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Rupture between Musk and Trump generates institutional, commercial and legal instability

This Thursday, June 5, the political and professional rift between U.S. President Donald Trump and entrepreneur Elon Musk became official, following a series of cross-statements that included serious accusations, contractual threats and personal allegations, with possible legal and commercial repercussions at the national and international level.

The controversy was triggered after Musk's harsh criticism of the new budget bill pushed by Trump, currently under review in the U.S. Senate, which proposes massive tax cuts and increases to military and immigration spending. Musk called the initiative a "disgusting abomination," claiming that it would contribute to increasing the deficit and weakening public finances.

In response, Trump threatened to cancel federal grants and government contracts awarded to Musk's companies, including SpaceX and Tesla, while calling the entrepreneur "out of control." Musk, in turn, denounced on the X network that Trump is listed in the "Epstein files", insinuating that such information has been deliberately concealed for political reasons.

Economic and institutional repercussions

The tension escalated when Musk announced that SpaceX could dismantle the Dragon spacecraft, a key capsule in the collaboration contracts with NASA. This act, if carried out, would jeopardize logistics operations to the International Space Station (ISS), financed in part with federal funds in excess of \$390 million.

Tesla's shares suffered a drop of more than 11% after the statements. In turn, analysts have warned that the U.S. government's reliance on Musk's technology companies, including Starlink (contracted by the Department of Defense), poses national security and procurement legal risks.

Legal implications

From a legal perspective, the threat of contract cancellation could be interpreted as political retaliation contrary to principles of administrative fairness and free competition, which are regulated by federal regulations and general principles of public law in the US.

Decisions or acts taken by U.S. government agencies must respect the general principles of U.S. law, including the principle of legality, otherwise, these decisions may be challenged under the processes established in the U.S. Administrative Procedure Act. Although presidential decisions are not subject to this process, they cannot go against constitutional rights, exceed the scope of his authority or involve an abuse of power.

If it is confirmed that the rupture of the business relationship between Trump and Musk is due to personal differences rather than technical or legal criteria, it would expose the Trump administration to possible legal action for abuse of power or contractual violation, in the event that the contracts signed with SpaceX contemplate clauses of forced validity or compensation for early terminations.

Possible geopolitical impact

This dispute, added to the hardening of trade relations with countries such as Mexico and China, could deepen the institutional instability of the current U.S. administration. It could also weaken the Western bloc in strategic projects such as space exploration and energy transition.

The figure of Elon Musk, until recently head of the Department of Government Efficiency (DOGE), had been central to the strategy of regulatory simplification and containment of public spending. His dismissal and subsequent confrontation with Trump suggests a fragmentation of the executive apparatus that could lead to unpredictable consequences.

ECIJA is at the disposal of technology companies, government contractors and actors of the international economic ecosystem that could be affected by this conflict, to advise on the assessment of regulatory risks, the protection of public contracts, and the adoption of legal and compliance measures to ensure the continuity of their operations and institutional relationships.

ECIJA Mexico

socios.mexico@ecija.com

(+52 55) 56 62 68 40

www.ecija.com