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BORDERLAND BUSINESS LEADERS: TRADE DEAL PROVIDES NEEDED ECONOMIC CERTAINTY DURING COVID-19

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Local business leaders say that the new North American trade deal that took effect Wednesday will chart a path toward much-needed economic certainty during the COVID-19 pandemic, particularly for El Paso and the borderland.

“Nothing about the current situation is ideal,” Justin Yancy, President of the Texas Business Leadership Council, said. “[The United-States-Mexico-Canada Agreement] going into place will not fix all problems. But the more that we can rely on getting back to a normal situation of business without the threat of not having a trade agreement, businesses can start to have a much more predictable idea of where they can go and what they can do.”

The United-States-Mexico-Canada Agreement (USMCA) replaces the almost 25-year-old, trillion-dollar North American Free Trade Agreement (NAFTA). It has facilitated industrialization and economic growth at the United States-Mexico border in particular.

Mexico is Texas’ largest market. The state exported over \$109.7 billion in goods to Mexico in 2018, representing 35% of total goods exports, according to the Office of the U.S. Trade Representative.

El Paso contributes significantly to such trade. The El Paso-Juárez-Las Cruces region is the fifth-largest manufacturing hub in North America, and one in four jobs is connected to cross-border trade, according to the Borderplex Alliance, a non-partisan economic development organization.

Before COVID-19, the Borderplex Alliance estimated that the USMCA would create 30,000 to 50,000 jobs in the El Paso region within five years. Even given the pandemic, “the USMCA will allow our region to continue its pre-COVID upward trajectory of job growth,” Jon Barela, CEO of Borderplex Alliance, said. “Our region will lead in a resurgence of the American economy.”

The economy is still in a lurch, though. While the United States and Mexico have agreed on what manufacturing is essential, worker protections and safety standards are yet to be aligned in facilities on both sides of the border.

It remains possible that supply chains are disrupted and factory productivity slows as COVID-19 spreads through Texas and the borderland.

“Businesses need predictability and certainty if they’re going to make investments,” Yancy said. “No one would have ever predicted that the USMCA would be going into full force at this time.”

Moreover, non-essential businesses, such as those in retail and service, continue to be impacted by government restrictions on reopening and travel. Up to a third of El Paso’s retail-based trade comes from Mexico, according to the Borderplex Alliance. But local business leaders are glad that the new agreement is now in place, and optimistic about its role in restarting the economy.

“You can imagine how much more difficult a recovery would be without the prospect of something like reshoring jobs [from China],” John Meza, Vice President of Communications and Government Affairs at Borderplex Alliance, said. “[The USMCA] wasn’t a foregone conclusion.”

It stalled in Congress last year after Democrats, including El Paso’s Rep. Veronica Escobar, pushed for stronger labor and environmental regulations. Some environmental groups and unions still oppose the agreement, citing weak protections against job outsourcing and climate change.

However, the USMCA gained bipartisan support after its revision, especially in El Paso and Texas, where local economies depend on cross-border trade.

“This trade deal will help Texas farmers, small businesses and manufacturers,” Rep. Will Hurd (R-Texas) said in a statement. “This deal will also strengthen North American competitiveness, which will help the U.S. and our allies as we compete globally with China and other world powers.”