

Statement for the Record
Texas House Committee on International Trade & Intergovernmental Affairs Hearing on the ongoing developments with the North American Free Trade Agreement (NAFTA) renegotiation

Texas Association of Business (TAB)
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Thank you for the opportunity to submit comments before this Committee on behalf of the Texas Association of Businesses (TAB) and the Texas business community as a whole. From large multi-national corporations to small businesses and start-ups, TAB works to improve the Texas business climate and help make our state's economy the strongest in the world. Given our broad membership base, we have a unique perspective on the strength of the Texas economy and the effects of public policy across the regulatory, legislative, and diplomatic levers of power.

As a neighbor to Mexico and the tenth biggest economy in the world by gross domestic product (GDP), Texas has a significant stake in the health of free trade and particularly in the success of the North American Free Trade Agreement (NAFTA). TAB has been a vocal supporter of NAFTA dating back to its original negotiation and implementation. We remain a fervent supporter today.

With the parties to NAFTA currently embarking on a renegotiation of the agreement, we are offering these comments to the Committee to highlight NAFTA's achievements for the Texas economy, explain the importance of the North American Development (NAD) Bank to border communities, and identify the areas where we believe that the trade agreement can better serve the people of Texas.

TAB has created the Texas-Mexico Trade Coalition to highlight the importance of NAFTA to the Texas economy. The Texas-Mexico Trade Coalition represents businesses and associations that are dedicated to fortifying the strong economic relationship between the U.S. and Mexico. Our Coalition has conducted trips to both Washington and Mexico City where we have met with the top government officials in both countries. From Vice President Pence and Commerce Secretary Wilbur Ross to labor and business leaders, we have been engaged at the highest level.

How NAFTA Has Impacted the Texas Economy

There is little doubt that Texas will be a major loser should the U.S. elect to pull out of NAFTA. Texas enjoys an \$11 billion trade surplus with Mexico, which is almost entirely dependent on the continued success of free trade. Since 2006, Texas exports of goods to NAFTA signatories has grown 71 percent, while exports of services has risen 45 percent. An undermining of the tariff policies that have allowed that growth would have hugely detrimental effects in most sectors of the Texas economy.

NAFTA has had a significant impact across the gamut of economic sectors in Texas, from energy to beef production to education. Most of those effects come from our close proximity and partnership with Mexico, which serves as the number one export and import market for our state. As a state, Texas' trade partnership with Mexico has become integral to our economic engine over the past two decades, with about \$173 billion worth of goods exchanged between our two economies every year. That figure is a result of the whopping 540 percent growth in Mexico-Texas trade since NAFTA was signed in 1994.

Across the state, more than 1 million jobs are reliant on trade, with 387,000 jobs directly tied to exchanges with our southern neighbor. According to most estimations, NAFTA has created 190,000 Texas jobs on its own and led to double-digit growth in 24 of the 32 industries that export to Mexico. And those gains have been balanced in populations across the state as all 11 metro areas in Texas have seen increased exports to Canada and Mexico since NAFTA was signed – including many areas with export rate increases of 100-200 percent or more.

These statistical gains are borne out in individual experiences as well. For example, the Texas Cattle Feeders Association reports that total value of beef trade between the three NAFTA countries has grown from less than \$1 billion in 1995 to average more than \$4 billion from 2014-2016. More than just providing an additional market for Texas beef, imports of Mexican and Canadian cattle play an integral role in our own cattle feeding industry, accounting for about 6 percent of U.S. slaughter. In short, NAFTA has allowed North America to become a key global supplier of beef while allowing beef availability to increase in North American markets themselves.

Texas Will Lose if the U.S. Pulls Out of NAFTA

As an example of a non-traditional industry that would be impacted by NAFTA withdrawal, the Texas A&M International University (TAMIU) has offered a perspective on how education would be harmed, not only in terms of higher education as an export, but in the value of creating more high-skilled jobs in the U.S. that require education. In comments to the United States Trade Representative (USTR), TAMIU notes that the role of U.S. services, such as higher education, is generally unheralded in NAFTA consideration and warns that drastic changes to the agreement could “be undermined by undue focus on the deficit in U.S.-Mexico trade in goods.” Finally, education plays a vital role in the “emerging pattern of specialization” driven by trade and technological progress, making access to educational services essential for American workers.

Perhaps the most significant economic sector that would be negatively impacted by NAFTA withdrawal is the natural gas industry. Texan pipelines carry more than four billion cubic feet of natural gas a day to Mexico, and American partnership with the Mexican energy sector has been critical to fueling that nation’s electricity demands. For the U.S., Mexico provides a critical market to help mitigate the effects of a glut in American natural gas production, allowing for that sector to continue its tremendous growth despite stalling American demand. Undermining NAFTA could jeopardize that development and force the Mexican government to look to Peru and other South American countries to satisfy its energy demands.

The simple act of trade also provides a critical economic boon for Texas. Approximately 14,000 tractor-trailer rigs cross a single port of entry — the Gateway to the Americas International Bridge in Laredo, Texas — every day, each paying a toll that contributes to local tax coffers and carrying everything from dishwashers to car batteries. The mayor of Laredo has described his town as “NAFTA on wheels,” and local officials have estimated that 1 in every 3 jobs are positively impacted by international trade. Texas and U.S. consumers benefit significantly from the falling prices and often improved quality of goods created by import competition. NAFTA not only benefits Texas and U.S. manufacturers, it’s also fueling small businesses, the backbone of our economy with more than 125,000 small and medium-size businesses selling their goods in Canada and Mexico in 2014. Inclusion of Small Medium Enterprises (SME) is

essential to maintain a stable economy in our state. Exports to Mexico made possible by NAFTA represent 39% of Texas' annual exports around the world.

Building a Stronger NAFTA

Given the pace of technological change and the changing nature of developed economies, there is little doubt that free trade agreements could use a facelift for the 21st Century. A stronger NAFTA would reflect the value of American intellectual property and promote greater information sharing among NAFTA partners. Primarily, this involves protecting Texas innovators with clear and enforceable rules on cross-border data flows and intellectual property rights.

Additionally, given Texas' prominent role as a trade hub, speeding customs and transportation processes will lead to increased trade volume and maximize the benefits that NAFTA's other provisions can provide. Every minute that a truckload is stopped at the border is a wasted opportunity to make additional deliveries on the trade arteries that bind our 1,300 mile border with Mexico. With smarter customs regulations, we can ensure the safety of products reaching Texan consumers while bolstering the economic benefits of the trade that creates jobs on both sides of the border.

The North American Development (NAD) Bank

Following on NAFTA and the North American Agreement on Environmental Cooperation in 1993, the United States and Mexico established the North American Development Bank (NADBank) to provide financial assistance to entities involved in developing environmental infrastructure projects that support NAFTA. 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.

The Bank does all this while being incredibly cost-efficient for taxpayers. They've taken \$400 million in capital contributions from the U.S. and Mexico and leveraged that into \$7.1 billion in actual infrastructure. In fact, TAB believes that the NADBank could be a model across the nation and could help Texas energy companies provide more jobs.

Along the border, many communities are still reliant on old coal and biomass-fueled power plants. Many homes in the region do not have access to gas lines, instead relying on less efficient, more expensive means to heat their homes and cook their food. If the NADBank was expanded, those areas could receive financing to help mature their energy infrastructure, helping families and Texas businesses. What happens along our border impacts the nation, and the NADBank represents one of the most important tools in our toolbox to increase the flow of goods across the border. We support the expansion of the NADBank's ability to invest in natural gas projects and other areas. This includes important pipeline and electric generation facilities, cross-border energy distribution, and energy security that could provide a market for Texas' excess natural gas. Further, 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.

State and local Chambers of Commerce

The employment of 5 million U.S. workers and the operations of tens of thousands U.S. enterprises of all sizes in virtually every industry sector are impacted by trade. This points directly to the fact that trade alliances across the North American continent are not just an absolute but must be fair and equitable. Inherent to ensuring U.S. competitiveness and maintaining equity is the ability to identify, verify, and track products that are being shipped between countries by a reliable and credible entity.

The ability to ensure the accuracy and integrity of items being shipped across our border is critical. To ensure equity and fairness amongst trading partners, it is imperative that a neutral yet adequately educated partner is engaged to provide these services without increasing the burden or expense to our already strained federal resources. That partner is the Texas Association of Business and similar state chambers of commerce across the nation.

Conclusion

NAFTA and the NADBank have proven to be economic engines for the state of Texas, creating high skill jobs and providing renewed economic mobility for Texas workers. With billions of dollars in goods and services flowing through the state's borders every year, NAFTA has positively reshaped the Texas economy over the past two decades and made it a key port in both regional and global trade dynamics. While we appreciate the Administration's effort to "Put America First" and strengthen any and all trade agreements, any renegotiation of NAFTA should reflect that critical role that free trade will play in the economic future of the Texas.

We appreciate your leadership in Texas and we urge this Committee to do all you can to encourage the Administration to keep working to improve this critical Agreement with our trading partners. Thank you for the opportunity to speak on this critical issue for Texas businesses. We look forward to working with you to foster economic growth for Texas businesses and secure the benefits of a booming economy for all Americans.

Chris E. Wallace, IOM, CCE is President & COO of the Texas Association of Business, the chamber of commerce of Texas. In this role, he oversees TAB's operations including membership, marketing, strategy, administration as well as board and chamber relations. Prior to joining the TAB team, Wallace was the President/CEO of the Greater Irving-Las Colinas Chamber, the third largest chamber in North Texas and the first national Five-Star Accredited Chamber in Texas. He also managed the Irving Economic Development Partnership. Wallace serves as Chairman for the Institute for Organization Management as well as a Regent of Northeast Institute at Villanova University. He is among only 535 executives in the nation who have earned their CCE (Certified Chamber Executive) designation. Wallace is a past chairman of the Texas Chamber of Commerce Executives Association and also serves on the national board of the Business & Industry Political Action Committee (BIPAC).