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A Stand-Off between Unequal Partners: What Trump Means for Mexico

When Donald Trump begins his second term in office on 20 January 2025, Mexico will face immense pressures to stop the flow of legal and illegal goods, people, and jobs. While by and large these threats will likely not materialise, as many proposals would be immensely costly for both sides, they will present formidable challenges for a Mexican government already dealing with its own problems.

- Regardless of Trump being elected, Mexico's new president Claudia Sheinbaum has to confront a number of domestic challenges herself such as criminal violence, high levels of informality, low levels of taxation, and the continued production and trafficking of illicit drugs.

- With Trump set to return, Mexico's situation has become more complicated. Mexico is more exposed to Trump's proposed policies than any other country, not just because of its close economic relations with the United States but also because he has repeatedly singled it out for criticism regarding migration as well as drug manufacturing and smuggling.

- If Trump follows the script from his first term, there will be a gulf between rhetoric and reality. Nevertheless, managing her US counterpart and his policies will probably be the single-biggest challenge Mexico's new president has to confront. The stakes are immense given the costs that would be incurred if some of Trump's proposals were indeed enacted.

- Trump must be able to show something for all his posturing and blustering. For the US to save face and Mexico to avoid the worst of it, there will have to be concessions from both sides – although Trump may present any outcome as "his" policy win.

Policy Implications

Both the US and Mexico have much to gain from de-escalation and negotiation. To step back from the brink will require both sides talking to not past each other, compromising in private not in public given the political costs involved. This will necessitate cooler heads prevailing, with those involved choosing stability over chaos given the latter would be deeply damaging for both sides.

Introduction

Mexico is in Trump's crosshairs. When the Economist Intelligence Unit (2024) ranked 70 countries worldwide in terms of the risks they face from a second

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Trump administration, Mexico took top spot. What is at stake, however, is not as one-sided as it often seems. Mexico and the United States engage closely with one another and are deeply interdependent. Many of Trump's proposals, from tariffs to immigration policy, would be immensely costly for both sides. While the two countries certainly are unequal, the situation resembles a "Mexican stand-off" – that is, one where two combatants train their weapons on each other, with potentially disastrous consequences for both.

Trump's proposals regarding the flow of legal and illegal goods, people, and jobs represent a serious challenge for Mexico. His consistent criticism of Mexico and announcement of extreme measures, even before taking office on 20 January 2025, highlight just how much is at stake. Not just their severity but also the likelihood of the threatened policies materialising matters here. As in the past, there is likely to be a gulf between Trump's rhetoric and action when it comes to Mexico. This does not mean that Mexico is off the hook, as its government likely will have to make concessions to avoid some of Trump's ire and is already faces domestic challenges irrespective of who its neighbour's president is.

Mexico's Domestic Challenges

In June 2024, Claudia Sheinbaum, the handpicked successor of term-limited President Andrés Manuel López Obrador (AMLO), won the presidential elections handily, with 61 per cent of the popular vote. In fact, Sheinbaum managed to increase the number of votes amassed over that by her popular predecessor six years ago. Sheinbaum received the most votes in all but one of Mexico's 32 states. Her party, MORENA, and its allies also won ample majorities in both houses of Congress. With the defection of a handful of opposition lawmakers, these have since turned into supermajorities. With control of both the House of Representatives and the Senate, as well as of 24 out of 32 states, the new president has the necessary majorities to approve changes to Mexico's Constitution.

Sheinbaum's triumph is all the more impressive as it bucks the general trend of incumbents becoming unpopular over time and hence voted out of office, both regionally and globally. Other rare recent instances of an incumbent or their party being re-elected in Latin America have been Paraguay in 2023 and El Salvador as well as the Dominican Republic in 2024. These three countries aside, of the 25 presidential elections previously taking place in Latin America the incumbents have been voted out of office in 22 of them irrespective of their political ideology.

Table 1. Winners and Losers in Latin America's Recent Elections

Country	Year	Ideology	Winner
Colombia	2018	Right	Opposition/Challenger
Mexico	2018	Left	Challenger
Brazil	2018	Right	Challenger

El Salvador	2019	Right	Challenger
Guatemala	2019	Right	Challenger
Panama	2019	Centre-left	Challenger
Uruguay	2019	Centre-right	Challenger
Argentina	2019	Centre-left	Challenger
Bolivia	2020	Left	Challenger
Dominican Republic	2020	Centre	Challenger
Ecuador	2021	Centre-right	Challenger
Peru	2021	Left	Challenger
Chile	2021	Left	Challenger
Honduras	2021	Left	Challenger
Costa Rica	2022	Right	Challenger
Colombia	2022	Left	Challenger
Brazil	2022	Centre-left	Challenger
Paraguay	2023	Right	Incumbent
Guatemala	2023	Centre-left	Challenger
Ecuador	2023	Right	Challenger
Argentina	2023	Right	Challenger
El Salvador	2024	Right	Incumbent
Panama	2024	Centre-right	Challenger
Dominican Republic	2024	Centre	Incumbent
Mexico	2024	Left	Incumbent
Uruguay	2024	Centre-left	Challenger

Source: **Author's own compilation, based on** Malamud and Núñez Castellano (2023).

Considering her resounding electoral victory in June 2024, all might seem well for Sheinbaum. First, she can count on both political majorities and began her presidency with high levels of popularity. Second, she can build on her predecessor's

achievements and follow his winning formula. Third, she can be seen as having a political mandate to continue with the so-called fourth transformation of the Mexican state, economy, and polity. However, irrespective of Trump's return to office and his policies, there are significant domestic challenges ahead for Mexico's new president.

In political terms, there is little to fear from an opposition that is licking its wounds and trying to recover from last year's crushing electoral defeat. Politically, the biggest unresolved questions are how different Sheinbaum will be from AMLO and how the relationship between the two will develop over time (Polga-Hecimovich 2024). MORENA emerged as a highly personalistic party, and as its founder and long-time leader AMLO continues to exercise inordinate influence over it. He and Sheinbaum have long worked closely together. As Mexico's own history as well as that of the region at large illustrates, though, the relationship between designated successors and predecessors is often an uneasy one. Whether Sheinbaum will step out of AMLO's shadow – and, if so, to what effect – remains to be seen. But a complete break seems unlikely (Polga-Hecimovich 2024) – even if she might be forced to depart from her predecessor, not least by Trump's policies.

In economic terms, Mexico remains riddled with profound problems such as low levels of taxation and high levels of informality (Werner 2024). On the one hand, it taxes its citizens and businesses very sparingly: Mexico has the lowest levels of taxation among developed countries, with income from it amounting to less than 17 per cent of gross domestic product on average compared to an equivalent figure of 34 per cent for OECD member states. This results in a lack of state revenues to spend on policy priorities. On the other hand, Mexico has long been characterised by high levels of informal employment: over half of Mexicans work in the informal sector according to recent estimates (Werner 2024). Both low levels of taxation and high levels of informality undermine the country's ability to achieve equitable socio-economic progress, and reforms addressing these issues are needed sooner rather than later.

Over the past few years, Mexico's economy has benefitted from dynamics beyond the government's control. First, remittances from Mexican emigrants working in the US have significantly increased (Maldonado and Harris 2024). Second, recent "nearshoring" – the process of moving production and supply closer to where demand is (in this case, the US), and thus protecting supply chains against disruption – has helped Mexico's economy greatly (Romero and López Cabrera 2024). Since the signing of the North Atlantic Free Trade Agreement (NAFTA) three decades ago, the Mexican and US economies have become increasingly integrated with and interdependent on one another. Indicative of these ever-closer economic ties, as well as its larger neighbour's growing tensions with China, Mexico has become the US's main trading partner. Most US imports come from Mexico (see Figure 1 below), but also many of its exports go to the latter as well (see Figure 2 below). Vice versa, roughly 80 per cent of Mexican exports, mostly manufactured goods, go to the US. As such, the US is ultimately more important economically to Mexico than the other way around.

Figure 1. US Imports from Select Countries (in Million USD per Quarter)
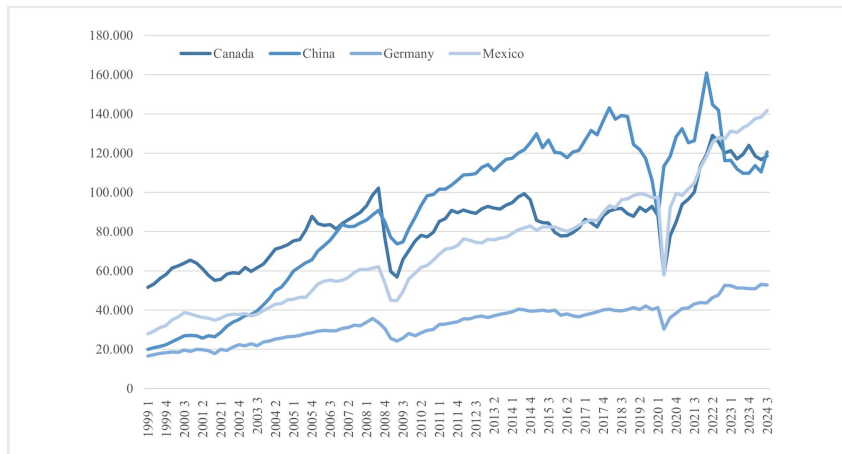
Figure 2. US Exports to Select Countries (in Million USD per Quarter)
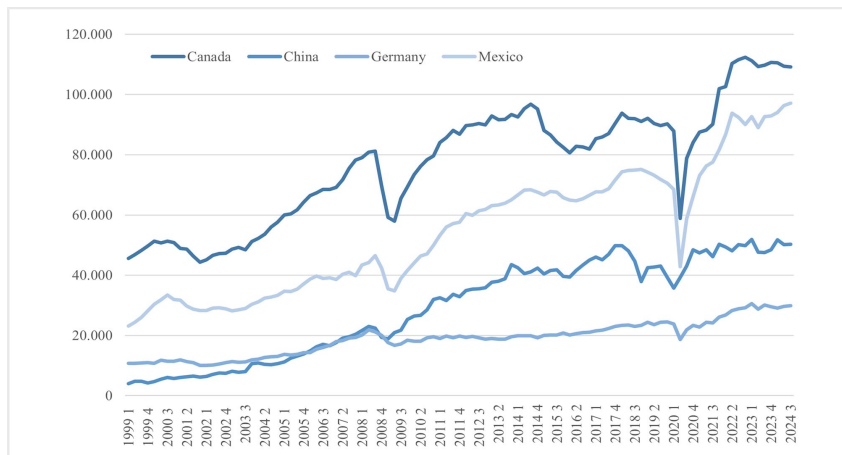
In terms of security, recent achievements in this domain might have more to do with changes taking place in the drug economy and how criminal actors and activities were tackled by AMLO's government rather than being the result of a coherent or effective security strategy that has addressed underlying dynamics (Bosworth 2024). How to confront escalations and spikes in violence, without relying on well-trodden and often ineffectual "drug war" measures, remains a key dilemma (Rojas 2024). Sheinbaum was previously successful in reducing homicide rates and improving public security as mayor of Mexico City. She is betting on her ability to now reproduce this on a national scale, namely by making existing policies more effective and improving inter-agency coordination and intelligence gathering. However, Mexico City differs from the rest of the country in terms also of the dynamics of violence – thus related successes here might not necessarily be replicable elsewhere.

Violent intra-cartel clashes will represent a problem for Sheinbaum's government. Although the Mexican drug trade might no longer dominate global headlines, it is still business as usual. So-called plazas – that is, territories im-

portant for the transshipment of drugs – remain violently contested. Further, the cartels – criminal groups dedicated to drug trafficking (and increasingly other illicit activities as well) – continue to fight not only each other but also the state, with innocent bystanders being caught too often in the crossfire. As such, drug trafficking and production present a formidable and ongoing challenge for any Mexican head of state.

In sum, Sheinbaum faces sizeable domestic issues. Politically, she will have to skilfully manage her relationship with her popular and influential predecessor. Economically, Mexico's underlying structural weaknesses – such as high levels of informality, low levels of taxation, and a reliance on remittances and nearshoring (both difficult for the Mexican government to directly influence) – have remained insufficiently addressed. In terms of security, the Sheinbaum administration will have to contend with the continued production and trafficking of illicit drugs and other criminal activities. Whether the government is capable of improving the security situation in general and can contain flareups between rival criminal groups, as happened recently in Sinaloa, seems to be questionable. These are challenges the Mexican president must confront irrespective of who their US counterpart is.

Trump's Economic, Security, and Political Challenges to Mexico

With Trump having won the US's November 2024 presidential elections, the situation for Mexico immediately became more complicated and the outlook more dire. Mexico is, as noted, both closer to the US and more exposed to Trump's proposed policies than practically any other country globally (EIU 2024). Trump has repeatedly singled Mexico out for criticism, haranguing, and threats regarding the flow of legal and illegal goods, of people, and of jobs.

In terms of security, two topics will dominate US–Mexican relations: the flow of illicit goods and the flow of people. Publicly, Trump has blamed Mexican immigrants for being "bad hombres," committing crimes and bringing illicit drugs into the US. Controlling migration, then, will be seen as doing something about drug trafficking. For Trump, both the flow of drugs and people are security issues. He will try to pressure Mexico into doing a lot more of the heavy lifting, namely by threatening military intervention but also punitive economic measures. After his recent victory, Trump justified his proposed blanket 25 per cent tariff by citing Mexico's key role in fentanyl and undocumented migrants crossing the US's border.

Trump and a number of Republican lawmakers have been floating the idea of designating Mexican cartels "foreign terrorist organisations" (Finucane 2023). Such an extreme approach would become even more impactful if the US military were to be used to conduct cross-border operations to take out supposed cartel operatives, something repeatedly considered by Trump and his allies. While violating the sovereign borders of a close neighbour and ally might seem unthinkable under normal circumstances, this military option seems to be under serious consideration among members of the incoming Trump administration (Suebsaeng and Perez 2024). Another alternative, which Trump reportedly asked his then Defense Secretary Mike Esper about, are US missile strikes on suspected sites of drug

production in Mexico. While presented as an easy fix to a complex problem, such unilateral military operations would wreck bilateral relations while their actual effect on drug trafficking and production in Mexico and consumption in the US would be limited (Finucane 2023).

Mass deportations are one of Trump's most inflammatory but also defining policy proposals (Savage, Haberman, and Swan 2023). He campaigned on the platform of undertaking "one of the largest deportation operations in American history." Millions of undocumented immigrants living in the US are supposedly going to be rounded up and deported "on day one." Many of those concerned have lived in the country for decades and made a life there; a significant number also come from Mexico, meaning mass deportations would readily affect it. Trump has also pledged to stop undocumented migrants from getting into the US by resuming the construction of the "wall" and deploying the military to his country's southern border (Savage, Haberman, and Swan 2023). Additionally, his administration will make it more difficult to apply for asylum by reinstating the "Remain in Mexico" policy, thereby requiring the people in question to wait for their cases to be processed there first.

Trump has threatened a 25 per cent tariff on all goods coming from Mexico, with even higher amounts to be imposed if it does not comply satisfactorily with the stemming of the flow of drugs and migrants to the US. Such measures would hit Mexico hard, as its economy has grown increasingly integrated and interconnected with the rest of North America over the past 30 years. But it would significantly impact US producers and consumers, too (York 2024). With many US companies having moved production to Mexico to take advantage of cheaper labour costs, the so-called maquiladoras that have sprung up could be severely affected by such tariffs. A clear effect for consumers would be an increase in the price of imported goods and parts. Dismissing concerns about their costs, Trump touted their supposed benefits instead.

Mass deportations would also cut both ways. Mexico's economy would be negatively affected as it would likely significantly reduce the staggering volume of remittances sent back home. In 2024 the country's citizens received about USD 60 billion in remittances, the equivalent of almost 4 per cent of GDP (Maldonado and Harris 2024). Yet not only does the Mexican economy benefit greatly from out-migration, so does the US from in-migration. According to a study by the American Immigration Council (2024), the direct and indirect costs of mass deportations for the US economy would run in the billions of dollars.

Politically, the Mexican government has little to fear from a renewed Trump presidency. Neither he nor his administration are likely to criticise Mexico's democratic erosion. The defence of liberal democracy is not one of Trump's foreign policy priorities, considering his well-documented penchant for strongmen. While direct political threats might be few and far between (if any), Trump might indirectly undermine Sheinbaum's standing if she were to be seen to caving to his demands and making thoroughgoing concessions. Trump could also take measures that tank the Mexican economy or violate its sovereignty, which would affect Sheinbaum politically.

Adroitly managing US–Mexican ties will be crucial given so much is at stake. Contrary to expectations, Trump and AMLO had a good personal rapport and working relationship (Gottesdiener and Eisenhammer 2024). Reportedly, Trump saw something of himself in AMLO and affectionately called him "Juan Trump"; Mexico's previous president overlooked slights, meanwhile, in order to work with his US counterpart. Whether the less populist and more technocratically inclined Sheinbaum will be able to establish a good personal relationship with Trump is doubtful. As Arturo Sarukhan, former Mexican Ambassador to the US, stated: "I don't think she will have the type of bromance that López Obrador had with Donald Trump" (cited in Gottesdiener and Eisenhammer 2024, no page).

Likely Scenarios and the Seriousness of Trump's Threats

Past experience indicates that much of what Trump has announced might not actually come to fruition. However things might be different this time around, as he is both emboldened and embittered. To understand how serious his threats regarding Mexico are, not only their severity but also their likelihood of transpiring must be considered. What occurred during Trump's first term in office, his already-announced appointees and their respective track records, as well as the consistency with which he has talked about a given policy are all useful indicators here.

In terms of security, the chances of a direct US invasion of Mexican territory are probably rather slim, despite Trump's sabre-rattling and there being reports that military options are under serious consideration by his transition team (Suebsaeng and Perez 2024). Given the importance of their bilateral relations, not just on drugs, the US can hardly afford to humiliate Mexico by violating its sovereignty. Trump's hostile rhetoric might nevertheless be useful to "blackmail" Mexico into reverting to more traditional, "drug war"-style counternarcotic measures and a continued reliance on using its military forces for public security (Rojas 2024). More realistic than cross-border raids, drone strikes, or other unilateral military operations is the resumption of cooperation between US and Mexican law-enforcement agencies on dealing with drug trafficking. Furthermore, the Mexican government will be eager to tout its successes in counteracting the production of drugs, arresting the "kingpins" of drug-trafficking organisations, and doing its part to stem the tide of fentanyl especially.

In terms of migration, Trump will look to outsource in part the policing of the US's southern border to Mexico. The latter will probably be cajoled into doing some of the former's dirty work when it comes to impeding those trying to reach its larger neighbour's borders – a dynamic known as the "externalisation" of migration control. During his first term, Trump threatened and then dropped the idea of tariffs after Mexico agreed to do more on this front. He has boasted about how he managed to have Mexico deploy thousands of soldiers to patrol their country's southern and northern borders. Such increased oversight might see Mexico become an even more hostile place for migrants. Despite Trump's claims to the contrary, border enforcement has never stopped from the Mexican or US side alike. What might change, though, is the intensity and cruelty with which this happens, as demonstrated during Trump's first term in office with the policy of separating

children from their families and often incarcerating them. His designated "border czar," Tom Homan, as well as the incoming president himself have praised such extreme and inhumane measures for their ability to deter border crossings.

Reportedly, Trump intends to expand and toughen countermeasures in this domain even further compared to first time around (Savage, Haberman, and Swan 2023). He has consistently spoken of mass deportations. First and foremost, their human cost would be staggering. Their economic costs for the US would, as noted, also be vast (American Immigration Council 2024). Together with accompanying legal and logistical challenges, this makes mass deportations – at least at the levels Trump has suggested – unrealistic. Since re-election, he and his allies seem to have already lowered the numbers being targeted for deportation. Nonetheless, Trump is likely to increase the volumes of people forcibly expelled – or at least publicise these occurrences substantially more than his predecessors did. Reportedly, Mexico is already trying to ready itself for an influx of deportees and seeking guarantees that third-country nationals will not be sent there. Despite claims to the contrary from Sheinbaum, Mexico is ill-prepared to receive large numbers of people who have been deported from the US.

In terms of the economy, the fallout from Trump's tariffs would be severe and acutely felt – on both sides of the border. Such measures would undoubtedly have serious consequences for Mexico, with the US by some distance being its most important trade partner. However, tariffs would not only lead to hardship and a GDP contraction south of the border but also likely north of it as well according to one review of different scenarios and projections (York 2024). The close economic ties between Mexico and the US and considerable cost of severing them make blanket tariffs unlikely. While Trump – who has styled himself "Tariff Man" and repeatedly stated that he "loves tariffs" – is unlikely to completely abandon this idea, considering their prohibitive costs such measures might be employed in a more targeted than indiscriminate fashion or to browbeat Mexico into adopting policies to Trump's liking.

A consistent thread that runs through what Trump has threatened and what he is likely to do is the seeming gulf between rhetoric and reality. There are, furthermore, limits to what can even be done: Mexico cannot accept unilateral violations of its sovereignty or millions of people deported from the US; the latter for its part cannot immediately reverse decades of economic integration, outsourcing, and nearshoring. For better or worse, these are highly integrated and interdependent neighbours. The repercussions of some of Trump's announced policies would be felt immediately and intensely on both sides of the border.

The most extreme versions of the ideas floated regarding handling flows of people and goods from Mexico seem credulity-straining. However, Trump must be able to show something concrete for all his posturing and blustering. Having repeatedly threatened Mexico and singled the country out on a number of issues, he cannot walk away empty-handed. For the US to save face and for Mexico to avoid the brunt of his ire, cooler heads will have to prevail. There will need to be concessions from both sides – although Trump may present any outcomes achieved as "his" unequivocal wins.

If the abovementioned analysis proves correct, both of these neighbours and partners will ultimately step away from the brinkmanship they currently find themselves in. There is little to no gain to be had from actually pulling the trigger. To de-escalate the situation will require both sides talking to not past each other, and making concessions in private not in public given the political costs. This will serve to prevent the worst coming to pass: a Mexican stand-off gone horribly wrong, as resulting in severe, self-inflicted injuries for both sides.

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