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# Nobody builds walls better than me – US Policy towards Latin America under Donald Trump

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**The initial fears of many Latin American states regarding the Trump administration have been confirmed. Besides unpredictable foreign and security policy, their concerns are mostly related to US economic policy. However, it seems that Donald Trump's policies are having very different effects for the respective states, and their impact on the region as a whole does not appear to be entirely negative. What, then, are the changes in US policy towards Latin America under Trump and what impact is the new US administration having on individual states in the region?**

## Changes in US foreign policy towards Latin America

Under President Obama, the United States did not pursue a consistent and coherent policy towards Latin America. The focus of US foreign policy shifted gradually towards Asia. The southern half of the Americas was somewhat neglected, among other reasons, because the US did not consider the region to pose any major problem in terms of foreign policy. The only real exceptions were the rapprochement with Cuba and the support provided for the peace treaty between Colombia and the FARC rebels. However, the ideological challenge to the western-oriented liberal order in the region, the erosion of democratic structures and the deterioration of the security situation, particularly in Central America, would have presented Obama with a sufficient number of demanding tasks.

Since Trump's election, it has remained unclear which concept of foreign policy he is primarily following. With regard to Latin America, foreign policy seems to be increasingly centering on security and migration issues, and the US is turning away from the idea that it should shoulder the burden of upholding the international order. Irrespective of these predictions, and in view of Trump's continuous contradictory statements, unpredictability seems to be one of the few consistencies in Trump's foreign policy. At the same time, there are three – very mundane – reasons why the foreign affairs focus of the United States under Trump will not shift back to Latin America. Firstly, the states of South and Central America were of no importance during the election campaign, with the exception of Mexico. Secondly, neither Trump nor anyone from his inner circle has ever worked in a Latin American country for a significant period of time or shown a special interest in them (with the exception of Alexander Acosta, the US Secretary of Labor, who is not among Trump's closest confidants. Thirdly, Latin America is still the only region in the world that is virtually unaffected by international terrorism, and therefore one of the few that does not pose a direct threat to US citizens or facilities. Other reasons not directly related to Latin America are, of course, the concurrence of crises and the increasing conflicts over regional hegemony in other parts of the world.

## **Trump's economic policy**

The fact that the US is turning away from the idea that it should shoulder the burden of upholding the international order, as mentioned earlier, is particularly apparent in Trump's economic policy. His campaign slogans "America First" and "buy American, hire American" show a rejection of international free trade and a shift towards protectionist measures. This new focus is also evident in the US withdrawal from the as-yet unratified Trans-Pacific Partnership (TPP). Seven years after the US joined this trade agreement together with eleven other Pacific Rim nations such as Mexico, Chile and Peru, Trump abandoned it as one of the first official acts of his presidency. In view of his strategy in external economic policy, it is clear why Trump wants the US economy to become more protectionist – although his reasoning seems oversimplified and somewhat incomplete: The steps taken towards economic integration over the last 25 years have led to a job exodus and slow economic growth in the United States. Trump sees the signing of NAFTA in 1993 and China's accession to the WTO in 2001 as the main pillars of this integration. This anti-globalisation perspective of President Trump is not only weakening the United States' position in Asia, where it has led to increased attention for the RCEP agreement with China, but also among the Pacific Rim states of Latin America.

Considering that the political situation in most Latin American states – such as Argentina, Brazil, Peru and Uruguay – had changed in favour of deeper cooperation with the United States during the past years, the election of Trump came at a particularly unfortunate moment. Instead of turning away from states where recent elections indicated the end of a phase of left-leaning politics that started in the 1990s, Trump would have done better not to see economic relations as a zero-sum game, but to recognise and utilise Latin America's potential. The United States already have a trade surplus towards the states of the region as a whole, which means more goods are exported from than imported to the US.

## **China's Influence and Options for Trade**

China had already been gaining ground as a trade partner for South and Central American states since Barack Obama's "pivot to Asia". Trade between the People's Republic and the region grew more than twenty-fold between 2000 and 2013, and China plans to invest \$250 billion in Latin America between 2015 and 2019. Chinese banks such as the China Development Bank and the Export-Import Bank of China have been very active in the region in terms of direct investments and lending. This commitment must partially be seen as positive because it contributed to a significant reduction in poverty in South America during the past 15 years. However, increased Chinese investment in key areas such as the energy sector (one example being the hydroelectric power station in Ecuador, which is to generate more than a third of the country's electricity in the future) and the defence sector (in Argentina and other states) should be seen from a critical perspective.

What other implications would US protectionism have for the region? It is likely to boost integration efforts within South America, and not only with respect to China. Although the ideological homogeneity that existed between the left-wing governments in the region was an important uniting element, there now is a growing affinity for free trade and, as another possible uniting factor, Latin America's mutual opposition to the United States as an opponent of economic integration in the north. The withdrawal of the United States from TPP has thus opened an opportunity for stronger cooperation among the countries of the Pacific Alliance and among the MERCOSUR countries facing the Atlantic Ocean. At the same time, MERCOSUR wants to achieve stronger integration with the global economy, which could result in a window of opportunity for a trade agreement between this regional organisation and the European Union, although the current political conditions in Europe seem to be unfavourable.

## **Relations between the US and Mexico**

As opposed to other Latin American states, Mexico is likely to be more strongly affected by the election of Donald Trump. A number of key pledges made during his campaign, such as strengthening the US economy with protectionist measures and enforcing a hard-line migration policy, are reminiscent of US foreign policy during the 1920s and 1930s, and Mexico would be affected by the consequences. However, Mexico's policy has been to strengthen national sovereignty, and the country's government is showing no signs of giving in. Its initial fears have now given way to the certainty that Trump will not be able to follow through with his rhetoric.

Eighty percent of Mexican exports go to the United States and there are vast industrial supply chains between the two economies. When Trump announced his intention to renegotiate the NAFTA free trade agreement, Mexico signalled its fundamental willingness to do so. However, the Trump administration does not plan to discuss environmentally friendly technologies or digital trade. Instead, it wants to generally reduce the foreign trade deficit with Mexico and bring jobs back to the United States. Of course the President is required to inform Congress of his intentions 90 days before the start of such negotiations, and the process could take much longer than expected. But in view of the Republican majority in Congress and the option to apply a fast-track procedure, it is very likely that the agreement will be readjusted. Even if Congress and the Supreme Court should soften Trump's hard line on economic policy, a renegotiated agreement would undoubtedly affect the Mexican economy, which has so far been surprisingly resilient and has been enjoying the lowest unemployment levels for a decade. For Mexico, a readjusted agreement could mean that its trade relations would have to be diversified and that it would shift its focus towards Europe and China.

Mexico is considering countermeasures if the United States under Trump were to introduce duties on imported goods. These measures would primarily target agricultural products and the US states exporting goods to Mexico – including Texas, Wisconsin and Iowa, the states that were instrumental in Trump's election victory. However, Trump would not hesitate to combine different fields of politics and, if an agreement were not achieved regarding NAFTA, for example, he may possibly impose a tax on financial transactions. Given the \$27 billion transferred to Mexico each year by emigrants to the US, this taxation would amount to a considerable amount of capital, which is normally used as a highly efficient form of development aid within Mexico.

Besides economic policy, immigration policy also carries the potential for a confrontation with Mexico. This particularly applies to the project of building a wall along the US-Mexican border and the possible deportation of millions of irregular migrants. One should keep in mind, however, that immigration to the United States is currently counterbalanced by return migration to Mexico, and that some industries in the US, such as seasonal agriculture and construction, are even dependent on Mexican migrant workers. Building a wall would be a devastating political signal, as the United States is considered the prime example of a country of immigrants – with its 200 years of immigration history and ongoing immigration of people from different social and ethnic backgrounds. It is also highly doubtful whether the intended outcome would be achieved, i.e. stopping illegal immigration by Mexicans and other Latin Americans using Mexico as a transit country. A number of border fences were, in fact, already built more than twenty years ago, and additional fences were constructed following the terror attacks in 2001. Furthermore Barack Obama also took measures to further reinforce border security. The US Border Patrol registered almost 7,000 deaths on the border within the past twenty years.

The building of the wall itself is not the only controversial political issue; there has also been much debate about how it can be funded. The Congress agreed on a budget deal with a high amount of money for border security, but no money will be allocated for Trump's border wall. Trump still insists that Mexico will eventually pay for the wall. There are several options to pass on the costs to Mexico indirectly, such as increasing visa fees or imposing a tax on financial transactions, as mentioned above. Mexico's only response could be to remove tax benefits for US foreign investments, or to find alternative ways of transferring money, which the United States could then prevent by adjusting its money laundering laws. Trump has also suggested a tax: a value added tax on imports that would drive up prices for products from abroad, i.e. also for products from Mexico. However, since parts of the Republican Party seem opposed to passing on the expense, and Mexico does not appear to be giving in, the US may have to shoulder the cost itself and build single border barriers instead of a whole wall.

Regarding the future policy on deportations, Trump first signed a decree for the deportation of all eleven million irregular migrants, approximately half of which are Mexican. However, he then distanced himself from this objective so as to focus the effort on serious criminals. President Obama had already overseen the deportation of two million immigrants over the course of his two terms in office. According to the Migration Policy Institute, there are currently "only" 820,000 illegal immigrants who have been convicted of crimes in the United States. Mexico has stated that it would refuse to admit persons from third countries and has pledged to provide all Mexicans threatened by imminent deportation in the United States with legal and consular support. It has also threatened to discontinue bilateral cooperation in the war against organised crime and drug trafficking. This is one of several reasons why it is doubtful that mass deportations will be carried out.

Nevertheless, the Immigration and Customs Enforcement agency (ICE) of the US Department of Homeland Security, which is also responsible for deportations, has been given greater powers under Trump. The agency's personnel is to be increased by one-third, which corresponds to 10,000 people. Although the former leadership of the ICE has said that deportations on this scale – as intended by Trump – are currently impossible due to the logistic challenges, these difficulties could be overcome with a certain level of political determination. A first taste of this was given when Trump signed the executive decree to build the wall, which also provides for the construction of additional immigration detention centres. Both Trump's wall and the deportation of criminals are not only aimed at reducing illegal immigration, but also at fighting drug trafficking. However, the devastating effects of the Mexican drug war could only be counteracted if the two countries were to improve their security cooperation and the demand for drugs in the United States, which is the highest in the world, were to decrease.

### **US policy towards Central America and Cuba**

The Central American states are particularly dependent on the United States. These countries are concerned that Donald Trump could end the mutual cooperation in the areas of economic development, drug prevention, criminal prosecution, and public safety. The White House has presented a draft budget that includes a 28 percent cutback in spending for the United States Agency for International Development (USAID). This would amongst others affect Central American states such as El Salvador. A total of 20 percent of the population of El Salvador have already migrated to the United States – often illegally. This also applies to vast parts of the population of Honduras and Guatemala. Since the 2010 earthquake in Haiti, tens of thousands of Haitians have also started to move north – some of them setting off from Brazil, which had admitted them as refugees following the disaster. As a result, they have been exposed to the dangers of human trafficking. This also explains why less than half of the illegal migrants arrested on the US-Mexican border in 2016 were Mexican. If Trump followed through on his statements concerning the rigorous deportation of all criminals, he would most likely achieve results similar to those of the increased deportations during the 1990s. At the time, large-scale deportations unsupported by sustainable reintegration programmes helped gangs such as *MS-13* and *Barrio 18* become transnational criminal organisations. Central American countries were destabilised and human trafficking increased. This resulted in a boomerang effect because it created a new wave of refugees.

In terms of economic policy, the impact on the region will be less severe. It is unlikely that the United States will terminate or adjust the DR-CAFTA free trade agreement with the Dominican Republic and the Central American states. One reason is that the products exported from Central America have little added value and would not create jobs in the United States. The other reason is that the imports from the United States by far exceed the exports into the United States. Donald Trump used tough language towards the Cuban regime during his election campaign. When taking a closer look at US-Cuban economic relations, however, there are two indicators pointing towards closer cooperation: Firstly, Trump's tendency to conclude bilateral agreements could fit in with Cuba's desire to cooperate. Secondly, it is likely that Republican delegates from the Midwest will press for closer economic relations with Cuba. It is therefore possible that the trade embargo could be lifted when Raúl Castro steps down from power in 2018.

### **Relations between the US and individual states in South America**

**Venezuela** has been struggling with escalating crime, supply shortages, and almost quadruple-digit inflation for a considerable period of time. The country is descending into chaos despite having the world's largest oil reserves. It seems certain that the Republican-led US Congress will not lift sanctions against individuals from Maduro's inner circle. In fact the US Congress recently imposed sanctions against Tareck El Aissami, the vice president of Venezuela due to his involvement in drug business. It is also clear that Venezuela will only be able to continue its aggressive opposition against its arch-enemy in the north if China provides support for *Petróleos de Venezuela S.A.*, Venezuela's state-owned oil supplier, which is also the largest oil company in Latin America. It is unclear, on the other hand, which role the United States wants to play during a potential Venezuelan return to democracy.

**Brazil** is also faced with a number of domestic problems. Among the biggest challenges are rampant corruption and the threat of a drug war similar to the conflict in Colombia in the late 1980s and early 1990s. Since the Brazilian public prefers market-friendly policies over protectionism and populism, the United States' withdrawal from TPP and the renegotiation of NAFTA could be a good starting point for Brazil to negotiate bilateral agreements and increase its own influence in the region. Brazil could also make use of existing integration platforms to strengthen its role as a major driving force of regional integration and the central power in South America. This would allow Brazil to compete with the US for regional influence.

**Colombia** is the biggest recipient of bilateral security aid from the United States. This support as well as the positive role the United States has played with respect to the peace treaty in Colombia could be scaled down. In comparison with other South American countries, the implications of US policy adjustments would probably be less severe. In addition to Colombia, **Ecuador** and **Peru** would be the states most affected by increased deportations to South America due to the large number of immigrants from these countries living in the United States. An increase in deportations would reduce the flow of money sent to these countries by immigrants in the US. Besides the implications for Peru, the US withdrawal from the as-yet unratified TPP free trade agreement also affects **Chile**. Chile therefore plans to push for bilateral trade agreements with China, among other countries. **Argentina's** President Macri has known Trump for decades and has already had conflicts with him as an entrepreneur. The influence of the US on Argentina is relatively small, however.

Regardless of their level of dependence on the US, all countries in Latin America should present themselves as pragmatic partners for the US while also stepping up their own integration efforts. They should prepare for rapid changes in US policy because Trump can be seen through the lens of the typical South American Caudillo, or charismatic populist. Similarly to Argentina's legendary President Perón, who claimed to stand for the "*descamisados*" (the shirtless), Trump has implied that he represents those in the United States who have been forgotten. Trump may therefore be speaking out against immigration and imports from Latin America, but he has already taken the style of politics that is deeply entrenched in this region to a new level of international importance.

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