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## FEATURED Q&A

# Has Trump Gone Too Far With New Tariffs on Mexico?



President Donald Trump last Thursday announced that the United States would impose new tariffs on imports from Mexico beginning June 10, saying the country has failed to stop flows of migrants from coming to the United States. // File Photo: White House.

**Q U.S. President Donald Trump announced last week that he would impose new tariffs that could rise as high as 25 percent on all of Mexico's exports to the United States unless Mexico "substantially stops" the flow of migrants coming to the United States. What effect will the tariffs have on the economies of both countries, and how has the private sector reacted? Will the duties, which Trump announced less than two weeks after the United States reached a deal with Mexico and Canada to eliminate steel and aluminum tariffs, derail the pending ratification of the USMCA trade accord? What other developments could affect the USMCA's ratification? Will the USMCA be ratified during Trump's current term in office?**

**A James R. Jones, member of the Advisor board, chairman of Monarch Global Strategies and former U.S. ambassador to Mexico:** "Trump's latest half-baked trade tweet policy introduces a new level of uncertainty into the global economic outlook that doesn't bode well for either the United States or Mexico. The first problem is that this decision was based on very faulty information. Second, the solution aims at the wrong target. The third is that it invites tariff retaliation by Mexico and very likely other countries that will deepen the economic danger to us. And finally, it could derail movement on the USMCA trade treaty designed to strengthen North American competitiveness and protect and promote vital economic interests in the United States. This appears to be motivated primarily by political considerations, not economic, as a way to motivate the Trump base, which generally

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## TODAY'S NEWS

### POLITICAL

## Canada Halts Operations at Caracas Embassy

Canada is temporarily suspending operations at its embassy in Venezuela. Canadian Foreign Minister Chrystia Freeland said foreign embassies in the South American country are unable to perform basic functions.

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### BUSINESS

## Carnival Seeking Dismissal of Cuba Property Lawsuits

Carnival Cruise Line is asking a U.S. court to dismiss lawsuits by U.S. citizens who claim the company profited from nationalized property in Cuba.

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### POLITICAL

## Bukele Takes Office as President of El Salvador

Nayib Bukele, a former mayor of San Salvador, was sworn in as president of El Salvador on Saturday, ending three decades of two-party rule in the Central American country.

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Bukele // Photo: Salvadoran Government.

## POLITICAL NEWS

## Bukele Sworn in as President of El Salvador

Nayib Bukele, 37, on Saturday was sworn in as president of El Salvador, ending three decades of two-party rule in the Central American nation. A former mayor of San Salvador, Bukele won more votes than all other candidates in the country's presidential election in February and wore a blue suit without a tie to his swearing in, at which he was accompanied by his wife, Gabriela. "Our country is like a sick child, now it's up to all of us to take care of it," Bukele told the crowd in his inaugural address, Reuters reported. "We have to suffer a little now, we have to have a little pain, assume our responsibility and all as brothers to bring forward that child." He added that El Salvador "has suffered greatly. It is a country that has had to rebuild; it has had earthquakes and corrupt governments and yet we continue to move forward," the Associated Press reported. During his five-year term, Bukele vowed to make tough decisions for the country, which is beset by violence and poverty, but he gave no details. Bukele's inauguration ended decades of rule by the right-wing Nationalist Republican Alliance (ARENA) and

the leftist Farabundo Martí National Liberation Front (FMLN). At his inauguration, thousands of Salvadorans filled Gerardo Barrios Plaza in front of the National Palace, chanting "Yes, it's possible! Nayib president!" Bukele now must contend with frequent threats by U.S. President Donald Trump, who has threatened to cut aid to El Salvador, as well as Guatemala and Honduras, if they do not increase efforts to curb the flows of migrants heading to the United States, Reuters reported. On Saturday, Trump congratulated Bukele via Twitter. "The United States stands ready to work with @NayibBukele to advance prosperity in El Salvador and the hemisphere. Congratulations President Bukele on your inauguration!" Trump tweeted. Bukele did not invite Venezuelan President Nicolás Maduro, Nicaraguan President Daniel Ortega and Honduran President Juan Orlando Hernández to his inauguration, saying they lead "undemocratic" governments.

## Canadian Gov't Halts Operations at Embassy in Caracas

Canada is temporarily suspending its diplomatic operations in Venezuela, closing its embassy in Caracas and evaluating the status of Venezuelan diplomats in Ottawa, the Cana-

## NEWS BRIEFS

## U.S., Mexican Officials to Meet This Week on Tariffs

Mexican Economy Minister Graciela Márquez is scheduled to meet with U.S. Commerce Secretary Wilbur Ross today in Washington to discuss tariffs that U.S. President Donald Trump announced last week, CBS News reported. Trump threatened to impose 5 percent tariffs on all Mexican goods starting June 10, which would gradually increase to 25 percent if Mexico did not reduce migration north. Secretary of State Mike Pompeo and Mexican Foreign Minister Marcelo Ebrard are to meet on Wednesday. "Problem is, they've been 'talking' for 25 years," Trump said in a tweet. "We want action, not talk."

## U.S. Homeland Security Agents to Work With Guatemalan Authorities

The administration of U.S. President Donald Trump will deploy dozens of Homeland Security agents and investigators to the Mexico-Guatemala border in an attempt to slow illegal migration to the United States, The Washington Post reported Friday, citing unnamed U.S. officials. The DHS agents are to work as "advisors" to Guatemala's national police and migration authorities, with the aim of deterring migrants from beginning their journey north and disrupting popular routes. About 80 U.S. law enforcement personnel will also be deployed as part of the mission.

## Chile's Manufacturing Output Falls 1.4% in April

Chile's manufacturing output declined 1.4 percent in April as compared to the same month a year ago, even as copper production increased, according to government data released Friday, Reuters reported. Copper production increased 2.3 percent year-on-year in April to 462,046 metric tons, according to government statistics agency INE.

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opposes both immigration and fair trade. Business abhors uncertainty, and uncertainty will be the result unless the administration quickly clarifies some of the unknowns, such as what specifically will trigger imposition or acceleration of tariffs. If the meetings this week between U.S. Secretary of State Mike Pompeo and Mexican Foreign Minister Marcelo Ebrard and his delegation can make common sense from this mess, I think that there is a reasonably good chance that Congress can approve the USMCA before the August congressional recess. The two key factors to make that happen are organized labor and House Speaker Nancy Pelosi. Both

have expressed an open mind on the trade proposal and in my judgment would like to find a way to support it."

**A** **Andrés Rozental, member of the Advisor board, president of Rozental & Asociados in Mexico City and senior policy advisor at Chatham House:** "President Trump's threats against Mexico are nothing new, but this time he has tried to combine three of his campaign promises into one huge gamble: tariffs on Mexican exports as his way of showing he's reduced his country's trade deficit, trying to force Mexico into secur-

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dian government said Sunday, The Wall Street Journal reported. Canada is among the more than 50 countries who recognize opposition leader Juan Guaidó as Venezuela's legitimate acting president, calling last year's re-election of President Nicolás Maduro fraudulent. Canadian Foreign Minister Chrystia Freeland said foreign embassies in Venezuela are not able to perform basic functions because the country has slid into authoritarian rule, adding that Canadian diplomats would no longer be in a position to obtain diplomatic accreditation when their visas expire at the end of the month, according to the report. "Therefore, we are left with no choice but to temporarily suspend our operations at the Embassy of Canada to Venezuela, effective immediately," she said in a statement. Freeland is scheduled to meet today in New York with members of the so-called Lima Group, a bloc of 13 Latin American nations and Canada working toward a resolution in Venezuela. Meanwhile, U.S. officials announced last week that humanitarian aid earmarked for Guaidó would now be distributed to some of the 1.2 million Venezuelan migrants in Colombia after Maduro continued blocking the aid's entry into Venezuela, the Associated Press reported. The United States also recognizes Guaidó as Venezuela's interim president.

## BUSINESS NEWS

### Carnival Cruise Line Seeks Dismissal of Cuba Property Suits

Carnival Cruise Line is asking a U.S. court to dismiss lawsuits by two U.S. citizens who claim the company profited from nationalized Cuban property, Reuters reported Friday. The claimants say they hold titles to the Havana and Santiago de Cuba ports that were confiscated after Fidel Castro came to power in 1959 and where Carnival docks today. The lawsuit is the first such case since the U.S. government made them possible last month under Title III of the Helms-Burton Act. Every U.S. presidential administration since the 1990s had suspended the provision.

## IN PROFILE

### Sandra Torres Casanova, Guatemalan Presidential Candidate

#### Name:

Sandra Torres Casanova

#### In the News:

Sandra Torres is leading in the polls ahead of the first round of Guatemala's presidential election, scheduled to be held on June 16. Torres is a well-known politician in Guatemala. She was the country's first lady from 2008 to 2011, when she divorced then-President Álvaro Colom.

#### Background:

Torres, 63, was born in Guatemala's Petén Department. She entered politics in 2002, when she helped found the National Unity of Hope party, better known as UNE, under which her then-husband Álvaro Colom won the 2007 presidential election. That year, UNE also won the majority of congressional seats. Within UNE, Torres has worked to promote programs and policies with a focus on social development, especially in relation to women and children. She also founded the National Coordinator of Women within the UNE party, a position which seeks to hear women's specific demands.

In 2011, Guatemala's electoral authority barred Torres from running for president due to her personal relationship with then-President Álvaro Colom, whom she had divorced just before enlisting her candidacy. Guatemalan law bans close family members of current heads of state from running for office, and the electoral tribunal deemed the divorce had been orchestrated to circumvent the law, *El Espectador* reported. In 2015, Torres ran for president again, coming in second in the first round. She then lost to current President Jimmy Morales in the runoff.

Among her top proposals, Torres wants to create a support program for single mothers in Guatemala, as well as a business-training program for women. She has also promoted the construction of regional hospitals with specialized care for women.

#### Of Note:

Guatemala's Constitutional Court ruled last month that the country's Supreme Court must revisit a case involving Torres' immunity, which presidential candidates enjoy. In February, the Supreme Court had ruled against the Public Ministry's request to strip Torres of her immunity, saying there was not enough evidence. The ministry sought to lift her immunity in order to investigate her alleged role in illegal campaign financing in relation to the 2015 election. Torres has denied wrongdoing.

In recent weeks, Guatemala's Constitutional Court has barred two candidates who were among the front-runners from participating in the election. Zury Ríos' candidacy was blocked because she was the daughter of late dictator Efraín Ríos Montt, and Thelma Aldana was deemed ineligible to run for lacking a certification confirming that all of her public accounts were settled.

Sources: *The Washington Post*; Sandra Torres campaign website; *El Espectador*; *Prensa Libre*.



Torres // File Photo: Sandra Torres Campaign Website.

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ing its southern border to slow migration pressures on the United States and telling his base that Mexico is, after all, paying for the wall at the U.S.-Mexico border. None of these measures will, however, alter the fact that tariffs hurt the U.S. private sector and consumers above all and will lead to an economic crisis in Mexico, that migrants will always find ways to get to the United States as long as the situation in their countries remains unchanged, and that in the end American tax-paying farmers, manufacturers and consumers will pay for the wall—if it ever gets built. Although Mexico and Canada nevertheless seem ready to move ahead with USMCA ratification as a way of limiting the ability of Congress to reopen negotiations on aspects of the agreement that mostly Democrats would like to change, the chances of getting the deal through the U.S. approval process this year are still slim. The political window for the Democratic leadership to bring the USMCA to the House for a vote is rapidly closing, and there doesn't seem to be much of a congressional appetite to give President Trump the symbolic victory that he wants for his re-election. In any case, the almost unanimous U.S. private sector pushback against Trump's unprecedented and probably illegal trade measures against Mexico will ultimately determine whether any of the supposed solutions he hopes to achieve will in fact materialize."

**A** **Carlo Dade, director of the Centre for Trade and Investment Policy at the Canada West Foundation and member of the Mexican Council on Foreign Relations:** "The actual announcement of the proposed tariffs came as a shock, but that something like this happened should not have come as a surprise. If the ratification process is to succeed, then building in expectation and contingencies for these types of shocks is necessary. Part of the surprise over the announcement in Canada was due to how well the visit to Ottawa by U.S. Vice President Mike Pence to support

ratification of the new agreement had gone. The tariff announcement was a reminder not to get lulled into a false sense of a return to normalcy. The new tariff threat came at the same time that a U.S. congressional staff delegation was preparing to visit Mexico to assess the country's recent labor reforms

**“The tariff announcement was a reminder not to get lulled into a false sense of a return to normalcy.”**

— Carlo Dade

passed as a requirement for ratification of the new NAFTA agreement. An already tense situation, Mexico acceding to U.S. demands, has been made worse. This shows an apparent lack of any strategic or even short-term planning or thought, something else that must be factored in by Canada and Mexico going forward. The tariffs announcement also shows that a new NAFTA agreement does not bring certainty to the North American trade relationship. While it will improve business confidence in specific areas, it will not mitigate the largest cause of uncertainty—unilateral exercise of tariff authority ceded to the administration by the Congress. Last month, the U.S. Commerce department concluded that lack of auto production and research in the United States was a security threat and the president can impose tariffs under section 232 of the 1962 trade act. These are the same tariffs just lifted for Canada and Mexico on steel and aluminum. Even though the U.S. administration has said Canada and Mexico are not targets for potential new auto tariffs, neither were the two countries given any ironclad guarantee that this will not change through, for example, a presidential tweet."

*The Advisor welcomes comments on its Q&A section. Readers can write editor Gene Kuleta at [gkuleta@thedialogue.org](mailto:gkuleta@thedialogue.org).*

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