

## TEXAS ECONOMY CAUGHT IN THE CROSSFIRE OF TRUMP'S GROWING TRADE WAR

By James Osborne, Washington Bureau  
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Texas, long a hub for international trade, is caught in the middle of a potentially devastating trade war as President Donald Trump moves ahead with his longstanding threat to place 25% tariffs on imports from Mexico and Canada and an additional 10% tariff on those from China.

Almost \$450 billion in exports traveled from Texas to nations around the globe in 2023, more than any state in the country, according to the Office of the U.S. Trade Representative. Almost a third of those exports went to Mexico, totaling \$129.5 billion in goods and services, followed by Canada at \$35.9 billion, Netherlands at \$26.6 billion and China at \$26.5 billion.

That relationship has even some Trump allies in the Texas government concerned. Ahead of Trump's inauguration in January, Texas Comptroller Glenn Hagar, a Republican, cautioned that tariffs could bring "ripple effects" within the state's economy.

"Texas is very tied to the international economy," he said. "We'll continue to watch it, and we'll definitely update the Legislature and the public on how we think it might impact the economy when we see whatever that will be."

Texas business leaders cautioned Tuesday that the tariffs threatened to damage the state's economy and called for the Trump administration to, "find a balanced path forward."

"The imposition of these tariffs on our neighboring countries will disrupt supply chains, increase costs for businesses and families, and create unnecessary barriers to economic cooperation," said [Justin Yancy](#), president of the [Texas Business Leadership Council](#).

Already, China has announced a laundry list of counter measures, including a 15% tariff on U.S. agricultural goods like cotton and chickens, according to media reports. Cotton was Texas' largest agricultural export in 2023, at \$3.3 billion, and the state also exported \$355 million in chicken meat.

"Farmers support the goals of ensuring security and fair trade with other nations, but additional tariffs, along with expected retaliatory tariffs, will take a toll on rural America," American Farm Bureau Federation President Zippy Duvall said in a statement.

Canadian Prime Minister Justin Trudeau announced tariffs on \$20.7 billion in U.S. goods, increasing to \$86.2 billion by March 25. And government officials there have threatened to cut off Canadian energy supplies to the United States.

In 2023, the United States imported more than 50% of its oil from Canada and 11% from Mexico, prompting warnings from U.S. oil companies that fuel prices could be driven up by the tariffs.

Mexico's President Claudia Sheinbaum said Tuesday she would announce retaliatory tariffs on American imports into Mexico on Sunday.

The White House says the tariffs are intended to stop the flow of fentanyl and other illegal drugs into the United States, which has driven an epidemic of addiction and overdoses across much of the country. But in social media posts Tuesday, Trump indicated there were also larger trade issues at play.

"Canada doesn't allow American Banks to do business in Canada, but their banks flood the American Market. Oh, that seems fair to me, doesn't it?," he wrote on Truth Social.

How the tariffs and counter tariffs play out this time around is a matter of some speculation. During Trump's trade war with China in his first term, consumer prices rose in the United States but did not have the larger economic impact many feared, according to a 2021 study by the non-profit National Bureau of Economic Research.

But the risks for Texas are high. The tariff on Mexican goods alone is likely to impact everything from oil refineries around Houston that process Mexican crude to the Toyota plant in San Antonio that relies on Mexican parts to make Tundra pickup trucks and Sequoia SUVs — not to mention the state's Tex-Mex restaurants that rely on Mexican avocados for guacamole.

In December, the Perryman Group, an economic research firm in Waco, estimated that a 25% tariff on Mexican products would cost the Texas economy \$145 billion, with the biggest hits coming to the manufacturing and retail sectors.