



Board of Supervisors Memorandum

March 21, 2017

Resolution 2017-____, Pima County Resolution in Support of Trade with Mexico and in Opposition to Newly Proposed Federal Taxes and Tariffs on Cross-border Trade

Background

Arizona, Pima County and Mexico have an historical relationship. In fact, most of southern Arizona was Mexico until 1854 when the Gadsden Purchase transferred southern Arizona to the United States. Our culture is intertwined with the culture of Mexico.

Our economic ties are contemporary as enumerated in Chapter 8 of the Board of Supervisors adopted Economic Development Plan. Chapter 8 discusses the importance of maintaining a close, cooperative relationship with Mexico as a trading partner and partner in economic development and growth on both sides of the border. Mexico is the third largest trading partner for the United States and the first for Arizona. Total trade in 2015 was \$532 billion; and in 2015, Arizona's exports to Mexico were nearly \$9.2 billion. We cannot support changing federal policies that seem founded in rhetoric rather than fact and that do not articulate our beneficial, documented relationship with Mexico regarding economic benefit.

Economic scholars and practitioners have documented the false economy of creating or establishing any border taxes or tariffs. It is critical that all local governments, including the counties in Arizona and others, articulate their opposition to any action that will impede, restrict or retard free trade between the United States and Mexico, the State of Arizona and the State of Sonora, and Pima County with all of Mexico.

In January this year, Pima County received a visit from former Mexico President Vicente Fox. During his visit, he reaffirmed Mexico's desire to cooperate fully in trade, educational exchanges and other activities with the United States, including Mexico's entry into technology revolution by supporting the Mexico startup parallel to Startup Tucson.

Recommendation

I recommend the Board of Supervisors adopt Resolution 2017-____, Pima County Resolution in Support of Trade with Mexico and in Opposition to Newly Proposed Federal Taxes and Tariffs on Cross-border Trade, and forward the Resolution to the members of Arizona's Congressional Delegation, the County Supervisors Association and the Arizona Border Counties Coalition.

Respectfully submitted,

C.H. Huckelberry
County Administrator

CHH/mjk – March 13, 2017
Attachment

RESOLUTION 2017-_____

**PIMA COUNTY RESOLUTION IN SUPPORT OF TRADE WITH MEXICO AND IN
OPPOSITION TO NEWLY PROPOSED FEDERAL TAXES AND TARIFFS ON CROSS-
BORDER TRADE**

The Board of Supervisors of Pima County, Arizona finds:

1. Pima County has implemented a comprehensive economic development plan to promote economic development, job growth, higher wages and increased wealth within our region.
2. A critical component of the Pima County Economic Development Plan is the cross-border trade with Mexico and Canada facilitated by the North American Free Trade Agreement, more commonly referred to as NAFTA.
3. Pima County has a long history of bilateral trade with Mexico and cultural ties that extend throughout the Pima County business community, which is deeply intertwined and dependent on trade with our NAFTA partners.
4. Pima County is facilitating the creation of the Arizona Border Counties Coalition, an affiliation with Cochise, Santa Cruz and Yuma Counties that seeks to advance economic development and trade opportunities along the Arizona-Mexico border and address disproportionate federal fiscal cost transfers to border counties.
5. On December 21, 2016, the Arizona District Export Council sent letters to the Arizona Congressional delegation signed by 22 statewide business and trade associations, including Sun Corridor Inc., Visit Tucson and the Tucson Hispanic Chamber of Commerce, urging the support of rational and reasonable trade policies that strengthen the state's economy.
6. On February 22, 2017, the Arizona District Export Council hosted a private meeting between Arizona's congressional delegation and 50 business and economic development leaders, including representatives from Pima County, Sun Corridor Inc. and Visit Tucson, in which the state's business leaders expressed concern about implementation of a Border Adjustment Tax or increased tariffs on Mexico and urged caution in renegotiating NAFTA.
7. According to The University of Arizona's Economic and Business Research Center, Arizona maintained a net trade surplus with Mexico of \$870 million in 2016 and Mexico remains the state's top trade partner.
8. Numerous manufacturers located in Pima County and throughout Arizona are part of supply chains in Mexico that contribute to finished product that are then exported around the world from Pima County and Arizona.
9. Economists consider exports to be a key driver of regional economic growth because they bring new money into a regional economy and, through direct and induced effects, support a multitude of other businesses and generally pay higher wages that contribute to a higher living standard.

10. President Donald Trump has repeatedly made statements regarding a possible repeal or major changes to NAFTA, the imposition of unilateral tariffs on Mexico and other steps that would curtail trade.
11. The leadership of the United States House of Representatives is reportedly finalizing a federal tax bill that would include a Border Adjustment Tax, which would negatively impact manufacturers and export-based business in Pima County and the well-paying jobs they provide.
12. Additional tariffs and taxes targeted at Mexico would likely result in retaliatory tariffs and taxes being placed on American exports to Mexico, resulting in the destabilization of Pima County's vital trade and tourism relationship with Mexico and severely curtailing business and job growth in Pima County.

NOW, THEREFORE, BE IT RESOLVED THAT,

1. The Pima County Board of Supervisors recognizes and supports the important business, trade and cultural ties between Pima County and Mexico.
2. The Pima County Board of Supervisors supports a moderate, engaged and fair approach to the United States' trade relationship with Mexico and Canada through the trilateral framework of NAFTA.
3. The Pima County Board of Supervisors opposes the imposition of a Border Adjustment Tax or any additional tariffs that would curtail Mexican trade and have a deleterious effect on the economy and job creation efforts of Pima County.

Passed and adopted by the Pima County Board of Supervisors this ____ day of March, 2017.

Chair, Pima County Board of Supervisors

ATTEST

APPROVED AS TO FORM

Clerk of the Board

Deputy County Attorney

TOM WEAVER