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A World Without NAFTA: *Economic and Business Perspectives*

Dr. Stephen Meardon

Director –Center for the Study of the Western Hemispheric Trade

“The Stakes for U.S., Hemispheric, and World Economies.”

Dr. Federico Schaffler

Director –Texas Center for Border Economic and Enterprise Development

“International Trade Impacts Beyond Custom Brokers and Logistics Operators.”

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“Risks for South Texas Small Businesses.”

PRESENTERS:

A.R. Sanchez, Jr. School of Business



South-West Texas Border
Small Business
Development Center Network

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BY THE
OFFICE OF
GLOBAL
INITIATIVES**



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Laredo, Texas, March 30, 2017



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WHY IMAGINE "A WORLD WITHOUT NAFTA"?

Because President Trump said we should:

- “If they do not agree to a renegotiation, then I will submit notice under Article 2205 of the NAFTA agreement that America intends to withdraw from the deal.”
- President Trump previously said (as candidate) “nothing will ever top NAFTA,” although TPP “*almost* as bad.”

Sources: Vicki Needham,
“Trump Says He Will
Renegotiate or Withdraw from
NAFTA,” *The Hill* 6/28/16;
Presidential debate 9/26/16.



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Sources: Photo: "Peter Navarro Responds to His Trade Critics," *WSJ* 3/33/17, photo by Evan Vucci/Associated Press; Quotations: Andrew Mayeda et al., "Trump's Top Trade Adviser Quietly Seeks an Alliance With Mexico," *Bloomberg.com*, 3/15/17; Mahita Gajanan, "Read Donald Trump and Enrique Pena Nieto's Full Press Conference Statement," *Time.com*, 31 Aug. 2016.

Setting the stage

WHY IMAGINE "A WORLD WITHOUT NAFTA"?

Because if not the most probable event ...

- *Peter Navarro*, head of White House National Trade Council, says lately:

"The North American area can be a tremendous powerhouse in the global economy under the right set of bilateral trade agreements."



- In Aug. 2016 Mexico City speech, candidate Trump invoked "hemisphere" positively *four times* (e.g., "keep manufacturing wealth in our hemisphere.")



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WHY IMAGINE "A WORLD WITHOUT NAFTA"?

... still a possible event.

- **NAFTA Article 2205: Withdrawal**

"A Party may withdraw from this Agreement six months after it provides written notice of withdrawal to the other Parties. If a Party withdraws, the Agreement shall remain in force for the remaining Parties."

- **Trade Act of 1974, Sec. 125:**

(a) Every trade agreement entered into under this Act shall be subject to termination, in whole or in part, or withdrawal, upon due notice. ...

(b) The President may at any time terminate, in whole or in part, any proclamation made under this Act.

... and a useful exercise to understand the stakes.

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

Top U.S. **IMPORTS FROM** Mexico and duties applied under NAFTA and MFN

Product Description	HTS Number	NAFTA duty	MFN duty	\$ (in 1,000), 2015	% Change 2014-2015
Mtr cars & o/mtr. vehicles for transport of persons, ... w/cyl. cap. o/1500 cc n/o 3000 cc	87032300	Free	2.50%	16,402,119	10.40%
Processing units ... storage units, input units, output units with cathode-ray tube (CRT)	84715001	Free	Free	13,446,045	26.80%
Mtr. vehicles for transport of goods, ...w/G.V.W. not over 5 metric tons	87043100	Free	25%	12,816,392	7.70%

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Source: U.S. International Trade Commission Interactive Tariff and Trade DataWeb

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

Top U.S. **IMPORTS FROM** Mexico and duties applied under NAFTA and MFN

Product Description	HTS Number	NAFTA duty	MFN duty	\$ (in 1,000), 2015	% Change 2014-2015
Petroleum oils and oils from bituminous minerals, crude, testing under 25 degrees A.P.I.	27090010	Free	5.25 cents/bbl	9,615,494	-57.5%
Color television reception apparatus w/flat panel screen, video display diagonal over 34.29 cm, incorporating a VCR or player	85287264	Free	3.9%	9,121,072	10.9%
Road tractors for semi-trailers	87012000	Free	4%	7,996,872	17.4%

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Source: U.S. International Trade Commission Interactive Tariff and Trade DataWeb

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

Top U.S. **EXPORTS TO** Mexico and duties applied under NAFTA and MFN

Product Description	HTS Number	NAFTA duty	MFN duty	\$ (in 1,000), 2015	% Change 2014-2015
Aceites ligeros (livianos) y preparaciones, incl. gasolina	271012	Free	Free	8,657,856	-18.9%
Aceites de petróleo o de mineral bituminoso ... no expresadas en otra parte	271019	Free	0%-3%	5,630,626	-27.4%
Partes y accesorios de vehículos automóviles	870899	Free	0%-5%	4,714,823	46.0%

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Sources: U.S. International Trade Commission DataWeb; SIICEX, Tarifa de la Ley de Impuestos Generales de Importacion y Exportacion

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

Thus a common economist's evaluation: NAFTA is no biggie.

➔ Nafta's Overall U.S. Impact is Modest

Pact leaves winners and losers, but its overall impact is more complex than the trade balance suggests

By JACOB M. SCHLESINGER

Jan. 26, 2017 5:28 p.m. ET

➔ Lorenzo Caliendo and Fernando Parro, "Estimates of the Trade and Welfare Effects of the NAFTA," *Review of Economic Studies* 82 (2015), pp. 1-44.

TABLE 2
Welfare effects from NAFTA's tariff reductions

Country	Welfare			
	Total	Terms of trade	Volume of Trade	Real wages
Mexico	1.31%	-0.41%	1.72%	1.72%
Canada	-0.06%	-0.11%	0.04%	0.32%
U.S.	0.08%	0.04%	0.04%	0.11%



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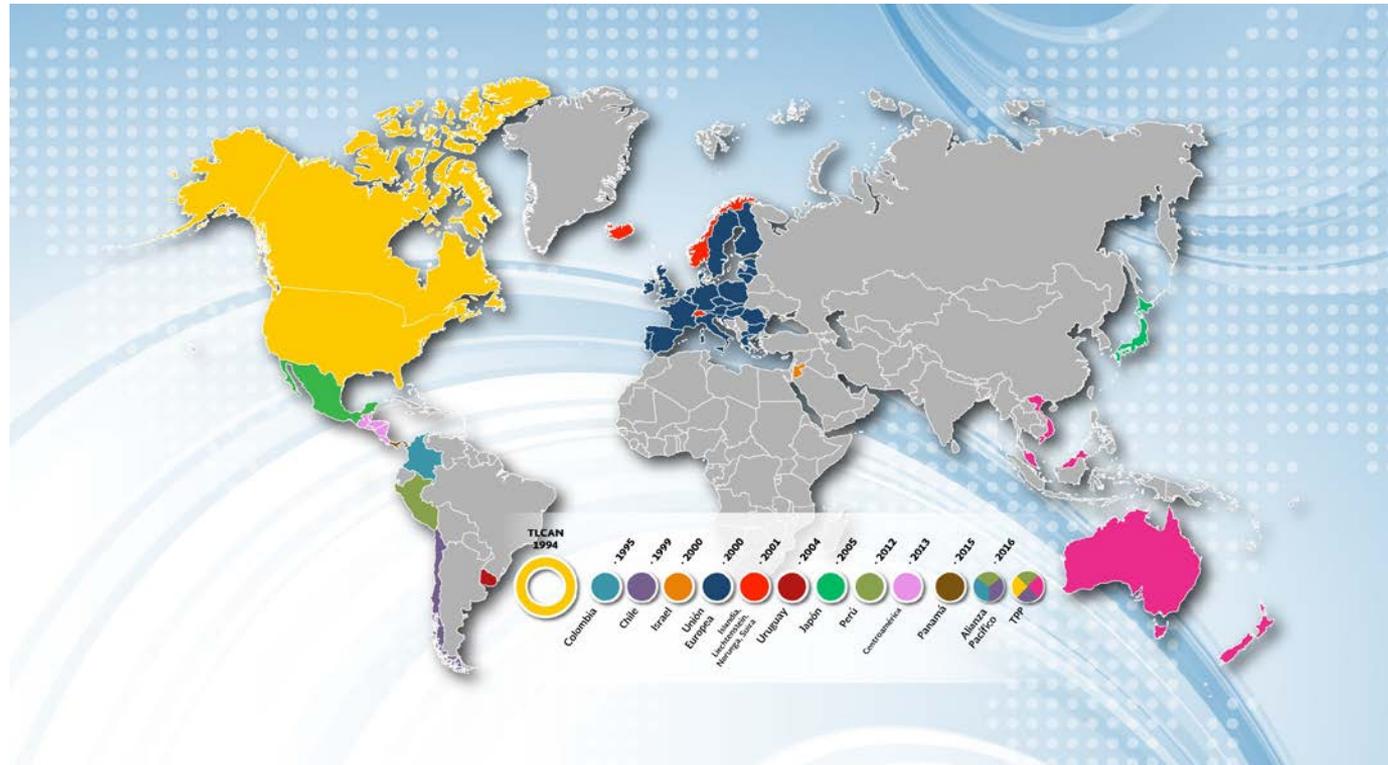
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AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- Are we sure? Economists' state-of-the-art trade models are nevertheless poor at accounting for **political effects**



Mexico's trade deals at present, 2017

Source: Mexico Secretaria de Economía,
<http://www.gob.mx/se/acciones-y-programas/comercio-exterior-paises-con-tratados-y-acuerdos-firmados-con-mexico>



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AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- Are we sure? Economists' state-of-the-art trade models are nevertheless poor at accounting for **dynamic effects that improve productive efficiency.**

<u>Year</u>	<u>\$ Value</u>
1993	15,221
1997	24,050
2001	52,544
2005	73,687
2009	84,047
2013	101,454

Source: M. Angeles Villareal and Ian F. Fergusson, "The North American Free Trade Agreement (NAFTA)," U.S. Congressional Research Service Report 7-5700, April 2015, Table A-4.

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- But what about the trade deficit and inequality?



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Source: Ben Leubsdorf, "U.S. Trade Deficit Last Year Was Widest Since 2012," *WSJ* 2/7/17



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AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- But what about the trade deficit and inequality?
 - From the President's 2017 Trade Policy Agenda:

There are significant reasons to be concerned with other major agreements as well. For years now, the United States has run trade deficits in goods with our trading partners in the North American Free Trade Agreement (NAFTA). In 2016, for example, our combined trade deficit in goods with Canada and Mexico was more than \$74 billion.

- Of course, a rising trade deficit may be consistent with a stronger economy. However, that has not been the experience of the typical American household. In 2000, U.S. real median household income (in 2015 dollars) was \$57,790. In 2015 (the most recent year for which data are available), it was \$56,516. In fact, despite the recovery since the financial crisis, real median household income in the United States remains lower today than it was 16 years ago.
- In January 2000, there were 17,284,000 manufacturing jobs in the United States – a figure roughly in line with the total number of U.S. manufacturing jobs going back to the early 1980s. In January 2017, there were only 12,341,000 manufacturing jobs in the United States – a loss of almost 5 million jobs.

Source: Office of the U.S.
Trade Representative, "The
President's 2017 Trade Policy
Agenda"



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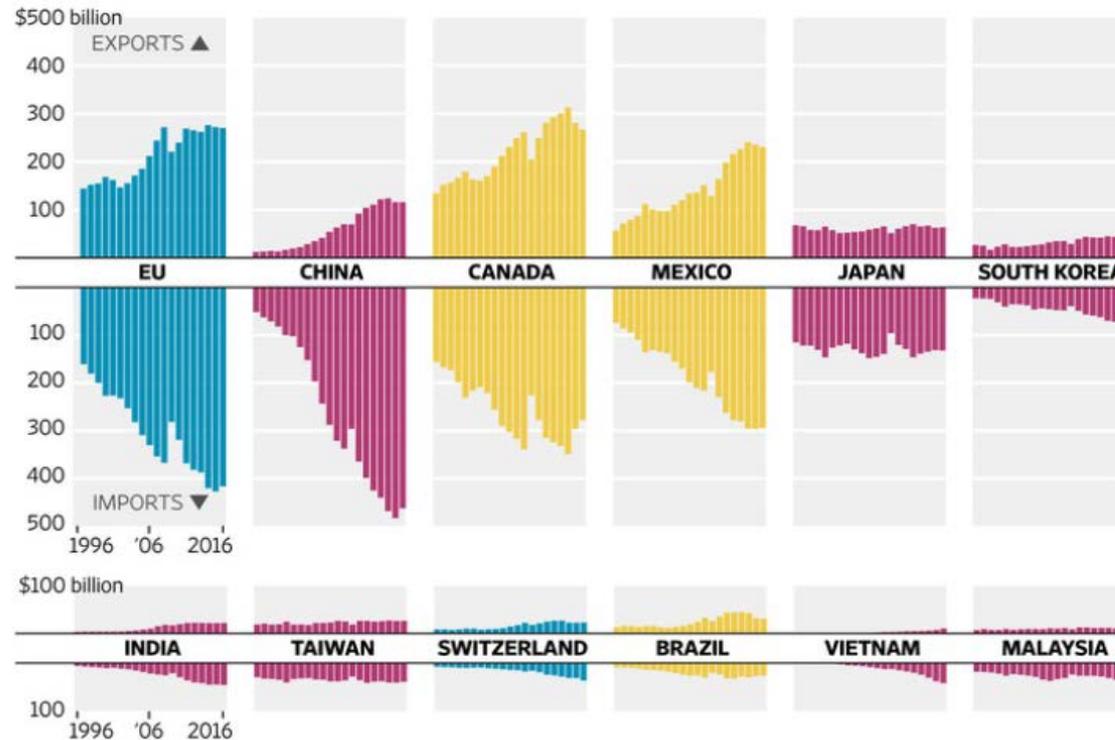
AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- The trade deficit does not arise so much from trade with Mexico

Shifting the Balance

Trade with Nafta countries has remained relatively balanced, while lopsided trade with China and other fast-developing Asian nations has led to growing U.S. trade deficits.

Trade in goods with major U.S. trading partners (Europe, Asia, Americas) over the past 20 years:

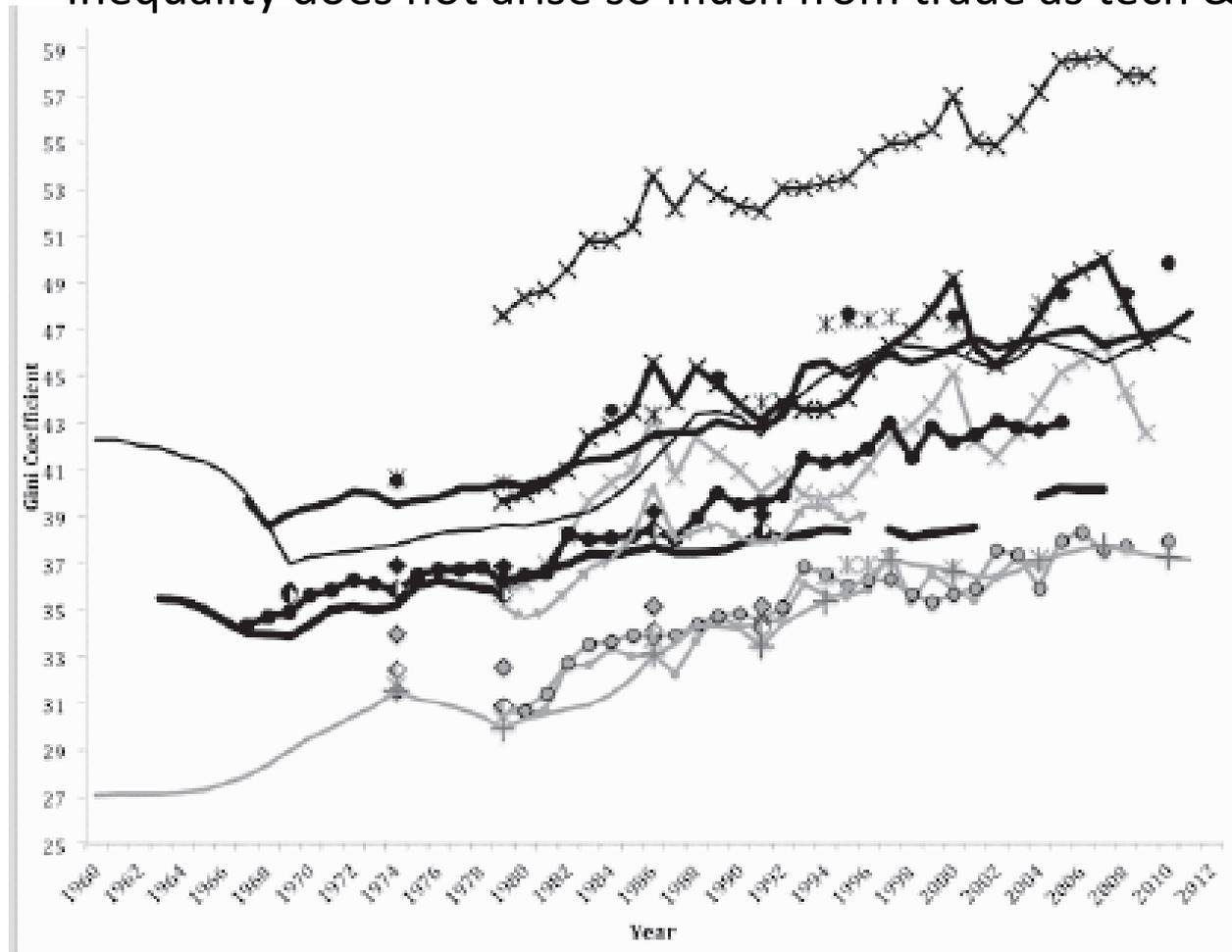


Source: Commerce Department (seasonally adjusted trade data)

Andrew Van Dam/THE WALL STREET JOURNAL.

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- Inequality does not arise so much from trade as tech & skills



Measures of income inequality in USA



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Source: James Galbraith,
"Inequality after NAFTA: Notes
on the Evidence,"
International J. of Political
Economy 43 (2): pp. 61-81.



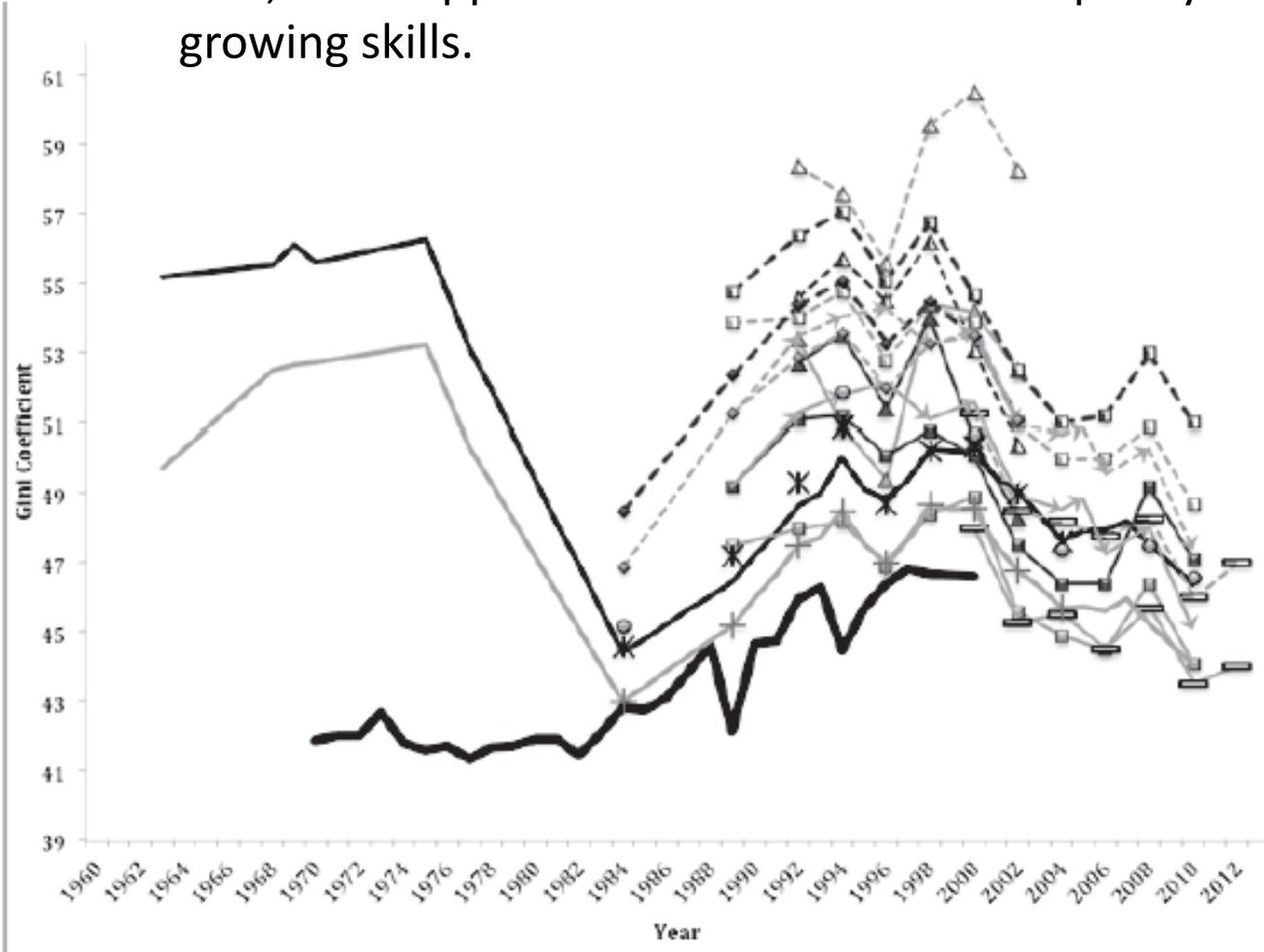
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AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- In Mexico, trade appears to have *decreased* inequality despite growing skills.



Measures of income inequality in Mexico

Source: James Galbraith,
"Inequality after NAFTA: Notes
on the Evidence,"
International J. of Political
Economy 43 (2): pp. 61-81.

Trade deficit and inequality



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TOP MEXICAN MUNICIPALITIES, RANKED BY CHANGE IN SHARE OF NATIONAL MANUFACTURING EMPLOYMENT, 1988-1998

Positive changes

<u>Name of municipio</u>	<u>Emp. '88</u>	<u>Emp. '98</u>	<u>Share of Mexico, '98</u>	<u>Change in share</u>
1 Tijuana (BCN)	41872	153530	3.76%	2.15
2 Ciudad Juárez (CHI)	108172	240782	5.90%	1.74
3 Apodaca (NLN)	8303	37214	0.91%	0.59
4 Zapopan (JAL)	24989	63337	1.55%	0.59
5 Mexicali (BCN)	24562	61375	1.50%	0.56
6 Guadalupe (NLN)	13289	41414	1.02%	0.50
7 Reynosa (TAM)	24141	55080	1.35%	0.42
8 León (GTO)	55508	103397	2.53%	0.40
9 Tehuacán (PUE)	8981	28471	0.70%	0.35
10 Hermosillo (SON)	11294	31795	0.78%	0.34

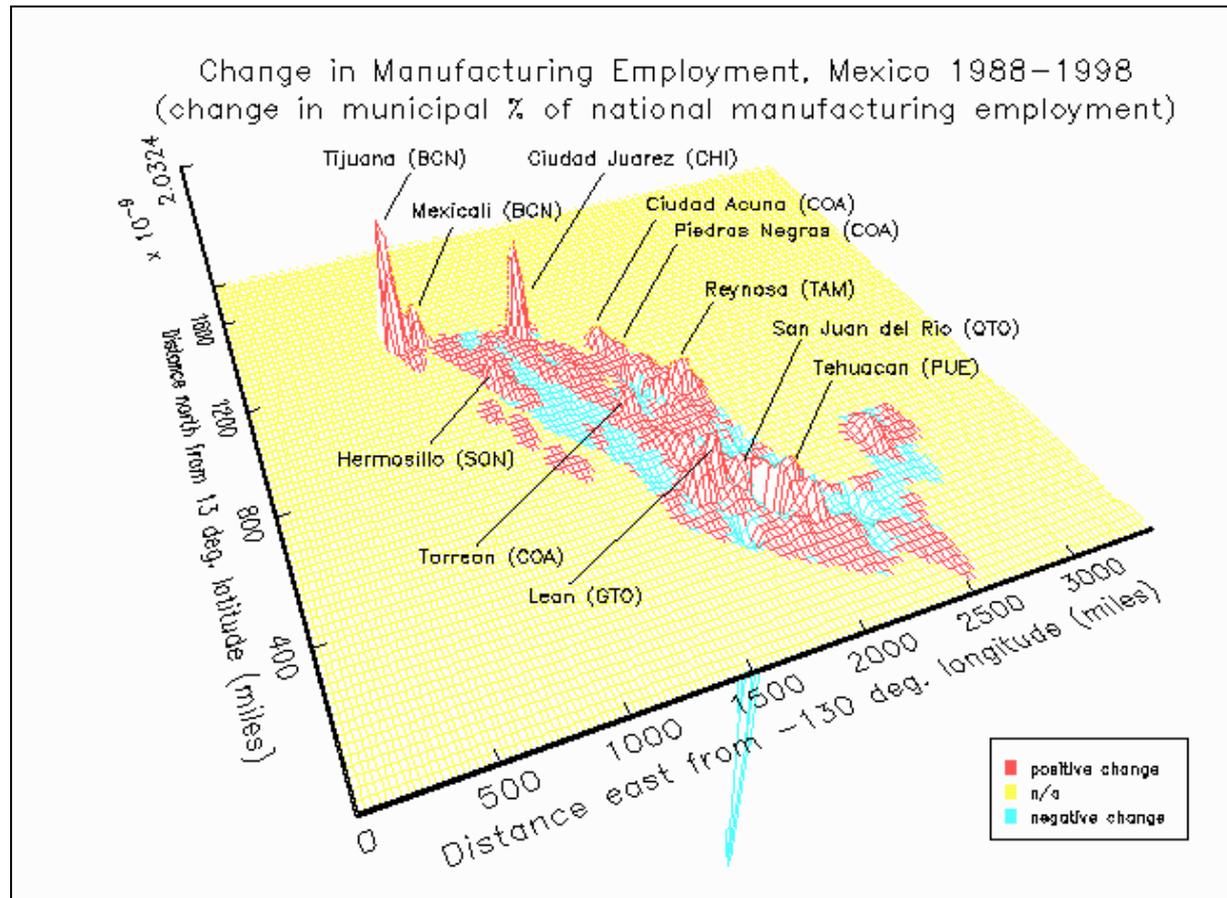
Negative changes

<u>Name of municipio</u>	<u>Emp. '88</u>	<u>Emp. '98</u>	<u>Share of Mexico, '98</u>	<u>Change in share</u>
1 Azcapotzalco (D-F)	87493	74588	1.83%	-1.71
2 Tlalnepantla (MEX)	80502	73606	1.80%	-1.45
3 Naucalpan (MEX)	80202	78697	1.93%	-1.32
4 Monterrey (NLN)	92001	103457	2.53%	-1.19
5 Guadalajara (JAL)	102453	126737	3.10%	-1.04
6 Cuauhtémoc (D-F)	60838	62710	1.54%	-0.93
7 Gustavo Madero (D-F)	47944	43718	1.07%	-0.87
8 Miguel Hidalgo (D-F)	55061	58143	1.42%	-0.80
9 Iztapalapa (D-F)	68293	79502	1.95%	-0.82
10 Benito Juárez (D-F)	36386	31122	0.76%	-0.71

Source: Stephen Meardon, *The Influence of Trade Liberalization on the Geographic Distribution of Industry in the United States and Mexico*, Ph.D. diss., Duke University, 1999.,

AFTER U.S. WITHDRAWAL FROM NAFTA, WHAT HAPPENS?

- Already *has been* a decrease in Mexican inequality -- owing partly partly to regional reallocation of resources.



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Source: Stephen Meardon, *The Influence of Trade Liberalization on the Geographic Distribution of Industry in the United States and Mexico*, Ph.D. diss., Duke University, 1999.,

Trade deficit and inequality



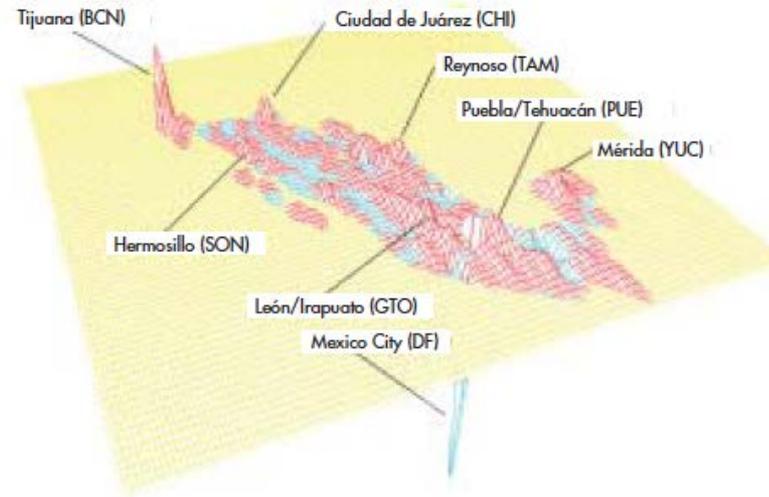
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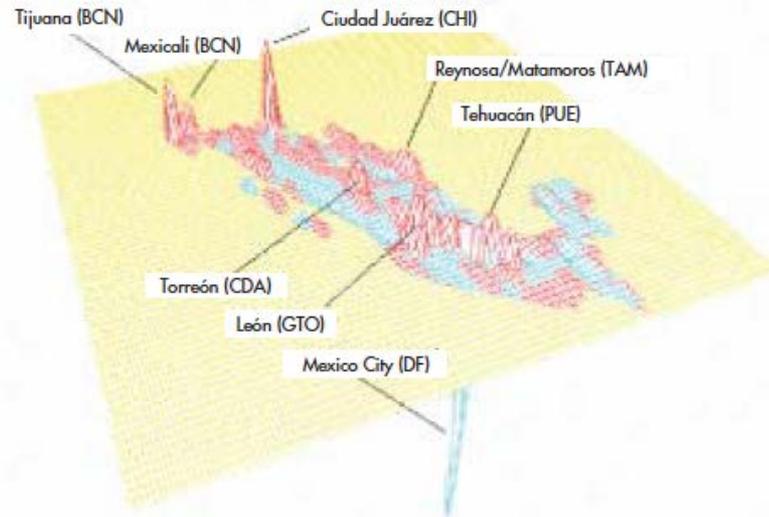
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Change in Municipal Percentage of National Manufacturing Employment a. 1988-93



b. 1993-98



Source: Stephen Meardon,
"Integration and the Economic
Geography of Mexico," Box
12.2 in *Beyond Borders: The
New Regionalism in Latin
America* (Washington, DC:
Inter-American Development
Bank, 2002), pp. 282-283.



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WHAT LESSONS TO DRAW?

- A world without NAFTA is not the likeliest state of the world. But it is a possible state.
- Economists' models estimate modest U.S. and Mexican benefits from NAFTA – implying modest effects of U.S. withdrawal.
 - But some modesty of the models' explanatory power is needed.
 - Possible political effects (Mexico's cultivation of deals with other partners) and dynamic effects (trade/FDI/growth interaction) are troubling.
- *If* the trade deficit is the concern, withdrawal or renegotiation of NAFTA is barking up the wrong tree.
- If U.S. inequality is the concern, still barking up the wrong tree. If Mexican inequality, then give Mexico more U.S. trade!

Source: Stephen Meardon, The Influence of Trade Liberalization on the Geographic Distribution of Industry in the United States and Mexico, Ph.D. diss., Duke University, 1999.,



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**TEXAS
CENTER**
Border Economic and Enterprise Development

A World Without NAFTA:

Economic and Business Perspectives



***“International Trade
Impacts Beyond
Custom Brokers and
Logistics Operators.”***

Dr. Federico Schaffler

*Director Texas Center for Border Economic
and Enterprise Development*

Texas A&M International University, Laredo, Texas.

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Laredo, Texas, March 30, 2017



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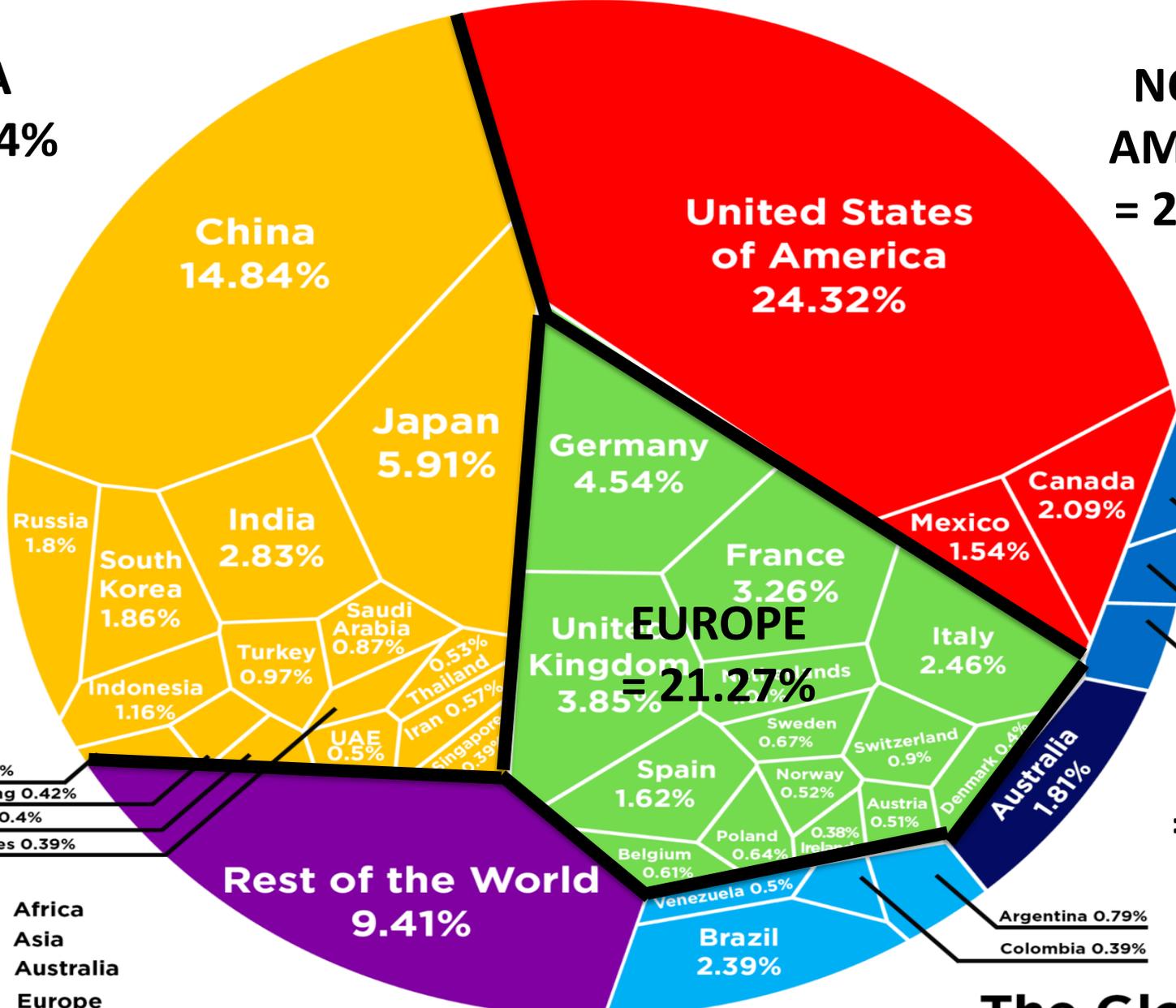
- **Introduction:**
- **Let's imagine one (very unlikable) future.**
- **Current Statistics regarding NAFTA**
- **Two cities and Two tales:
Laredo, Texas and Nuevo Laredo, Tamaulipas**
 - **Custom Brokers and Logistic Operators at the center of the equation**
- **Possible Scenarios**
 - **Complete disappearance of NAFTA**
 - **Total Renegotiation**
 - **Partial Renegotiation**
- **Conclusions**

*Source: U.S. Trade Online,
2016 Data*

*Source: U.S. Census
Bureau, American
FactFinder. 2010
Demographics*

ASIA
= 33.84%

NORTH AMERICA
= 27.95%



Continents

- Africa
- Asia
- Australia
- Europe
- North America
- South America
- Rest of the World

SOUTH AMERICA
= 4.07%

AFRICA
= 1.52%

The Global Economy by GDP
howmuch.net

Sources: World Development Indicators database, World Bank, 1 February 2017

Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars



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Rank	State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
1	1 Texas	\$ 94,434.31	\$ 100,929.67	\$ 102,555.90	\$ 94,523.96
	2 California	\$ 26,379.60	\$ 23,901.63	\$ 25,419.68	\$ 26,819.84
	3 Arizona	\$ 6,290.78	\$ 7,068.43	\$ 8,622.99	\$ 9,164.16
	4 New Mexico	\$ 593.03	\$ 800.74	\$ 1,548.52	\$ 1,683.37
	Totals	\$ 127,697.72	\$ 132,700.47	\$ 138,147.09	\$ 132,191.33

State Ranking of Final Destination of their Exports made by each State

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.

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Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars

Rank	State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)	
2	5 Michigan	\$ 10,463.85	\$ 12,170.77	\$ 10,827.64	\$ 11,138.03	
	6 Illinois	\$ 6,375.92	\$ 7,317.12	\$ 7,917.57	\$ 9,078.26	
	7 Ohio	\$ 4,717.59	\$ 5,018.22	\$ 6,005.02	\$ 6,495.15	
	8 Louisiana	\$ 6,507.86	\$ 6,397.48	\$ 7,339.55	\$ 5,816.76	
	9 Indiana	\$ 3,907.21	\$ 4,001.20	\$ 5,022.38	\$ 4,803.88	
	10 Tennessee	\$ 4,232.43	\$ 4,323.91	\$ 4,760.35	\$ 4,784.77	
	11 Pennsylvania	\$ 2,831.13	\$ 3,449.91	\$ 3,728.98	\$ 4,178.31	
	12 Georgia	\$ 2,276.32	\$ 2,583.47	\$ 2,976.15	\$ 3,465.07	
	13 North Carolina	\$ 2,318.84	\$ 2,718.13	\$ 3,010.56	\$ 3,185.58	
	14 Wisconsin	\$ 2,166.65	\$ 2,515.47	\$ 2,835.37	\$ 2,966.78	
	15 Massachusetts	\$ 1,608.84	\$ 1,859.47	\$ 2,317.41	\$ 2,622.32	
	16 New Jersey	\$ 2,111.02	\$ 2,190.03	\$ 2,656.64	\$ 2,615.30	
	17 Missouri	\$ 1,821.76	\$ 2,004.67	\$ 2,346.63	\$ 2,474.83	
	18 Minnesota	\$ 1,295.93	\$ 1,472.80	\$ 2,239.53	\$ 2,381.36	
	19 Iowa	\$ 2,499.73	\$ 2,171.00	\$ 2,304.65	\$ 2,086.41	
	20 Kansas	\$ 1,437.29	\$ 1,532.64	\$ 1,783.76	\$ 1,813.01	
	21 Nebraska	\$ 1,805.82	\$ 1,153.88	\$ 1,348.62	\$ 1,257.31	
	22 Mississippi	\$ 1,165.76	\$ 1,301.45	\$ 1,225.05	\$ 1,128.71	
	23 Colorado	\$ 849.14	\$ 917.25	\$ 1,068.24	\$ 1,078.66	
	24 Arkansas	\$ 846.89	\$ 870.37	\$ 738.34	\$ 836.71	
	25 Oklahoma	\$ 620.86	\$ 612.79	\$ 612.00	\$ 565.18	
	26 New Hampshire	\$ 474.22	\$ 409.25	\$ 449.46	\$ 502.80	
	27 South Dakota	\$ 346.34	\$ 373.11	\$ 344.24	\$ 403.95	
	28 North Dakota	\$ 282.54	\$ 238.25	\$ 320.03	\$ 294.63	
	29 Rhode Island	\$ 150.24	\$ 166.20	\$ 195.33	\$ 180.56	
		Totals	\$ 63,114.18	\$ 67,768.84	\$ 74,373.50	\$ 76,154.33

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.



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Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars



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Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
3	30	Alabama	\$ 2,030.44	\$ 2,221.06	\$ 2,334.26	\$ 2,889.08
	31	Florida	\$ 2,227.67	\$ 2,190.97	\$ 2,225.51	\$ 2,713.76
	32	Kentucky	\$ 1,714.27	\$ 1,865.13	\$ 2,309.15	\$ 2,235.96
	33	Virginia	\$ 1,055.41	\$ 1,051.23	\$ 1,218.34	\$ 1,231.07
		Totals	\$ 7,027.79	\$ 7,328.39	\$ 8,087.26	\$ 9,069.87

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
4	34	Utah	\$ 487.34	\$ 546.90	\$ 741.95	\$ 853.76
	35	Nevada	\$ 336.32	\$ 389.30	\$ 405.41	\$ 447.40
		Totals	\$ 823.66	\$ 936.20	\$ 1,147.36	\$ 1,301.16

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
5	36	South Carolina	\$ 1,971.95	\$ 1,837.77	\$ 2,114.96	\$ 2,447.29
	37	Connecticut	\$ 1,142.18	\$ 1,213.25	\$ 1,280.69	\$ 1,319.62
	38	Maryland	\$ 344.51	\$ 493.84	\$ 461.87	\$ 442.37
	39	Vermont	\$ 129.62	\$ 129.86	\$ 212.26	\$ 212.99
		Totals	\$ 3,588.26	\$ 3,674.72	\$ 4,069.78	\$ 4,422.27

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.

Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars



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Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
6	40	Idaho	\$ 257.14	\$ 273.32	\$ 300.95	\$ 264.05
	41	Montana	\$ 52.79	\$ 55.81	\$ 92.83	\$ 40.73
		Totals	\$ 309.93	\$ 329.13	\$ 393.78	\$ 304.78



Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
8	42	New York	\$ 2,605.69	\$ 2,201.98	\$ 2,875.39	\$ 3,071.30
	43	Maine	\$ 34.83	\$ 42.65	\$ 53.51	\$ 59.51
		Totals	\$ 2,640.52	\$ 2,244.63	\$ 2,928.90	\$ 3,130.81

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
11	44	Oregon	\$ 372.08	\$ 336.19	\$ 374.97	\$ 406.36
	45	Delaware	\$ 145.20	\$ 126.79	\$ 106.30	\$ 146.14
		Totals	\$ 517.28	\$ 462.98	\$ 481.27	\$ 552.50

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.

Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
12	46	Washington	\$ 2,864.23	\$ 3,198.42	\$ 2,735.13	\$ 1,871.49
	47	West Virginia	\$ 238.64	\$ 323.57	\$ 238.24	\$ 183.70
	48	Wyoming	\$ 56.33	\$ 48.90	\$ 30.79	\$ 29.58
		Totals	\$ 3,159.20	\$ 3,570.89	\$ 3,004.16	\$ 2,084.77

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
24	49	Alaska	\$ 8.61	\$ 7.38	\$ 9.75	\$ 7.70
		Totals	\$ 8.61	\$ 7.38	\$ 9.75	\$ 7.70

Rank		State	(\$ Value 2012)	(\$ Value 2013)	(\$ Value 2014)	(\$ Value 2015)
25	50	Hawaii	\$ 3.50	\$ 2.23	\$ 1.58	\$ 1.89
		Totals	\$ 3.50	\$ 2.23	\$ 1.58	\$ 1.89

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.



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Top U.S. Exports to Mexico by State (Origin of Movement)

In millions of unadjusted U.S. Dollars

RANK OF

Rank	# of States	2012 \$ Total	2013 \$ Total	2014 \$ Total	2015 \$ Total
1	4	\$ 127,697.72	\$ 132,700.47	\$ 138,147.09	\$ 132,191.33
2	25	\$ 63,114.18	\$ 67,768.84	\$ 74,373.50	\$ 76,154.33
3	4	\$ 7,027.79	\$ 7,328.39	\$ 8,087.26	\$ 9,069.87
4	2	\$ 823.66	\$ 936.20	\$ 1,147.36	\$ 1,301.16
5	4	\$ 3,588.26	\$ 3,674.72	\$ 4,069.78	\$ 4,422.27
6	2	\$ 309.93	\$ 329.13	\$ 393.78	\$ 304.78
8	2	\$ 2,640.52	\$ 2,244.63	\$ 2,928.90	\$ 3,130.81
11	2	\$ 517.28	\$ 462.98	\$ 481.27	\$ 552.50
12	3	\$ 3,159.20	\$ 3,570.89	\$ 3,004.16	\$ 2,084.77
24	1	\$ 8.61	\$ 7.38	\$ 9.75	\$ 7.70
25	1	\$ 3.50	\$ 2.23	\$ 1.58	\$ 1.89
	Totals	\$ 208,890.65	\$ 219,025.86	\$ 232,644.43	\$ 229,221.41

Prepared by the Texas Center for Border Economic and Enterprise Development with information from the U.S. Census.



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Top 5 Custom Districts of the USA (2016)

Customs District	Population	Total Trade	Imports	Exports
1.- Los Angeles	5,554,562	398.13	279.38	118.74
2.- New York	9,002,094	356.93	220.26	136.67
3.- Laredo	775,343	283.18	164.84	118.34
4.- Detroit	1,108,642	247.19	129.14	118.04
5.- Chicago	3,286,138	198.48	152.71	45.77



In Billions of Dollars



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Source: U.S. Trade Online, 2016 Data

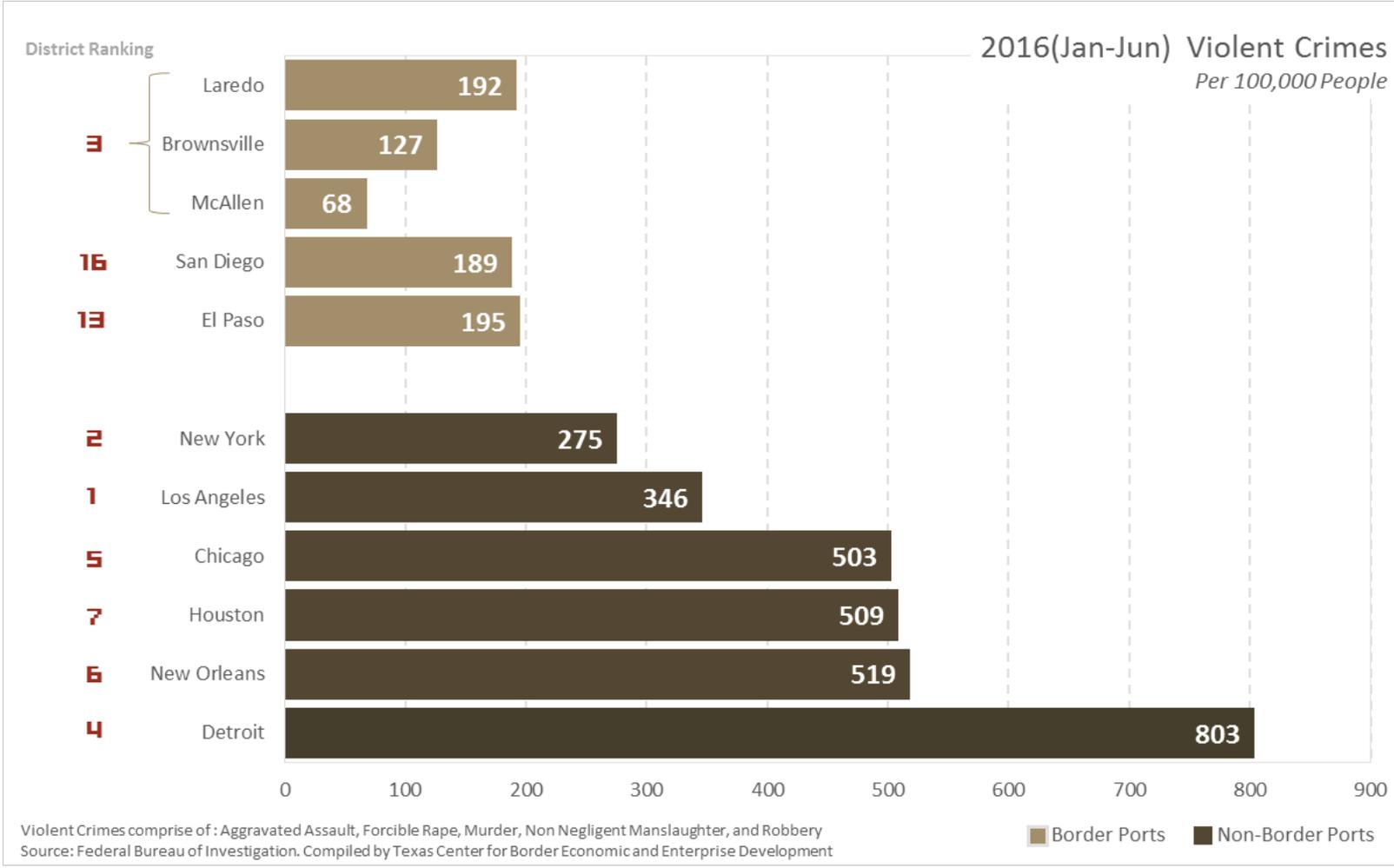
Source: U.S. Census Bureau, American FactFinder. 2010 Demographics

2016 (Jan-Jun) FBI Uniform Crime Report

Violent Crime



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Source:
Texas Center for
Border Economic and
Enterprise
Development. TAMIU.

2016: International Trade Comparison (by POE)



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CITY	TOTAL	UNIT	POP. 2015
Houston *	\$127.5	Billions	2,296,224
Laredo **	\$199.9	Billions	255,473

* Including Houston International Airport and Sea Port

** Only Laredo Port of Entry

CUSTOMS DISTRICT	TOTAL	UNIDAD	POP. 2015
Laredo ***	\$283.2	Billions	775,345

*** Laredo, Hidalgo/Pharr, Brownsville, Edinburg Airport, Progreso, Rio Grande City, Roma, Valley International Airport (Harlingen), Eagle Pass y Del Rio

**Total U.S. Trade
value with the World:**

\$3.64 Trillion

**Total U.S. Trade value of Port of
Houston, Houston Airport, the
Laredo District, the Ports of Austin
and San Antonio:**

\$446.5 billion



CITY	TOTAL	UNIT	POP. 2015
San Antonio	\$339.7	Millions	1,469,845
Austin	\$572.0	Millions	931,830

**12.3% of the total value of U.S.
International Trade was processed
through these Texan ports.**

Sources: Texas Center for Border Economic and Enterprise Development / U.S. Census Foreign Trade data

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2016 U.S.-Mexico Trade

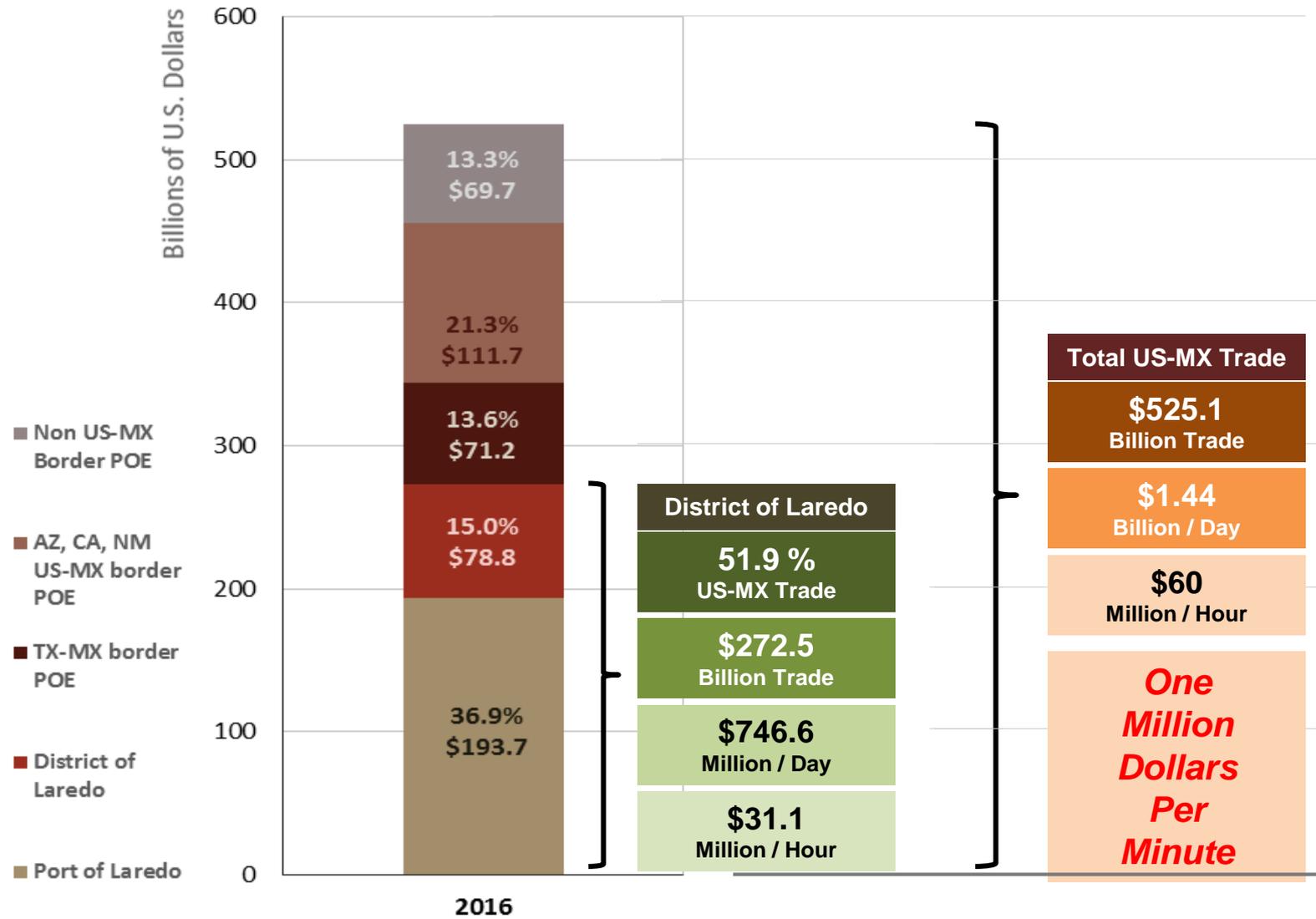


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Laredo Customs District includes:

Laredo,
Hidalgo/Pharr,
Brownsville,
Edinburgh Airport,
Progreso,
Rio Grande City,
Roma,
Valley International
Airport (Harlingen),
Eagle Pass y Del Rio



Data compiled by Texas Center for Border Economic and Enterprise Development, TAMIU
Source: U.S. Department of Commerce Bureau of the Census, Foreign Trade Division

2016 U.S.-Mexico Trade (by POE)



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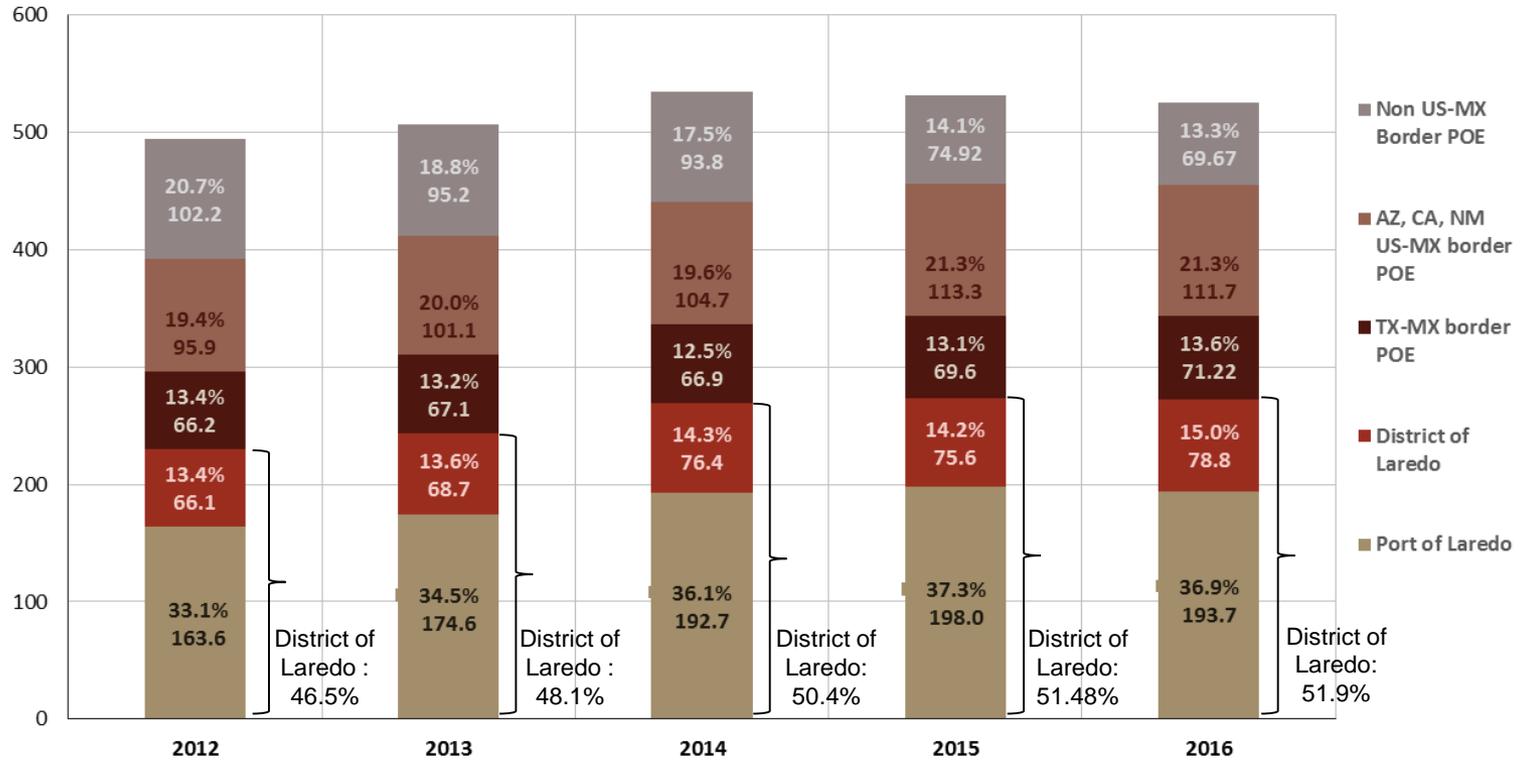
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Laredo Customs District
includes:

Laredo, Hidalgo/Pharr,
Brownsville, Edinburgh
Airport, Progreso,
Rio Grande City, Roma,
Valley International
Airport (Harlingen), Eagle
Pass y Del Rio

Billions of U.S. Dollars



Data compiled by Texas Center for Border Economic and Enterprise Development, TAMIU
Source: U.S. Department of Commerce Bureau of the Census, Foreign Trade Division

USA-Mexico Trade 2016 36.9% of all operations cross through Laredo/Nuevo Laredo
(The other 63.10% is distributed through the other 56 POE of the U.S.).

Total México International Trade In 2016, **21.96%** crossed through Nuevo Laredo/Laredo.
78.04% was distributed through the remaining 48 Mexican POE.

2016 U.S.-Mexico Trade

By Port of Entry



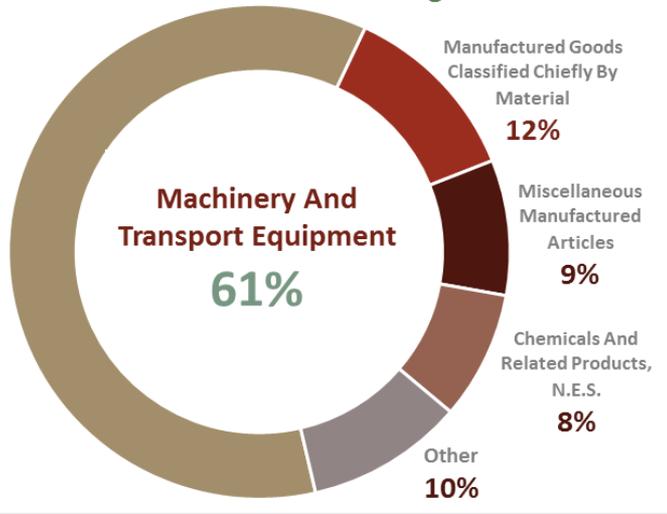
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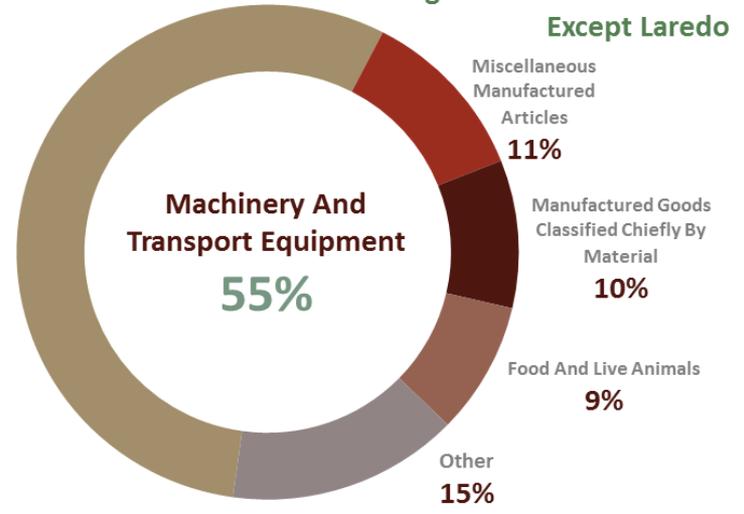
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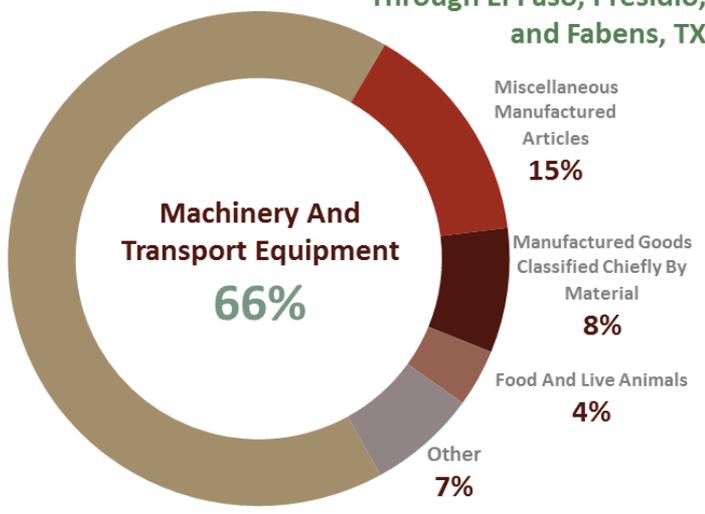
Through Port of Laredo



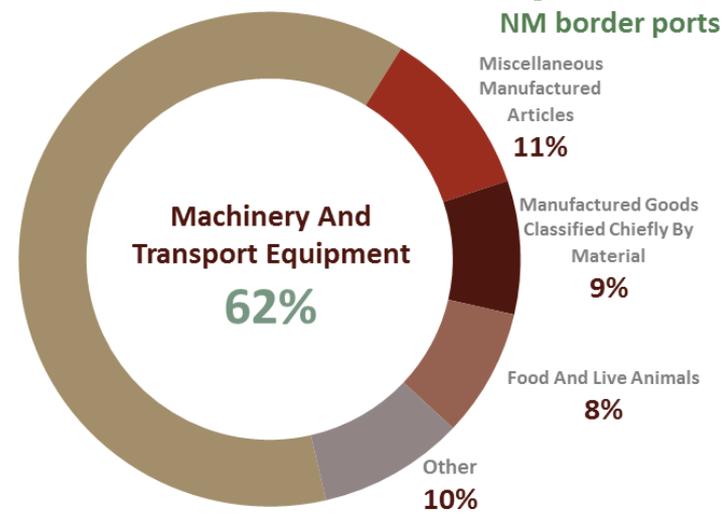
Through Laredo District Ports Except Laredo



Through El Paso, Presidio, and Fabens, TX



Through CA, AZ, and NM border ports



Source:
Texas Center for
Border Economic and
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Development. TAMIU.

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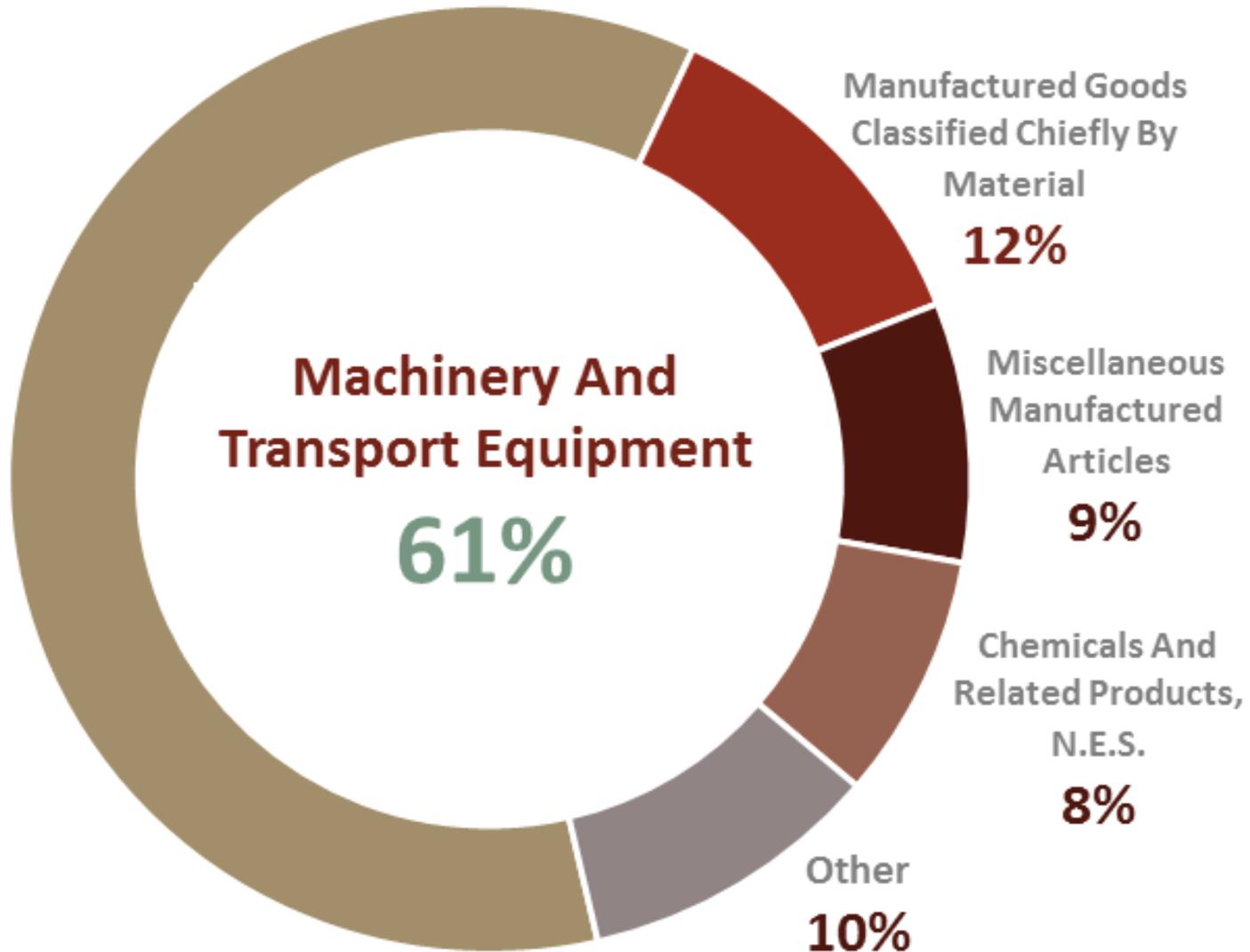
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Source:
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Through Port of Laredo



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Webb Co. Private Sector Establishments

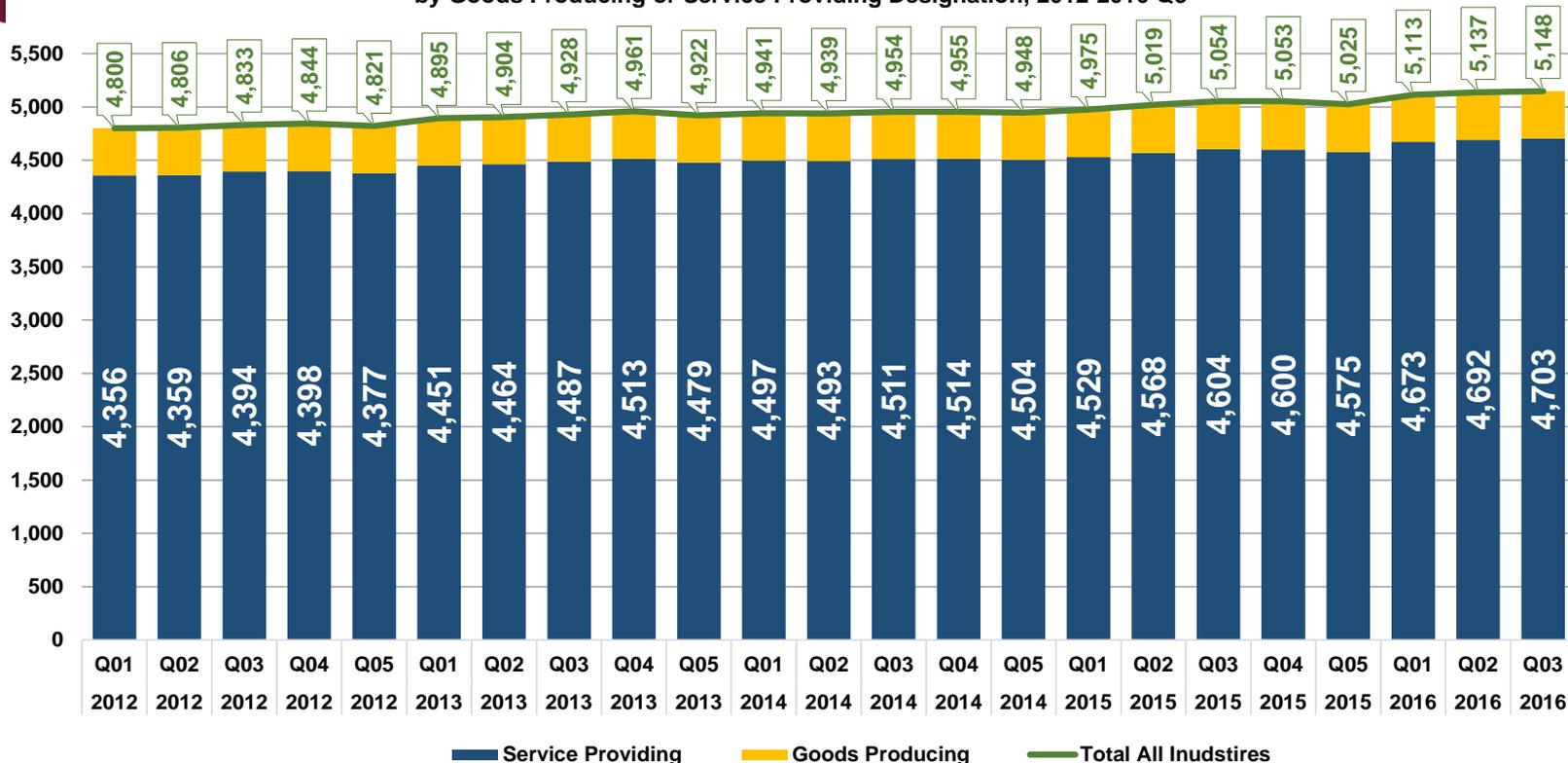


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Number of Webb County Private Sector Establishments
by Goods Producing or Service Providing Designation, 2012-2016 Q3



Source: Bureau of Labor Statistics, Quarterly Census Employment and Wages

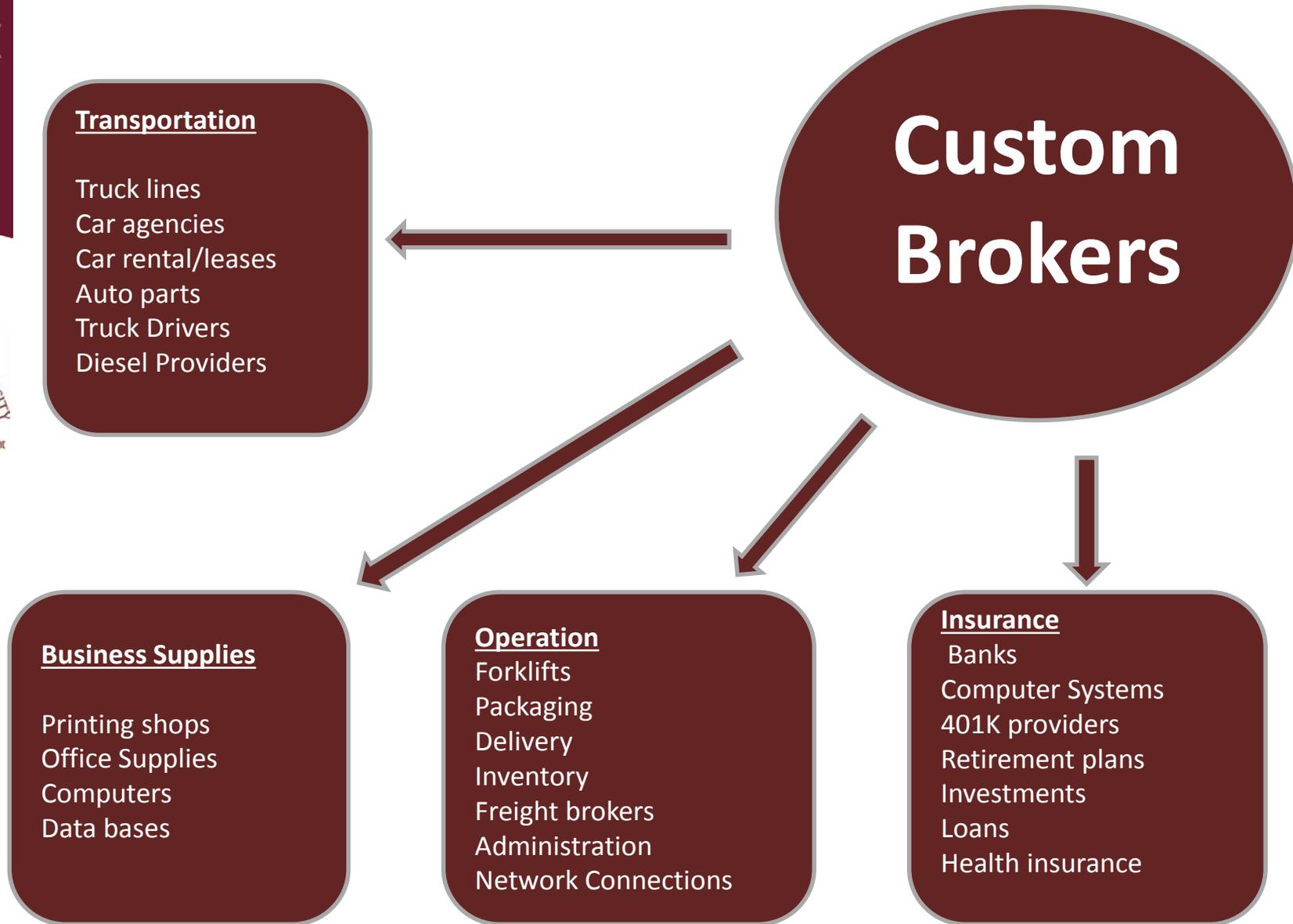
One Example: Products and Services Suppliers



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One Example: Products and Services Suppliers



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Professional Services

Plumbers
Mechanics
Electricians
Computer Techs
Facilities Inspectors
Hazmat Experts
Engineers
Distributors
Translators
Legal consultants
Doctors
Law Enforcement
Accountants

Custom Brokers

Facilities

Construction companies
Architects
Roofers
Landscapers
Real Estate
Utilities

CB as a Business

Hires personal
Pays taxes
Trains employees

Community Effect

Benefits Small Business
Community economy
declines or improves
Restaurants

A Tale of Two Cities: Laredo + Nuevo Laredo



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Laredo, Texas + Nuevo Laredo, Tamaulipas	
Combined population (2015)	654,904
Daily non-commercial vehicle crossings	29,103
Daily rail car crossings	1,800
Daily pedestrian crossings	17,855
Tourist buses (Mexico to US)	110+

CONCEPT	LAREDO	NUEVO LAREDO
Land Port	#1 in the U.S. and Western Hemisphere	#1 in Mexico*.
Customs District	#3 in the United States (2015)	#1 customs district of Mexico (trucks and rail cars)*.
Custom Brokers	109 US Custom Brokers and 200 Freight Forwarders	366 Mexican National Custom Brokers operate in the city (221 local and 145 from other cities, out of over 880 in all Mexico)*.
Airports	Cargo Airport #7 in Texas and #52 in US	Cargo Airport under construction.

Data compiled by Texas Center for Border Economic and Enterprise Development. TAMIU. * Source: Nuevo Laredo Custom Brokers Association

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What are some possible scenarios?

- For our Shared Economy
- For our North American Society

What can be expected from us?

What we always do when we face challenges...

We Adapt...

and we succeed!



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Thank you!

¡Gracias!



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Risks for South Texas Small Business

Michael E. Gonzalez
SBDC Director



Texas A&M International University
SBDC - Small Business Development Center



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What is a Small Business?

- <500 employee
- <\$7.5 M in annual sales
- In our community, that's almost everyone!



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What do small businesses do?

- Create virtually all new net jobs in the US
- SBDCs can be found nationwide

Texas Small Businesses Impact Report OOG&UTSA – April 2016

- Small Businesses 98.6% of Texas' 2.4 million firms, including 400,000 employer firms
- Employed over 3 million workers, generated \$844 billion gross output
- Generated \$13.9 billion in State tax revenue, and \$15.0 billion Federal revenue
- Start-ups create most new jobs, followed by small-to-medium scale up firms
- Rural Texas requires interdependence with urban areas and other external markets

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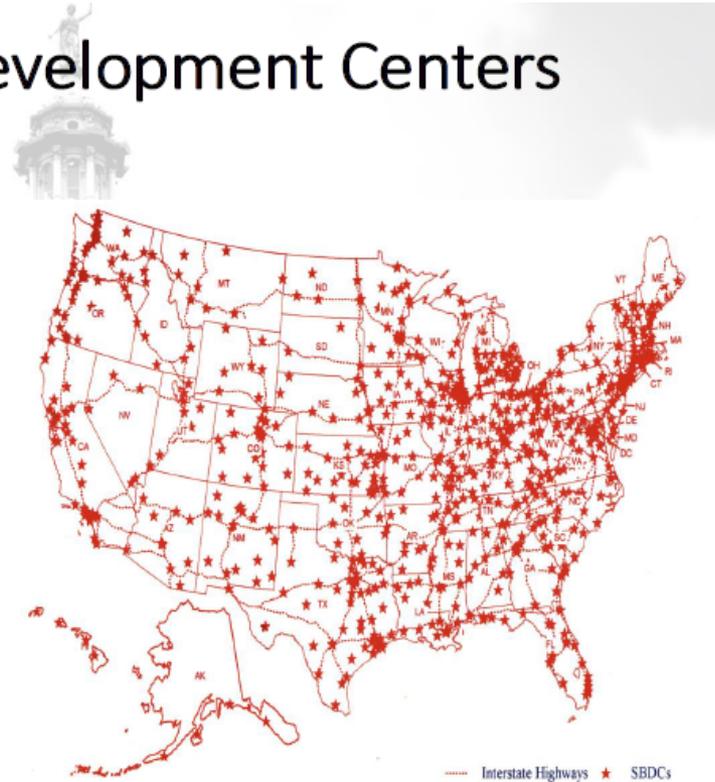


What do small businesses do?

Small Business Development Centers

America's small business development network, of 1,000 SBDCs serving 1 million businesses/year:

- 1 new job every 5 minutes
- A new business start every 31 minutes
- Partnership of the U.S. Small Business Administration with the States and Universities
- Texas SBDCs are top performers in the nation



UTSA

Institute for Economic Development
The University of Texas at San Antonio

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AMERICA'S
SBDC

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What do small businesses do?

Small Business Development Centers: Consulting Accelerates Business Growth

SERVICE RESULTS

2016

Total Businesses Served	63,001
Trainings, Seminars & Courses	2,167
Training Participants	41,959
Consulting Cases	19,468

ECONOMIC IMPACT RESULTS

2016

Jobs Created	14,692
Jobs Retained	9,934
New Financing Investments	\$576 Million
New Sales	\$1.3 Billion
New Tax Revenue Generated	\$152 Million

*Actual Figures from 2014 National Impact Study: \$576,551,000 | 17,200,000 | 51,311,557,524

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TAMIU SBDC 5-Year Impact Data Report

Impact		Total
New Clients		2,961
Counseling Hours		14,364
Business Starts		263
Jobs Created		1,251
Business Expansions		136
Jobs Retained		1,041
Capital Investment		\$ 26,042,877.38
Training		Total
Training Sessions		469
Participants		10,663
SBMCP Graduates		490

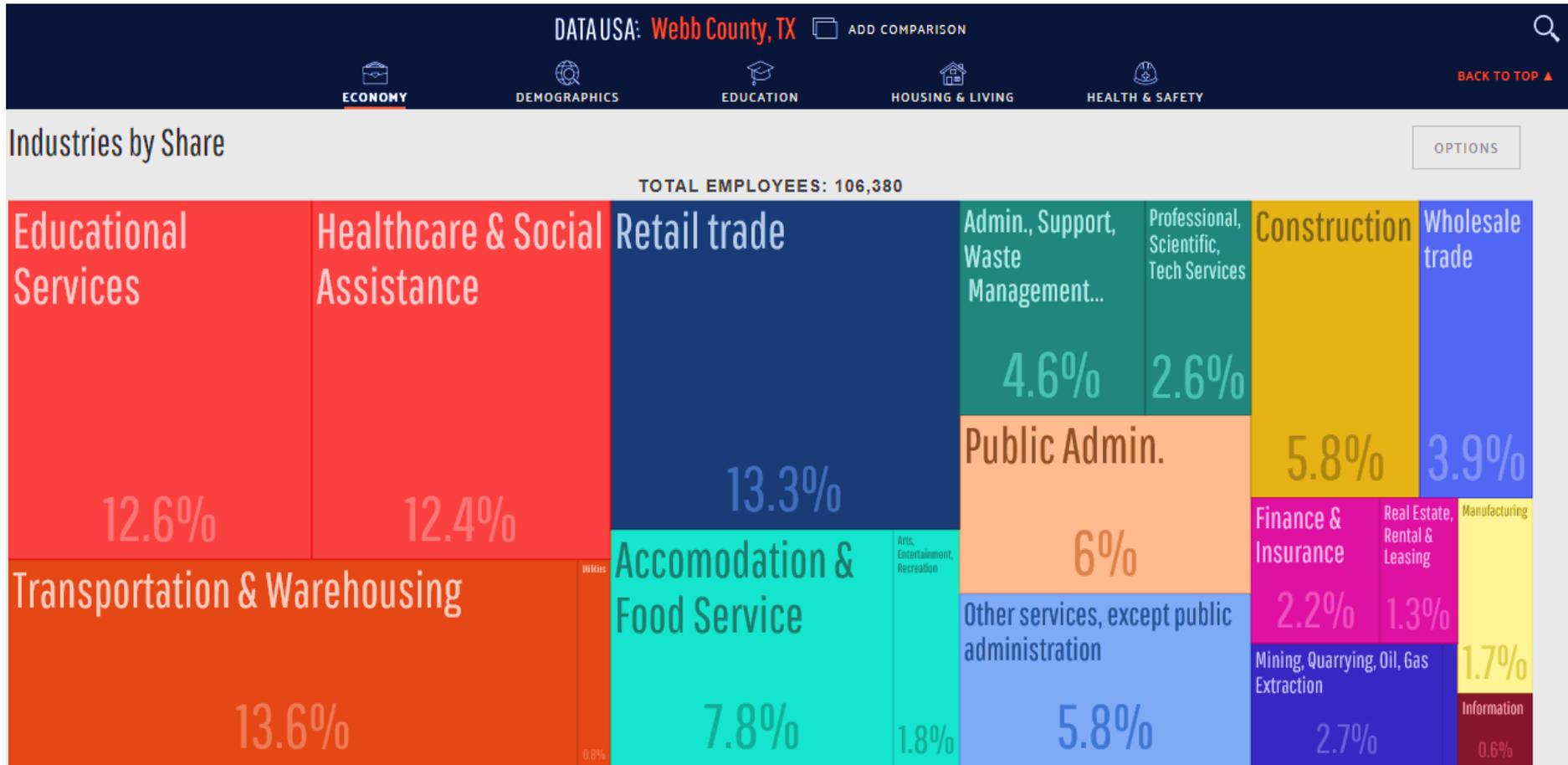
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Who are the largest employers in our area and what industries do they represent?



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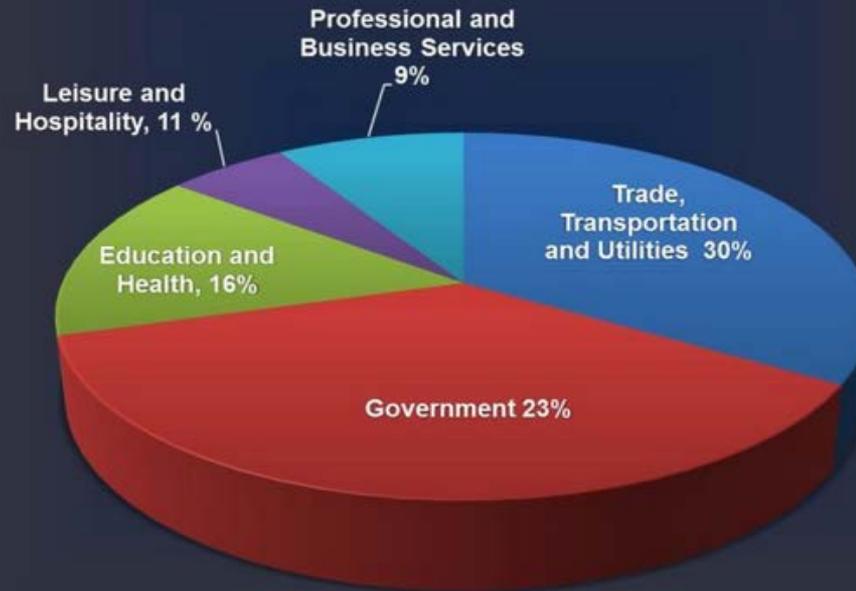
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Who are the largest employers in our area and what industries do they represent?

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Top Five Employment Sectors 3rd Quarter 2016



Source: Texas Workforce Commission, Laredo MSA February 2017 Report

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Who are the largest employers in our area and what industries do they represent?

- **Private Sector**
 - Transportation
 - Retail
 - Hospitality/Tourism
- **Public Sector**
 - Government
 - School Districts
 - Border Patrol
 - Customs

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How could these industries be affected?

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Retail Impact

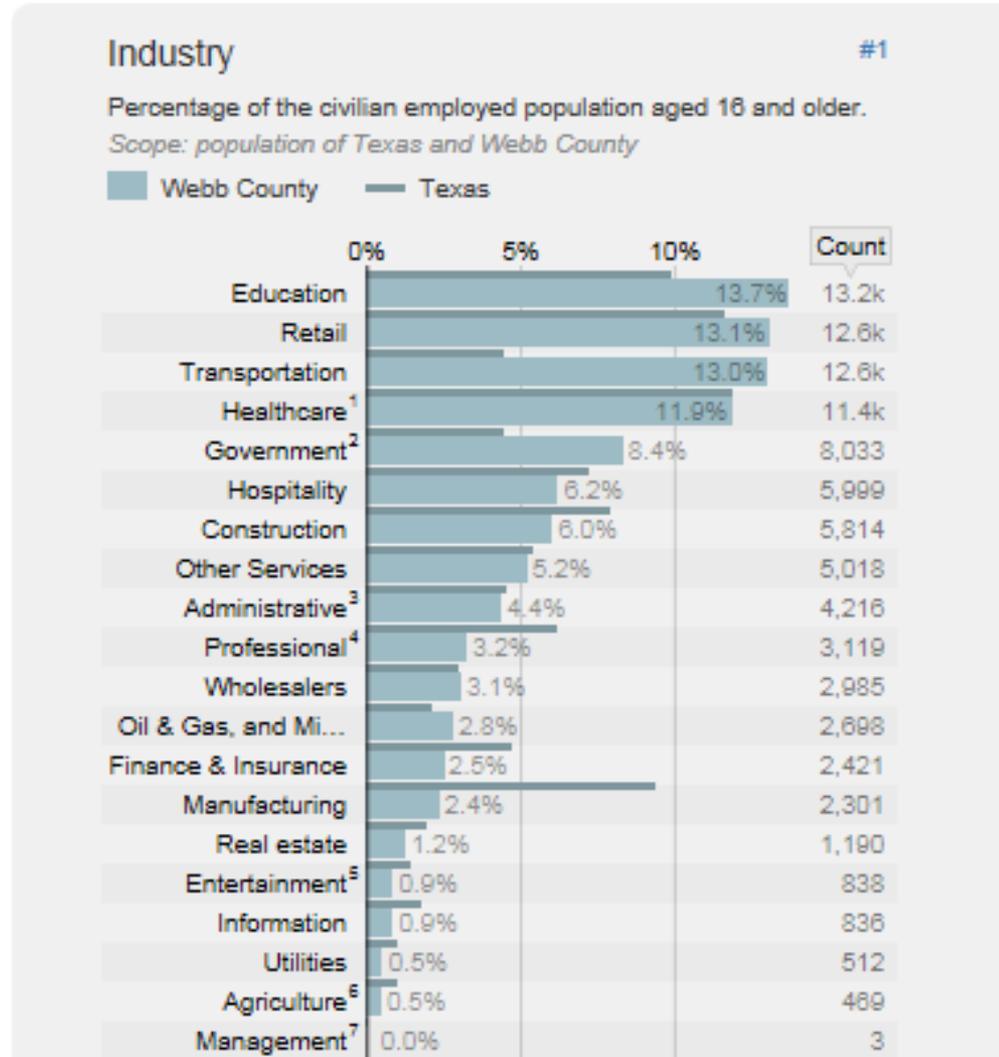


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- Retail creates jobs
- Any increases to prices could remove some advantages for consumers



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Hospitality Impact

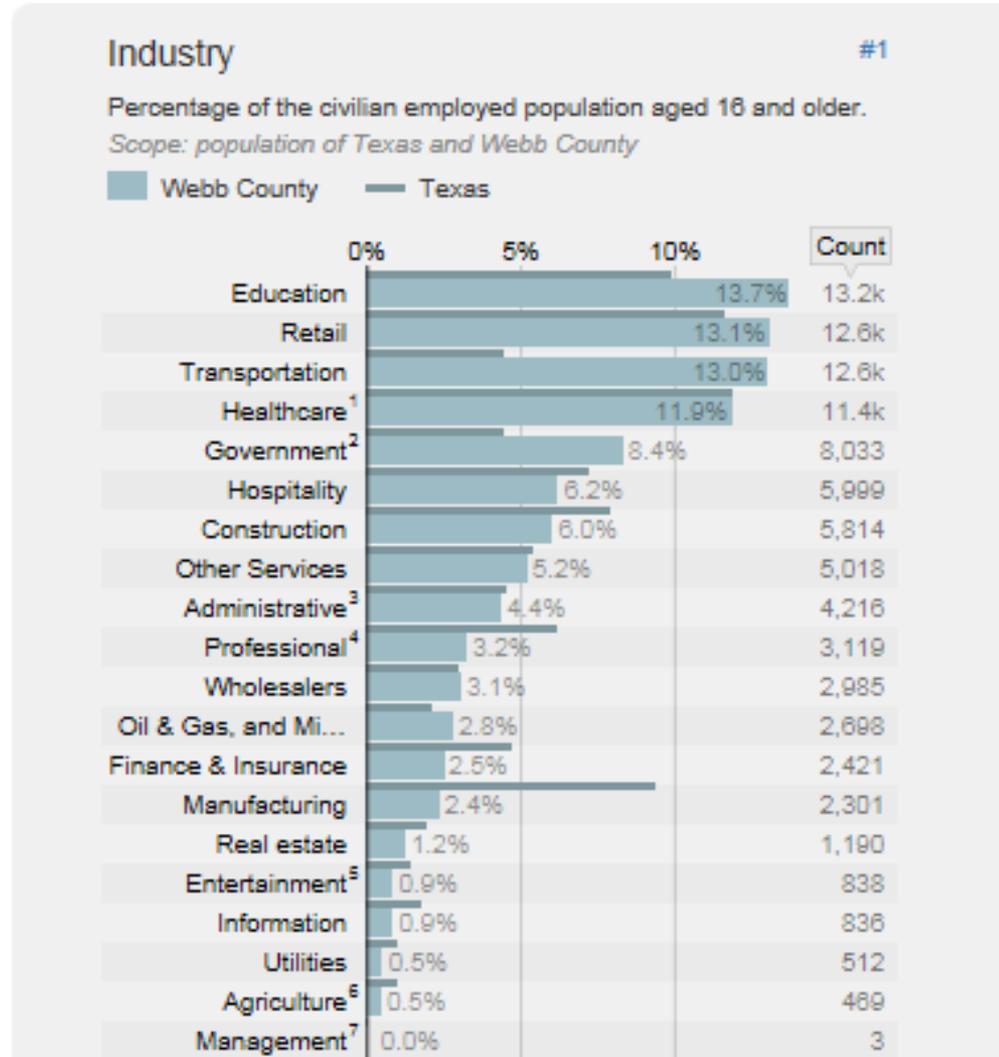


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- Hospitality creates jobs
- Hospitality and Retail are somewhat dependent on tourism



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Retail/Hospitality Impact & Tourism

U.S. Department of Commerce data:

- Mexico is the top origin for US tourist visits in 2016; over 20M tourists came in 2016
- More than 1 out of 4 international tourists to the US came from México
- Mexican tourists spend close to \$20B per year in the US
- In 2014, more international tourists to the US came from México than UK, Japan, Brazil, China, Germany and France combined!
- Thousands of US jobs in retail and hospitality depend on Mexican tourism

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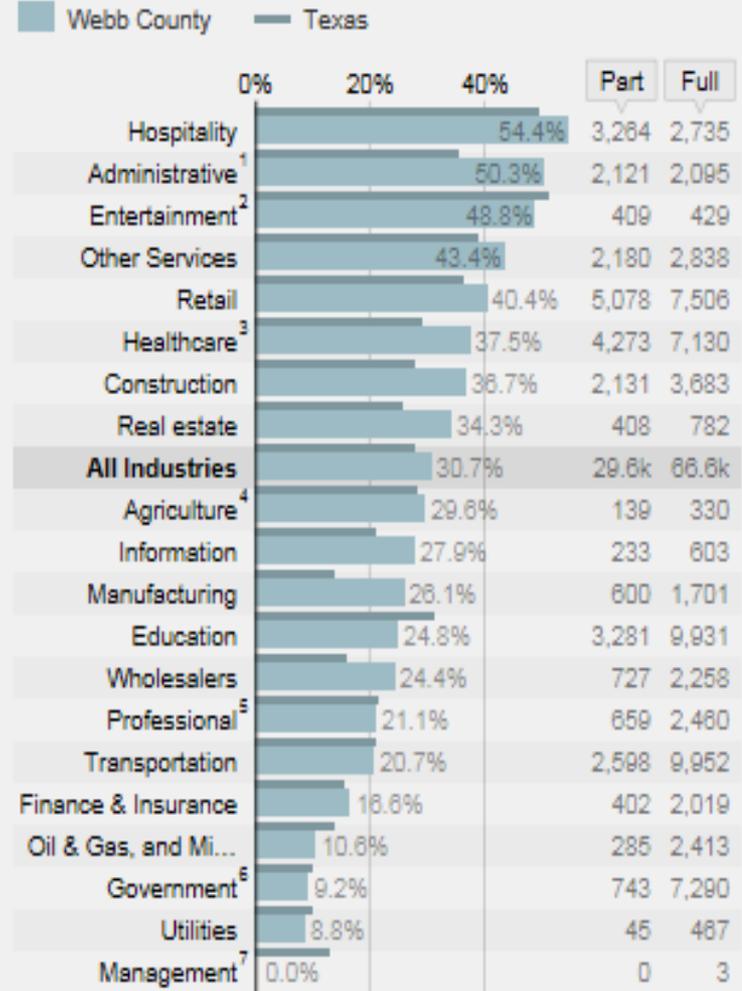
Retail/Hospitality Workers

- Work part-time
- Considered unskilled labor

Part Timers by Industry #4

Part time and seasonal workers as a percentage of total workforce within an industry.

Scope: population of Texas and Webb County



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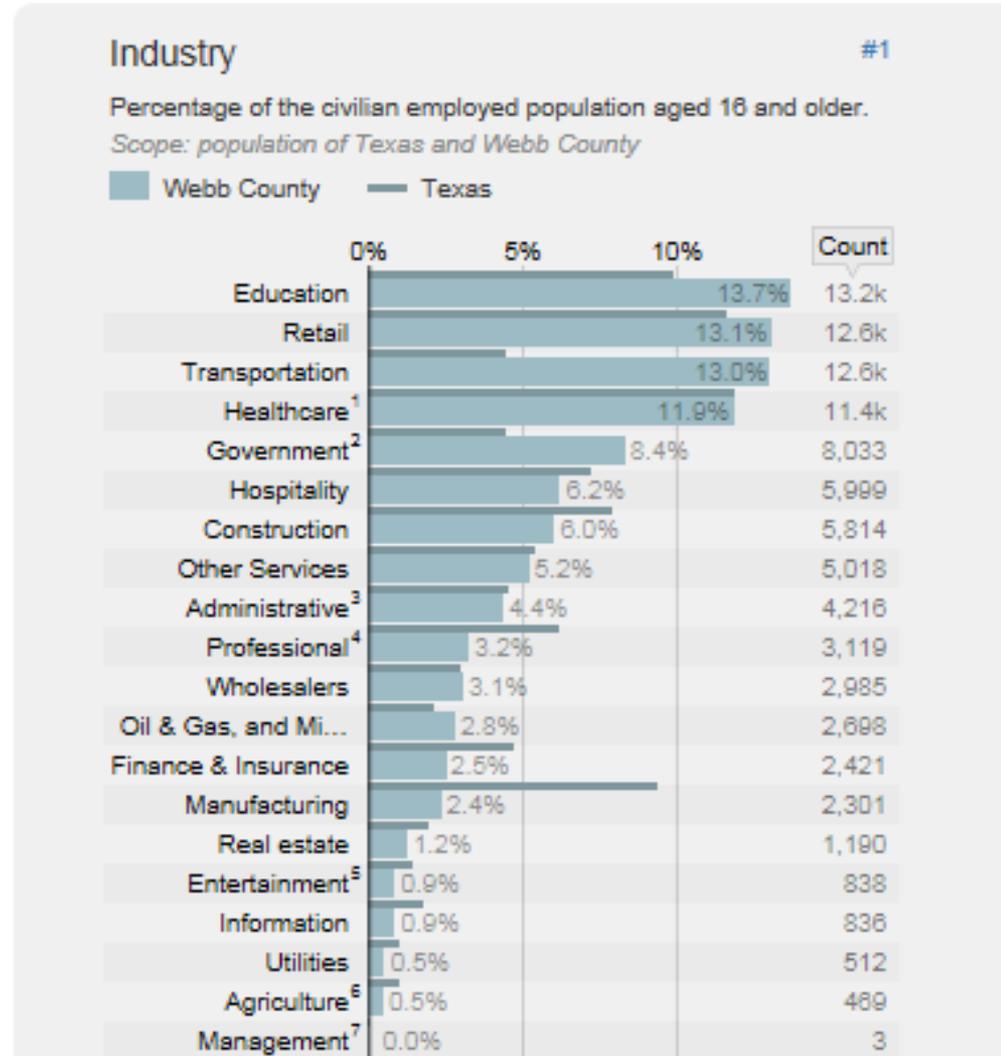
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Transportation Impact

- Impact on smaller firms
- Many logistics company owners start other businesses



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Entrepreneurs in the U.S.

2015 Kaufman Study data:

- *Immigrant entrepreneurs now account for 27.5 percent of all new entrepreneurs in the United States*
- *Rate of New Entrepreneurs being 0.53 percent for non-native, compared to 0.29 percent for the native-born.*

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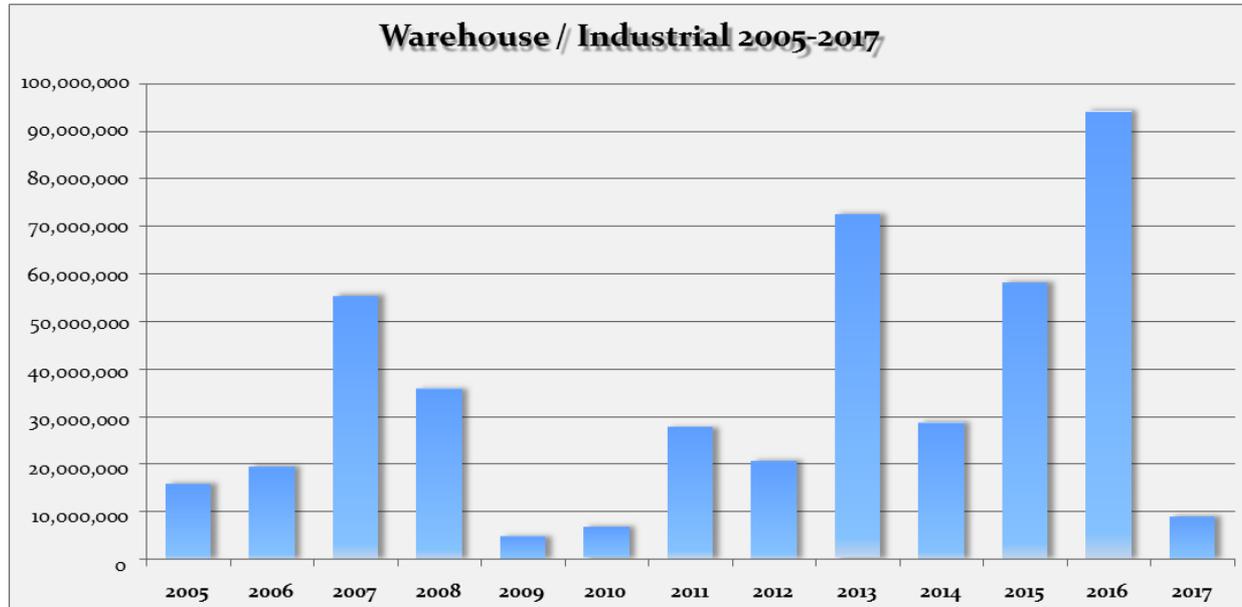
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Laredo Warehouse/Industrial Building Permits by \$ Value



Source: City of Laredo Building Department

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	% Variance
January	1,775,000	677,760	15,643,000	4,806,493	0	880,752	1,458,204	0	7,397,898	2,005,410	1,892,237	0	4,895,000	-100%
February	50,000	608,000	1,800,000	1,758,243	426,000	835,993	1,574,880	450,000	251,339	0	0	45,000	4,163,000	0%
March	0	1,097,752	814,404	918,000	1,380,000	0	871,875	1,560,000	738,000	220,000	7,431,000	6,186,000		-17%
April	118,400	1,771,740	6,340,085	1,691,930	0	374,850	168,000	11,084,992	10,264,800	55,080	30,600	17,845,000		58217%
May	4,900,000	5,974,900	573,206	3,852,620	0	750,000	0	2,838,825	5,396,260	64,757	0	1,133,256		0%
June	0	0	5,599,376	4,897,711	200,000	0	1,450,000	122,400	4,533,640	0	14,285,440	12,804,864		-10%
July	0	840,000	0	2,271,000	237,875	0	0	0	3,798,110	1,620,519	1,176,000	143,000		-88%
August	2,215,000	740,000	3,379,000	2,841,000	1,076,937	0	3,922,500	0	19,038,611	5,500,000	4,200,000	18,050,307		330%
September	2,050,000	1,370,000	12,087,283	0	0	0	7,155,000	4,091,175	5,357,877	4,592,750	2,108,442	183,500		-91%
October	0	2,830,404	2,010,800	12,308,420	1,350,000	0	235,000	578,572	14,297,000	142,087	23,469,771	23,200,000		-1%
November	747,840	2,268,750	4,681,280	0	0	3,120,020	10,820,750	0	1,349,627	11,460,000	2,850,000	5,500,000		93%
December	4,044,000	1,318,840	2,651,000	425,000	0	764,725	0	0	48,000	3,125,538	900,000	9,180,300		920%
YTD Total	15,900,240	19,498,146	55,579,434	35,770,417	4,670,812	6,726,340	27,656,209	20,725,964	72,471,162	28,786,141	58,343,490	94,271,227	9,058,000	
% Change	44%	23%	185%	35.6%	86.9%	44.0%	311.2%	25.1%	-249.7%	-151.8%	102.7%	61.6%	-90.4%	



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Real Estate Impacts

- Port Grande Project

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PHASE 1 CONCEPTUAL SITE PLAN

UNIROYAL DRIVE

CARRIERS DRIVE

PORT GRANDE FEATURES

- Up to 2 Million SF+ Buildings
- 5 - 500 Acre Sites Available
- Expansion Capabilities
- Immediate Access to Union Pacific Intermodal
- Fully Gated and Secured Buildings
- Future Lot Sales Available
- Direct Access to I-35 via Uniroyal or Carriers Drive
- Flexible Building Design for Specific Use Projects

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Real Estate Impacts

- White Elephants



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Perfect Storm

- Peso Valuation and NAFTA re-negotiation
- Factors making US spending by Mexican nationals prohibitive or increasing prices for all consumers
- Did we learn from the peso devaluation in '88, '95?
- What have we learned since the start of NAFTA?
- Have we diversified enough?

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Silver Lining in the Cloud



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- We Survive, We Adapt
- Trade will continue albeit modified
- Alternate Perfect Storm
 - Mutually Beneficial Trade Agreements
 - Increased border security = Border Patrol / Customs jobs
 - Tourists from both sides of border return



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Thank you!

¡Gracias!



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