



GOVERNOR GREG ABBOTT

June 28, 2018

The Honorable Donald J. Trump
President of the United States
The White House
1600 Pennsylvania Avenue, NW
Washington, D.C. 20500

Dear Mr. President:

Thank you for your leadership in updating and modernizing our nation's trade policies to ensure that they work for today's American economy. These efforts, coupled with your administration's tax cuts and regulatory reforms, make this an exceptional time for American businesses and mark the beginning of a new era of economic prosperity for the United States. Texas is committed to leading the way in bolstering American industries and protecting American jobs. Our oil and gas, agriculture, and technology sectors are thriving and our job creation rates are soaring, but I am concerned that the new tariffs on steel and aluminum imports and other goods may threaten future economic growth both in our state and across the country. I urge you to reconsider these tariffs in light of the unintended negative consequences for American industries.

According to U.S. Census data, Texas accounted for more than \$8.3 billion in steel and aluminum imports last year, which is more than double any other state. These steel and aluminum imports are crucial for the construction and maintenance of drilling wells, pipelines, and other infrastructure that are the backbone of our oil and gas industry. The construction of significant portions of this infrastructure depends on certain types of steel for which there is no U.S. manufacturer, and industry experts estimate that the new tariffs will dramatically increase the costs of completing wells in shale formations and building more LNG production lines.

We are extremely fortunate to be on the cusp of a second U.S. shale boom that has added jobs in oil fields across Texas and the United States. U.S. crude output reached nearly 10.5 million barrels a day in May, and the United States is poised to surpass Russia as the world's largest producer by the end of the year. And by 2023, a recent report by IHS Markit projects that Texas' Permian Basin has the capacity to produce more crude oil than any other country in the world except Russia and Saudi Arabia. But in order for the Permian Basin to reach its full potential, substantial infrastructure investment is necessary. If the new tariffs continue to drive up the cost

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of oil and gas production, America's quest for global energy dominance could be significantly hindered.

According to U.S. Bureau of Labor Statistics data, nearly half a million Texans work in industries that use steel or aluminum, but only around 7,600 are directly employed in the production of the metals. Texas alone has 225,000 jobs in oil and gas exploration, production, and services, which is nearly twice as many as the 140,000 jobs nationally in steel and aluminum production that the new tariffs are intended to safeguard. Economists estimate that the U.S. can expect to lose between one and 1.5 oil and gas jobs for every steel or aluminum job saved by the new tariffs. Our country's steel and aluminum workers are a vital part of the national workforce and creating jobs in that industry must be a top priority, but attempting to protect these jobs through the new tariffs could jeopardize the livelihoods of hundreds of thousands of Texans and other Americans employed in the oil and gas industry.

In addition to the new tariffs on steel and aluminum imports, the tariffs set to go into effect on roughly \$50 billion worth of foreign goods beginning this summer and China's retaliatory tariffs also threaten the economies of Texas and other states particularly dependent on international trade with China. In 2017, Texas exported more than \$8 billion worth of tariff-eligible goods to China, the most of any state. About \$1 billion of this was agricultural products, including 46 percent of all U.S. cotton exported to China, 25 percent of exported sorghum, 13.2 percent of exported beef and veal, and 3.3 percent of exported wheat. If 25 percent tariffs are, in fact, levied on these agricultural products, Texas farmers will be significantly affected. U.S. chipmakers will also be affected by the new tariffs. Many semiconductors imported into the United States are actually manufactured in the United States then exported to China for assembly, testing, and packaging. Thus, U.S. chipmakers will end up paying tariffs on the re-importation of their chips if the planned tariffs on Chinese semiconductors go into effect.

Once again, I highly commend your commitment to curbing unfair trade practices and putting American businesses and workers first. As your administration continues to champion these businesses and workers, please consider the negative impact that the new tariffs on steel and aluminum imports and other goods will have on the economy of Texas and the nation as a whole.

Sincerely,

A handwritten signature in black ink that reads "Greg Abbott". The signature is written in a cursive, flowing style.

Greg Abbott
Governor

GA:jck