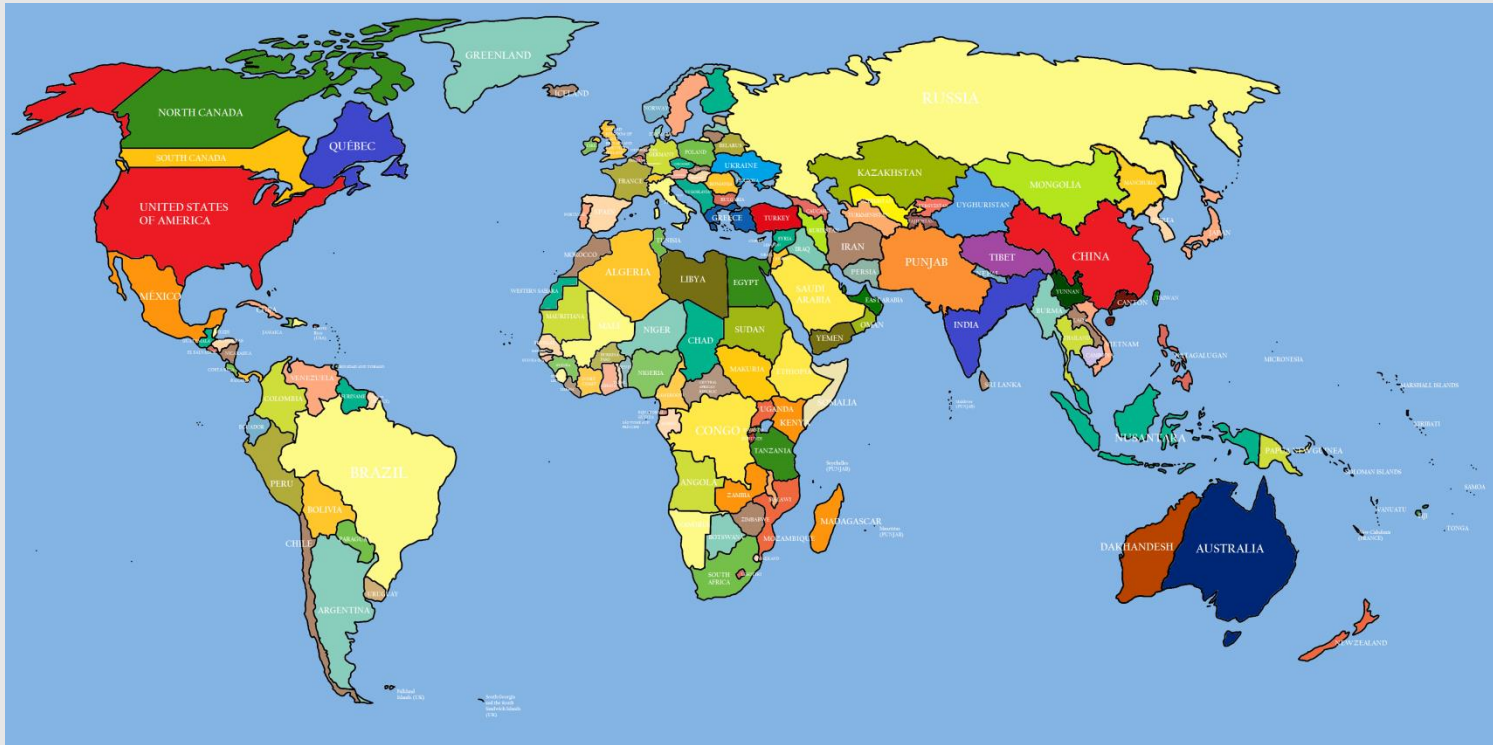




WHAT ARE THE MAJOR FACTORS/TRENDS?

Global Trade Patterns



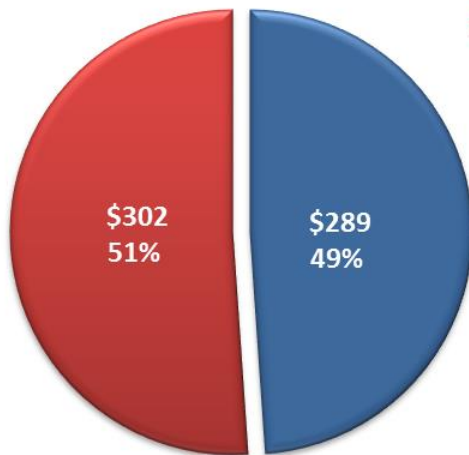


TRADE DATA TRENDS

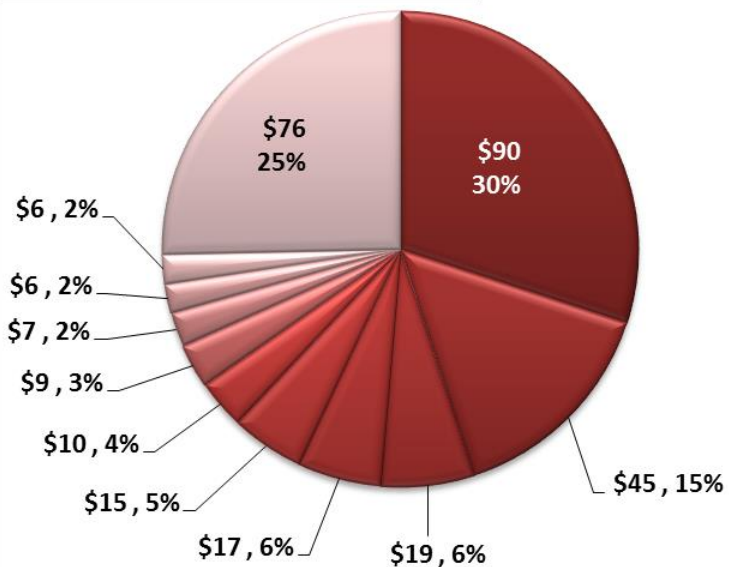
Texas Trade and Major Trading Partners

■ 2014 Texas Exports
■ 2014 Texas Imports

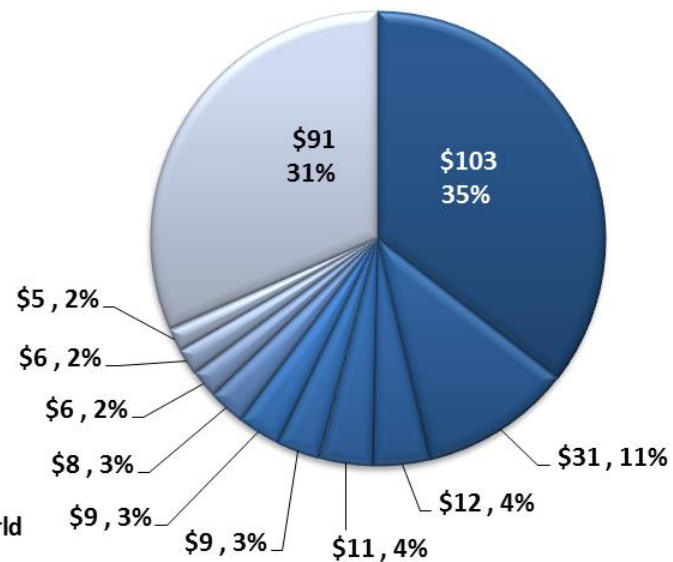
Imports



Exports



- | | |
|-----------------|---------------------|
| ■ Mexico | ■ Mexico |
| ■ China | ■ Canada |
| ■ Saudi Arabia | ■ China |
| ■ Canada | ■ South Korea |
| ■ Venezuela | ■ Brazil |
| ■ Korea, South | ■ Singapore |
| ■ Germany | ■ Netherlands |
| ■ Kuwait | ■ Colombia |
| ■ Japan | ■ Japan |
| ■ Russia | ■ Belgium |
| ■ Rest of World | ■ Rest of the World |



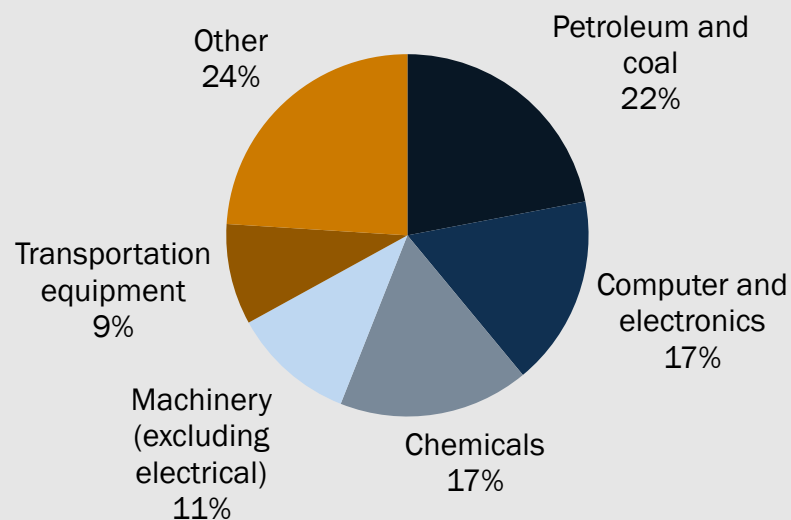
Texas Exports

- Number one U.S. exporting state for 12 consecutive years (2013)
- Texas' exports increased on average 7.9% per year (1990 to 2012)
 - Manufacturing exports increased 8.1% per year
- 41,558 companies exporting from Texas locations (2013)
- Export trade supported an estimated 1.1 million jobs (2013)

Texas' Major Export Commodities (2013)

- Petroleum and coal products (\$60.6 billion/22% of Texas' total merchandise exports)
- Computer and electronics (\$48.2 billion)
- Chemicals (\$47.9 billion)
- Machinery (except electrical) (\$29.9 billion)
- Transportation equipment (\$24.4 billion)

Texas's Top Five Export Industries



Texas Trade Forecasts

- Texas trade projected to increase 211% between 2012 and 2040
- Traditional trade partners expected to remain top U.S. and Texas partners
 - Texas trade with Mexico projected to increase to almost \$368 billion by 2040 (remain Texas's major trading partner)
 - Eastern Asia trade projected to increase from \$85 billion (2012) to \$352 billion (2040)
- Brazil represents an important emerging market
 - For export trade with Texas, ranked 10th in 2000 and ranked 3rd in 2013



TRADE FACTORS/TRENDS

■ Free Trade Agreements (FTAs)

- Reduce trade barriers, making it easier and cheaper for U.S. companies to export
- 61% of Texas' exports in 2014 were to countries participating in current FTAs
- Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) being negotiated
- Normalization of trade relations with Cuba

■ Single Window

- International Trade Data System implemented by December 2016
- Use single electronic platform to complete forms needed by multiple government agencies
- Streamline exporting process and reduce clearing times

■ Supply Chain Redundancy

- Move away from just-in-time to redundancy in trade supply chains
- Ensure reliability in the event of extreme weather, urban congestion, labor disputes, etc.

■ Nearsourcing

- Assign business process to foreign, lower-wage country close in distance (Mexico) to benefit from lower freight costs
- 84% of surveyed industry executives regard nearsourcing very/somewhat important (2013)*

■ Insourcing/re-shoring

- Relocate business process back to the U.S.
- 37% of surveyed industry executives prefer to locate in U.S. (2013)*

To Think About?

- What are the major trade trends that will impact Texas's businesses?
- How will these trade trends impact how businesses move freight?
- What will be the impact on Texas's transportation system?
- What is the role of TxDOT? (How should the agency prepare?)