

COMMENTARY

Congress must act on USMCA

By Dennis E. Nixon
IBC CEO, BOARD CHAIRMAN

There aren't many issues about which both Democrats and Republicans on Capitol Hill agree. And too many of our leaders in Washington would rather grapple with another round of outrage politics and attempt to score partisan points than engage their colleagues on constructive policies for the American people.

But what if there was an issue about which there is bipartisan agreement? And what if acting on that policy would enhance economic mobility and create job growth for all Americans?

That's the opportunity offered by the United States-Mexico-Canada Agreement (USMCA). Democrats and Republicans broadly acknowledge that the North American Free Trade Agreement (NAFTA), which USMCA will replace, is in dire need of revision.

NAFTA was implemented by the U.S. House and Senate and signed into law by President Bill Clinton in 1993. NAFTA went into effect before the explosion of the Internet economy, before the revolution in oil and gas production, before anyone had conceived of a smart phone, and led to the integration of the U.S., Mexican and Canadian economies in ways no one could have imagined 26 years ago.

U.S. trade with Mexico and Canada reached nearly \$1.4 trillion last year and supports 12 million American jobs in manufacturing, agriculture, technology and the service sector in all 50 states. USMCA takes all this and more into account, and brings our most important trade agreement with our closest neighbors into the 21st Century.

USMCA gives the United States the ability to compete and grow in the global economy. In fact, the White House estimates that USMCA would add half a percentage point to U.S. economic growth, create several hundred thousand jobs and spark up to \$100 billion in new investments.

Mexico ratified USMCA in June, and Canada began its ratification process in May. Yet here in the United States, Congress has taken limited action, and the clock is ticking. The window of opportunity for ratification effectively shuts at the end of this year - less than five months from now.

Whatever minor concerns some members of Congress may have about USMCA, they pale in comparison with the alternatives. One alternative to ratifying USMCA would be to continue our trade relations with Mexico and

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Canada under NAFTA. Most of us, however, would not choose to drive a car built in 1993, or use a computer or phone with two-decade-old technology. For the same reasons, the U.S. economy should not be harnessed to a trade agreement that innovation and technology have passed by.

A second alternative is even worse. If Congress fails to act, President Trump could withdraw the United States from NAFTA with the required six months' notice. At the end of the official notification period, trade relations with our nation's largest and second-largest trading partners would revert to pre-1994 terms, with increased tariffs and an increased probability of a trade war in which both American consumers and businesses would suffer.

Unlike NAFTA, USMCA contains enforceable core environmental and labor standards long sought by Democrats. Mexico's Congress has already passed labor reforms required by the agreement. These provisions in USMCA are more stringent than in any other U.S. trade agreement. Again, the alternatives are the currently unenforceable side agreements of NAFTA or - in the case of a withdrawal from NAFTA - no environmental or labor provisions whatsoever.

The continuation of the world's largest free trade agreement is essential in an increasingly competitive global economy. Now is the time for Congress to act in the best interests of the American people. Contact your representative and senators and ask them to set aside petty politics and do something sensible: ratify USMCA, and keep the United States and its neighbors on the path to prosperity.

Dennis E. Nixon is CEO of International Bank of Commerce in Laredo, and chairman of the board of International Bancshares Corporation.

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"WHY DOES THE UNITED STATES HAVE 99% OF THE MASS SHOOTINGS? IT'S A TOTAL MYSTERY."



COMMENTARY

USMCA benefits the United States

By Juan Carlos Mendoza Sánchez
CONSUL GENERAL OF MEXICO

According to the U.S. Chamber of Commerce, U.S. trade with Canada and Mexico under NAFTA has been a significant driver of economic growth. NAFTA is responsible of achieving good economic results for North America during the last 25 years.

Now it is time to move forward and ratify the USMCA, the new trade agreement that will modernize NAFTA and will open the door to increase competitiveness of North America.

NAFTA was not a mistake for the U.S., and Mexico is not the enemy of the U.S., but a strategic ally and a wonderful trade partner for the American economy.

The facts support the words. With two decades and a half since it was implemented in North America, NAFTA made trade quadruple in the region.

Data from the U.S. Chamber of Commerce shows that more than 125,000 small and medium-size U.S. businesses export to Mexico and Canada. This trade not only supports 14 million of U.S. jobs, according to the U.S. Chamber of Commerce, trade has developed substantial new opportunities for U.S. workers, farmers, consumers and businesses.

Additionally, NAFTA was a key factor to stop the massive migration of Mexicans to the US, which we saw during the last two decades of the 20th Century and the first decade of the 21st Century.

Thanks to NAFTA, Mexico was able to modernize its economy and its political system. This huge change in Mexico made possible the creation of

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new jobs and opportunities for Mexicans in Mexico.

A stronger Mexico will always benefit U.S. For instance, Mexico is now the most important trade partner of the U.S.

Mexico is the first trade partner of California, Arizona, Nuevo Mexico and Texas, and the second trade partner of 20 other states in the U.S. This reality has created new opportunities for people in both sides of the border.

U.S. investments in Mexico have contributed to the reduction of Mexican migration to the U.S. and increased competitiveness in American companies by reducing the costs of production.

In the opinion of the Office of the United States Trade Representative, the USMCA will support mutually beneficial trade, leading to freer markets, fairer trade, and robust economic growth in North America.

The update of NAFTA will prepare the North American region to face better conditions in commercial competence, like the powerful European Union and the countries of the Pacific Rim, including China and Japan.

From 1990 to 2007, the increase of U.S. trade with China was responsible for a 25 percent loss of jobs at the manufacturing sector in the U.S.

The US trade deficit

with Mexico is six times smaller than the deficit with China. Mexico buys a lot of products from the U.S., while China is mostly a seller.

NAFTA raised the competitiveness of the U.S. automotive industry with developing chains of value. Under NAFTA, U.S. and Mexico have been producing together.

A study by the Woodrow Wilson Center's Mexico Institute estimated that a car manufactured in Arlington, Texas, crosses the border at least eight times, before completing its manufacturing process.

Under the USMCA, country of origins rules require automobile parts be made by workers who earn at least \$16 dollar an hour by 2023. This new rule will strengthen the chains of value in North America and will protect the jobs in the region.

USMCA includes updates and important changes on Intellectual Property that will protect the rights of US companies, as well as support to financial services. A new chapter on digital trade was also included. This chapter was designed to regulate the current trade reality, that didn't exist 25 years ago when NAFTA was enforced; this will open huge opportunities and advantages for U.S. companies.

The USMCA will also

benefit Laredo. On Mar 22, 2019, the Board of Directors of the Laredo Chamber of Commerce passed a resolution in support of passage of the USMCA because trade with Mexico brings plenty of benefits to the city of Laredo.

For example, the unemployment rate for the city of Laredo and the county of Webb in 2018 wavered between 3.5 and 4.4 percent, compared to an average rate of 14 percent during the period extending from 1980 to 1993 before NAFTA.

NAFTA started on January 1, 1994 and brought Laredo plenty of benefits to Laredo, plenty of benefits linked to the growing of bilateral trade with Mexico.

Representative Henry Cuellar has been a champion for the agreement. Repeatedly, Cuellar has called on Congress to approve the trade deal set to replace NAFTA. According to Cuellar more than \$1.7 billion of trade between the two countries occurs every day, which results in jobs on both sides. Cuellar considers that U.S. and especially Texas agriculture benefits from the trade with Mexico, because U.S. sends billions of dollars of agricultural goods to Mexico.

On June 19, 2019, the Mexican Senate ratified the USMCA. Now it is the turn for the U.S. Congress to finish the work. It is better to ratify the USMCA this summer before the process becomes hostage of politicians and the 2020 election campaigns. The sooner, the better. Mexico did its job. Now it is the turn of the U.S. Congress to complete the passage of the USMCA.

Juan Carlos Mendoza Sánchez is the Consul General of Mexico in Laredo, Texas.

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