

TRADE WAR ESCALATION: TEXAS TO FACE THE BIGGEST BLOW FROM TRUMP'S TARIFFS

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Texas stands to take the hardest hit of any state under the Trump tariffs on Mexico, Canada and China, leaving businesses and consumers bracing for higher prices and economic fallout.

Why it matters: If foreign goods cost 25% more, someone has to absorb the difference — either businesses or consumers.

- Some estimates suggest the new tariffs could cost the average U.S. household \$830 a year — and that's before factoring in likely retaliatory tariffs from Canada, China and Mexico.

State of play: President Trump triggered a global trade war with the biggest U.S. trade partners on Tuesday by slapping 25% tariffs on exports from Canada and Mexico and 20% on China.

- The tariffs on imported goods could cost the Texas economy an estimated \$47 billion, per economic research firm Trade Partnership Worldwide.

The big picture: The tariffs will affect big-ticket items like cars and machinery, but also consumer staples — everything from groceries to beer and oats.

- The impact will be especially sharp on goods that are harder to produce domestically, including agricultural products.

The other side: Trump campaigned on using tariffs to revive domestic industries.

Threat level: Because Texas is deeply integrated with supply chains — from Mexico, in particular — the state will more heavily feel the strain, Tony Payan, the director of the Center for the U.S. and Mexico at the Baker Institute, tells Axios.

- "Because Texas is the origin, destination or transit point of two-thirds of binational trade, clearly, Texas will be more affected than other states that are not as integrated," he says.

What they're saying: "Texas values the strong economic partnerships we have built with Mexico and Canada, our two largest trading partners," Justin Yancy, president of the Texas Business Leadership Council said in a statement.

- "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," Yancy added.

Glenn Hamer, president and CEO of the Texas Association of Business, told Texas Public Radio that his organization is very concerned tariffs will "harm what has been record employment in the state of Texas."

- "And I'll also say we're concerned for the consumer," Hamer added.

Case in point: Texas-based automotive giants General Motors in Arlington and Toyota in San Antonio face mounting pressure. Arlington Mayor Jim Ross and San Antonio Mayor Ron Nirenberg warn that rising production costs could lead to higher car prices, weakened demand and potential job losses in their cities.

Zoom in: China is Houston's top trade partner, followed by Mexico, with \$31.8 billion and \$28.7 billion, respectively, in trade value in 2023, according to the Greater Houston Partnership.

- If Mexico retaliates with its own tariffs, Houston's oil and gas industry — which supplies oil to Mexico — will take a hit, Payan says.

What we're watching: How the cards fall, how businesses respond, which countries retaliate and how it'll impact Americans wallets.