

Austin American-Statesman

BUSINESS LEADERS: NEW TRADE DEAL GOOD FOR TEXAS

Austin American-Statesman

December 10, 2019

By Bob Sechler

A bipartisan deal announced Tuesday over a new U.S. trade agreement with Mexico and Canada is winning accolades from Texas business leaders, partly because a possible alternative — no trade pact at all — has been viewed as a major threat to the state's economy.

Texas counts Mexico and Canada as top trading partners, so "it wouldn't be pretty" if the United States scrapped the existing deal governing trade on the continent, called the North American Free Trade Agreement, without a replacement, said **Justin Yancy, president of the Texas Business Leadership Council.**

"I would say (Texas) would see severe loss of jobs and investments and (reduced) growth of the economy" if a trade war filled the gap of a formal agreement, Yancy said.

But that cloud appears to have lifted, after House Speaker Nancy Pelosi said Tuesday that Democrats will support the latest version of the U.S.-Mexico-Canada Agreement, known as the USMCA. The proposed trade pact is viewed largely as a 21st century face-lift for the North American Free Trade Agreement, or NAFTA, rather than a complete rewrite.

Still, Tuesday's development is a victory for President Donald Trump, who as a candidate called NAFTA — the pact that has governed trade on the continent for the past 25 years — "the worst trade deal in history" and has vowed to kill it. The USMCA, which languished after an initial version agreed to by the three countries last year was criticized by Democrats, is its planned replacement.

Texas engages in \$217 billion annually in total trade with Mexico — tops among the U.S. states — and \$47.7 billion annually with Canada. Those numbers mean Texas has had plenty riding on the outcome of the trade pact debate.

"Fundamentally, this is a good day because 1 million Texans and their families depend on jobs due to trade with Mexico and Canada," Jeff Moseley, president of the Texas Association of Business, said Tuesday.

Moseley said the bipartisan USMCA deal "takes away the uncertainty" that has been overhanging those jobs and lifts a "chill" over potential new trade-related investment in the state.

Some Texas business leaders said Tuesday that economic activity in the state already has been crimped by the unsettled framework for trade with Mexico and Canada, a trend the new agreement should reverse.

"More than anything else, what has slowed down is the level of investment that perhaps companies were looking at making," said Gerald Schwebel, who heads the international division of Laredo-based IBC Bank. "It didn't come to a dead halt, but there has been a slowdown."

A vote in the U.S. House to ratify the USMCA is expected next week, followed by a vote in the Senate that has yet to be scheduled. Democrats agreed to support the plan Tuesday after the Trump administration acquiesced to provisions aimed at providing more protections for U.S. workers and the environment and governing the pharmaceutical industry, prompting Pelosi to call the deal a "victory for American workers."

Trump, a Republican, also heralded the pact, calling the USMCA "the best and most important trade deal ever made by the USA" on his Twitter account Tuesday.

"Good for everybody— Farmers, Manufacturers, Energy, Unions — tremendous support," Trump wrote. "Importantly, we will finally end our Country's worst Trade Deal, NAFTA!"

A number of advocates for Texas businesses agreed Tuesday that the new deal should be a boon for the state and nation, although they said NAFTA has brought substantial benefits as well.

"NAFTA was working, but it needed to be updated," Yancy said. "The real fear (was) going into a situation where the president might have pulled out of NAFTA" without a replacement.

He and others said provisions in the new pact regarding e-commerce should be a big plus for Texas, as should measures regarding oil and gas exploration and the agricultural sector.

But "the most important element of today is the removal of the uncertainty of whether the USMCA was going to go into effect or was going to be approved," Schwebel said. "That overhang was hurting us. We have been working under the veil of uncertainty, which is not good for any economy."

Trade representatives of the three countries signed the revised version of the new pact Tuesday.