TIPRO 72nd Summer Conference Hyatt Hill Country Resort, San Antonio, Texas August 9, 2018

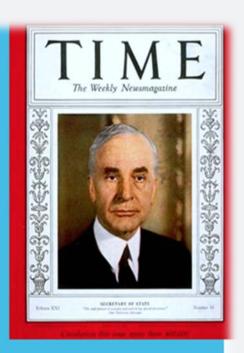


The Texas-Mexico Energy NEXUS "NAFTA's New Reality and New Possibilities"



Gerry Schwebel Executive Vice President International Bank of Commerce





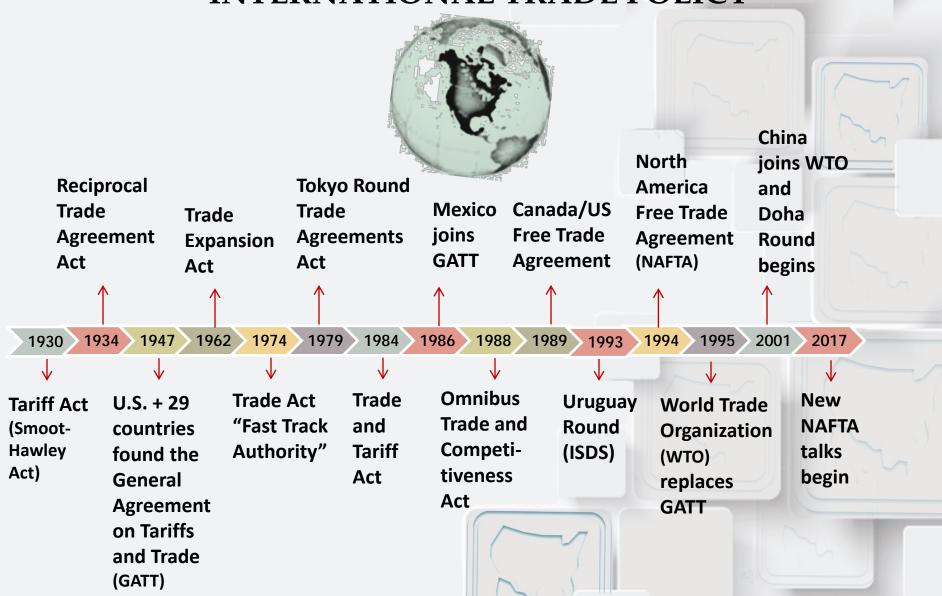
Toward 1916, I embraced the philosophy I carried throughout my twelve years as Secretary of State, into the Trade Agreements, into numerous speeches and statements addressed to this country and to the world. From then on, to me unhampered trade dovetailed with peace, high tariffs, trade barriers, and unfair economic competition, with war.

Memoirs of Cordell Hull, 1948



RECENT POLITICAL HISTORY OF INTERNATIONAL TRADE POLICY







PRIVATE SECTOR OBJECTIVES OF NAFTA 2.0

- Keep NAFTA a tri-lateral trade agreement
- Strengthen and modernize the three-country region to successfully compete with Europe and Asia
- Do no harm
- Act quickly
- Amend the agreement
- Engage the private sector







MODERNIZATION OF OF NAFTA





U.S INTERESTS

- Protectionism and the American worker
 "Trade Adjustment Assistance"
- Reduce the deficit
- Protected sectors:





POLITICAL CLIMATE THEN AND NOW

1993

 Three presidents support the creation of a North American Trade Bloc to compete with growing competition from Europe and Asia



- U.S. Congressional Votes:
 - House of Representatives: 234-200 (218 majority)

Yes: R-132; D-102

No: R-43; D-156

Senate: 61-38 (61 majority)

Yes: R-34; D-27 No: R-12: D-26

2018

U.S. Congress is polarized. Reaching agreement will be extremely difficult



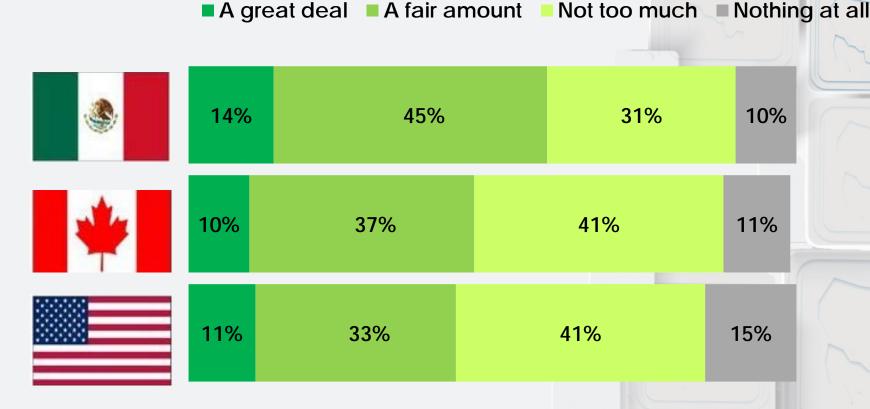
Leader are not in agreement





NAFTA POLL: MEXICO, CANADA, US

NAFTA TALKS AWARENESS



How much, if anything, have you heard about the ongoing talks to revise the North American Free Trade Agreement (NAFTA)?

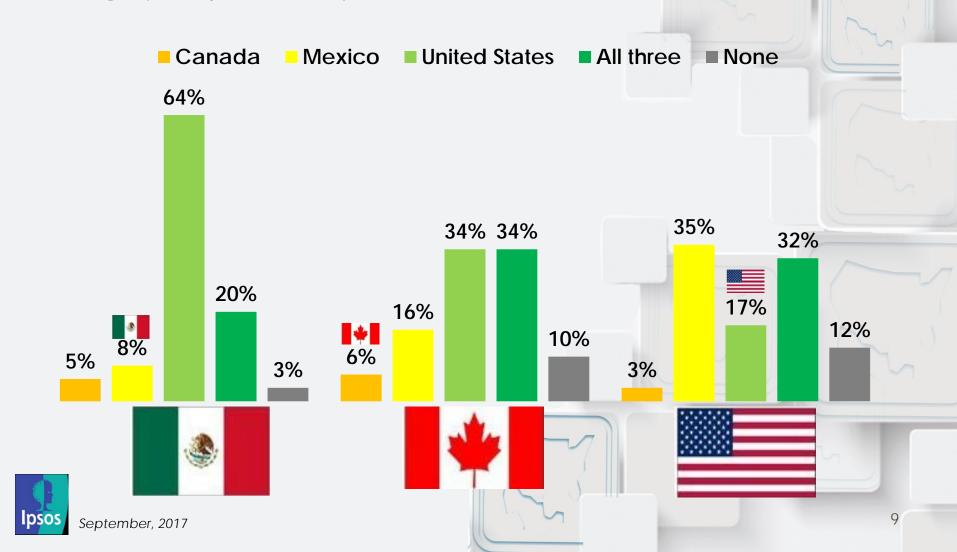


September, 2017

NAFTA POLL: MEXICO, CANADA, US



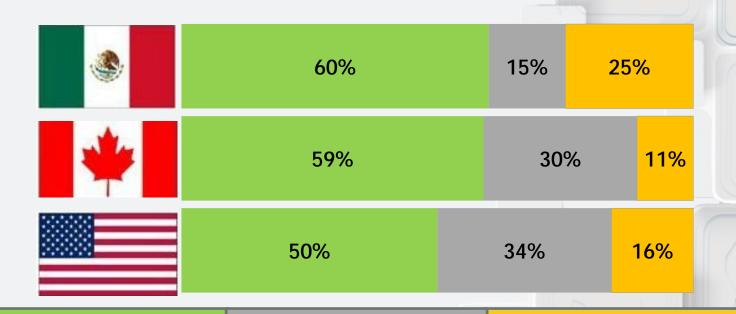
WHICH COUNTRY HAS BENEFITED MOST FROM NAFTA?





NAFTA POLL: MEXICO, CANADA, US

IF NEGOTIATIONS FAIL, WHAT WOULD YOU PREFER?



NAFTA should continue to exist as it is now, allowing free trade between the three countries under existing conditions

Don't know

NAFTA should be dismantled entirely, with no free trade between the three countries





U.S. NAFTA PLAYERS



Legislative Branch



Executive Branch



Private Sector





U.S. NAFTA PLAYERS

Legislative Branch

- Article1of the U.S. Constitution states that only Congress shall have the power "to regulate Commerce with Foreign nations ..."
- Also, it grants Congress "power to lay and collect taxes, duties, imposts and excises..."
- Congressional Committees of jurisdiction with NAFTA Oversight
 - Senate: Finance Committee (R-14; D-12)
 - House of Representatives: Ways & Means Committee (R-24; D-16)





U.S. NAFTA PLAYERS

Executive Branch

- Under the Reciprocal Trade Agreements Act of 1934, for the first time, Congress expressly delegated to the President an expanded trade agreement authority.
- Over the years, it has evolved and is now known as Trade Promotion Authority (TPA) or "fast track" in the vernacular. Reauthorized in June 2018.
- Executive Branch Cabinet
 - Secretary of Commerce/ U.S. Trade Representative.





U.S. NAFTA PLAYERS Private Sector

- Small to medium-sized businesses generate the largest number of all U.S. jobs.
- Built coalitions with trade organizations.







USMXECO CEO Dialogue



Private sector has a role. Employees have a role.

We all have a voice

Top Negotiators for the U.S.



Commerce Secretary Wilbur Ross



Trade Representative Robert Lighthizer



Assistant USTR John Melle





Top Negotiators for Mexico



Economy Minister Ildefonso Guajardo



Foreign Minister Luis Videgaray



Chief Technical Negotiator Kenneth Smith Ramos



Jesus Seade Kuri

Top Negotiators for Canada



Foreign Affairs Minister Chrystia Freeland



Ambassador to the U.S. David MacNaughton



Former Prime Minister Brian Mulroney





PRIVATE SECTOR STRATEGY

Lobby and Promotion

 Target those Congressional Committees with specific NAFTA review and oversight

Do no harm

- Remain focused on modernization
- Propose changes that will not require Congressional approval

Use the best practices

 Ideas already negotiated through the Trans-Pacific Partnership as a base for the revised agreement



- Trade Act of 1974 (Tokyo Round) U.S. Congress establishes mechanism to allow private sector participation in trade policy to reflect U.S. commercial and economic interests
- Formal advisory committee system was established consisting of 33 advisory committees – up to 1,000 total members
- Three tiers:
 - President's Advisory Committee for Trade Policy and Negotiations (ACTPN)
 - 2. Six policy advisory committees (appointed by USTR sometimes in conjunction with other Cabinet officers)
 - 3. 26 technical, sectoral, and functional advisory committees





- The 26 sectoral, functional and technical advisory committees are organized in two areas: industry and agriculture.
- Representatives of these committees are appointed jointly by the USTR and the Secretaries of Commerce and Agriculture.
- USTR/Department of Commerce Administered Committees, include:

Industry Functional Advisory Committee (IFAC)

IFAC 1: Customs Matters

IFAC 2: Standards

IFAC 3: Intellectual Property Rights

IFAC 4: Electronic Commerce





- The original 17 Industry Sector Advisory Committees and 4 Industry Functional Advisory Committees now become 14 Industry Technical Advisory Committees
- They are the basic formal committee structure of private sector participation in ALL negotiations involving U.S. trade policy and agreements
- Committee members are known as "cleared advisors"

Aerospace Equipment	Automotive Equipment & Capital Goods	
Consumer Goods	Energy and Energy Services	
Steel	Digital Economy	
Small and Minority Business	Services	
Textiles and Clothing	Customs Matters & Trade Facilitation	
Intellectual Property Rights	Standards & Technical Trade Barriers	
Chemicals, Pharmaceuticals, Health/Science Products & Services	Forrest Products, Building Materials, Construction and Nonferrous Metals	



February 2018 – Change to Industry Technical Advisory Committees

In addition to providing detailed policy and technical advice, information and recommendations to USTR on trade policy matters, the new change allows ITAC's to address:

- Market-access problems,
- Trade barriers,
- Tariffs,
- Discriminatory foreign procurement practices
- Information, marketing, and advocacy needs of their industry sector





Industry Sector/Technical Advisory Committees 17 Committees:

- Aerospace Equipment
- Capital Goods
- Chemical and Allied Product
- Consumer Goods
- Electronics and Instrumentation
- Energy
- Ferrous Ores and Metals
- Footwear, Leather & Leather Products
- Building Products & Other Materials

- Lumber and Wood Products
- Nonferrous Ores & Metals
- Paper and Paper Products
- Services
- Small and Minority Business
- Textiles and Apparel
- Wholesaling and Retailing
- Transportation, Construction & Agricultural Equipment







- Congress and USTR have also allowed other private sector actors to participate in the negotiations by providing input on specific topics. Lead Actors include:
 - U.S. Chamber of Commerce
 - U.S.-Mexico CEO Dialogue
 - U.S.-Mexico Economic Business Council
 - North America Economic Alliance
- They participate in briefings from USTR, Mexico and Canadian Negotiators, Mexican and Canadian Private Sector Business Committees and representatives from the Congressional Committees of Jurisdiction — House Ways and Means & Senate Finance Committees





- Trade Coalitions: Business Roundtable, National Foreign Trade Council, National Association of Manufacturers
- State Chambers of Commerce: Texas-Mexico Trade Coalition/Texas Association of Business
- CODEL's: Congressional delegations from Committee of Ways and Means and Senate Finance Committee
- Think Tanks: Wilson Center, Baker Institute, Peterson Institute, Cato Institute, etc.





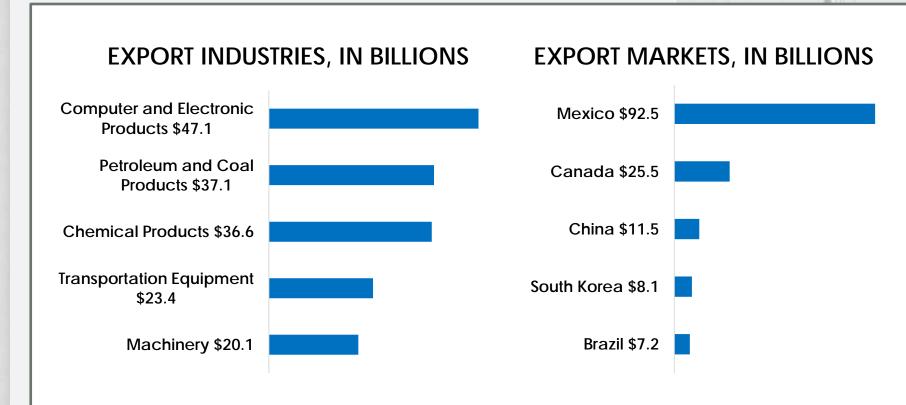


TEXAS AND INTERNATIONAL TRADE

- Texas' trade-related employment grew two times faster than total employment from 2004 to 2011.
- Texas' goods exports have grown two times faster than state GDP since 2002.
- 93% of Texas exporters are small and medium-sized companies with fewer than 500 workers.



TEXAS' LEADING EXPORTS 2016



Source: U.S. International Trade Administration. "Texas Exports, Jobs, and Foreign Investment." http://www.trade.gov/mas/ian/states/tx.pdf (accessed September 20, 2017).





LOBBYING AND PROMOTION





SENATE MAJORTIY WHIP JOHN CORNYN (TX)





LOBBYING AND PROMOTION



SENATOR MARCO RUBIO (FL)



SENATOR THOM TILLIS (NC)





LOBBYING AND PROMOTION



U.S./MEXICO CEO DIALOGUE





MEXICO CEO MEETING WITH TEXAS GOVERNOR GREG ABBOTT





TEXAS MEXICO TRADE COALITION





TEXAS-MEXICO TRADE COALITION



Jeff Moseley
CEO Texas Association of Business

Carlos Sada Solana
Mexico Undersecretary for North America

NEGOTIATION SCHEDULE (NAFTA ROUNDS)



NEGOTIATION ROUND	DATES	CITY
1	August 16 - 20, 2017	Washington DC
2	September 1- 5, 2017	Mexico City
3	September 23 – 27, 2017	Ottawa
4	October 11 – 15, 2017	Washington DC
5	November 17 – 21, 2017	Mexico City
Intersessional	December 11 – 16, 2017	Washington DC
6	January 23 – 29, 2018	Montreal
7	February 25 – March 5, 2018	Mexico City
Negotiations continuing July 25 - present		Washington DC



HOW ARE WE DOING...

9 Closed Chapters:

- 1. SMEs
- 2. Competition
- 3. Anticorruption
- 4. Good regulatory practices
- 5. Publication and administration
- 6. Competitiveness
- 7. Technical trade barriers
- 8.Telecommunications
- 9. Sanitary and phytosanitary measures

Closed annexed Sectors:

- 1. Energy efficiencies 2.Information and communication technology
- 3. Chemical substances
- 4. Patented food formulas
- 5. Medical devices
- 6. Pharmaceuticals

Near Closing:

- 1. Investments (section A)
- 2. Financial Services
- 3. Textiles
- 4. Market access
- 5. Customs
- 6. Environmental
- 7. Governmental
- Agencies
- 8. Energy
- 8. Commerce
- 9. Trans border trade services 10. Cosmetics





DELICATE TOPICS



Commercial Deficit



Commercial re-balance via expansion of commerce, no restrictions

Dispute Settlement

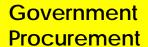


Chapter 19, modifiy and improve chapter 11 and 20 of the Agreement

Rules of Origin



Avoid destroying regional supply chains, especially the automotive





Open access





Maintain NAFTA provisions

Agricultural Trade Restrictions



There will be no negotiation on administered trade in the agricultural sector

Sunset Clause



Mexico will not negotiate a clause that generates uncertainty

Inconsistent position from the U.S.

Automotive ROO
Its instructions requires
certainty



Sunset Clause
Its application generates
uncertainty



PRAGMATISM TO SOLVE CURRENT IMPASSE ON NAFTA

- A pragmatic deal:
 - Addresses the automotive challenge
 - Puts aside other matters where differences are too wide to reach an agreement
- Agree on changes to NAFTA that would not require a vote in the U.S. Congress:
 - o Rewrite rules of origin for autos
 - Foster job creation for U.S. manufacturing jobs: cars, steel, aluminum, among others
 - Guarantee access for U.S. agriculture top export markets: Mexico and Canada
 - Lock-in Mexican reforms in energy, financial services and telecommunications



THREATS TO NAFTA

Private Sector Apathy

- Lack of strategy to protect and modernize NAFTA
- In 1993 there was a NAFTA coalition coordinating private sector strategy

Demographics and Technology

Friends and foes of Globalization

Public Security

 Global threats require "Common Sense Solutions" / Shared Responsibility

Politics

- Polorized Congress in the United States
- New government in Mexico
- Changes to government in Canada



COMMON SENSE BORDER SECURITY SOLUTIONS

THOUGHTS FROM DENNIS E. NIXON

UPDATED APRIL 2018

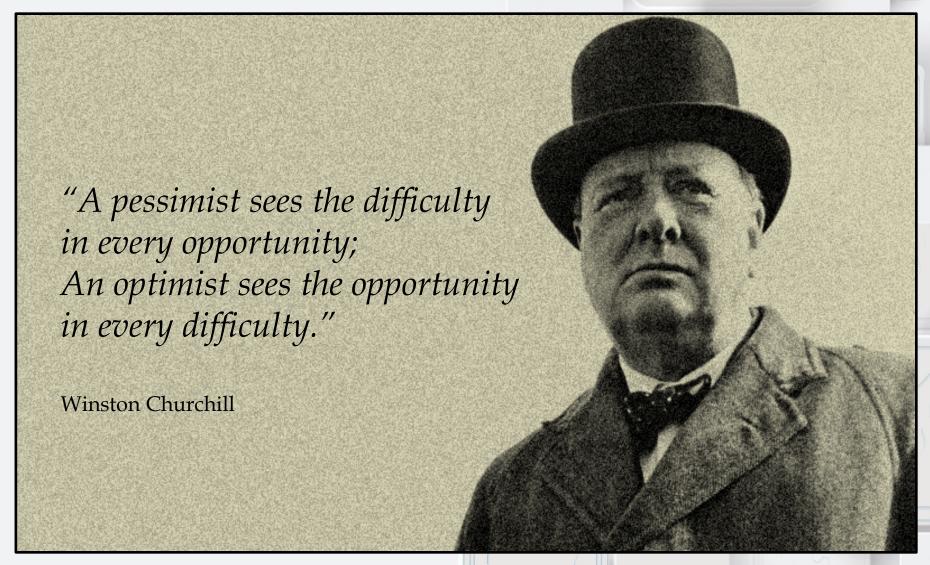




POLITICAL RISK

- NAFTA is fundamental to keep a trusted and stable neighbor to the South
- NAFTA is a deterrent to populist policies
- The United States needs a neighbor committed against terrorism, drug trafficking and third country illegal migration
- NAFTA is a commitment to maintain an open and transparent economy and trading system
- Governments do not trade, people trade







"You cannot remain a spectator.

If you do not get involved, those who do will determine your future."

Dennis E. Nixon, Chairman International Bancshares Corporation









SUPPORTS

NAFTA

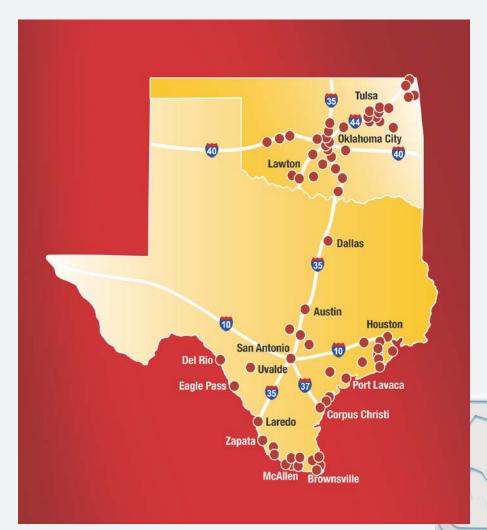






FDIC MEMBER FDIC/INTERNATIONAL BANCSHARES CORPORATION





THANK YOU