

## Press Release



# The U.S.-Mexico-Canada Agreement Will Not Pay for the Border Wall

ANDREW EVANS | JANUARY 8, 2019

President Trump has claimed that the proposed replacement for NAFTA will pay for the wall on the Mexican border. AAF's Director of Immigration and Trade Policy Jacqueline Varas assesses the likely impact of the new deal, if it passes Congress, and argues that it will not boost the economy or federal revenue. Thus, it will not fund the wall.

An excerpt:

At the heart of the president's claim that Mexico will pay for the wall is the assumption that the USMCA will lower the bilateral trade deficit with Mexico, generating a significant amount of income for the United States. There are several issues with that assumption. The first is a fundamental misunderstanding of trade. Yes, exports generate revenue for the seller, but imports do not reflect a loss of income. Rather, imports provide value to both U.S. buyers and producers, reflecting their demand for consumption and intermediary goods, respectively. International trade generates efficiency in this way by encouraging competition between producers and results in the efficient production of high-quality products. Furthermore, the flip side of imports is foreign direct investment—the U.S. dollars that were used to purchase foreign goods are reinvested in U.S. bonds, factories, and other assets. Because dollars used to buy imports flow back into the United States, it is wrong to think about international trade in the same way as one would think about the sales by a private company.

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