Trump team mulls Mexico “invasion” amid crushing tariff threats

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On Monday of last week, President-elect Donald Trump vowed that as one of his first executive orders he would impose a 25 percent tariff on all goods entering the United States from Canada and Mexico if they don’t act to curb migration and fentanyl trafficking. He also threatened an additional 10 percent tariff on China for providing what he claims are the precursor chemicals for making the drug.

During his election campaign, Trump said he would impose a 100 percent tariff on each car imported from Mexico, presumably including by US auto companies because they are using cheaper Mexican rather than American labor. He claimed this would “create millions and millions of US jobs.”

Far from being a mere negotiating strategy, Trump's bombast expresses a neo-colonial policy shared by the entire US ruling class, which sees unlimited control over key suppliers, resources and territory in Mexico as a prerequisite for expanding military and trade conflicts globally.

The fact that the concessions expected are not limited to trade was shown by reckless statements made by Trump’s transition team to *Rolling Stone* magazine last week about a planned “soft invasion” or “some kind of military action” in Mexico under the pretext of fighting the drug cartels, which follow similar threats made by Trump on the campaign trail.

One senior Trump transition team member told the magazine: “How much should we invade Mexico? “That is the question.”

The Biden administration has deliberately escalated tensions with the Mexican government and set the stage for Trump's provocations. It shamelessly financed opposition candidates during Mexico's presidential elections this year and has increased the deportation of Mexicans to the highest level in more than a decade, topping the list of all nationalities.

On November 13, US Ambassador Ken Salazar organized a press conference to denounce outgoing Mexican President Andrés Manuel López Obrador for having “closed the door” to cooperation on security. “Security is the most important aspect upon which a democracy is hinged upon... Mexico is not safe,” he concluded, paving the way for the more aggressive policy being threatened by the incoming Trump administration.

The threats of invasion and war are the inevitable extension of the tariff weapon being aimed at Mexico.

Eighty percent of Mexico’s exports go to the US, and Mexico recently displaced China as the main trading partner of the US, providing 15.4 percent of its imports. Its exports to the US will exceed $500 billion this year. The US trade deficit with Mexico this year reached $165 billion by September. Mexico’s economy has become utterly dependent on this trade.

In 2023, China, Mexico and Canada, the three countries now in Trump’s trade war crosshairs, collectively accounted for more than $1.32 trillion or 45 percent of all US imports, (Mexico with a 16 percent share, Canada 15 percent and China 14 percent). They also accounted last year for over $820 billion (41 percent) of US exports, double the share that went to the European Union.

These figures only begin to suggest the extent to which Canada, the US and Mexico are highly integrated economically, and the immediate and massive disruptive impact the imposition of tariffs would have on production chains, workers’ jobs and consumer prices in all three countries.

The US has sought to turn its southern Mexican border into a barrier to Chinese technology competition, and to Chinese trade overall.

Current Mexican President Claudia Sheinbaum’s new government had been pursuing a project to replace Asian imports with products manufactured in North America. In November Mexico’s Secretary of Finance, Rogelio Ramírez de la O, said this plan is due to the high trade deficit of more than 80 billion dollars that Mexico has with China. He said “we are going to look for what products we are buying more in China to try to make them in North America or Mexico.

That project is now on the table and it is one of the projects that Mexico is going to take into account to propose the avenues for the future with North American integration.'

Sheinbaum had also said that “in the event that tariffs are imposed, I believe that we should not go down the path of retaliation, since that would lead to an escalation in protectionist measures in which Mexico would be the most affected.”

Trump’s tariff threats then hit like a bomb. On Tuesday of last week at her morning press conference, with her Finance Secretary Ramirez de la O in tow, Sheinbaum floated that while she did not expect the US to curb its role in the Mexican economy, Mexico could respond to Trump’s threatened tariffs with tariffs of its own. She warned that the economic consequences would be dire: “One tariff will be followed by another in response, and so on until we put common companies at risk.”

She added that “the main exporters from Mexico to the US are General Motors, Stellantis, and Ford Motor Company, which arrived 80 years ago. Why put in place a tariff that puts them at risk?”

The US auto industry depends on cross-border trade to remain competitive, especially as against China’s increasing advances in auto technology and price. Vehicle components and raw materials move back and forth across North American borders as cars are assembled. A 25 percent tariff on each border pass would raise prices and cost American jobs. It’s no accident that shares of Ford Motor (-2.6 percent) and General Motors (-9 percent) fell sharply on Tuesday on the tariff news.

Sheinbaum issued a letter Tuesday to Trump setting forth the Mexican view and warning of retaliation. She also said she plans to send a similar letter to Canadian Prime Minister Justin Trudeau that “lays out the strength of the three nations’ trade relationship.”

At another press conference on Wednesday, Sheinbaum said that Mexico is in the process of working out the details of its own retaliatory tariffs. Mexico’s Economy Minister Marcelo Ebrard joined her and made a presentation laying out the warning to the US president- elect that if faced with tariffs Mexico would respond in kind. “Our bargaining power is relevant, any action that puts the relationship at risk translates into effects on thousands of companies."

Ebrard said Trump's threat of 25 percent tariffs on Mexico and Canada would cost the US economy as many as 400,000 jobs and increase prices for American consumers.

Ebrard emphasized that the new tariffs would mainly hit US automotive companies active in Mexico, including General Motors Co., Ford Motor Co., and Stellantis, which produce 88 percent of their pickup trucks sold in the US there. He estimated that the average price of these vehicles will increase by $3,000 per unit.

Demonstrating support for Sheinbaum, over a dozen Mexican high level corporate leaders joined her and Ebrard on the stage on Wednesday. One, Gina Diez Barroso, claimed that the US does not want a trade dispute with Mexico. She said that Trump's threatened policy "is a 100 percent inflationary policy for his country," and that Mexico is "the most important partner of the US."

Others mentioned that as a defense against Trump's tariffs the government planned to advance its trade agreement with the European Union, and improve its commercial ties with Brazil.

The peso Tuesday fell another .6 percent.

After her presentation on Wednesday, Trump and Sheinbaum had a telephone call to discuss the threatened sanctions, migration, security and fentanyl issues. Afterwards Trump said the call was very productive, and insinuated that Mexico was falling in line both on the tariff and migration issues.

At her morning conference on Thursday and in a post on X, Sheinbaum herself described the call as "excellent," and insisted "that there would be no potential tariff war" and that she did not expect Trump to curb its role in the Mexican economy. But she did not explain who offered what on the tariff front. As to migration, Sheinbaum insisted that she impressed upon Trump that Mexico's current policy had already diverted waves of migrant caravans from the US border such that new initiatives were not required. The two versions of the call were wide apart.

Informed of the call, on Thursday US President Joe Biden said that he hoped Trump would rethink his plan to impose tariffs on Mexico and Canada, because it could "screw up" relations with close allies. He warned that Trump's announcement could "ruin" Washington's relations with Ottawa and Mexico City. "It's counterproductive," he said.

Under Mexico's prior president, López Obrador, in response to US pressure over trade with China and alleged "nearshoring" abuses—avoiding US tariffs on China through manufacture or assembly in Mexico—government economic and trade policy had already veered in favor of the US over China.

So far Sheinbaum has largely avoided publicly taking sides between Washington and Beijing, all the while signaling to Trump that she would choose the US, Mexico's top trading partner, if forced. This will hold, despite her recent threats of resorting to tariff retaliation against the US.

Sheinbaum has, however, placed at the center of her economic policy the substitution of Chinese imports for products made in North America, which has already led to agreements reached with Tesla, GM, Intel and other firms. On November 22, she stressed that Mexico is not a backdoor for Chinese vehicles or parts, indicating that only 5.2 percent of the content of cars assembled in Mexico is Chinese, compared to 9 percent for the United States. While as to some products such as steel and aluminum, it is not uncommon for imported Chinese material to be relabeled as of Mexican origin to avoid US tariffs, the dollar volume involved has not been significant.

Moreover, China's direct investment in Mexico is relatively insignificant, having reached only 729 million dollars in the last two years. This does not represent even 1 percent of the total Foreign Direct Investment (FDI) that Mexico receives. China is not even among the top 10 countries that make the most investment in Mexico. (China's BYD, the world's largest electric vehicle manufacturer, is investing one billion dollars in a new plant in Mexico, but its sales will be limited exclusively to the Latin American market).

It has been suggested that Mexico could try to avoid tariffs by proposing to US to adopt a common trade policy with respect to China, although the USMCA does not require it to do so, or seek a North American customs union composed of the US, Canada and Mexico to address these issues. But it is unlikely the US would favor these approaches.

Mexico is being forced to implement a strategy to minimize the impact of Trump's threatened trade policies. While it could adjust to a ten percent US tariff over time, if investors do not know whether the tariffs will be 10 percent, 20 percent or 25 percent, or if there may be differential treatment between sectors, they will postpone decisions to invest in Mexico. This is a significant worry for the Mexican ruling class.

Trump's tariff threats and Sheinbaum's recent response also raise the risk that "some miscalculation on one or both parts, in terms of the rhetoric, could slip out of control," said Craig Deare, who served early in Trump's first administration as senior director for Western Hemisphere affairs at the National Security Council. "The long-term costs will greatly exceed the short-term benefit."

There is also the not-so-small matter that Mr. Trump's tariffs, if imposed, could shatter the North American Free Trade Agreement between the US, Mexico and Canada (the USMCA) that he negotiated and signed in his first term. The pact's terms say it can't be reviewed until 2026, and then the parties will have another decade to negotiate new terms or abandon it.

The outright ending of this deal may be unlikely, however, since 94 percent of companies in the region report that they depend on it for either commodities, intermediate inputs or finished goods, as was stressed during a Manufacturing Conference of North America on November 21.

The cost of imposing massive tariffs will be borne by importers and domestic and foreign companies in the form of higher prices or lower profits. Whatever the precise form the Trump tariff hikes take, there is no question they will lead to an intensification of the attacks on the working class, in all three countries.

The only way to fight these attacks and the accompanying threat of war is to unify the working class throughout North America, and worldwide, in a revolutionary struggle to end capitalism, their ultimate source. This requires the building of sections of the International Committee of the Fourth International.