

Dallas Business Journal

Friday, September 11, 2009

Frontlines

Why Dallas needs Mexico as a trading partner

Mexican tariffs resulting from NAFTA discord are costing D-FW companies

Dallas Business Journal - by Tom Sanderson Contributing Writer

It's time we honor our free trade agreements — especially with our closest neighbor to the south, Mexico. With Dallas being the fourth-largest industrial market in the nation due to its central location, our city is strategically positioned to serve not only Mexico, but the rest of North America through its connection of major interstates, multiple airports, extensive rail systems and proximity to the Gulf of Mexico freight ports.

But there's a major roadblock, and that is a U.S. trade agreement violation that doesn't allow Mexican trucks on U.S. highways, and vice versa. The 1994 North American Free Trade Agreement, or NAFTA — which called for the free movement of truckers between the United States, Mexico and Canada to facilitate the transport of goods — has not been honored. Mexico retaliated in March after Congress violated NAFTA by eliminating the funding of a pilot program that allowed a limited number of Mexican trucks to cross over to the United States. Mexico slapped \$2.4 billion in tariffs on approximately 90 U.S. agricultural and manufactured exports. And it's costing our city dearly. According to Dallas-based **Mary Kay Inc.**, the tariffs add up to an extra \$450,000 a month for the cosmetics company.

This trade barrier poses a serious economic penalty on Dallas business. Eighty-five percent of the 90 U.S. exports targeted by Mexico are made or grown in Texas. It's hurting our international business — a driving force in Dallas' local economy, where trade has more than tripled in the last decade, totaling \$57 billion in 2007 in combined imports and exports between Mexico and Dallas.

This should not be a political issue, nor are there legitimate concerns about truck safety. There is overwhelming evidence that Mexican drivers are just as safety-conscious as American drivers. During the U.S. cross-border trucking demonstration pilot programs' 18 months of operation, which ended in March, 163 trucks crossed the border more than 45,000 times without a significant incident. The equipment is identical to the trucks and trailers bought and used in the United States by our own trucking companies. In fact, our businesses and consumers could save millions of dollars if trucks could go from facilities in one country to receiving docks in another without the costly process of loading, unloading and then reloading cargo at the border to switch from Mexican to American carriers.

The logistics business is focused on finding efficiencies and helping our customers keep transportation costs down. But cross-border trucking opponents falsely claim safety as the issue when their real concern is limiting competition and driving up costs. Exports are clearly down because of the new tariffs tacked on in mid-March. According to the Department of Transportation's Bureau of Transportation Statistics, June 2009 U.S.-Mexico surface transportation trade was down 21.8% as compared to June 2008 – and Texas was the leading state in surface trade with Mexico in June with \$6.8 billion in combined imports and exports. And as our third-largest trade partner, Mexico has the potential to open up vast opportunities for Dallas, or to close those opportunities by trading with other countries.

There is great opportunity for growth. Today's total cross-border movement is just a fraction of what could be done. Having access to Mexican trucks and drivers and conducting more trade is advantageous for growing Dallas as a centralized transportation hub—feeding freight to and receiving it from the rest of the United States. Mexico also represents a good testing ground for U.S. corporations thinking of selling products internationally. Violating our free trade agreements negatively affects transport carriers, manufacturers and retailers that want to do business with us.

Last month's, North American Leaders Summit that brought together the top leaders from Canada, the United States and Mexico yielded very little progress on reaching a solution to amend cross-border trading restrictions. U.S. Transportation Secretary, Ray LaHood said in May that he hoped to have a Mexican program reinstated. I support his view, but we need to do more than hope. We need to take action. NAFTA and free trade in general is a very good thing for Dallas. That is what our elected officials need to hear. Mexico means business, and the situation could worsen if our southern neighbor puts tariffs on even more commodities.

Dallas has already seen amazing growth and success under NAFTA, but more can be achieved from honoring our free trade agreements. We need to support and enforce NAFTA's provisions as the opportunities for Dallas are endless.

SANDERSON is president and CEO of Transplace, a Dallas-based provider of logistics technology and transportation management services. He is a 30-year veteran in his industry.