

USA and Mexico - What do tariffs and immigration have to do with each other?



US President Donald Trump has been very vocal about preventing illegal immigrants from coming into America ever since he took office. He has talked about building a wall between the US and Mexico to keep illegal immigrants out. He has also been harsher with people who have been found without the appropriate papers in the country.

A couple of weeks ago, he announced that as another deterrent, starting from June 10, 2019, he would start imposing [tariffs on all goods coming into America](#) from Mexico. This would start with a 5% tax on these goods, and then the tariffs would increase by 5% every month until they reached 25%, unless Mexico did something real to stop the flow of people across the Mexico-US border.

What does this mean for goods that go from Mexico to America? Mexico and America are big trade partners, under NAFTA and the new deal USMCA. America imported \$378 billion worth of goods from Mexico last year, making Mexico the second largest trade partner for America. If the tariffs had been imposed, then a product from Mexico that was being sold in America at \$1, would cost the consumer \$1.05 initially, and then go steadily up to \$1.25. That's a steep increase, and would discourage the use of these products. This would hurt Mexico as they would sell less product to America. This would also hurt Americans, as they would have to pay more for the same product, or then find alternative goods.

Got it. So what happened to this tariff threat? It was called off this weekend, as Mexico agreed to help America more in securing the border and halting the flow of illegal immigrants to America. These immigrants are from Mexico, but they are

also from other countries in Central America where they are fleeing violence and poverty.



Mexico has agreed to increase its border control forces, and importantly, to keep asylum seekers in Mexico while they figure out their next steps. So this means that when the asylum seekers are turned away at the US-Mexico border, they will be kept in Mexico, rather than the US.

Written by: Sunaina Murthy

What went on at the G20 Summit this weekend?



The
G20
is
a
group
of
20
countries
who
discu

ss matters and try to come up with fair policies for finance and trade. They hold an annual meeting. This year's meeting was held in Buenos Aires, Argentina, on November 30 and December 1. President Mauricio Macri of Argentina hosted this summit.

What were the highlights of this year's summit?

Pause on additions to the trade war:

The USA has put tariffs or duties on \$253 billion worth of Chinese goods that are sold in the USA.

China has put tariffs or duties on \$130 billion worth of American goods that are sold in China. [\(Click here for a background on tariffs, what they are, and how they work\)](#)

The trade war has been hard for companies doing business in these countries, as this means that US products sold in China are suddenly much more expensive, and Chinese products sold in the US are suddenly much more expensive. This has hurt companies in both countries.

The USA and China were poised to escalate their trade war and to put additional duties on each others' products. They have agreed to put a 90 day hold on these additional duties. Let's see if they can work something out!

Climate Change: All members of the G20, except for USA, emphasised that they stand by the Paris Agreement that they

had all signed, promising to take measures to reduce global warming. The USA, as you know, withdrew its support of the Paris Agreement under President Donald Trump, who said that this would limit the ability of companies and industries to grow. There is some fear that Brazil's new leader, [President-elect Jair Bolsonaro, will also withdraw his support of the Paris Agreement](#). He has said that he would like to develop parts of the Amazon rather than leave it green.

NAFTA was replaced by the USMCA: [The North American countries of the USA, Mexico and Canada signed the USMCA deal that they had agreed upon](#). This deal will replace NAFTA. It has rules for trade across this region of North America. This is a deal that the three countries agreed upon after President Trump said that the NAFTA deal was outdated and unfair to the Americans.



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Is this the end of NAFTA? US-Mexico-Canada sign a new trade

deal.



Canada, Mexico, and the US are three major countries in North America. They trade i.e. buy and sell products and services from each other. Twenty-five years ago, they signed the largest trade deal in the world called **North American Free Trade Agreement (NAFTA)**.

The agreement is 2,000 pages long, with eight sections and 22 chapters. Wow!

What was the purpose of NAFTA? To increase trade between the countries and also to help them be more competitive in the global marketplace i.e. compete with the EU and China. It achieved this by lifting tariffs or duties on essentially all goods and services traded between them.

Was this a win-win situation for all? Yes, there have been advantages

- Trade between the countries quadrupled and they enjoyed economic growth.
- Mexico and Canada got access to a larger consumer base to sell their products to.
- The countries got access to goods and services they wouldn't have otherwise.
- The U.S. got access to a lot of relatively inexpensive products like fresh vegetables and fruit from Mexico.
- U.S. gas prices fell with cheaper oil imports from Mexico and Canada.

However, President Trump and several other U.S. politicians have openly stated that NAFTA is unfair. **Many complain of its disadvantages:**

- It has cost the United States half a million jobs and lower wages. Many automobile, textiles, computers, and electrical appliances companies shifted operations to Mexico due to lower production costs. American jobs went to Mexico, where the labor supply was cheaper.

- Mexico's farmers who were growing produce available in America went out of business as they couldn't compete with these cheaper American foods such as corn.
- Mexican workers have been made to work in horrible conditions for low wages.

The US threatened to pull out of NAFTA if Mexico and Canada didn't re-negotiate the terms.

Last Sunday, the three countries had a major breakthrough. They announced they have signed a new trade deal. The new agreement – which the US President has named the U.S.-Mexico-Canada trade agreement or USMCA might replace NAFTA. First, it must be approved by each country's government though, so if approved, it will not go into effect before 2020.

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