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INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

Important Update

Dear IEDC Members,

On Saturday, February 1, President Trump introduced a 25% tariff on all exports from Mexico and Canada (other than Canadian energy, which will include a 10% tariff), along with a 10% tariff on all exports from China. President Trump imposed the tariffs under the International Emergency Economic Powers Act, and they are set to go into effect on February 4th.

The White House issued these tariffs as a strategic measure to address multiple concerns, including trade imbalances, border security, and drug trafficking. The trade relationship between the United States, Canada, and Mexico is the largest and most important trade relationship each country has. More than 46,000 Canadian firms export products to the United States, and more than \$475 billion worth of goods are exported from Mexico to the United States each year. Not only do these trade relationships shape the economies of each country, they also are directly tied to job creation, a fundamental component of economic development.

Since the announcement on Saturday, Canada, Mexico, and China have all responded with their own measures. Canada announced a 25% tariff against \$30 billion worth of American goods and indicated a further \$125 billion worth of goods that might be subject to a tariff in the next three weeks. Both Mexico and China have indicated that further economic measures will be coming in response to the United States' tariffs on their goods.

From an economic development perspective, the loss of jobs and revenue throughout North America could lead to higher inflation and production costs, real impacts felt by economic developers and the communities they serve.

Implications for IEDC Members

United States

For U.S. economic developers, tariffs may raise costs for businesses reliant on imports from Canada and Mexico, particularly in the automotive, manufacturing, and agricultural sectors. Small and medium-sized enterprises might find it challenging to absorb these increased costs, which could result in job losses or reduced investment, especially in export-driven communities and regions with significant North American trade ties.

Canada

In Canada, tariffs on exports to the U.S. could constrain growth in energy, manufacturing, and agriculture. The higher costs may prompt firms to seek alternative markets or relocate production, necessitating that local economic developers intensify efforts to attract investment, diversify local economies, and support businesses amid growing trade uncertainties.

Mexico

Mexico's heavy reliance on U.S. exports raises concerns for local economic development. Manufacturing hubs, particularly in the automotive and electronics sectors, may face slowdowns or closures, and agricultural producers might struggle with market access. Economic developers will need to emphasize investment retention, workforce transition strategies, and the diversification of export markets to mitigate these disruptions.

Moving Forward

The implications of these tariffs, and the response to them, will become more clear in the coming months. While these tariffs are reflective of the Trump Administration's focus on security, global trade, especially between the United States, Canada, and Mexico as laid out by the United States–Mexico–Canada Agreement (USMCA), is critical to the economies of all three countries.

In particular, the agriculture, energy, automotive, and other manufacturing industries are set to be impacted by these tariffs. These industries create jobs, drive investment, and create entrepreneurial and supply chain opportunities throughout North America, as economic developers continue to help companies and communities drive economic prosperity.

Tariffs may also potentially drive up the cost of raw materials and goods that affect the cost of everyday purchases, directly affecting families across North America.

IEDC will continue to tell the story of the communities being served by our Members, and to help the Administration understand the economic impacts faced

not just here in the United States, but through the most important trade partners and allies of the U.S.

As the Trump Administration continues to get its economic team in place, including Secretary of Commerce nominee Lutnick, IEDC will continue to engage with the Administration to best understand how economic developers can continue to have a strong voice in partnership with the Administration as they drive policy that will affect economic development activities across the globe.

Many of IEDC's members are located in Canada, and we have heard from many of you over the past week on this issue. Please know that we are monitoring the situation, conducting outreach and elevating your concerns. We will continue to keep you updated as we learn more. In the meantime, we encourage all members to:

- **Stay Informed:** Monitor official communications from the U.S. government, as well as responses from Canadian and Mexican authorities, to stay updated on policy changes and potential retaliatory measures.
- **Assess Local Impact:** Identify industries within your service area that rely on imports or exports from North America. Evaluate potential cost increases and supply chain disruptions.
- **Engage with Affected Businesses:** Communicate with local businesses to understand their concerns and provide guidance on mitigating the impact of the tariffs.
- **Explore Alternative Supply Chains:** Assist businesses in identifying alternative suppliers or domestic sources to reduce their reliance on imports subject to tariffs.
- **Advocate for Support:** Work with local and state officials to develop support mechanisms for businesses adversely affected by the tariffs, such as financial assistance or tax relief.
- **Keep IEDC informed** on what you are hearing and any specific impacts experienced by your communities or regions.

IEDC's Commitment to Members

We want to assure you that IEDC is closely monitoring this situation. As more information becomes available, we will provide timely updates and resources to help you navigate these challenges.

In the meantime, please do not hesitate to reach out to us with any questions or concerns.