its USMCA status. According to data from the U.S. Department of Commerce, 83.92% of U.S. imports from Mexico entered tariff-free in May 2025, with the remainder facing an average tariff of 4.34% — generating nearly \$2 billion in tariff revenue that month alone.

Other countries have not fared as well:

- China: 45.59% effective tariff rate (up from 10.91% in January 2025).
- South Korea: 12.12% (up from 0.25% in January 2025).
- Japan: Struck a deal, but is left facing a 15% tariff rate (up from 1.49% in January 2025).

As a result, Mexican exporters are gaining a competitive edge — especially in sectors where higher U.S. tariffs on Chinese, Korean, Japanese, or EU goods are making Mexican products cheaper in relative terms. If the U.S. cannot meet domestic demand for these goods, Mexican companies may be able to raise their prices—still staying below those of their global competitors—boosting both profitability and market share in the U.S.

In this context, Mexico may benefit from a reallocation of supply chains:

- U.S. imports from Mexico are projected to rise from 15% to 18% of total U.S. imports.
- This could translate to an additional \$100 billion in annual exports from Mexico to the United States (compared to \$505.5 billion in 2024).

For companies operating in Mexico, this environment presents both risk and opportunity. Tariffs remain subject to sudden political shifts, but Mexico's relative position in the North American supply chain remains strong.

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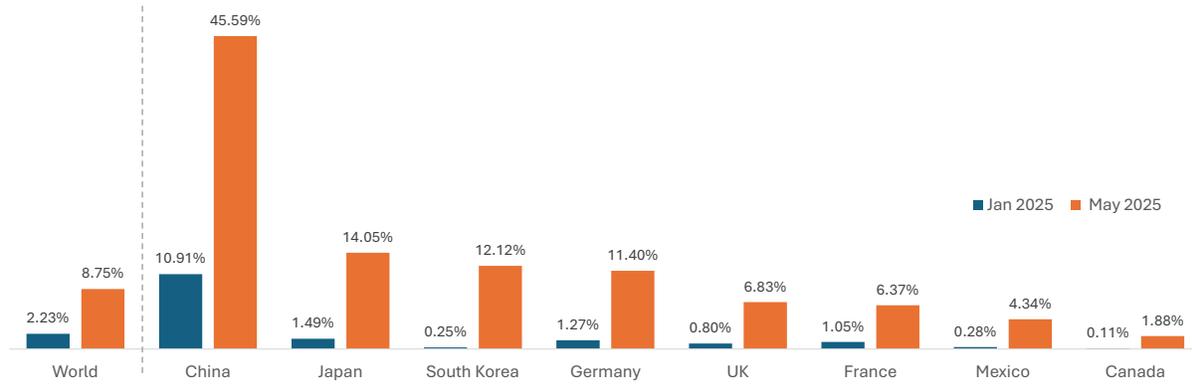
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Appendix 1

Effective Tariff charged by the US to several countries



Source: Monarch’s analysis with data from the U.S. Department of Commerce