

By: Blanco

H.C.R. No. 98

CONCURRENT RESOLUTION

1 WHEREAS, The White House has raised the prospect of a
2 substantial tax on imports from Mexico, but economists and business
3 leaders have warned that such a measure would have a severe negative
4 impact; and

5 WHEREAS, Although the imposition of tariffs is intended to
6 make American companies more competitive, the benefits are both
7 limited and outweighed by numerous and substantial risks, according
8 to economists across the political spectrum; this is the case
9 whether tariffs are imposed directly or through a border-adjusted
10 tax that subsidizes exports; and

11 WHEREAS, Any border tax would hurt U.S. consumers; tariffs
12 are effectively paid by the purchasers of goods, and as imported
13 goods became more expensive, so would any domestic goods that are
14 reasonable substitutes; in turn, the cost of living would soar,
15 affecting lower-income Americans the most, as they spend a higher
16 percentage of their income on goods, especially those produced
17 abroad; and

18 WHEREAS, Costs would also rise for U.S. manufacturers of
19 products that incorporate materials made in Mexico and subject to a
20 border tax; the enactment of tariffs could cause delays or price
21 spikes that spiral through the economy and interrupt complex,
22 time-sensitive supply chains; any slowdown could mean layoffs among
23 producers and damage to the broader U.S. economy; and

24 WHEREAS, Jobs would also be lost because of the inevitable

1 decline in the value of the Mexican peso; the loss of purchasing
2 power by our trading partner would lead to a drop in U.S. exports,
3 thereby putting Americans out of work; this would cause havoc in
4 both the Mexican and U.S. economies, according to former U.S.
5 Treasury Secretary Lawrence Summers, now a Harvard University
6 economist, who said that "it would be one of the best things that
7 ever happened for Asian and European competitors"; and

8 WHEREAS, If the United States imposes a tariff, Mexico will
9 no doubt retaliate, resulting in a pernicious trade war; most
10 experts believe that this would deliver a significant blow to the
11 economy, and Peter Petri, a professor of international finance at
12 Brandeis University, has suggested it could take years to rebuild
13 supply chains disrupted by such conflict; Simon Johnson, a
14 professor of entrepreneurship at MIT's Sloan School of Management,
15 has cautioned that the impact would be "much worse than a
16 recession," and more on the scale of a full-blown financial crisis;
17 Princeton University historian Sean Wilentz has offered the example
18 of the Smoot-Hawley Tariff, signed into law by President Herbert
19 Hoover in 1930, which sparked a trade war that devastated the global
20 economy; and

21 WHEREAS, A border tax would be particularly crushing in
22 Texas; Mexico is far and away our state's top trading partner, as
23 the Texas Association of Business observed in speaking out against
24 an import tariff; in 2015, trade between Texas and Mexico amounted
25 to over \$176.5 billion, representing more than a third of our total
26 trade, with a surplus of \$8 billion on our side; as of 2014, almost
27 400,000 Texas jobs depended on that trade, according to the Wilson

1 Center Mexico Institute; some Texas businesses have already
2 suffered due to the mere threat of a trade war, which has driven the
3 peso to a near all-time low and weakened the purchasing power of
4 potential customers from Mexico; the effect has been particularly
5 troubling in such border communities as El Paso, where one in every
6 four jobs relies on cross-border trade; and

7 WHEREAS, In 2015, Texas imported \$84 billion from Mexico, and
8 with a 20 percent tariff, businesses and consumers would have paid
9 \$16.8 billion more for the same goods and services; residents
10 particularly depend on the availability of agricultural products
11 from Mexico, and a border tax would drive up the cost of healthful
12 fruits and vegetables; moreover, many large-scale agricultural
13 concerns in Mexico are owned by American companies; and

14 WHEREAS, Trade has historically been an engine of prosperity,
15 benefiting consumers and businesses alike; Mexico is the nation's
16 third-largest trading partner, and a tariff or border-adjusted tax
17 on imports would drastically suppress commerce, to the tremendous
18 detriment of our state and nation; now, therefore, be it

19 RESOLVED, That the 85th Legislature of the State of Texas
20 hereby respectfully urge the United States Congress and the United
21 States president to reject the imposition of an import tax or border
22 adjustment tax on trade with Mexico; and, be it further

23 RESOLVED, That the Texas secretary of state forward official
24 copies of this resolution to the president of the United States, to
25 the president of the Senate and the speaker of the House of
26 Representatives of the United States Congress, and to all the
27 members of the Texas delegation to Congress with the request that

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1 this resolution be entered in the Congressional Record as a
2 memorial to the Congress of the United States of America.