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OVER THE last several days, US President Donald Trump has threatened to close the Mexico border as a measure to check illegal immigration. Last week, he tweeted: "... If for any reason Mexico stops apprehending and bringing the illegals back to where they came from, the U.S. will be forced to Tariff at 25% all cars made in Mexico and shipped over the Border to us. If that doesn't work, which it will, I will close the Border."

While Trump has projected this as a punishment for Mexico, economists have warned that any such move would be disastrous for the US economy. The North American Free Trade Agreement (NAFTA) facilitates trade by cutting tariffs and streamlining regulations. Reports citing figures from the US Chamber of Commerce said nearly \$1.7 billion of goods and services flow across the Mexico border daily. These include jeans, cars, flat-screen TVs — and avocados, beloved to many Americans.

"... What Trump is talking about now, shutting the southern border, would be catastrophic. It's just absurd," The New York Times quoted Gary Hufbauer of the Peterson Institute for International Economics as saying.

Some of the likely impacts if the border were indeed to close:

Cars, TVs & hardware

The NYT report listed US manufacture as among the biggest victims of a border shutdown. US industries rely on Mexico, either by selling goods and services into Mexico or by using Mexican materials in their products. Mexico is the United States' third largest trading partner, with the latter importing \$349.6 billion from Mexico in 2018, and exporting \$265 billion, The NYT said citing statistics from the Union Nations' International Trade Center.

Among those affected would be automobile makers, with supply chains disrupted, as would those manufacturers of flat-screen TVs, computer hardware and medical devices, besides the apparel industry that sources raw materials from the US and makes finished products in Mexico. Mexico also depends on the US for natural gas through cross-border pipelines, while hundreds of thousands of US jobs are tied to transportation to and from Mexico.

Overall, The NYT said, top multinational companies would be affected — including Ford, Toyota, Boeing— and so would countless small- and medium-size businesses.

Avocados & other food

The US depends on Mexico for fresh fruit and vegetables like avocados — Mexico supplies 80% of

the avocados eaten in the US — as well as tomatoes, strawberries, grapes and mangoes, while Mexico relies on US soybeans, corn, dairy products, The NYT said. Shutting the border would most likely lead to dwindling of supplies, a spike in prices of food items imported from Mexico, and a drop in prices of US crops besides a loss of market.

Lance Jungmeyer, president of the Fresh Produce Association of the Americas, told The NYT that Mexico supplies more than 60% of all US produce in the winter and early spring, and that a shutdown could result in immediate and uncontrollable spikes in prices for items like squash, tomatoes, cucumbers, melons — and the beloved avocado.

Business at home & away

The US Chamber of Commerce said in a statement: “Closing the US-Mexico border would inflict severe economic harm on American families, workers, farmers and manufacturers across the United States.” The NYT said this would likely prompt a drop in the stock market, denting the retirement savings of many Americans, as well as affect the ability of companies to raise money in the capital markets. It added that if business relations with Mexico are strained, border communities in the US would most likely suffer, from decreased economic activity as well as potentially higher costs from crime and migration.

More migration?

While Trump’s threat to close the border is meant to be a measure to contain migration, The NYT suggests that it could actually end up increasing migration — with mass unemployment a likely outcome in Northern Mexican cities that depend on trade with the US, it could prompt more attempts to cross the US border. The newspaper quoted Hufbauer, of the Peterson Institute, as saying: “If anything, it would promote more poverty in Mexico, which would then turn into more pressure on immigration in the US.

GS World Team...

Mexico-US border dispute

Why in the discussion?

- Recently, US President Donald Trump warned that if Mexico does not stop illegal entry of refugees, then the American-Mexico border will be sealed.
- Trump accused Mexico of not blocking the refugees coming from the South Border.
- He said, "If Mexico does not stop them, then we will close the border and keep it close for a long time.

What is the Mexico border dispute

- The President of America has promised to build a wall on the Mexican border in his election campaign. To build a wall on this border, a fund of about \$ 5.7 billion is needed.
- America's main opposition Democratic Party is against the verdict. Democrats argue that the decision to build a huge wall on citizens' money is wrong in

order to fulfill Presidential's election promises.

- In the Senate, Democrats did not let the bill pass. The dispute has increased so much that there is a government shutdown in the US.

Will the wall be able to solve the problem?

- Presently, the bad habit of drug addiction is spreading rapidly among youth in USA, Texas, Los Angeles and New Mexico.
- It may be good to do something to prevent smuggling of drugs, but the question arises, will the problem be solved by erecting a wall.
- Experts believe that this will not solve the problem of smuggling of illegal drugs. Drugs will reach buyers somewhere, and the wall will not be able to stop them.
- Most experts say that making the border impermeable would be almost impossible. People can move from below or above it.

- The Department of Homeland Security is already spending millions of dollars to keep the current fence maintenance, while drug smugglers are using fast tunnels.

What is NAFTA?

- The North American Free Trade Agreement (NAFTA) is a trade agreement between Mexico, Canada and the US.
- This agreement came into effect from 1994. It is considered the world's largest free trade agreement.
- There are many easy rules about trade between the three countries regarding trademarks, patents and currency.
- For this reason, this trade agreement is considered very important for Canada and Mexico with the US.
- It was updated by the North American Economic Cooperation Agreement, which helped in the establishment of environmental regulators to reduce pollution.
- This was further updated as a North American Labor

Cooperation Agreement, under which the employees could fight for better working conditions.

- Due to NAFTA immigration has increased in the US and Mexico.

US-Mexico-Canada Agreement (USMCA)

- This is basically another version of NAFTA. This includes major changes in cars, labour policies, environmental standards, intellectual property, security and some digital business provisions.
- Under this agreement, the area of 500 million residents will be covered and the business will be approximately \$ 1 trillion in one year.
- Under this agreement, Canada will now open its dairy market to US producers and in return the US has left the dispute settlement provisions unchanged.
- Apart from this, it combines provisions, including currency value to prevent trade manipulation, and controls external countries trying to take advantage of the duty free market.

Expected Questions (Prelims Exams)

1. Consider the following statements in the context of NAFTA:-

1. It is a free trade agreement between Mexico, Canada and USA.
2. This agreement came into force in the year 1993, which is considered as second largest free trade agreement in the world.

Which of the above statement is/are correct?

- (a) Only 1 (b) Only 2
(c) 1 and 2 Both (d) Neither 1, Nor 2

Expected Questions (Mains Exams)

Q. What effects will closing the US- Mexican border by USA have over USA and Mexico? Discuss.

(250 Words)

Note: Answer of Prelims Expected Question given on 6 APR. is 1(c)