

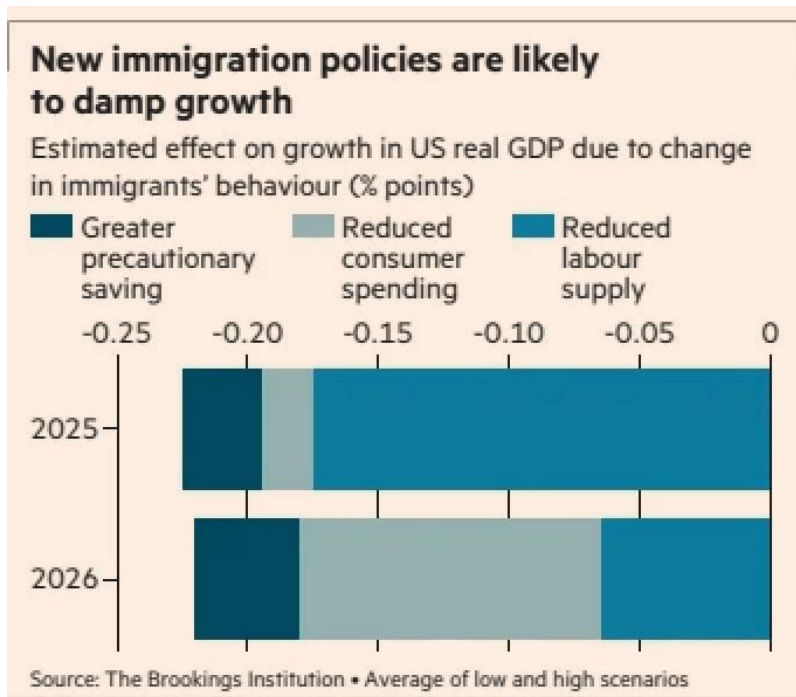
The economic cost of the US migrant crackdown

di Guy Chazan

Business has experienced all manner of challenges since Trump re-entered the White House. But the draconian immigration policies have been some of his most disruptive interventions of all.

Ronnie Cavazos, a builder from the Rio Grande Valley, should be thriving. Demand for residential housing in this booming corner of south Texas is robust and his order book is full. The only problem: there aren't enough workers to do the job.

“Right now we're going through some really hard times trying to find labour,” says Cavazos, who's based in Edinburg, a small city just 15 miles north of the Mexican border. “Projects are getting delayed and loans are having to be extended.”



He blames Immigration and Customs Enforcement. For months, ICE agents have been swooping on construction sites and detaining the undocumented workers who make up a large chunk of the labour force in the Texas borderlands.

It is part of a crackdown on immigration that is one of the centrepieces of President Donald Trump's second term, one that could change the face of a nation long defined by its ethnic and racial diversity.

Footage of ICE agents swarming through some of America's largest cities, nabbing migrants as they drive to work, has provided some of the most abiding images of Trump's first year back in the White House.

As a result of the ICE raids, "even people who did have documents to work here in the US, or even US citizens of Hispanic descent, which is 95 per cent of the population here in the valley, have been afraid to go to work," says Cavazos.

US business has experienced all manner of challenges since Trump re-entered the White House, from tariffs to higher fuel prices as a result of the war in Iran. But Trump's immigration policies have been some of his most disruptive interventions of all.

Experts warn that they are playing havoc with sectors such as construction, agriculture and hospitality that together make up some 9 per cent of US GDP.

In industries that depend on immigrant labour, a reduction in the inflow of new arrivals could slow economic growth and push up wages, stoking inflationary pressures.

Immigration flows have already been affected by the restrictive policies, with data showing that more people moved out of the US last year than entered it — for the first time in at least half a century. According to calculations by the Brookings Institution, the US experienced net migration of between minus 295,000 and minus 10,000 in 2025.

Brookings says the resulting downward population pressure will have a lasting impact on the economy. Consumer spending by immigrants will fall by \$10bn to \$40bn this year, it predicts, and monthly employment growth could turn negative, while GDP growth will be 0.1 to 0.3 percentage points lower.

"Unexpectedly weak economic activity" among businesses serving the immigrant population is the "new normal under current immigration policy", Brookings said.

The reason is that many immigrants, even those with the right papers, are now scared to leave their houses. "People can't go to work, can't buy food at the store," says René Pérez, a Mexican stucco worker employed on a construction site in McAllen, near Edinburg. Pérez, who is in the process of applying for permanent residency, says his wife is a legal immigrant, but "even she's scared. She's seen how people are being rounded up."



The White House says its aim is to improve job prospects for the more than one in 10 young adults in America who are neither employed nor in higher education and training.

“There is no shortage of American minds and hands to grow our labour force, and President Trump’s agenda to create jobs for American workers represents this administration’s commitment to capitalising on that untapped potential while delivering on our mandate to enforce our immigration laws,” says White House spokesperson Abigail Jackson.

But moves to boost apprenticeships and help employers secure workers have been combined with aggressive measures to reduce the flow of new arrivals. The federal government has all but suspended refugee admissions, imposed travel bans on people from 19 different countries, cranked up vetting procedures for visa applications and even sought to abolish birthright citizenship — a right anchored in the US constitution.

“There are members of this administration who have been systematically working to foreclose pathways to entry for immigrants as well as opportunities available to them once they’re already in the US,” says Julia Gelatt of the Migration Policy Institute think-tank. “It has been a comprehensive attempt to not only shut immigrants out of the country but also out of government services and the body politic.”

Many in Trump’s orbit hanker for a return to what they see as a golden age. That is the era beginning in the 1920s when the US imposed a strict national-origins quota system favouring northern Europeans and banning arrivals from parts of Asia entirely — a regime that remained largely intact until 1965.

The decades of restricted immigration from 1920 created a “cauldron in which a unified, shared national identity was formed”, Stephen Miller, Trump’s deputy chief of staff, told Fox News in December.

“They went through a depression together. They went through world wars together. They landed on the moon together,” he said. “This great period in American history happened at a time when there was negative migration.”

But some experts say the 1950s and ’60s cannot be compared with the current era. “Now we’re in a really different situation, with an ageing population and low birth rates,” says Gelatt. Absent immigration, she adds, the US could reach a point where births are insufficient to replace deaths, leading to the kind of population decline seen in Japan, South Korea and Italy. That could sap the economy of much of its vigour.

“It certainly is a lot harder to maintain the levels of growth and dynamism and innovation that the US has been producing without a growing population of young, smart people and a growing labour force,” she says.

There are also big political differences between the 1920s and the current age. Then, there was a strong bipartisan consensus in favour of closing the border. Now, opinion in Congress is split. “The fact is that we’re pretty divided on immigration, or, if anything, we’re tending in the pro-immigration direction,” says Leah Boustan, a professor of economics at Yale University.

That is why, she adds, Trump has made no effort to completely overhaul the major sources of legal entry: people coming into the US on family reunification or employment visas, or those transitioning from temporary work visas to permanent residency.

Some figures in the Trump administration, such as vice-president JD Vance, would like to see legal immigration reduced, too. But the legal pathways can only be changed by Congress and currently there appears to be little appetite for reform.

The unlikelihood of any legislative action has not prevented Trump taking executive action in the areas he controls, though, such as using ICE to aggressively go after people unauthorised to work in the US. “He is trying to create shock and awe, both because he thinks voters might like it, and also to scare off potential migrants,” Boustan adds.

It is this shock and awe that has proved so disruptive to businesses in south Texas. Locals say they knew Trump planned to secure the border. But, according to Johnny Vasquez of the Rio Grande Valley Builders’ Association, no one was prepared for the “swiftness and the intensity” of the crackdown on undocumented aliens.

ICE would, he says, go on to construction sites and into people's homes. "These guys are not there with guns, they're not cartel members," he says. "There really shouldn't have been a war waged on them."

The raids came at a delicate time, with builders scrambling to cope with a surge in demand for new residential housing. The area has become an investment hotspot for companies such as SpaceX, attracting thousands of workers.

But ICE raids meant work was often stalled on big housing projects, causing ripple effects throughout the real estate industry. Paul Rodriguez, president of Valley Land Title Co in McAllen, says that in the third quarter last year he noticed a 30 to 40 per cent drop in the kind of real estate transactions his company closes, mainly interim construction loans taken out by builders.

The drop was down to immigration enforcement, he says. "If all of a sudden several of your employees are taken away, you're high and dry," he says.

The raids have eased in recent months after leaders of a local builders' association met Republican legislators and ICE officials in Washington to complain about the disruption.

But that came too late for Cavazos, the builder. About a month ago he had to sign extensions on loans for seven different construction projects due to a lack of workers, a move that he says will severely dent his profit margins.

Cavazos says he is not alone. Builders across the country are entirely dependent on foreigners, most of them undocumented. "The skilled labour trades, the tile setting, the concrete pouring, the roofing — those jobs are filled by immigrant labour," he says.

Construction is not the only sector that would struggle to exist without non-American workers. Agriculture, too, would face a "very dire outlook" if the US were to clamp down on informal immigration, says David Ortega, a professor of food economics and policy at Michigan State University.

Data from the US Department of Labor shows that in 2021-22, about 42 per cent of hired crop farmworkers lacked legal authorisation to work.

"You wouldn't have the workforce to plant or harvest crops, to move products along the supply chain, to prepare your food," says Ortega. An agricultural sector without immigrant workers "would be much more dependent on imports".

American farmers are, however, allowed to hire foreigners temporarily to carry out seasonal farm work. The H-2A visa programme has massively expanded over the past 20 years: this fiscal year there were nearly 400,000 certified H-2A visa positions, up from about 48,000 in 2005.

After pressure from the agricultural lobby over wage requirements, the Trump administration has now reformed the programme, with pay for some workers in certain occupations expected to fall as a result.

In a regulatory filing from last October setting out the reform, the Department of Labor acknowledged the pressures farmers were under.

“The near total cessation of the inflow of illegal aliens combined with the lack of an available legal workforce . . . results in significant disruptions to production costs and threatens the stability of domestic food production and prices for US consumers,” it said.

But even an H-2A visa did not protect people from ICE action in south Texas. Last year ICE agents who were apparently ignorant of the temporary worker scheme routinely stopped H-2A workers in the Rio Grande Valley and questioned them for hours — sometimes days — about their immigration status, according to Dante Galeazzi, president of the Texas International Produce Association. The detentions delayed harvest work and disrupted shipments to grocery stores, Galeazzi says. “Not only does the farmer have workers he has to pay for that aren’t harvesting, he has now lost orders,” he says. The detentions only stopped after local elected officials intervened with the federal authorities.

Similar incidents are happening across the country. “It has had an impact on our workforce, particularly with reports that even some with legal status have been caught up in enforcement,” says Rebeckah Adcock, head of government relations at the International Fresh Produce Association. “We have reports of some workers not showing up during times when ICE is rumoured to be in their area,” she adds. “It’s an uncertain and unpredictable time.”

For the hospitality industry, in which migrants make up about 20 per cent of the workforce, the crackdown is having an effect on both sides of the counter.

A survey by the National Restaurant Association found that 55 per cent of restaurant operators reported negative impacts in recent months due to immigration enforcement activity. Eighteen per cent said their employees weren’t showing up for work, and 25 per cent said they were having difficulty hiring and retaining workers.

But it is not only staff who are affected; 37 per cent registered declining sales and customer traffic, a sign that many immigrants, fearful of being stopped by ICE, no longer eat out, according to Kelsey Erickson Streufert of the Texas Restaurant Association.

“There are large populations who are just less comfortable being out in public, driving, going to public places, having parties and celebrating,” she says. “That’s going to show up for restaurants very dramatically.”

The White House's Miller has frequently extolled the real-world advantages of a clampdown on undocumented people, describing it as a "gift to the quality of life of everyday Americans".

"Do you have any idea how many resources will be opened up for Americans when the illegals are gone?" he asked a Fox News interviewer in July last year. Queues in emergency rooms would get shorter, traffic jams would ease in big cities, and health insurance premiums would fall, he promised.

"If you're down on your luck . . . and you need to get support from the government, you're not going to be in line behind millions of illegal aliens from the third world."

But Cavazos says there are few Americans capable of replacing the kinds of workers Miller wants out of the US. "We're picking them up and sending them back to Mexico as if we have that asset somewhere else — but it doesn't exist anywhere else," he says. "That void is not being filled by anybody."