SpotLight

Texas Exports

Taking Top Spot in Selling Overseas

Texas and California are the United States' export powerhouses, generating more than a quarter of the nation's overseas sales. In third quarter 2005, 14.5 percent of U.S. exports originated in Texas. Just under 13 percent originated in California. The next largest exporting state is New York, at 5.5 percent.

California, led by its electronic industry, had been the top exporting state until early 2002. Since then, California's overseas sales have continued to rise, but Texas' exports have surged ahead. The reason appears to involve shifting trade patterns for computers and electronics—the top export for both states.

Since peaking in 2000, California's exports of these products to its three biggest customers—Mexico, Canada and Japan—have fallen. As a result, the state managed only a slight increase in its share of the United States' foreign sales of computers and electronics—from 9.7 percent in 1997 to 10.3 percent in 2004.

Over the same period, Texas expanded its share of U.S. computer and electronics exports from 10.7 percent to 13.1 percent. A big reason has been Texas' ability to hang on to its Mexican customers. Unlike California, Texas did not see an ebbing of sales to Mexico from 2000 to 2004.

Mexico's maquiladoras might be a key.[1] Texas and California exports represented 76 percent of total U.S. exports of computers and electronics to Mexico in the first three quarters of 2005.

Asian companies have made inroads in supplying Mexico's maquiladora assembly plants. Their share of the business rose from 8.6 percent in 2000 to 24 percent in 2002 to 37 percent in the first quarter of 2005.

Meanwhile, U.S. firms' share has been shrinking—90 percent in 2000, 71 percent in 2002 and 56 percent in the first three months of 2005.

We do not have data by product, but broad trade flows suggest Texas has kept a larger share of the maquiladora business. Baja California–California border maquiladoras produce primarily electronic goods, which Asian suppliers sell more cheaply.

Electronics is an important export sector for Texas, but many of the maquiladoras on its southern flank produce auto products. If suppliers moved from the Midwest to the border in the 1990s to serve the maquiladoras on a just-in-time basis, it will be harder for Asian suppliers to displace Texas-based suppliers. In addition, it is definitely much easier to get Asian inputs into Tijuana or Mexicali than into Matamoros, Reynosa or Juárez.

Texas' Top 10 Trade Partners in 2005*

	Billions of dollars
Mexico	36.659
Canada	10.846
Mainland China	3.627
Republic of Korea	3.472
Taiwan	2.697
Singapore	2.549
Japan	2.022
Netherlands	1.929
United Kingdom	1.906
Belgium	1.662

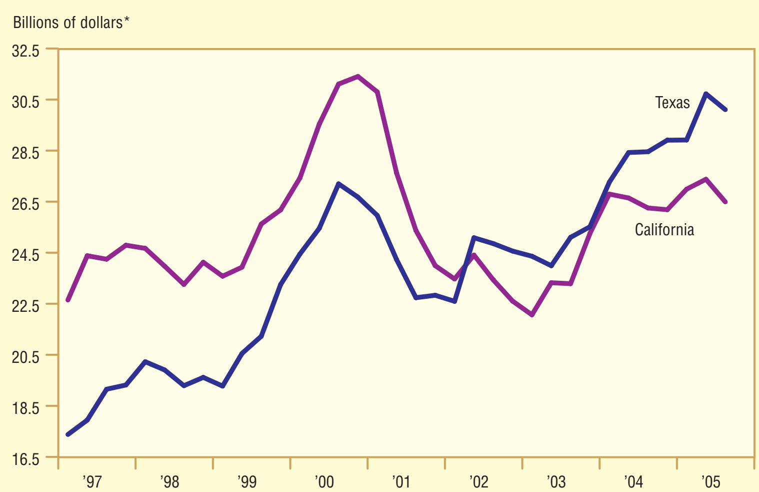
*Through first three quarters of 2005.
SOURCE: The World Institute for Strategic Economic Research.

Overall, Texas depends quite a bit on Mexico as an export market. Through the first nine months of 2005, sales to Mexico exceeded $36.6 billion, or nearly 40 percent of the state's export total of $95.3 billion. Sales to Mexico are still below the peak they reached in the vigorous expansion prior to the 2001 recession.

Mexico led Canada, Texas' second-largest market, by more than three to one. Since 2002, rapidly developing China has been Texas' fastest growing market, but it still buys only a tenth of what Mexico does. Korea, Taiwan, Singapore and Japan follow in the rankings, showing the collective importance of Asian markets to Texas.

—Fiona Sigalla

Texas Surpasses California in Total Exports



*Seasonally adjusted, real dollars.
SOURCE: The World Institute for Strategic Economic Research.

Note

[1] "Texas Border Employment and Maquiladora Growth," by Jesus Cañas, Roberto Coronado and Robert W. Gilmer, in *The Face of Texas: Jobs, People, Business, Change*, Federal Reserve Bank of Dallas, October 2005, 27–32.