

# The Telegraph

## Mexico unites in anger over President Trump's plan for sanctions



A city scene in Acapulco, Mexico

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President Donald Trump's escalating threats against Mexico have led to calls for a guerrilla struggle of national resistance from across the political spectrum, uniting the Mexican people as almost never before in modern times.

A string of elder statesmen warn that the country faces grievous injury and is now in a state of de facto hostilities with Washington, forcing Mexicans to fight back on every front and whatever the cost.

"An eye for an eye, and a tooth for a tooth," said former president Vicente Fox. "Trade is important, jobs are important, but they are not as important as dignity. We must not be cowed or it will paralyse us," he said.



One of Trump's first actions in office was to sign an executive order to erect a wall between Mexico and the United States

Felipe Calderon, who led the country a decade ago, said Mexico must retaliate immediately and where it hurts most, targeting counter-sanctions against the districts of US congressmen who have been the most vocal supporters of Mr Trump's plans for a border wall and his talk of trade tariffs.

"We are seeing the behaviour of a bully. He who declares war against us will have to respond. There are going to be costs. Mexico will suffer. But we'll show the size of our country and what our people are made of," he said.

"We must have a retaliation strategy in every area where the bilateral relationship with Mexico has value. We must put everything in the balance," he told a forum on Mexico City's Televisa.

Mr Calderon said Mexico should fight tactically in the US courts and global bodies to tie the US administration in knots, targeting the lines of cleavage in Mr Trump's own political base. It is a strategy used before in a cross-border trucking dispute, but this time it would be on a much greater scale.

"We must revise the whole relationship point by point, including the presence of US agents in our country," he said. Anti-terror co-operation on Isis should be frozen.

"They have to understand that they cannot take Mexican support for granted. Trump has no idea what this means in terms of security and fighting organised crime and narco-traffic," he said.



Mexico's president Enrique Peña Nieto

There is no longer any doubt that Mr Trump really does intend to go ahead with an enormous wall along the 2,000 mile border between the US and Mexico, and will try to force Mexico to pay for it – in a crude sense – by imposing import tariffs at the border.

He has already pressured Ford into cancelling a \$1.6bn (£1.3bn) car plant in Mexico, and has fired off a volley of hostile tweets over recent days. “Mexico has taken advantage of the US for long enough. Massive trade deficits & little help on the very weak border must change, NOW,” he tweeted.

Mr Trump insists that the North American Free Trade Agreement (Nafta) should be renegotiated, calling it a “one-side deal” that has led to a chronic \$60bn trade deficit with Mexico. The Trump team says the country serves as a springboard for Chinese imports into the US through the back door.

Such complaints are hotly disputed. The US and Mexican economies are tightly woven together. Manufacturing components criss-cross back and forth over the border in huge volumes. Mexican sales in the US have such a high share of US-made parts that the deficit figures are meaningless.

The “foreign value added” (FVA) of Mexican exports is 66pc, according to the US International Trade Commission. Some of these goods –mostly computers, equipment, semiconductors, and electronics – are reshipped through the US to the rest of the world.

Nor has Mexico enjoyed a Nafta windfall since the treaty came into force in 1994 in any case. There has been no rise in real per capita income over this period (or even since the late 1970s), in stark contrast to US gains.

The flood of US grains after agricultural barriers were lifted was devastating for the small farmers of the Meseta Central. It was a key grievance of the southern Zapatista uprising in Chiapas. The rebels called Nafta a “death sentence”.

Stephen Jen, from Eurizon SLJ Capital, says Mexico's economic growth has underperformed that of several non-Nafta states in Latin America over the last 20 years. The country has been caught in a "middle income trap", competing with China rather than moving up the ladder.

Mr Jen said this role as an outsourcing hub for US multinationals has led to "very little technological spillover" for the Mexican economy. The contrast with South Korea's development is striking.

Mexico is now in a horrible bind. Four-fifths of its exports go to the US, and six million jobs depend on them. It relies heavily on remittances from Mexican workers in the US, which may soon be taxed by Mr Trump to pay for his wall.

The peso has fallen by over 40pc since early 2014, and sharp exchange depreciations in emerging market economies are invariably painful. Mexico is having to tighten monetary policy, risking a protracted slump.

Jorge Castaneda, the former foreign minister, said the asymmetry of the relationship is painfully obvious but Mexico's 130 million-strong nation is no pushover, and matters cannot be allowed to stand as they are. "It has just been one blow after another. It is a full frontal assault and we must retaliate," he said.

President Enrique Peña Nieto has sought to defuse the crisis with the US, turning the other cheek time and again. But even he has reached his limits, pulling out of a summit with Mr Trump and warning that he will "put everything on the table", from co-operation on border security, to terrorism, and defence.

It remains to be seen what Mr Trump thinks he is achieving, but it is already clear that the Mexican people are steeling for a fight. "This is the most surprising example of national unity I've seen in my life," said Carlos Slim, Mexico's super-billionaire.

Poor Mexico, so far from God, so close to the United States – or so goes the national saying. The country has never forgiven America for seizing half its territory in 1848, and the injuries that followed are carefully nurtured in national folklore.

The Trump shock is blowing away decades of careful diplomacy by successive administrations in Washington. The outpouring of emotion in Mexico is a warning of how fast the international mood can shift once historical wounds are reopened, and if etiquette breaks down.

Vicente Fox decried the return of the "ugly American that we all hated". He called on Mexico to raise the banner against an "imperial United States" for the sake of the world. It has come to this.

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**Which countries does the US export to most?**

	<b>Country</b>	<b>Exports (\$bn)</b>
1	Canada	\$245.6
2	Mexico	\$211.8
3	China	\$104.1
4	Japan	\$57.6
5	United Kingdom	\$51.1
6	Germany	\$45.0
7	Korea, South	\$38.0
8	Netherlands	\$37.0
9	Hong Kong	\$31.9
10	Belgium	\$29.9

\*US Census Bureau, Figures up to November 2016