



Arizona Daily Star

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Trump tariffs draw retaliation

Mexico, Canada and China impose their own taxes on the US

JOSH BOAK, PAUL WISEMAN AND ROB GILLIES
Associated Press

WASHINGTON — President Donald Trump launched a trade war Tuesday against America's three biggest trading partners, drawing immediate retaliation from Mexico, Canada and China and sending financial markets into a tailspin

as the U.S. faced the threat of rekindled inflation and paralyzing uncertainty for business.

Just after midnight, Trump imposed 25% taxes, or tariffs, on Mexican and Canadian imports, though he limited the levy to 10% on Canadian energy. Trump also doubled the tariff he placed on Chinese products last month to 20%.

Beijing retaliated with tariffs of up to 15% on a wide array of U.S. farm exports. It also expanded the number of U.S. companies subject to export controls and other restrictions by about two dozen.

Canadian Prime Minister Justin Trudeau said his country would impose tariffs on more than \$100 billion of American goods over the course of 21 days.

"Today the United States launched a trade war against Canada, their closest partner and ally, their closest friend. At the same, they are talking about working positively with Russia, appeasing Vladimir Putin, a lying, murderous dictator. Make that make sense," Trudeau said.

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Tucson lawmaker pushes ban on college protest 'encampments'

HOWARD FISCHER
Capitol Media Services

PHOENIX — Over objections about infringing on First Amendment rights, a divided House has approved legislation that would outlaw "encampments" on college and university campuses.

The 41-17 vote Monday came on legislation crafted by Rep. Alma Hernandez, who told colleagues about incidents of last year during pro-Palestinian and anti-Israel protests.

The issue, said the Tucson Democrat, is not about the ability to protest. But Hernandez said what was occurring crossed the line.

"We just want to make sure that individuals are able to go to class without being harassed, without having to take

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Trump's Mexico tariff expected to hurt Arizona businesses



MAMTA POPAT PHOTOS, ARIZONA DAILY STAR

A worker moves pallets of produce inside the Produce House warehouse in Nogales, Arizona on Tuesday, when President Donald Trump imposed his 25% tariffs on imports from Mexico and Canada. The fresh produce industry contributes \$1 billion to Arizona's economy annually and is responsible for 5,000 jobs, according to a trade group.

Envelope inside to help send kids to camp

Please join the Arizona Daily Star in helping local children. Today's Star includes an envelope you can use to mail checks so children from low-income or military families in Southern Arizona can go to camp for little or no cost.

Each year, readers give generously to help the Star send kids to camp. It's a tradition we are proud to lead. We need your help. Our goal is to raise \$225,000 to send at least 400 kids to weeklong YMCA, Boy and Girl Scout overnight camps, and Camp Tattilee, for school-age children with special needs.



DAVID MCCUMBER

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David McCumber
Executive Editor, Arizona Daily Star

Due to serious technical outages across our company, today's newspaper configuration has been changed. These changes, while temporary, were aimed at ensuring delivery of today's edition of the Arizona Daily Star. You can find all of our local news content on tucson.com, and we thank you for your patience and for being a loyal reader of the Arizona Daily Star.

EMILY BREGEL
Arizona Daily Star

Even late Monday, fresh produce distributors in Southern Arizona were holding out hope for another last-minute deal to avert the Trump administration's 25% tariffs on the U.S.'s top trading partners, Mexico and Canada.

That hope evaporated just after midnight Tuesday, when the threatened tariffs finally took effect, spurring a stock market tumble and a trade war that experts say will result in higher prices for U.S. consumers, rising inflation and heightened tensions with long-time U.S. allies.

"I think all of us were hoping something might come in at the 11th hour," said Matt Mandel of Rio Rico-based SunFed, which imports Mexican produce such as squash, cucumbers, tomatoes, bell peppers and watermelon. But now, "we have to grapple with the reality of the new paradigm for fresh produce out of Mexico."

Experts say the across-the-board tariffs — which were delayed for a month, after temporary agreements with Mexico and Canada in February — are expected to have the most impact on industries such as automotive and technology sectors, agriculture and energy, and will also increase prices of beer and spirits produced in Mexico.

Arizona is likely to be hard hit by the tariffs, University of Arizona economist George Hammond said Tuesday. Arizona ranks 6th in the nation in terms of both exports from, and imports to, Mexico as a percentage of state GDP, he said.

"Whatever happens is going to hit Arizona harder than most states," said Hammond, director of the Economic and Business Research Center at UA's Eller College of Management. "Exactly how all this plays out across prices is going



Crates of tomatoes sit inside the Produce House warehouse in Nogales, Arizona on Tuesday, as President Donald Trump moved ahead with his 25% tariffs on imports from Mexico and Canada that are expected to result in higher prices for U.S. consumers. The U.S.'s top import from Mexico is fresh produce.

to be a nuanced picture that will vary across industries." The fresh produce industry contributes \$1 billion to Arizona's economy annually and is responsible for 5,000 jobs, said Lance Jungmeyer, president of the Nogales-based trade group Fresh Produce Association of the Americas.

"If companies are not able to do the same volume they're doing because business goes down, well, they're gonna have layoffs," he said. "They're gonna have a hard time paying their bills for the warehouse and paying the electric."

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STARS OF THE STAR

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Businesses

From A1

Over \$30 billion worth of international business comes through the Mariposa Port of Entry each year, said Jaime Chamberlain, president and CEO of Nogales-based Chamberlain Distributing. The family-run business has imported fruits and vegetables from northern Mexico for five decades.

Farms south of the border will feel the pain, too, if higher prices result in lower demand, Chamberlain said. Distributors who can't afford the higher taxes might decide, for example, to import produce from just 10 of their 20 growers.

"What are the other 10 farmers going to do? Try to sell everything in Mexico, or find another distributor," he said. "If they can't do that, they'll have to plow the crops back into the fields."

"That means losing it all," he said. "That would make prices go up even more."

Raquel Espinoza, owner of Produce House in Nogales, said she'd been following the news closely in the weeks leading up to the tariffs. Her company imports tomatoes, melons, cucumber and winter squash, mostly from Sonora and Sinaloa. The impact to her business remains to be seen, but Espinoza expects U.S. consumers to feel the "trickle down" effects.

"We're all trying to understand the ramifications and what this implies for everybody going into this new world," she said Tuesday. "Hopefully there will be a good outcome, because I'm a hopeful person."

Cash-flow "crunch"

Retail prices on fresh produce will likely increase by more than 25%, considering increases in production costs the tariffs will trigger, said Mandel, vice president of finance and legal for SunFed.

Customs and Border Protection gives importers 10 days to pay taxes on each truckload of imported goods, based on the final sales price, Mandel said. Then importers usually have to wait 30 to 45 days before they're paid by clients, such as grocery stores, restaurants and wholesalers.

As importers absorb the higher tariffs, "it will put a huge crunch on our cash flows, which is going to make business more difficult than it ever was," Mandel said.

Jungmeyer said smaller companies in Nogales will likely go out of business.

For importers of expensive products, like avocados or blueberries, a single truckload of produce could be valued at \$100,000, meaning a \$25,000 tariff per truckload, he said.

"You think about a company bringing in 10 truckloads a day, and 60 truckloads a week — which is not a very large company in the scheme of things — you start doing the math on that and it gets hairy very quickly," he said. "The companies able to make it, if the tariffs (stay) in place, will likely be the ones that have deep pockets or strong partnerships."

Less than half of Nogales companies have that kind of scale, he said.

"A lot are first-generation companies that someone has started five years ago with a phone book and a computer, and have grown their business to now have a warehouse and they have employees," he said.

"Those kind of companies are going to be hard-pressed to survive."

Chamberlain said his business has invested heavily in its Mexican farm partners in Sonora, Sinaloa and northern Baja California, helping fund shade structures and drip-irrigation systems, drill new wells and build water-retention ponds.

"Are we going to see the return on investment for all of that infrastructure that we've spent money on, or could we lose it all? We don't know," he said.

The U.S.'s top import from Mexico is fresh produce, followed by electrical products and transportation equipment, including auto parts and finished vehicles, Hammond said.

Over the last three to four decades, a "shared-production model" has developed across the U.S., Canada and Mexico, in which components from electronic and automotive products cross the border several times before products are complete.

"Each time they cross the border they'll get hit with a 25% border tax," he said. "It adds up to a significant impact on those industries."

The U.S. imported \$69 billion in cars and light trucks from Mexico in 2023, and \$78 billion in auto parts, said Rob Elias, president and CEO of the Tucson Hispanic Chamber of Commerce.

"Not only is it going to increase the cost of buying your vehicle, but fixing your vehicle, and it could extend the wait time in getting that part created," Elias said.

Electronics produced in Mexico include TVs, computers and cell phones, and appliances like refrigerators

and washing machines, said economist Lucinda Vargas, professor and research collaborator at New Mexico State University's Center for Border Economic Development.

"These are goods you take for granted are part of the consumer basket in the U.S. that are now going to be hit with higher prices," she said.

Trade war underway

Mexico, Canada and China have already announced or imposed retaliatory measures, in response to the March 4 tariffs. Trump also doubled the 10% tariff he imposed on China last month, prompting China to announce its own 15% tariffs on U.S. farm exports, the Associated Press reported Tuesday.

Mexican President Claudia Sheinbaum said in a Tuesday news conference she'll announce retaliatory measures on Sunday.

"There is no reason, motive or justification that supports this decision" to impose tariffs, she said.

Sheinbaum pointed to CBP data showing a 50% reduction in fentanyl seized at the border between October 2024 and January, as well as last week's extradition to the U.S. of 29 crime leaders, including drug lord Rafael Caro Quintero.

Migrant arrivals at the U.S.-Mexico border began dropping in early 2024, due in large part to Mexico's stepped up immigration enforcement.

Canada announced 25% tariffs on more than \$100 billion worth of American goods, which will "remain in place until the U.S. trade action is withdrawn," said Canadian Prime Minister Justin Trudeau on Tuesday.

"We don't want this. ... But your government has chosen to do this to you," Trump said, addressing the American public.

Trump justified his tariff threats by claiming Mexico and Canada have not done enough to reduce human and drug smuggling through the southern and northern borders.

But that is unlikely the real reason for the tariffs, said Tony Payan, executive director of the Center for the U.S. and Mexico at Rice University's Baker Institute for Public Policy.

While Trump's complaints about corruption in Mexico, and the governing Morena party's ties to orga-

nized crime, are valid, Payan said there was never any chance Mexico could fix the deeply entrenched problem so quickly.

"I think there's nothing Mexico could have done in the short term" to avoid tariffs, he said. "I believe tariffs are more of a nationalist instrument. ... Fentanyl is providing the excuse to re-shore manufacturing, and to completely re-do the supply chains and bring them back into the United States. I think that's what's really behind this."

Economist Vargas agreed the tariffs aren't about drugs or human trafficking; she said they're part of Trump's "nationalistic agenda."

She pointed to Trump's comments Monday, in which he said: "So what they have to do is build their car plants, frankly, and other things in the United States, in which case they have no tariffs."

If the "national emergency" justification is just a pretext, that means Trump is in "gross violation" of his own trade agreement, the U.S.-Mexico-Canada Agreement, negotiated and signed during Trump's first term, Vargas said.

Trump wants a "manufacturing renaissance" in the U.S., Payan said, but his strategy could backfire. Payan compared it to a single household trying to grow or manufacture every item it consumes on its own.

"It'll certainly make us less efficient as an economy and less competitive, so it may have an opposite effect," he said. "Whether macro- or microeconomics, that's the way it works."

Producing cars exclusively in the U.S. will be more costly for manufacturers and thus, consumers — estimates range from \$2,500 to \$9,000 more per new vehicle — and will take time to build up the domestic capacity and know-how, Vargas said.

While the initial motivation for some auto makers to open plants in Mexico had to do with cheap labor costs, that's no longer the main factor, Vargas said.

Over decades, "Mexico has established a really key production platform, in terms of expertise and skilled labor, (explaining) why it makes sense to have certain parts of the production process take place in Mexico," she said. Replicating that in the U.S. "isn't gonna happen over-

night, the way Trump likes to think things happen," Vargas said.

Relationship with Sonora

In Arizona, economic and cultural ties to Sonora run deep, said Elias of the Tucson-Hispanic Chamber. The ripple effects of increased prices here will likely include dampened spending, and an overall slowing of the Arizona economy, which is closely linked to that of Sonora, he said.

"People don't understand our economies are intertwined," he said. "We're not just neighbors; we're partners in the economy."

In May, Sonora Gov. Alfonso Durazo will attend an economic forum in Tucson, alongside Arizona Gov. Katie Hobbs, in an event aimed at strengthening the relationship between the two states, Elias said. Discussion of the tariffs is sure to come up in the discussion, he said.

In an emailed statement to the Star, Durazo's office reiterated its "full support" for Sheinbaum's response to the Trump administration's tariffs.

"In Sonora, we will continue to support and defend the country's productive sectors, protect workers and consumers of both nations, putting the well-being of Sonoran families first," the Tuesday statement said. "We share President Sheinbaum's diplomatic vision of keeping open channels of dialogue and negotiation to address the implications of the tariff measure and safeguard commercial stability."

Experts say it's hard to predict whether tariffs will be rescinded quickly, or increased further.

"If he (Trump) doesn't see results quickly, maybe he'd go to 40%, 50%, 60% — who knows?" Payan said. "I think at this point anything is possible."

Hammond said that uncertainty is "the hallmark of this federal administration's approach to macroeconomic policy."

"Who knows how long these tariffs are gonna last. Maybe they'll pull them down next week, next month, maybe never," he said. "We're just seeing this very significantly heightened policy uncertainty, and that's not a good thing for businesses."

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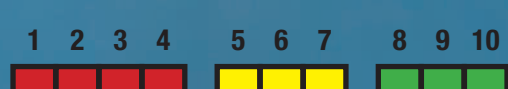
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Retaliation

From A1

Mexican President Claudia Sheinbaum said Mexico will respond to the new taxes with its own retaliatory tariffs. She said she will announce the products Mexico will target on Sunday. The delay might in-

dicade that Mexico still hopes to de-escalate Trump's trade war. The president abandoned the free trade policies the United States pursued for decades after World War II. He argues that open trade cost America millions of factory jobs and that tariffs are the path to national prosperity. He rejects the views of main-

stream economists who contend that such protectionism is costly and inefficient.

Dartmouth College economist Douglas Irwin, author of a 2017 history of U.S. tariff policy, calculated that Tuesday's increases will lift America's average tariff from 2.4% to 10.5%, the highest level since the 1940s.



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