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**City of San Antonio**  
**City Council**  
June 12, 2019

# **USMCA-NAFTA Update**

By: Robert M. Barnett





# North American Trade – The Big Picture

- The U.S. is Mexico's second trading partner and largest foreign investor,.
- Mexico is the 2<sup>nd</sup> largest U.S. trading partner after Canada, recently surpassing China.
- The U.S.-Mexico border is one of the world's busiest; More than \$1.7B of goods cross the border EVERY DAY.
- Mexico is the #1 or #2 export destination for 26 U.S. States, including California, Iowa, Ohio, Illinois, Indiana, Kansas, Michigan, Missouri, North Dakota, Pennsylvania, Texas, Tennessee and Wisconsin.
- Mexico and the U.S. do as much business in just over a **month** as Mexico does with **all 27 countries** of the European Union combined in a **year**.
- Roughly 80% of Mexico's total global exports go to the U.S., while more than half of Mexico's total global imports come from the U.S.
- The U.S. provides nearly 80% of Mexico's agricultural imports with a **9% average overall growth** rate since the beginning of NAFTA.
- Since NAFTA implementation in 1994, U.S. exports to Mexico have **tripled** and Mexican exports to the U.S. have more than **quadrupled**.

- U.S. Department of State



# NAFTA Basics

- Initialed in San Antonio in Fall, 1992.
- Approved by U.S. Congress in December, 1993.
- Eliminated customs duties on almost all goods and opened cross-border investment.
- Because NAFTA is implemented into U.S. law through a federal statute, any change would require a Congressional amendment or outright repeal of the statute that implemented NAFTA.



# Agriculture Issues

- U.S. Objective: Improve transparency and procedures for biotechnology market access.
- U.S. and Mexican Objective: Dairy, poultry and egg tariff elimination to increase market access in Canada. Elimination of dairy subsidies is also important to the U.S.
- U.S. Objective: Perishable and Seasonal Agriculture Proposal by the United States.



# Energy Issues

- Mexico's energy sector has opened up to large scale private investment, which is a real opportunity to U.S., Canadian and other foreign investors. Energy companies in all three countries want NAFTA/USMCA to affirm this opening and don't care if this is done in an energy chapter or more broadly.
- New USMCA Chapter 8 on Energy affirms parties' agreement that Mexico's government owns all hydrocarbons resources in Mexico.



# International Land Transportation (NAFTA Trucking)

- San Antonio lobbied hard for inclusion of increased North American trucking access in the original NAFTA.
- USMCA features essentially a continuation of the NAFTA status quo.
- It is important to mention that no specific restrictions were included in the USMCA, but it gives the US the right to allow and review restrictions on entry to Mexican carriers due to safety issues.
- There is no reference to the 2011 bilateral memorandum addressing the international transportation authority granted to the carriers of either party to operate in the other country.



# Automotive Industry

Rules under the USMCA, specifically for: (1) Automotive parts; (2) those made-in-China products subject high anti dumping/ countervailing duties (“AD/CVD”).

- The USMCA proposes major changes to the way that automobiles and automotive parts qualify for preferential treatment. The USMCA raises the regional value content (RVC) threshold for automobiles from 62.5% to 75%.
- Particular North American RVC requirements vary based on the type of vehicle or parts under consideration.
- Finished vehicle producers will be required to purchase 75% North American steel and aluminum.



# Current Status of Congressional Approval

- International Trade Commission has issued U.S. Trade Impact assessment and report showing modest changes and benefits to the U.S. economy.
- The U.S. administration has agreed to cancel steel tariffs from Mexico and Canada in order to secure approval of the USMCA by Mexico and Canada
- Numerous U.S. lawmakers have called for amending the USMCA text or adding side agreements or letters addressing labor and guaranties of right to organize and environmental standards.
- USMCA approval will be difficult after U.S. Congressional recess in August.



# Status of Industry Lobbying Efforts

- USMCA Coalition formed in Washington comprised of large U.S. chambers and industry trade groups, led by National Association of Manufacturers (NAM).
- Grassroots strategy has been launched following issuance of international trade commission assessment and report.
- Farmers for Free Trade conducted two-week grassroots agricultural lobbying trip through Lancaster County, Pennsylvania, New York, Ohio, Indiana, Illinois, Iowa, Wisconsin, Minnesota, North Dakota and Montana during the month of April.
- More information on grassroots lobbying available at [USMCAgrassroots@nam.org](mailto:USMCAgrassroots@nam.org), which has been joined by numerous San Antonio companies and Chambers.



# Concluding Remarks & Questions

- Follow the Farmers!
- Important for local interests to communicate with Congressional leadership to convey support of USMCA approval.
- Approval of USMCA is vital for the Texas and San Antonio economies.

# San Antonio City Council USMCA and International Trade

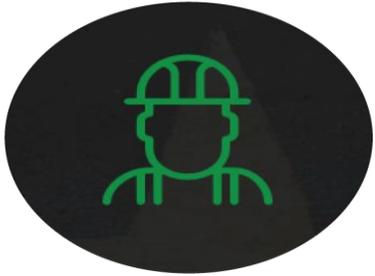


**TEXAS-MEXICO**  
TRADE COALITION



THE TEXAS STATE CHAMBER

# What's At Stake



## Jobs

- **700,000 Texas Jobs due to trade with Mexico**
- Supports nearly 12 million American jobs due to trade with Mexico and Canada



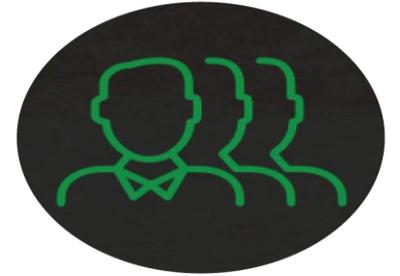
## Texas Economy

- **#1 Export Status**
- \$173 billion worth of goods exchanged between Texas-Mexico region every year



## U.S. Small Businesses

- **120,000 selling due to trade**
- Increased profitability
- Expansion and in-sector economic growth



## Consumers

- **Improved Quality**
- Lower price
- Competition

## Mexico: #1 Trading Partner

- Mexico provides a critical market to help mitigate the effects of a glut in American natural gas production.
- Mexico is by far the biggest market for Texas and for Canada the second market.
- Mexican investors in Texas will face higher cost.
- Texas top exports to Mexico could face duties as high as 150% without a NAFTA/USMCA.

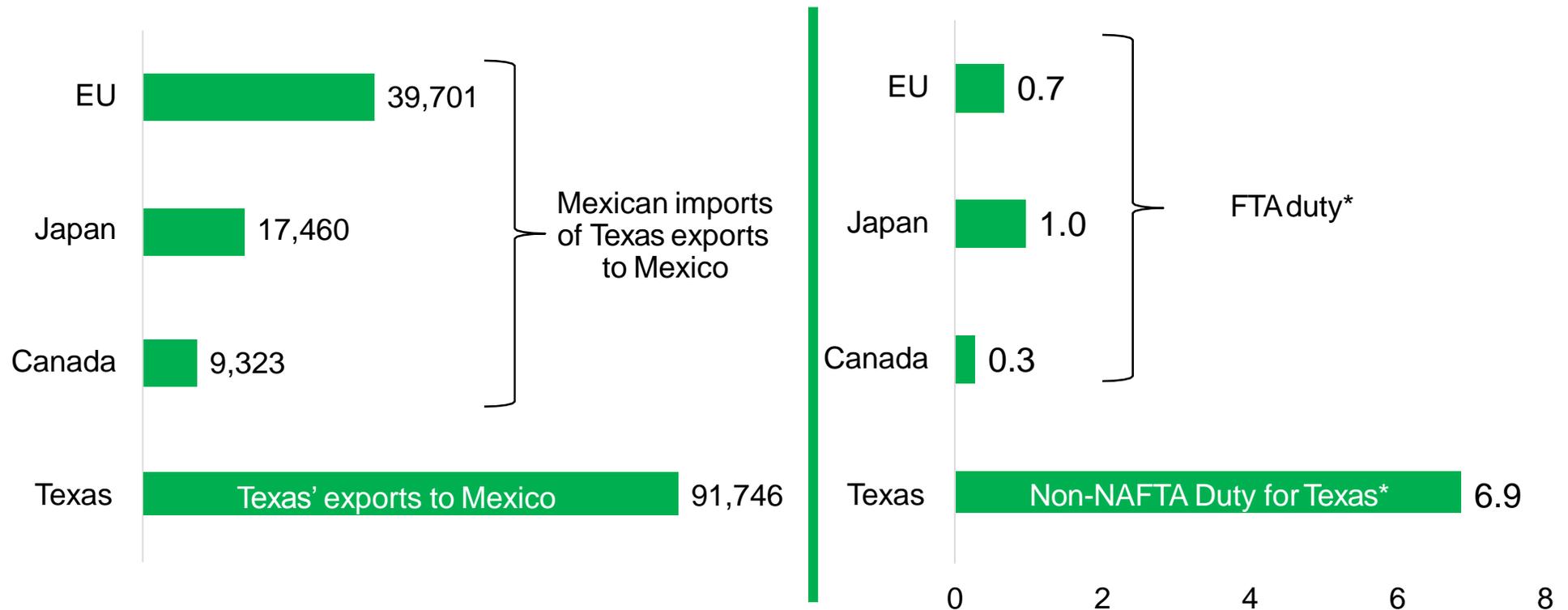
### Texas Exports (\$)

	Rank	Texas exports, md	Share
Rest of the World		231,107	52%
Mexico	1	91,746	39%
Canada	2	19,960	9%
NAFTA (Combined)		111,706	48%

IQOM Consultoria 2017

# In Absence of NAFTA

- U.S. will pay around \$6 billion in duties in Mexico.
- Might lose market against FTAs competitors in Mexico.



\*Mexico's MFN applied rate, average excluding Non-Ad valorem rates

# Exports by State

#	State	World	NAFTA	NAFTA Share
1	Texas	231,107	111,706	48%
2	California	163,513	41,503	25%
3	Michigan	54,713	35,725	65%
4	Ohio	49,299	25,675	52%
5	Illinois	59,758	25,432	43%
6	New York	76,720	18,008	23%
7	Indiana	34,655	16,400	47%
8	Pennsylvania	36,484	13,665	37%
9	Tennessee	31,433	13,189	42%
10	Arizona	22,016	10,423	47%
11	Kentucky	29,199	9,704	33%
12	Wisconsin	21,021	9,659	46%
13	North Carolina	30,161	9,420	31%
14	Georgia	35,644	9,382	26%
15	Washington	79,559	9,009	11%
16	New Jersey	31,223	8,939	29%
17	Louisiana	48,419	8,166	17%
18	Missouri	13,935	7,768	56%
19	Alabama	20,422	6,767	33%
20	Minnesota	19,202	6,398	33%

#	State	Mundo	NAFTA	NAFTA Share
21	Florida	52,049	6,331	12%
22	Iowa	12,115	5,648	47%
23	South Carolina	31,322	5,597	18%
24	Massachusetts	25,892	5,578	22%
25	North Dakota	5,313	4,639	87%
26	Virginia	16,313	3,996	24%
27	Kansas	10,181	3,675	36%
28	Mississippi	10,495	3,215	31%
29	Connecticut	14,394	2,697	19%
30	Nebraska	6,380	2,678	42%
31	Oregon	21,753	2,463	11%
32	Colorado	7,580	2,426	32%
33	Utah	12,078	2,064	17%
34	Oklahoma	5,048	1,936	38%
35	Maryland	9,658	1,880	19%
36	Nevada	9,763	1,865	19%
37	Arkansas	5,707	1,848	32%
38	West Virginia	5,045	1,716	34%
	Others	55,670	11,767	21%
	<b>U.S Total</b>	<b>1,451,011</b>	<b>496,499</b>	<b>34%</b>

# Building a Stronger USMCA

The U.S. proposals for USMCA were classified under 5 categories:

- 1 Issues to address the trade deficit and *"America First"*
- 2 Interests for the U.S. stakeholders
- 3 Disciplines to modernize USMCA
- 4 TPP proposals
- 5 Canada progressive agenda

## International Trade Commission Report:

- Released on Thursday, April 18, 2019
- The ITC report on USMCA found, as expected, that the new deal will provide substantial gains to the U.S. economy and labor market.
- The 375-page report's topline numbers show the new pact would increase the U.S. GDP by \$68.2 billion, or 0.35 percent, by its sixth year.
- USMCA would also create 176,000 U.S jobs, increasing domestic employment by 0.12 percent.
- USMCA Hearing just announced for Tuesday, June 18, 2019. US Senate Committee on Finance with Amb. Lighthizer as witness.

# Long Delays at the Border Continue

- Approximately 14,000 tractor-trailer rigs cross a single port of entry (Laredo, TX).
- San Antonio's local economy has benefitted from the passage of NAFTA, benefits which include the creation of 63, 000 jobs between 1994 and 2016.
- According to Free Trade Alliance San Antonio, the NAFTA is credited for creating jobs in professional services, education and health sectors creating on average, 12,000 jobs in each sector.



# Border Wait Times

- Passenger and cargo wait times significantly increasing across all of southern border

	Laredo	El Paso	Browns ville	Eagle Pass	McAllen
Current Time	110 min Cargo: 3-6 hours	115 min Cargo: 7 hours	180 min Cargo: 3-4 hours	90 min Cargo: 3-4 hours	140 min Cargo: 3-4 hours
1 year ago	60 min	60 min	60 min	60 min	60 min

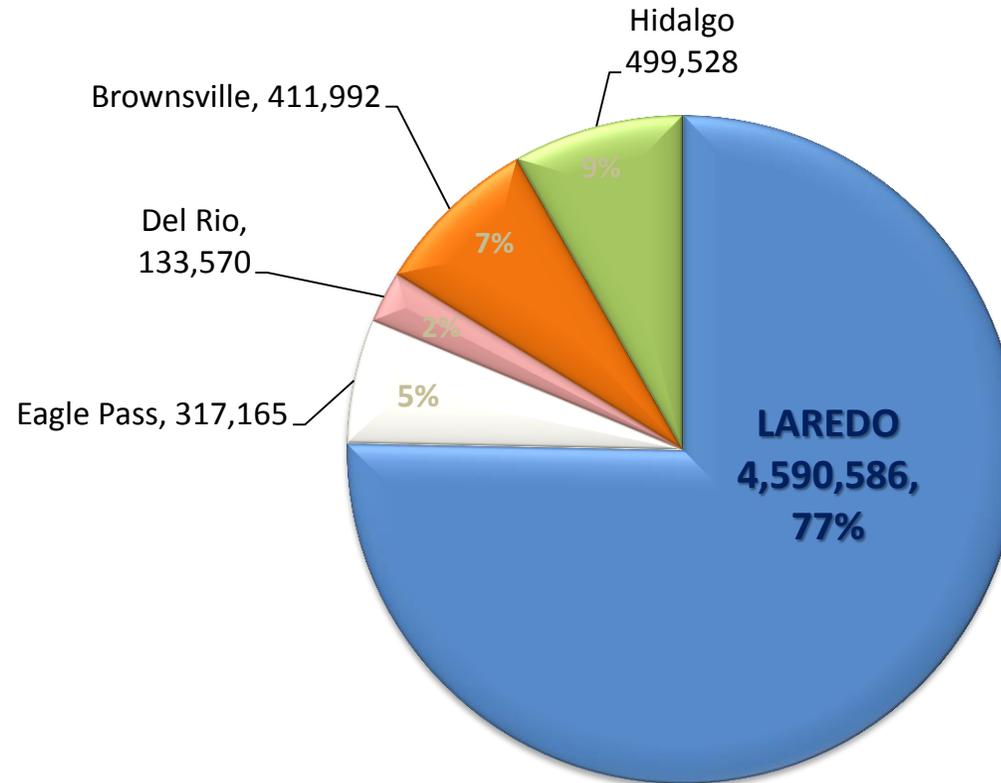
Industry Clusters	
1,000+ trade specialists operating in Laredo = employment industry 20 times more concentrated in this sector compared to the rest of the nation.	The freight transportation industry “drives” the economic development not only the region, but the sub-region of Nuevo Laredo, Tamaulipas, Mexico, creating bi-national industry cluster.

- Download Cellphone Apps:
  - Border Wait Times (BWT)
  - CBP Border Wait Times

# Commercial Crossing Northbound & Southbound

## Loaded and Empty Trucks - Calendar Year 2018

- **LAREDO**  
Northbound – 2,318,035  
Southbound – 2,272,551
- **EAGLE PASS**  
Northbound – 145,394  
Southbound – 171,771
- **DEL RIO**  
Northbound – 61,379  
Southbound – 72,191
- **BROWNSVILLE**  
Northbound – 150,952  
Southbound – 261,040
- **HIDALGO**  
Northbound – 470,160  
Southbound – 29,368





# The North American Development Bank

- The NADBank has been successful in helping communities finance critical infrastructure relating to water, solid waste, street paving and other quality of life improvements in border communities.
- Additional investments in the NADBank could spur additional border infrastructure development across the state and the nation, and could help Texas energy companies provide more jobs.
- Support efforts to increase capital access and resources for the NADBank to continue investing in environmental infrastructure, international land border crossings and allow additional investment in natural gas projects along the U.S.-Mexico border.

## Mexico Tariffs “Indefinitely Suspended” by the Trump Administration

- The Perryman Group estimates that a 5% tariff on all imports from Mexico, and related retaliatory tariffs on U.S. exports, would lead to an increase in direct cost to the United States of \$28.1 billion, with a net loss of \$41.5 billion in GDP and \$24.6 billion in income each year.
- The Perryman Group estimates that the proposed tariffs would result in additional direct costs of \$8.7 billion, likely costing the Texas economy \$11.9 billion in GDP, and nearly \$7.1 billion in income each year, as well as **117,335 in job loss throughout the state** and over 400,000 jobs in the United States.
- According to the U.S. Chamber trade with Mexico, Texas imported \$107 billion worth of goods from Mexico in 2018. A 5% tariff would threaten \$5.35 billion of state imports while a 25% tariff would threaten \$26.75 billion of state imports.

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