

# The Street

## Donald Trump Immigration and Wall Plans Would Be a Blow to Western Union

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Donald Trump's plan to deport all illegal immigrants and build a wall at the southern U.S. border and make Mexico pay for it could cause some collateral damage, including to cash transfer company **Western Union** (WU - [Get Report](#)) .

The Englewood, Colo.-based company, which reports first quarter earnings after market close Tuesday, sees a significant chunk of its business come from Latin America and the Caribbean, including Mexico. As of its most recent earnings report, the LACA region accounts for 9% of its consumer-to-consumer revenue, and Mexico comprises about one-third of that. Much of that is people working in the U.S. and sending money abroad, also known as remittances. The company's total revenue in 2015 was \$5.5 billion.



The company has worked to make significant inroads in Mexico of late. In 2015, it launched direct-to-bank money transfers to Mexico from the U.S. to allow customers to send cash to individual bank accounts and expanded transfer services with a government-sponsored

development banking institution. On a conference call with investors in February, CFO Raj Agrawal said Western Union's Mexico business is growing faster than the market.

But if GOP frontrunner Trump makes it to the Oval Office, that might change.

The billionaire businessman has said that he would compel Mexico to make a one-time payment of \$5-to-\$10 billion to foot the bill for his border wall by clamping down on remittances to the country, which is a big part of how Western Union makes its money.

Trump's proposal would alter Section 326 of the Patriot Act, a rule initially aimed at terrorist financing, that prescribes regulations for financial institutions to ask customers for identification. Under Trump, the rule would be changed to include wire transfer companies, which are currently not required to follow customer-ID procedures because they don't require a formal banking relationship.

"Western Union will suffer enormously from this Trump regulation," said Alex Nowrasteh, immigration policy analyst at the libertarian think tank the Cato Institute.

If Mexico pays for the wall, he'll allow remittances to go through. If he doesn't, he'll keep the stop on them.

Should it stick, the maneuver would make an enormous dent in U.S.-to-Mexico remittances that the World Bank estimates totals about \$25 billion annually. It would impact the services most commonly used to make such transfers, **MoneyGram (MGI -Get Report)**, **PayPal's (PYPL)** Xoom and, of course, Western Union, which First Analysis Corp. analyst Larry Berlin estimates brings in \$165 million in revenue Mexico annually.

"It will hurt businesses in the area, all the companies that are providing the service of money transfers," said **Moody's** analyst Alfred Coutiño.

Not only would such a clampdown cost remittance companies like Western Union money, but it would also be costly for tax payers. The federal government overseeing each and every transaction coming in and out of the country would be cumbersome and time-consuming.

"The measure of practicality of confiscating remittances from undocumented Mexican workers in the U.S. implies a lot of work, because that implies that the government will have to monitor the transactions in order to determine if one transaction was made by an undocumented person," said Coutiño.

The implementation-related obstacles to Trump's rule were not lost on President Obama when he caught wind of the proposal. He brushed the plan off as unreasonable, telling reporters it would not work and could cause more illegal immigration from a damaged Mexican economy.

"The notion that we are going to track every Western Union bit of money that is being sent to Mexico, good luck with that," he said.

And even if Trump were able to implement his wire transfer ban until Mexico pays for the wall, people would likely find a way around it. A remittance crackdown would likely lead to the creation of parallel markets -- documented immigrants transferring money through their accounts

for undocumented acquaintances and friends, cash being smuggled across the border, or the use of hard-to-track and illicit forms of transfer.

"They're going to find their way around it, either by using Bitcoin, other crypto-currencies, or, unfortunately, other black market alternatives," said Nowrasteh. He also said such a rule might incentivize immigrants in the United States illegally to get fake identities, or for companies to simply look the other way.

Berlin downplayed the risk to Western Union, Trump proposal or not. He said the 3% loss of revenues from Mexico, while noteworthy, wouldn't be a "big blow" to the business. And the chances of Trump actually enforcing such a plan are slim. "Odds of it happening are really, really small, so it's not a concern at this point," he said.

But even so, it's not just Trump's remittance ban that would hurt Western Union. His plan to deport all 11 million undocumented currently in the United States would impact it, too, as some surely use Western Union to send money back home. Nowrasteh noted that remittances would be just the tip of the iceberg there.

"If Trump succeeds in deporting all unauthorized immigrants, it will cost the U.S. economy \$2.6 trillion in economic growth over the next decade as so many workers, entrepreneurs, and consumers are removed. Additionally, it would cost the government an estimated \$205 to \$619 billion to actually remove all of those 11-to-12 million people," he said.