

# The Atlantic

## What If Mexico Really Does Pay for Trump's Wall?

Uri Friedman

April 5, 2016

Maybe it's because Donald Trump's proposed wall along the U.S.-Mexican border has more than doubled in height over the course of his presidential campaign, theoretically soaring past the Berlin Wall and Great Wall of China. Maybe it's because Mexico's former president said he wouldn't pay for "that fucking wall." Maybe it's because the idea has been reduced to a call-and-response mantra at rallies. Whatever the explanation, Trump's critics tend to dismiss his pledge to make Mexico "pay for the wall" as a cheap, chauvinist applause line at best and a dangerous deception at worst—an attempt to foist an impossible dream on an impossible benefactor.

"The most beautiful tall wall, better than the Great Wall of China, that will run the whole border, that he would somehow magically get the Mexican government to pay for," Hillary Clinton mused in March. "You know, it is just fantasy."

Is it?

There is good reason to treat Trump's plan to build a wall on Mexico's dime as the opposite of fantasy. It is the fulcrum of the Republican front-runner's policy platform, mentioned in the very first speech of his presidential bid and outlined in detail in a memo to *The Washington Post* published on Tuesday. Yes, in *The Art of the Deal*, Trump says he likes to "play to people's fantasies." But he also writes, "You can't con people, at least not for long. ... [I]f you don't deliver the goods, people will eventually catch on."

Another reason to take it seriously: The plan is consistent with Trump's extractive, neo-mercantilist worldview. In a recent interview with *The New York Times*, he characterized every major U.S. relationship as a zero-sum transaction from which America could wring more value. As president, Trump would slash U.S. funding for NATO and the United Nations; pressure Japan and South Korea to pay more for hosting U.S. troops and perhaps even to develop their own

nuclear weapons so they'll quit relying on America's nuclear deterrent; make Germany and the Gulf states provide the money for "safe zones" in Syria; and coerce Saudi Arabia into "reimbursing" the United States for protecting the kingdom.

It's worth pausing to appreciate the significance of this worldview. Since the end of the Cold War, U.S. presidents have wrestled with a novel question: What does it mean to be the world's sole superpower? In broad strokes: Bill Clinton cast the United States as a singular superpower—an "indispensable nation," charged with mobilizing the international community to "advance peace and freedom and democracy" around the world. George W.

Bush unilateralized and militarized and evangelized Clinton's paradigm. Barack Obama has chafed at the "free riders," overextension, and hubris that indispensability breeds. He's striven to make the U.S. more of a self-aware superpower—cognizant of its limits and strengths and weaknesses.

Trump's logic begins in a similar place as Obama's, but then marches off in a different direction. He argues that American indispensability is a rotten deal that has turned a once-respected economic powerhouse into a "poor" nation burdened by \$19 trillion in debt, lacking real friends but flush with freeloaders. He wants the U.S. to be a self-interested superpower, conducting diplomacy primarily through protectionist trade policies. And to "make America great again," he's willing to rethink and upend the key components of indispensability: America's intricate alliances, overseas military bases, and mutual defense pacts, plus the pillars of the post-World War II international system—NATO, the UN, free trade, the global nuclear nonproliferation regime—that the United States helped design.

"I'm not isolationist, but I am 'America First,'" Trump told *The New York Times*, using a term for his foreign-policy doctrine that David Sanger of the *Times* had suggested. "We have been disrespected, mocked, and ripped off for many, many years by people that were smarter, shrewder, tougher." It's a theme Trump has trumpeted for decades. "Make Japan, Saudi Arabia, and others pay for the protection we extend as allies," he wrote in 1987. "Let's not let our great country be laughed at anymore."

Which brings us back to the wall. How do you get "others" to pay? The answer, when it comes to Mexico, offers a case study in what Trump's America-First theory might look like in practice.

Constructing Trump's wall along America's 2,000-mile southern border would likely constitute the largest infrastructure project in the United States since Dwight Eisenhower's highway system. Trump says the wall will cost no more than \$12 billion, but some experts estimate that it could require an investment of \$25 billion or more, not including hefty maintenance costs. Others claim that given the expense, along with myriad engineering, environmental, and legal obstacles, the wall simply can't be built.

That Mexican officials are vehemently denying they'll pay for the wall isn't all that surprising—why would they shell out billions for something they don't want? But how would Trump get Mexico to do it anyway? In his immigration-reform plan, the candidate lists several ways to force the Mexican government to pay up:

[T]he United States will, among other things: impound all remittance payments derived from illegal wages; increase fees on all temporary visas issued to Mexican CEOs and diplomats (and if

necessary cancel them); increase fees on all border crossing cards—of which we issue about 1 million to Mexican nationals each year (a major source of visa overstays); increase fees on all NAFTA worker visas from Mexico (another major source of overstays); and increase fees at ports of entry to the United States from Mexico [Tariffs and foreign aid cuts are also options].

On the campaign trail, Trump and his surrogates have elaborated on these proposals. Trump has said he will essentially use America's \$58-billion trade deficit with Mexico as a treasure chest. But he's given little detail about how he'd do this—just because Americans purchased \$58 billion more in goods and services from Mexico than Mexicans bought from the U.S. doesn't mean the Mexican government itself has those funds lying around to give back to the United States. Shannon O'Neil, a Latin America expert at the Council on Foreign Relations, told me that while the Mexican government's finances are fairly healthy relative to those in other emerging markets, the government recently responded to global economic uncertainty and low oil prices by reducing its 2016 budget by \$7 billion, cutting long-term investments in infrastructure projects like roads and bridges (or, say, walls). The 2017 budget may be pared down by \$10 billion more.

Then there are remittances—in this case money that Mexicans in the U.S. send back to their families in Mexico. “We have the ability to shut down the flow of remittances to Mexico from illegal aliens working in the United States,” Kansas Secretary of State Kris Kobach, a Trump supporter, said in February. “Mexico will then have to make a choice: Either make a single payment of \$5 billion to \$10 billion to the United States to pay for the wall, or lose most of the \$23 billion in remittances that Mexico receives every year from its nationals working illegally in the United States.”

In a pair of posts for *National Review*, Jim Geraghty clarifies that this \$23 billion is sent by Mexicans with *and* without legal documents, which makes impounding all remittances problematic. The U.S. Treasury Department could implement regulations that punish banks for processing remittances, borrowing a tactic previously deployed against terrorist financing. There might also be legal precedent for seizing wire transfers made by undocumented immigrants. But such moves, Geraghty writes, “would enrage the banks and financial institutions that make money off the transfers,” and might encourage Mexican immigrants to bypass the formal financial system and instead smuggle cash or rely on hawala- or Bitcoin-like networks. Taxing remittance payments might be a simpler way of curtailing the flow of money to Mexico, he reasons.

Trump, in a memo to *The Washington Post* released this week, stated that blocking remittances would be his preferred method of compelling Mexico to pay for the wall. He would propose refashioning counterterrorism regulations to require that money-transfer companies like Western Union ask immigrants to present their legal documents before wiring money outside the U.S. Mexico will immediately protest, Trump predicts, but it will probably capitulate and “make a one-time payment of \$5-10 billion” so that the regulation won't go into effect. Remittances serve “as de facto welfare for poor families in Mexico,” Trump explains. “There is no significant social safety net provided by the state in Mexico.” In short: The Mexican government will have to choose between forsaking its poorest citizens or building Trump's wall. It will be “an easy decision for Mexico,” Trump claims.

Even if all these machinations caused Mexico to cough up cash, the U.S. Congress would need to appropriate the money to build the wall. “It is likely that the vote for funding construction of a border wall would be the biggest, most consequential, and hardest-fought since the passage of Obamacare,” Geraghty writes. “[U]ntil all of these obstacles were overcome—until funding was procured from Mexico, the Congress gave its approval, and the courts signed off—construction of the wall couldn’t even begin. Structural engineers argue that, pulling out all the stops, the wall could be completed in four years. Trump’s signature promise likely couldn’t be fulfilled until mid-way through his second term at the earliest.”

O’Neil told me that hiking visa and border-crossing fees for Mexicans seemed like “the only way you could really potentially [finance the wall] and have [the U.S.] remain compliant with treaties that we’ve signed and other agreements.” The revenue that a President Trump raised from this scheme “could go to promoting security on the border, which could be a wall.” In this scenario, *Mexicans*, not the Mexican government, would be helping pay for the wall, if indirectly.

“Trump’s signature promise likely couldn’t be fulfilled until mid-way through his second term at the earliest.”

But imposing those fees would have consequences. Mexico is the top destination in the world for American tourists, drawing around 26 million visitors per year from the United States, or more than four times the number of unauthorized Mexican immigrants currently living in the U.S. Trump could raise the costs for Mexicans visiting the U.S., O’Neil said, but in response “you should expect the Mexicans to raise the costs for Americans going there.”

Trump, of course, could merely be staking out an extreme position at the outset of negotiations with Mexico—a common deal-making tactic known as “anchoring.” But, as Aaron Wallen, a lecturer at Columbia Business School, recently told Slate, Trump’s inflexible stance on how the wall will be financed, and the Mexican government’s rigid refusal to foot the bill, appear to have left nothing in the way of what negotiators call a “zone of possible agreement,” or ZOPA. In instances such as these, additional issues are usually folded into the talks. Mexico, for example, might agree to subsidize the wall in return for a new trade deal with the U.S. that is favorable to Mexican interests. Trump would be able to say he’d made good on a key campaign pledge, but he’d pay a pretty penny for the privilege.

It’s difficult to imagine Trump striking such a bargain. But something along these lines actually happened in 1954, the last time the U.S. asked Mexico to pay for an unwelcome immigration measure. As Alex Nowrasteh of the Cato Institute has recounted, U.S.-Mexican negotiations over renewing the Bracero guest-worker program had stalled that year, in part over the Mexican government’s resistance to patrolling its side of the border to halt illegal immigration. So the U.S. government issued a shock announcement: Migrants who crossed the border into the United States would be swiftly granted a job and labor contract. Mexico deployed soldiers to patrol the border after all—in an effort to prevent a mass outflow of human capital from the country—and the Bracero program was quickly restored. (Later that year, Eisenhower conducted mass deportations of undocumented Mexican immigrants—an operation Trump has praised.)

“If a future President Trump negotiated a large scale guest worker visa program that allowed many temporary Mexican guest workers in annually and legalized most of the unauthorized

immigrants in the United States, he *could* gain the diplomatic leverage to prompt Mexico to build a wall—or at least deploy some troops in a fancy show,” even if the guest-worker program renders Trump’s wall irrelevant, Nowrasteh concluded.

Crucially, Trump has also floated the idea of Mexico paying for the wall not with a government check, but through a “tax,” presumably in the form of new U.S. tariffs on imports from Mexico. This is what Trump appears to have in mind when he muses about “playing with” the U.S.-Mexican trade deficit, and such action would violate the 1994 North American Free Trade Agreement (NAFTA), which created a largely tariff-free trade zone across the U.S., Mexico, and Canada.

It’s hard to predict what would happen next, but Moody’s Analytics has tried. In an economic model produced for *The Washington Post*, Moody’s assumed that Trump honored his campaign promises, imposing a 35-percent tariff on imports from Mexico and a 45-percent tariff on imports from China. The model found that if both those countries retaliated with tariffs on U.S. exports, unleashing a trade war, all three countries could fall into recession. American consumers would face higher-priced Mexican and Chinese goods. U.S. companies that sell goods and services to Mexico and China, or are otherwise integrated with the Mexican and Chinese economies, might be forced to lay off workers. The tumult could cause stock markets to plummet and economic growth in Europe to contract. Millions of American jobs could be lost, at least in the short term, while the country’s manufacturing sector scales up to meet the demand for lost imports.

Any of these measures—the remittance regulations, the visa fees, the trade wars—would deal a severe blow to the U.S.-Mexican alliance. The fulfillment of Trump’s related campaign pledges—the renegotiation of NAFTA, the deportation of unauthorized immigrants en masse—would only harden the blow. Coordination between the U.S. and Mexico on intelligence and law-enforcement activities at the border would suffer. America’s commercial ties with its second-largest export market and third-largest trading partner would fray. A nationalist backlash to Trump’s policies would likely emerge in Mexico, just as anti-Americanism in the region is declining with the restoration of U.S.-Cuban relations and the election of a Washington-friendly president in Argentina.

“The Mexican government and the Mexican people are totally against the idea of walling off the border,” Andrés Rozental, a former Mexican ambassador and deputy foreign minister, told me. “The first thing that the Mexican government has behind its position is that partners such as the U.S. and Mexico, in the North American Free Trade Agreement as well as two countries that are geographically contiguous, should not and do not need walls to separate them at the border. What we need is a better implementation of existing rules and regulations.”

When I asked Rozental about the feasibility of Mexico paying for Trump’s wall, he challenged my hypothetical: “From my perspective, Trump’s nonsense is just that—it’s bravado, it’s rhetoric, it’s playing on fears of people in the U.S. particularly who have lost jobs or who feel that in one way or another the U.S.’s problems are the fault of everyone other than the United States, beginning with Mexico but it includes obviously China, and it includes Japan. He has hit on almost everything that the U.S. has abroad in terms of its agreements, in terms of its relationships. I just don’t think this is a realistic possibility.”

Rozental may well be right. Trump's immigration plan may be thoroughly insincere or cynical. His America-First doctrine may reflect a profound misunderstanding or ignorance of foreign policy and the U.S.-led international order, not some grand strategy informed by close study of America's place in the world. He may be fully aware that he's building walls in the air with play pesos.

On the other hand, Trump may actually mean what he says. Critics like Hillary Clinton may interpret his wall proposal as fantasy because Trump's underlying idea is so big—because he's advocating for an alternate reality in which the United States puts up walls, sheds alliances, and spurns free trade, and dispenses with 70 years of accumulated, largely bipartisan wisdom about how America should conduct itself abroad.

If Trump is putting forth a big idea, it seems rooted in disillusionment with the burdens of being the world's sole superpower. "I watched as we built schools in Iraq and they're blown up," he recently told *The Washington Post*. "We build another one, we get blown up. We rebuild it three times and yet we can't build a school in Brooklyn. We have no money for education because we can't build in our own country. At what point do you say, 'Hey, we have to take care of ourselves?' So, I know the outer world exists and I'll be very cognizant of that. But at the same time, our country is disintegrating, large sections of it, especially the inner cities."

Hillary Clinton may interpret Trump's wall proposal as fantasy because his underlying idea is so big.

For segments of the U.S. electorate who have seen few tangible gains from the U.S.-led international order, Trump's message resonates. Consider free trade, for instance. Twenty years on, NAFTA's record is mixed. The agreement appears to have had a positive, if modest, impact on GDP growth and trade volume in North America. But in the process, hundreds of thousands of Americans have lost manufacturing jobs to lower-wage workers in Mexico. As Binyamin Appelbaum notes in *The New York Times*, when the U.S. company Carrier shifts the manufacturing of its air conditioners to Mexico, that makes air conditioners cheaper for all Americans. But it also leaves several hundred Americans out of work. And the U.S. government hasn't done enough to help those Americans recover, develop new skills, and find employment.

These are real problems. But is Trump demolishing the house to fix a leaking pipe? Are the benefits of building a wall, and making Mexico pay for it, really worth the costs of antagonizing America's southern neighbor and risking recession? And why incur these costs at a time when more Mexicans are leaving the United States than coming into the country, and a significant number of those who are arriving are entering the U.S. legally and then overstaying their visas—a problem Trump's wall can't solve?

Then there are the second-order consequences of applying pay-for-the-wallism to America's dealings with the rest of the world. Earlier this year in *Politico*, Thomas Wright imagined some of the other fallout from Trump's foreign policy:

After his election, other countries will immediately hedge against the risk of abandonment. There will be massive uncertainty around America's commitments. Would Trump defend the Baltics? Would he defend the Senkaku Islands [in the East China Sea]? Or Saudi Arabia? Some nations

will give in to China, Russia and Iran. Others, like Japan, will push back, perhaps by acquiring nuclear weapons. Trump may well see such uncertainty as a positive. Putting everything in play would give him great leverage. But by undoing the work of Truman and his secretary of state, Dean Acheson, it would be the end of the American era.

There are plenty of legitimate criticisms of the American era, but, among other things, it has so far produced no world war or nuclear war, and it has left the United States at the helm of a relatively stable international system that is generally favorable to U.S. economic and geopolitical interests.

And yet, these benefits aren't enough for Trump, or at least they're not worth the cost. In his interview with *The New York Times*, the candidate said something very revealing. Asked when America was last great, he bypassed the Reagan era, criticizing Ronald Reagan's trade policies and particularly his support for NAFTA, and instead cited the turn of the 20th century through the 1940s—a period when the country was just becoming a world power and only beginning to remake the international system in its image. Some might say the U.S.-led order that subsequently emerged is the source of American greatness. But clearly not according to Donald Trump's definition of greatness.