Tomorrow's Affairs
Analysis of today
Assessment of tomorrow

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Mexico can only blame itself for Trump's tariffs

President Trump has shocked the market, stating that he would impose a 25% duty on imports from Mexico until the country took decisive action against drug and human trafficking.

The reaction of Mexico's president, Claudia Sheinbaum, was arrogant and irresponsible. Initially, she threatened to impose endless retaliatory tariffs until both economies suffered.

Later, she declared that there would be no tariff war at all, following a conversation with President Trump. Hard to say what has really changed. However, the government of Mexico only has itself to blame if tariffs are imposed.

The implications are enormous. A trade war with Mexico could impact $600 billion in cross-border trade. Mexico is also a manufacturer of auto parts for the frail European automotive industry, so tariffs could ultimately have a significant impact on German and French automakers.

On the other hand, if Mexico were to act against drug and weapon smuggling, illegal immigration, and eliminate its fiscal and bureaucratic barriers to trade, the outcome would be highly beneficial for both the Mexican and U.S. economies.

The legal and investor insecurity

Many news articles seem to suggest that Trump created the entire problem by unfairly imposing tariffs on Mexico, portraying the latter as a champion of free trade. Looking at tariffs alone, under the NAFTA agreement, there are almost no tariff barriers for U.S. exports to Mexico, with some exceptions.

However, the problem with Mexico and its approach to trade with the United States is the legal and investor insecurity imposed by socialism and its inaction against illegal immigration and drug trafficking.

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Trump's tariffs are neither a coincidence nor an arbitrary or unfair measure. According to The Economist, Mexico is, after India, the country with the highest trade barriers.

Despite a free trade agreement with the United States, the pro-Chavista government of López Obrador and Sheinbaum has implemented a policy of blind eyes and complicit inaction towards drug trafficking, illegal immigrant trafficking, and the introduction of drugs and weapons into the U.S.

The combination of trade barriers, investor, and legal insecurity has been so damaging that Mexico is becoming poorer and losing growth potential, detaching itself from the trend of U.S. and global growth and being condemned to stagnation.

Fiscal, bureaucratic, and administrative hurdles must be incorporated into the government-imposed barriers to investment and trade.

Lethal barrier

The Sheinbaum government's decision to politicise justice has created a new and lethal barrier: the risk of legal insecurity. Trump may talk about tariffs, but I find it dishonest to read from observers and analysts that all the previously mentioned policies of the Mexican government are not counted as what they are: enormous trade barriers.

Everyone talks about Trump's tariffs, but most were silent in the face of the assault on economic freedom and legal and investor security imposed by the socialist administrations of Mexico.

It seems that the United States is being asked to be the only house with an open garden and

doors in a neighbourhood where the others barricade their doors and block the way.

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Trump will continue to use tariffs as a negotiation tool, as he has always done, and his patience has run out. If the Mexican government prioritises its inaction against drug trafficking and human smuggling over the interests of its citizens, it will face tariffs.

Sheinbaum's irresponsibility in saying that they will respond with retaliatory tariffs shows that her goal may not be the prosperity of Mexico but the impoverishment of Mexicans. Mexico has everything to lose in a trade war with the U.S.

Mexico cannot afford a trade war

The Mexican government has already destroyed the possibilities of attracting manufacturing activity from Asia. Nearshoring is now an almost impossible opportunity after the government's attacks on legal security.

The law that has politicised the judicial system represents the most severe trade barrier that can be imagined. This makes Mexico a high-risk country for any type of contract or legal agreement.

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Mexico cannot afford a trade war with the U.S. and would also suffer the boomerang effect of the additional cost of the tariffs it wants to impose on its northern neighbour.

Tariffs are not an ideal policy, and while I do not advocate them as an appropriate measure in every place and occasion, I am not naive.

For years, countries that demand open borders from the U.S. have consistently imposed trade barriers. Legislative burdens, regulatory limitations, so-called environmental excuses, and large subsidies are some of the trade barriers that other countries impose on the United States.

The risk is that the Mexican government may prefer the economic cost of tariffs to the challenge of tackling the rising crime and violence activity of cartels that control many parts of the border with the U.S.

If Mexico wants prosperity, it will negotiate tariffs, eliminate its barriers, and act decisively against drug trafficking and human smuggling. Everyone will benefit.

The Lopez Obrador-Sheinbaum party's silence has allowed drug cartels to invade entire regions in Mexico. This has created an

atmosphere of violence and insecurity that is unfair to Mexican citizens and negatively affects U.S. national security as well. The free lunch is over.