Overview

The Center for North American Studies (CNAS) used the economic input-output model Impact Analysis for Planning (IMPLAN) to estimate a baseline of the economic activity in the border county region of Texas. CNAS also used WISERTrade to assemble the value of trade flows through Texas ports which border Mexico. From this baseline of information, the economic impacts of realized and potential changes in trade patterns, disruptions, and other factors on border counties in Texas can be estimated.

IMPLAN utilizes economic multipliers for each sector of the economy to estimate how a change in one sector of the economy affects economic activity in all other sectors. This model reports economic impacts including business activity, income and employment. With IMPLAN, the total impact of U.S.-Mexico trade on the total border county economies, and the border county economies of the state can be estimated.

The current baseline covers two different study areas: fifteen border counties of Texas combined and each county individually; and four border regions including the Lower Rio Grande Valley, Middle Rio Grande Valley, Upper Rio Grande Valley and the Webb and Zapata counties combined area. In the future, an additional study area will consist of the five Texas congressional districts (CD15, CD16, CD23, CD27, and CD28) that represent the border counties.

Baseline economic impacts have been estimated for each of the study areas and the top 25 industries identified in those border economies. Eventually, CNAS plans to develop a spreadsheet and database which will allow BTA or other business groups to understand and communicate the impacts of a trade disruption on the industries and their communities. The database and IMPLAN will also be used to estimate long term impacts on border communities of projected increases and/or decreases in border trade and other border economic activity.

Snapshot of the Economic Baseline of the Texas Border Region

The border region of Texas consists of fifteen counties, which have been divided into four sub-regions. These counties, by sub-region, are:

> Lower Rio Grande Valley (LRGV) – Cameron, Hidalgo, Starr and Willacy;
> Webb/Zapata – Webb and Zapata;
> Middle Rio Grande Valley (MRGV) – Kinney, Maverick, and Val Verde; and
> Upper Rio Grande Valley (URGV) – Brewster, El Paso, Hudspeth, Jeff Davis, Presidio, and Terrell.

As estimated by IMPLAN, the total industry output of the entire fifteen-county region is $81.4 billion, with over 916,000 employees and total income from all sources of $47.2 billion. (table 1) In terms of industry output, the largest sector is Owner-occupied dwellings, followed by State and Local Education, Real Estate, Wholesale Trade, and Food Services and Drinking Places. The total income figures are identified with each of these five sectors with the exception of Food Services and Drinking Places. However, employment is fairly divergent, led by State & Local Education, Food Services and Drinking Places, Home Health Care Services, State & Local Non-education, and Agricultural Production and Support Activities.

When considering the border region by sub-region, the sub-region with the highest economic output is the URGV at $39.5 billion, followed by the LRGV ($31.1 billion), Webb/Zapata ($8.1 billion), and the MRGV ($2.7 billion). This is also the same ranking as for total income. The LRGV, however, is largest in terms of employment, with 416,500 jobs, followed by URGV at 359,000.

The border region is also diverse. The sector with the highest economic output in the URGV is Real Estate. In the LRGV it is Owner-occupied Dwelling, in Webb/Zapata it is Truck Transportation, and in the MRGV it is Federal Non-military. Another way to illustrate this is by looking at a single sector by sub-region. While combined Agricultural Production/Support Activities rank 9th in MRGV, 10th in LRGV, and 11th in URGV, it ranks only 28th in the Webb/Zapata region.

Finally, during 2006, $88.1 billion of U.S. products were exported to Mexico via the ports located in the Texas-Mexico border region. This represents nearly two-thirds of all U.S. exports to Mexico. Laredo saw the transport of $45.9 billion of U.S. exports to Mexico, while El Paso accounted for $21.0 billion. Other important Texas border ports include Hidalgo, Brownsville-Cameron, Eagle Pass, and Del Rio.

Conclusion

Clearly, the U.S.-Mexico border region of Texas has a vibrant, diverse economy. However, many issues, events, and regulations have the potential to significantly impact the border economy, both in positive and negative ways. Development of a sound methodology to estimate the economic impacts of impending and potential regulatory and other changes to the border economy would be beneficial not only to those who work and live in border communities, but also to businesspeople, perspective investors, and policy makers throughout Texas and the United States.
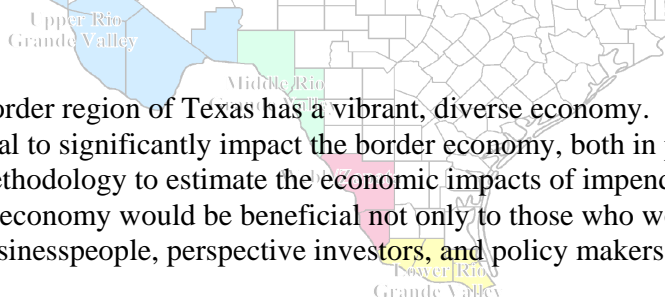
Table 1: Synopsis of the Economic Activity in the Border Region of Texas, 2004			
Category	**Industry Output**	**Total Income**	**Employment**
	(Million Dollars)		*(Number of Jobs)*
Fifteen-County Border Region	$81,357	$47,236	916,277
Leading Output Sectors			
Owner-Occupied Dwellings	$4,466	$3,664	N/A
State & Local Education	$4,106	$4,106	113,540
Real Estate	$3,292	$2,305	23,550
Wholesale Trade	$3,181	$2,175	26,643
Food Services and Drinking Places	$2,720	$1,188	64,365
Economic Activity by Sub-Region			
Upper Rio Grande Valley	$39,454	$22,058	359,003
Lower Rio Grande Valley	$31,050	$18,153	416,511
Webb/Zapata	$8,116	$5,181	103,091
Middle Rio Grande Valley	$2,736	$1,844	37,673
Source: IMPLAN, as compiled by Center for North American Studies			