TEXAS ECONOMIC DEVELOPMENT COUNCIL

2025 Annual Conference
Oct. 29-31 | San Antonio

Disruption & Opportunity

What Tariffs and Immigration Policy Shifts Mean for Site Selection and Economic Development

GLS GLOBAL LOCATION STRATEGIES®

Phil Schneider

PRINCIPAL

OUR TEAM OF LOCATION ADVISORS HAVE A LONG TRACK RECORD OF SUCCESSFULLY GUIDING THE WORLD'S LARGEST COMPANIES THROUGH GLOBAL EXPANSIONS.

16,345

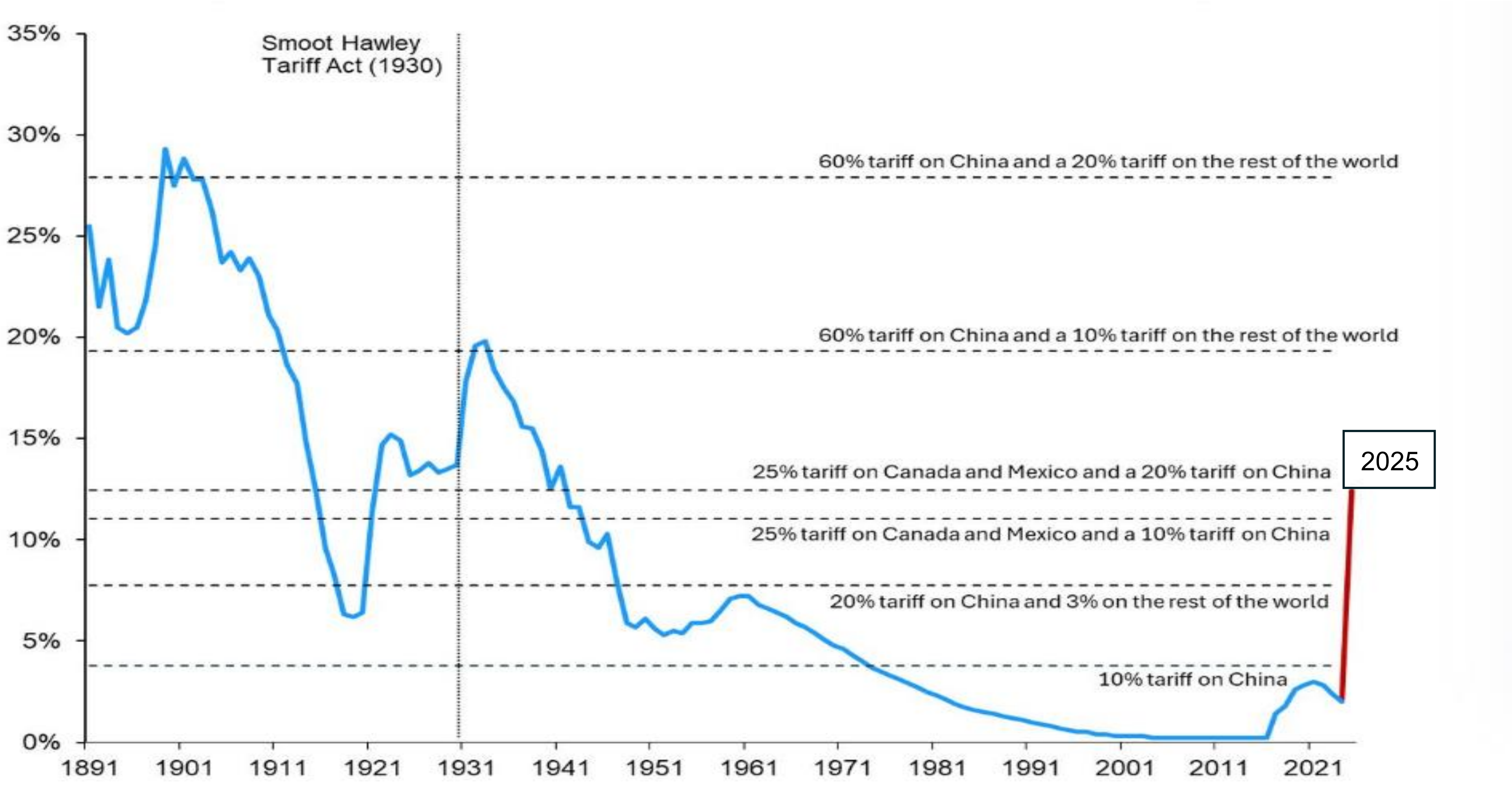
Jobs Announced by our Projects

$46B

Announced Capital Investment

Trump Policy Timeline

While not a new policy, current U.S. tariffs are a massive departure from policy over past 50+ years



Source: U.S. International Trade Commission; EY-Parthenon

2025 Trump Tariff Timeline

Feb. 1, 2025

President Trump signs an executive order to impose 25% tariffs on imports from Canada, Mexico and China

Feb. 1, 2025

The Trump Administration announces a delay on 25% Tariffs on imports from Canada, Mexico and China

Feb. 10, 2025

President Trump signs an executive order to impose 25% on steel and aluminum Tariffs to take effect on March 12

Feb. 10, 2025

The Trump Administration announces a one-month delay for tariffs on automotive related trade between the U.S., Canada and Mexico

March 26, 2025

The Trump Administration announces 25% on vehicle import tariffs to take effect on April 2

May 28, 2025

The court of International Trade rules Trump administration's use of the International Economic Emergency Power Act to institute sweeping tariffs is illegal. The decision was appealed. Now moving to the Supreme Court

June 5, 2025

President Trump announces a 50% tariff on steel and aluminum imports, doubling the previous 25% rate

July 7, 2025

President Trump signs an executive order delaying the implementation of his proposed reciprocal tariffs originally set to take effect on July 9, until August 1

2025 Trump Tariff Timeline

July 29, 2025

The U.S. and Japan struck a trade deal, with tariffs being reduced from 25% to 15%, sparking renewed competition between Detroit and Japanese automakers as the later seeks to expand its production in the U.S.
These include the EU, Japan, South Korea and Vietnam.
Significant countries still without a deal include China, Mexico and Canada.

Aug. 1, 2025

The Trump's administration's Aug. 1 deadline for reciprocal tariffs passed with a variety of a major U.S. trading partners having already reached new trade agreements.

Aug. 29, 2025

Since August 7, for most of the EU imports to the U.S., 15% tariffs are in place
On August 29, a U.S. appeals court ruled that most of the tariffs imposed are unlawful.
The U.S. Court of Appeals for the Federal Circuit, in a 7-4 decision, found that the emergency law Trump cited to impose his broad import tariffs did not actually give him the authority to levy them.
The ruling could affect Trump's wide-ranging reciprocal tariffs announced on April 2, as well as tariffs imposed on China, Canada, and Mexico aimed at pressuring those countries to curb shipments of fentanyl into the U.S.
But the court allowed the tariffs to remain in place through Oct. 14 to give the administration time to appeal to the U.S. Supreme Court.

2025 Trump Tariff Timeline

Sept. 25, 2025

The U.S. announced it would impose new tariffs on heavy-duty trucks (25%), upholstered furniture (30%), kitchen cabinets & bathroom vanities (50%), and banded/patented pharma products (100% unless the manufacturer is building a factory in the U.S.)

China has largely stopped buying US soybeans. (AP reports China has traditionally bought at least 25% of all U.S. soybeans.

Oct. 14, 2025

New tariffs were imposed on imports of softwood lumber, upholstered furniture, and kitchen cabinets.

Some of these tariffs are scheduled to **increase further on January 1, 2026**.

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More to Come…

Nov 10, 2025

- Expiration of the U.S.-China tariff truce

Jan 2026

- Potential EU implementation of stricter steel tariffs on UK imports, impacting the British steel industry.

Jun 2026

- Expiration of the current UK-EU post-Brexit trade deal, which could lead to new trade negotiations or tariff changes

Ongoing Considerations

- Legal Challenges
- Sector-Specific Impacts
- Global Trade Relations

2025 Trump Immigration Policy Timeline

January 20, 2025

Executive Order 14160: *"Protecting the Meaning and Value of American Citizenship"*

- Order aims to reinterpret the 14th Amendment, ending birthright citizenship for children born in the U.S. to undocumented immigrants or those on temporary visas.

Executive Order 14159: *"Protecting The American People Against Invasion"*

- Executive order expands expedited removal procedures
- Denies federal funding to sanctuary jurisdictions
- Increases penalties for undocumented immigrants

January 29, 2025

The Laken Riley Act:

- Legislation mandates the detention of undocumented immigrants charged with certain crimes
- Allows states to sue the Department of Homeland Security for enforcement failures

February–March 2025

Asylum Policy Overhaul:

- New expedited asylum process for low-risk applicants
- Credible fear standard tightened with a detailed checklist
- I-589 asylum application deadline reduced to 45 days from entry (previously 1 year)

April–May 2025

- **USCIS Form Updates:** Marriage-based green card forms revised with stricter fraud scrutiny.
- **Digital Filing Mandate**: All asylum applications must be filed online.

2025 Trump Immigration Policy Timeline

July 2025

One Big Beautiful Bill Act (OBBBA) Signed:

- Law includes sweeping changes affecting immigration, federal benefits, and eligibility for assistance programs for many lawfully present immigrants.

August 2025

USCIS Policy Memos:

- Good Moral Character Evaluation
- Anti-Americanism Consideration
- Family-Based Immigration Scrutiny

September 2025

SCIS new naturalization civics test implementation:

- Agency posted Federal Register notice for the 2025 version of the civics test, part of ongoing overhauls of the citizenship test and naturalization standards.

Temporary Protected Status ended

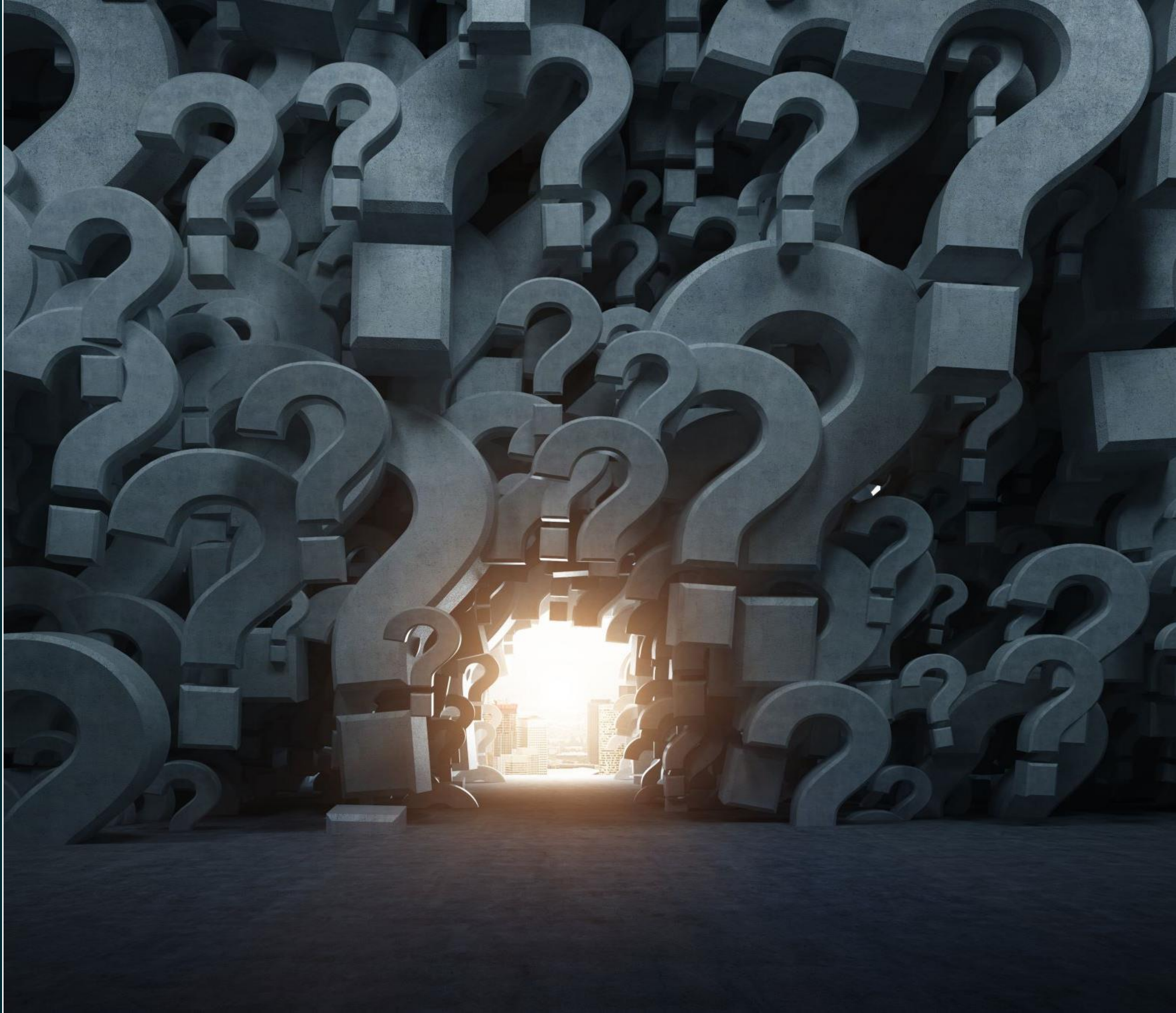
- Impacts who had temporary legal protection; and opportunities for adjustment might be limited

RESULT?

…ECONOMIC UNCERTAINTY

…BUSINESS HATES UNCERTAINTY

GLS GLOBAL LOCATION STRATEGIES®

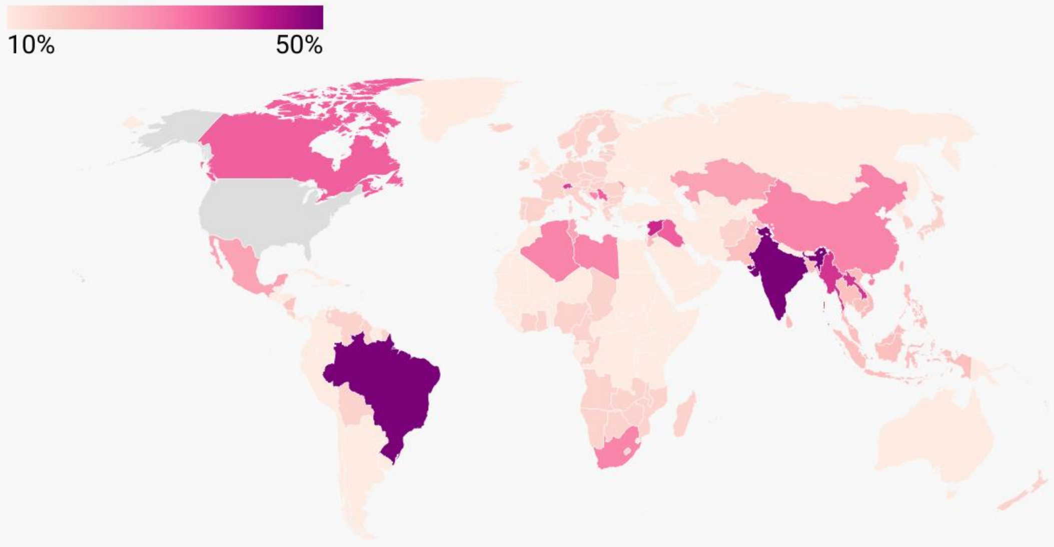


Impacts

Macro & National

2025 Tariff Environment (w/o retaliatory tariffs)

US Reciprocal Tariff Rates, as of August 1, 2025



Tariffs: Topline Preliminary Estimates

Topline Preliminary Estimates

Revenue, 2025-2034 (Billions)	Product (GDP)	Capital Stock	Pre-Tax Wages	Full-Time Equivalent Jobs
$2,316.9	-0.8%	-0.7%	0.0%	-825,000

Tariff environment 2025: 10–50% tariffs on 60+ countries

Effects	With IEEPA tariffs	Without IEEPA tariffs
Tariff Rates	Applied rate rises to 19.0%, with an effective rate of 11.6% **(the highest since 1943)**	Applied rate rises to 6.3%, with an effective rate of 4.1% (the highest since 1973)
Economic Effects	$2.3T revenue (conventional) / $1.5T (dynamic), and **reduce the US GDP by 0.8%.**	Reduce the total revenue raised on a conventional basis by $1.7T to $573 BN over 10 years and reduce the negative GDP effect to 0.2 percent.
Household Impact	Market income -1.5% in 2026; **avg. household tax hike $1,300 (2025)** and $1,600 (2026)	Smaller hikes, $300 (2025) and $400 (2026).
Revenue Effect	$171.7B (0.56% GDP), **largest tax hike since 1993**	$38.3B (0.13% GDP), not among top 20 hikes since 1940.

Source: Tax Foundation General Equilibrium Model, September 2025

Tariffs have disrupted global trade flows, leading to retaliation from trading partners, exacerbating negative economic and household impacts.

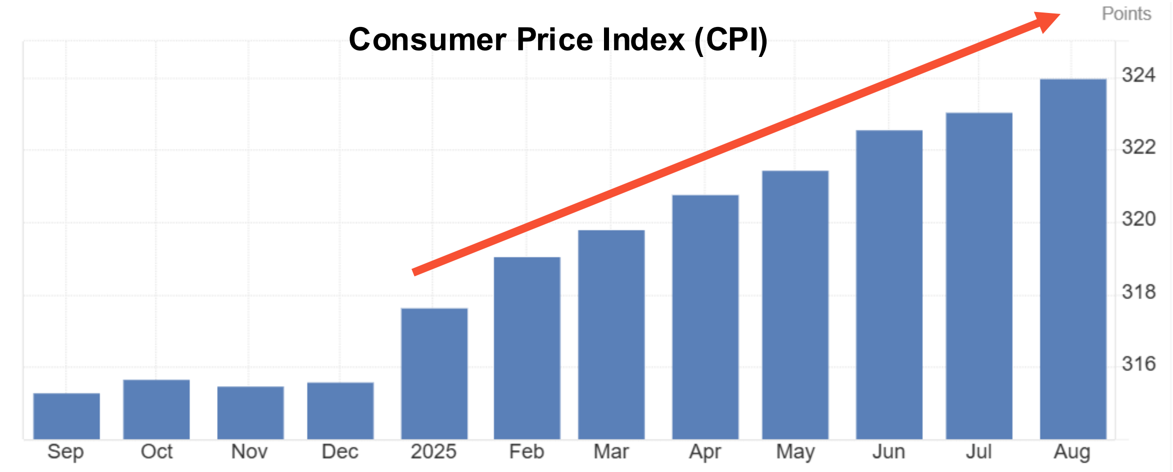
Economic Growth

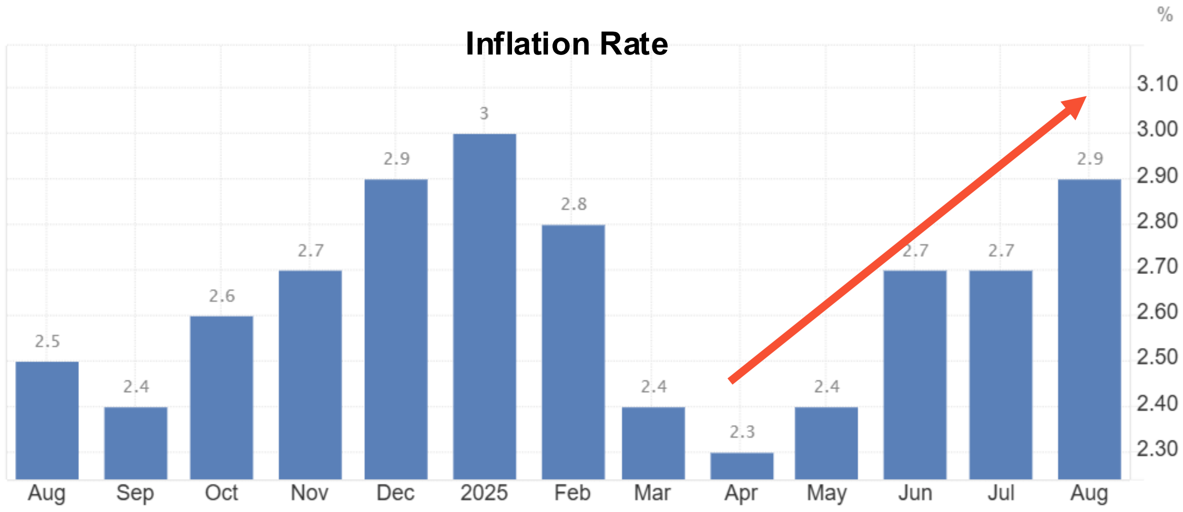
- U.S. growth is expected to slow sharply, with 2025 forecasts at about **1.4%, down from 2.8%** in 2024.
- Trump's tariffs could **lower long-run U.S. GDP by around 6%** over the next 30 years

The International Monetary Fund projects **3% global growth** in 2025 (**down from 3.3%** in 2024), partially due to the tariffs.

Sources: Penn Wharton Budget Model (University of Pennsylvania), IMF

Inflation & Rising Costs





Source: Trading Economics, U.S. Bureau of Labor Statistics

Higher cost on imported goods

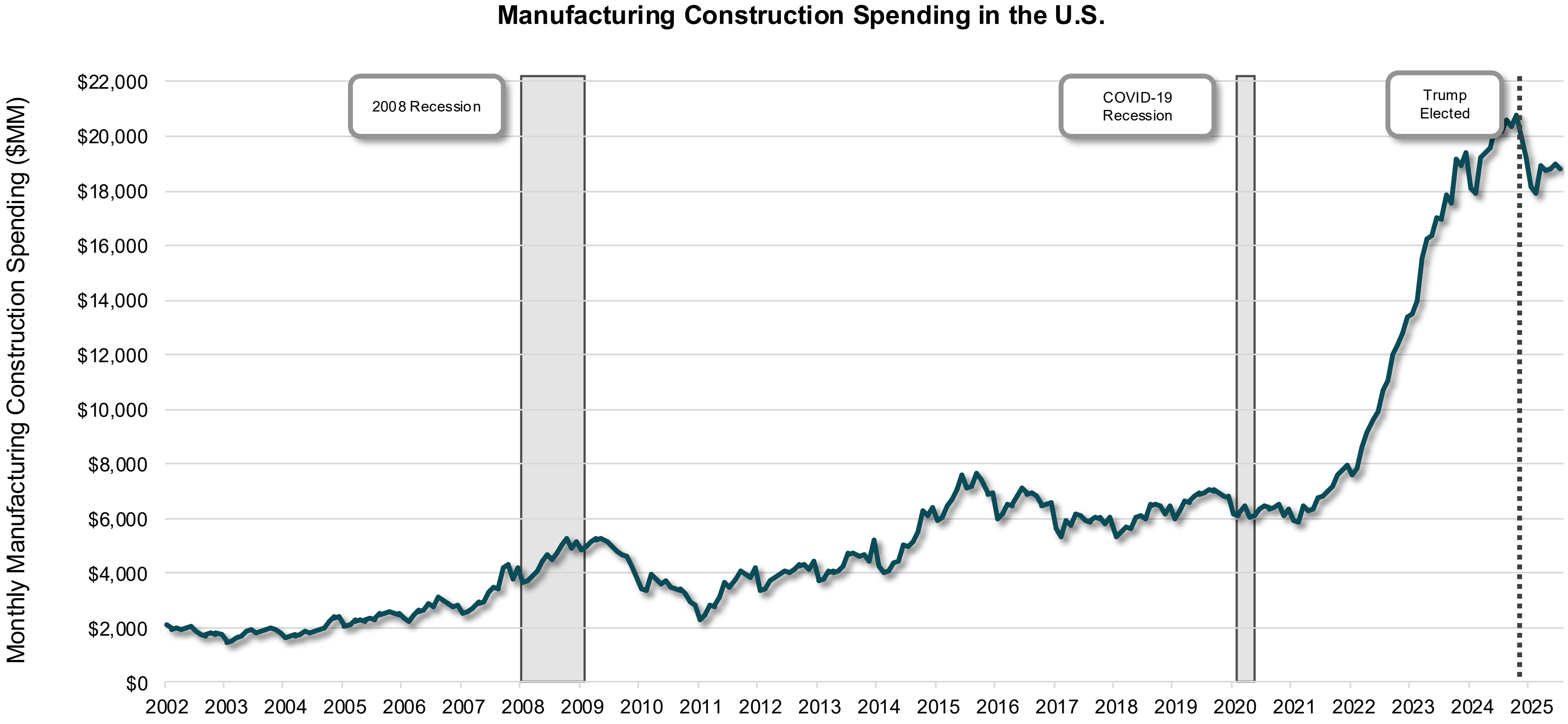
Increased Inflation

- **+1.7% price ▲ (2025)**
- **$2,300 household income ▼ (2025)**
- **5% wage ▼ over 30 years**
- **$22,000 lifetime ▼ for middle-income households**

Source: Penn Wharton Budget Model (University of Pennsylvania)

Slow down in Investment & Job Growth Trajectory

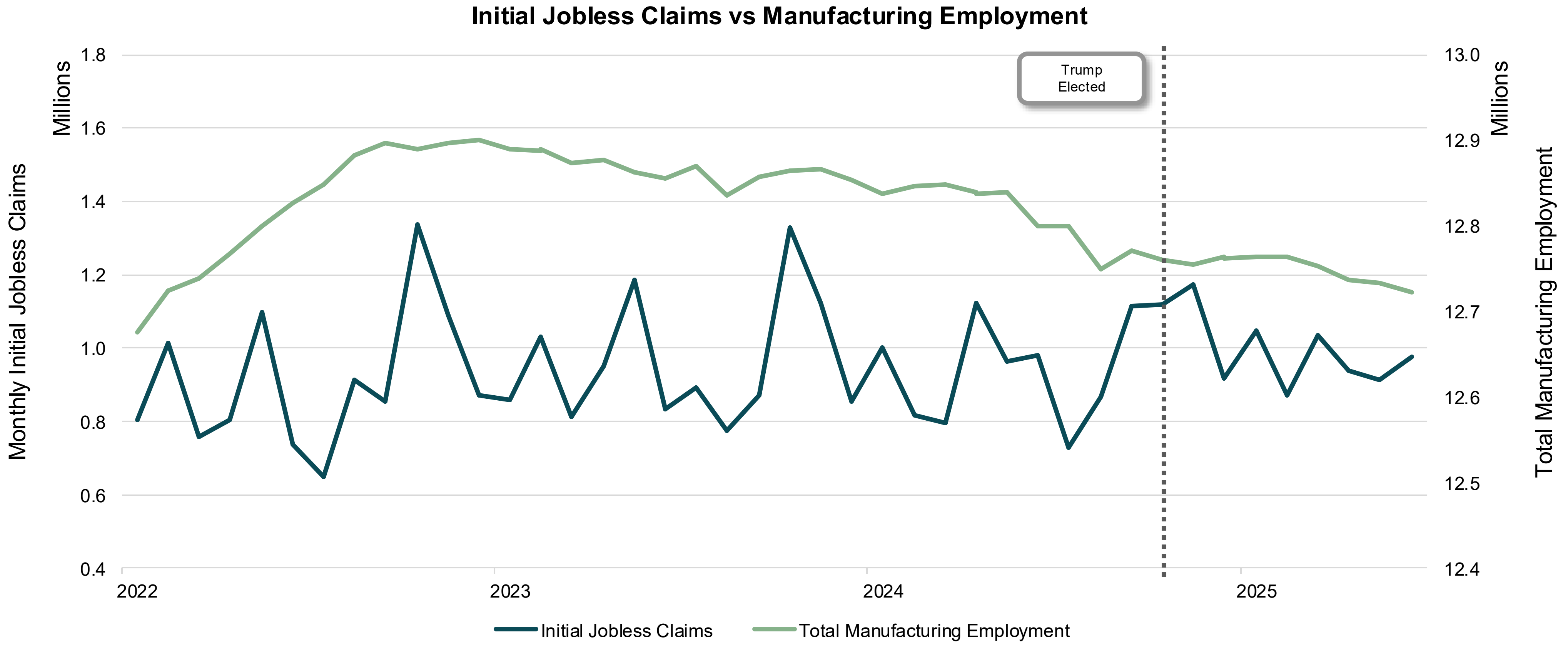
Manufacturing construction spending dropped by ~7% over the past year.



Source: St. Louis Federal Reserve Bank

Investment & Job Losses

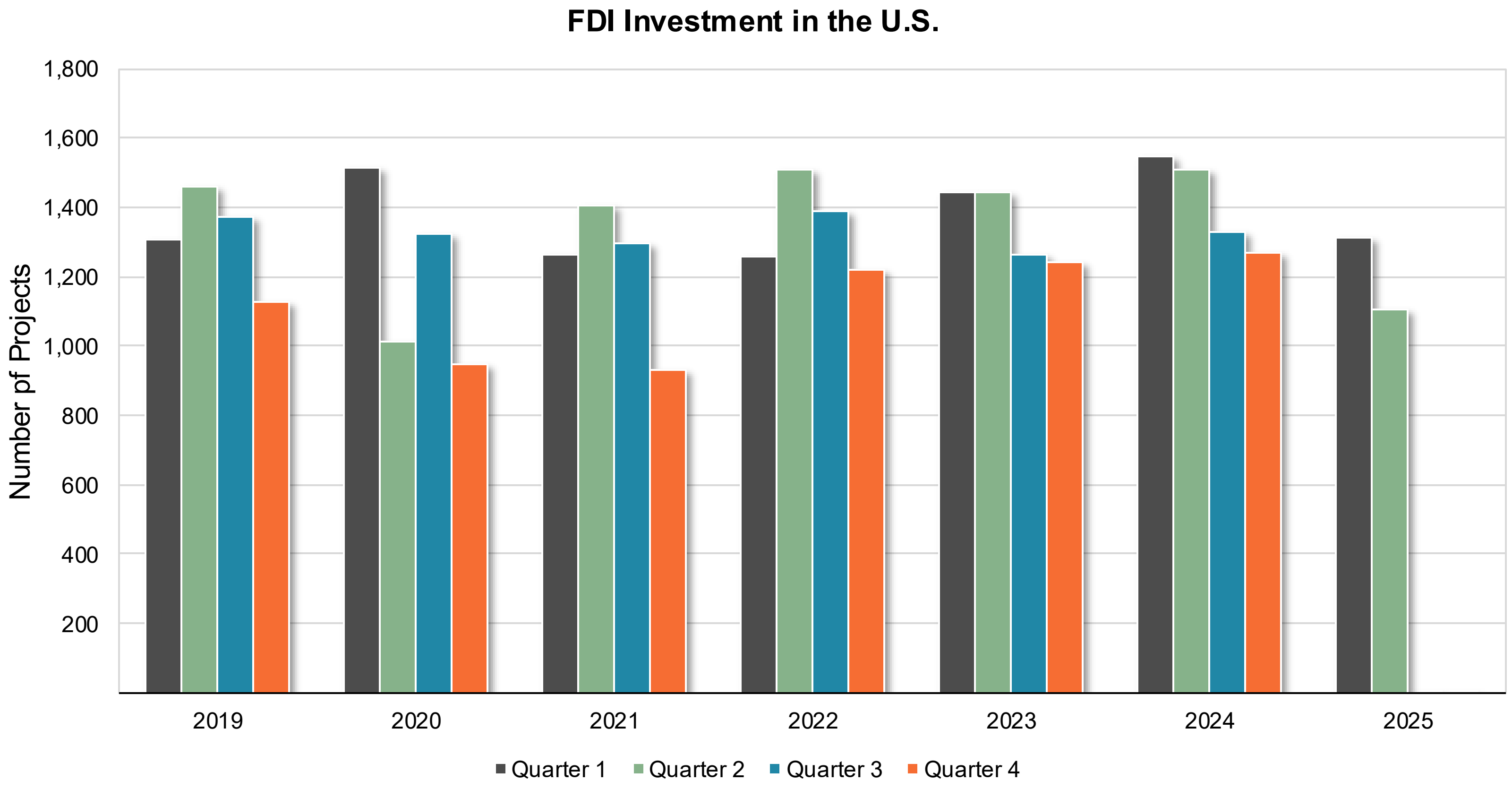
U.S. manufacturing employment fell in August 2025 to its lowest level since 2022, while jobless claims fluctuated around the 900,000 throughout 2025, underscoring continued labor market instability.



Source: St. Louis Federal Reserve Bank

FDI Effects

All foreign investment in the U.S. in Q2 2025 fell to its lowest second-quarter level since 2020.

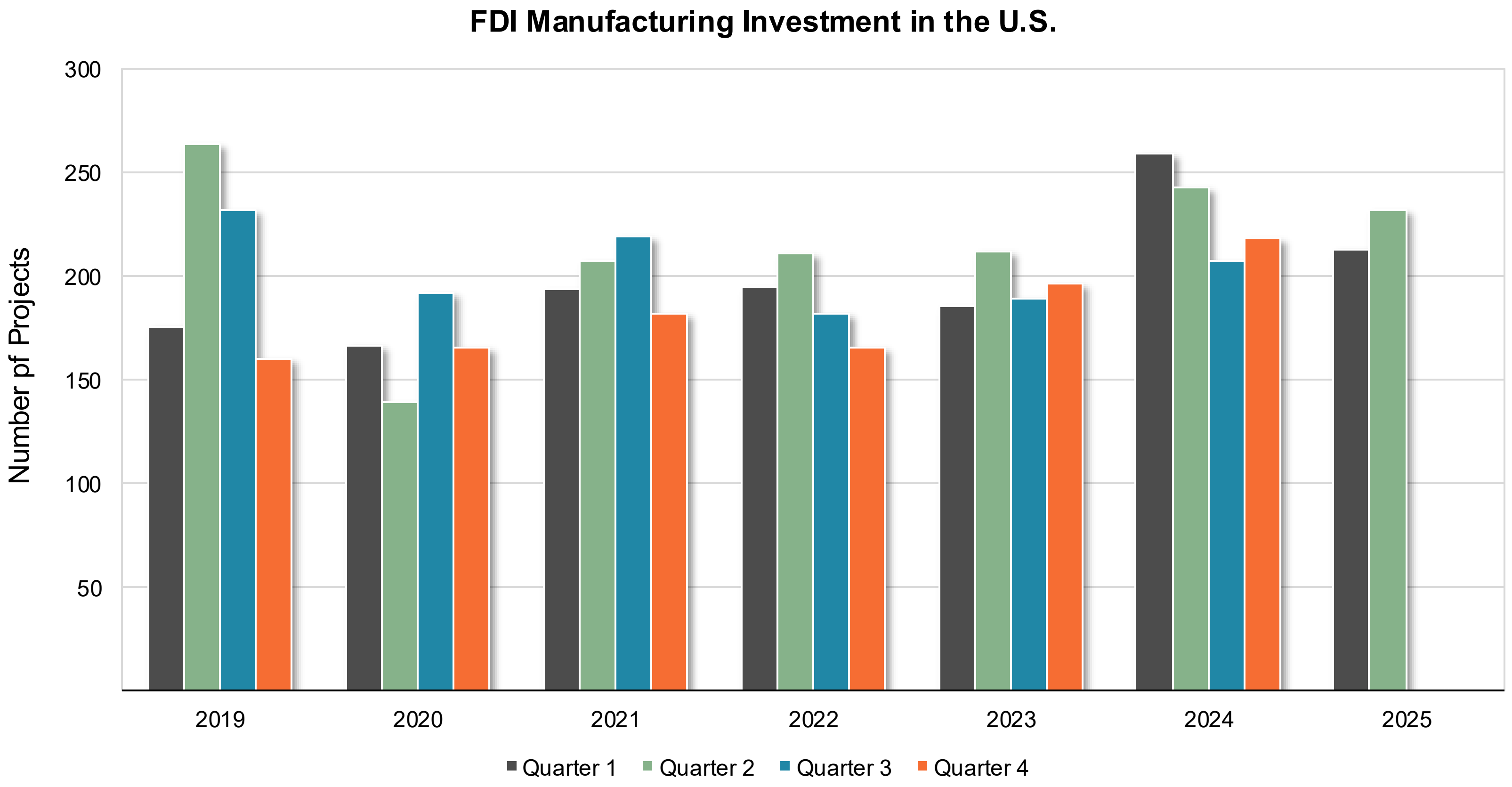


EDOs across the US report that shifting trade policies are deterring FDI location projects.

Source: fDi Markets

FDI Effects

Manufacturing foreign investment in Q1 and Q2 has slowed compared to 2024; however, the number of projects remains relatively strong compared with earlier years.

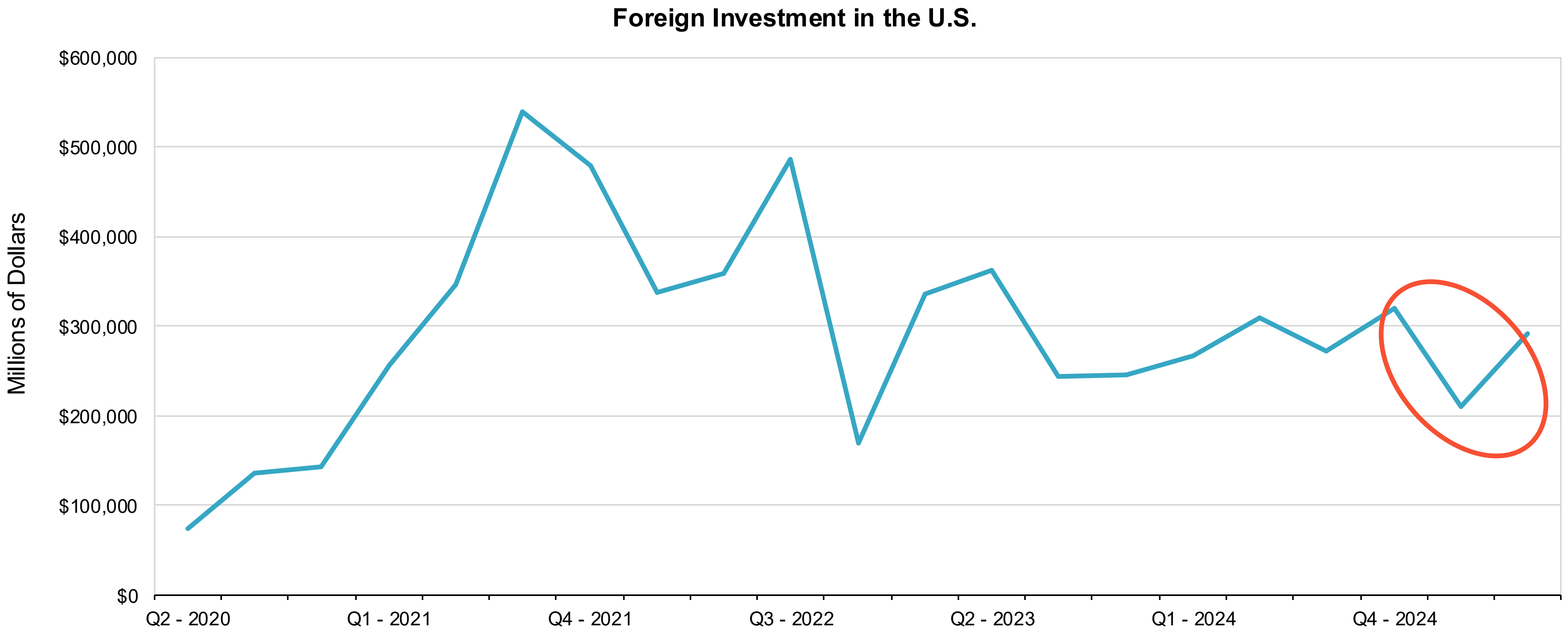


U.S. FDI is waning as countries shift trade from the U.S. to other countries or invest capital elsewhere.

Source: fDi Markets

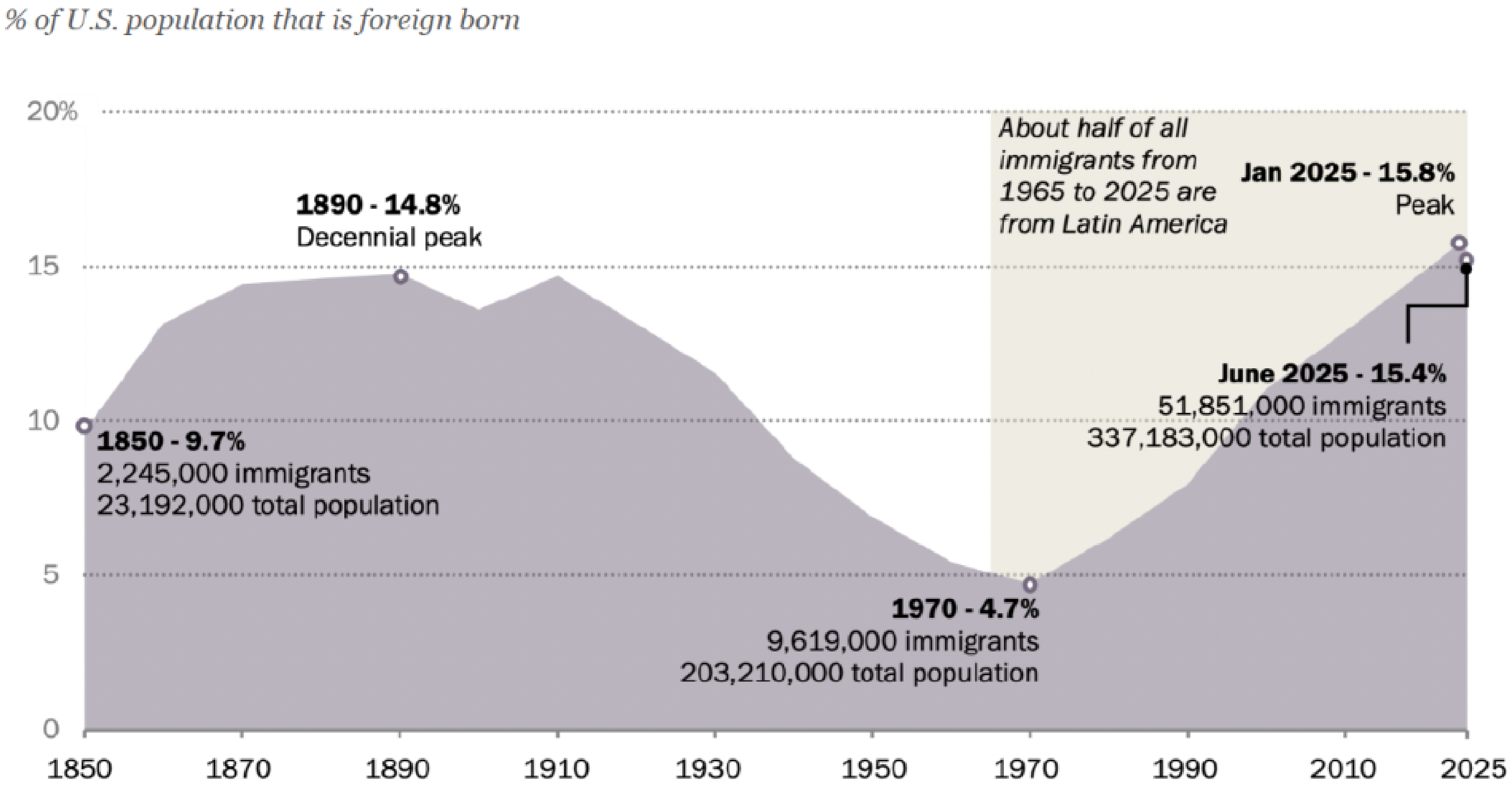
FDI Effects

FDI dipped in Q1 2025 amid tariff uncertainty but rebounded in Q2



Source: St. Louis Federal Reserve Bank

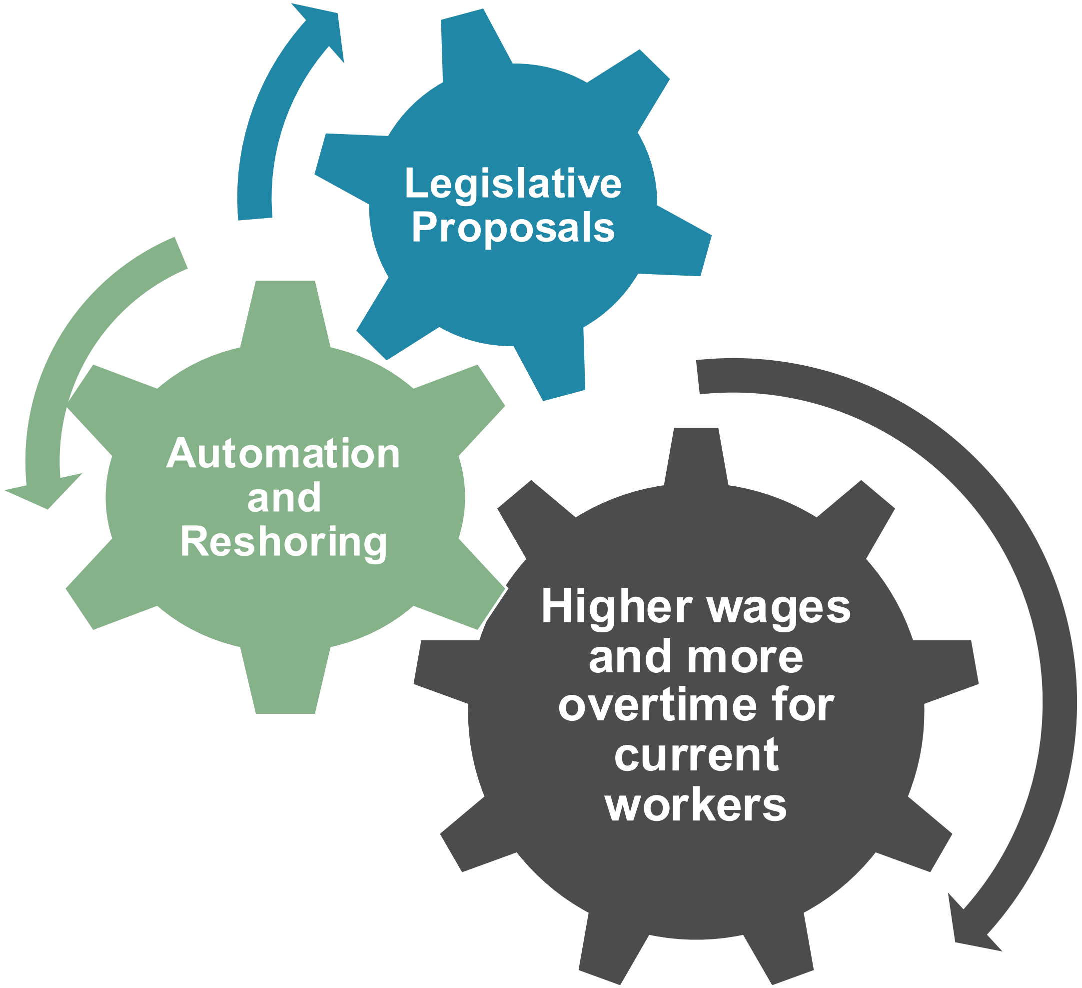
2025 Immigration



- **51.8 MM** immigrants resided in the US.
- Immigrants accounted for **15.4%** of the total U.S. population (a slight decline from the recent historic peak of 15.8%).
- Immigrants made up **19%** of the U.S. labor force (down from 20%), representing a **decrease of more than 750,000 immigrant workers since January 2025.**

Source: Pew Research Center

Wage Pressure



Responses to Labor Shortages

Policy:

- Lawmakers are weighing reforms to make temporary worker programs easier and more attractive

Employer strategies:

- Raising wages & adding overtime → higher costs
- Investing in automation & AI → long-term solution, not immediate
- Recruiting U.S.-born workers → limited success for physical/specialized roles

Industry Implications

The Winners and Losers

Industry Winners

DEFENSE AND NATIONAL SECURITY

- Biomanufacturing
- Machine tools
- Microelectronics
- Shipbuilding
- Defense transportation equipment
- Pharmaceuticals

OTHER MANUFACTURING

- Steel and aluminum
- U.S.-based automotive manufacturers with robust domestic supply chains
- Textile and apparel producers, particularly niche segments

TECHNOLOGY

- Semiconductor manufacturers
- Software, IT, and digital service providers (Increased demand as manufacturers seek to automate, optimize supply chains, and shift global procurement strategies)

ENERGY & RAW MATERIALS

- Domestic oil and gas producers
- Petroleum products
- Electricity
- Wood/Lumber

FINANCIAL SERVICES

- Banks and investment firms with a U.S. domestic focus

Industry Losers

CONSTRUCTION

- Increased costs for imported steel, aluminum, copper, and lumber.

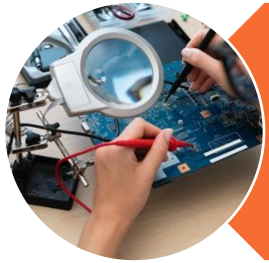
AGRICULTURE

- Retaliatory tariffs from China and the EU.
- Reduced demand for U.S. exports of soybeans, corn, dairy, pork, and associated supply chains.

SOME MANUFACTURING SECTORS

- Manufacturing sectors with significant imported raw materials, M&E, components: E.g., electronics, automotive, machinery, construction equipment.

ELECTRONICS



- Consumer electronics with imported components imported (particularly Asia).

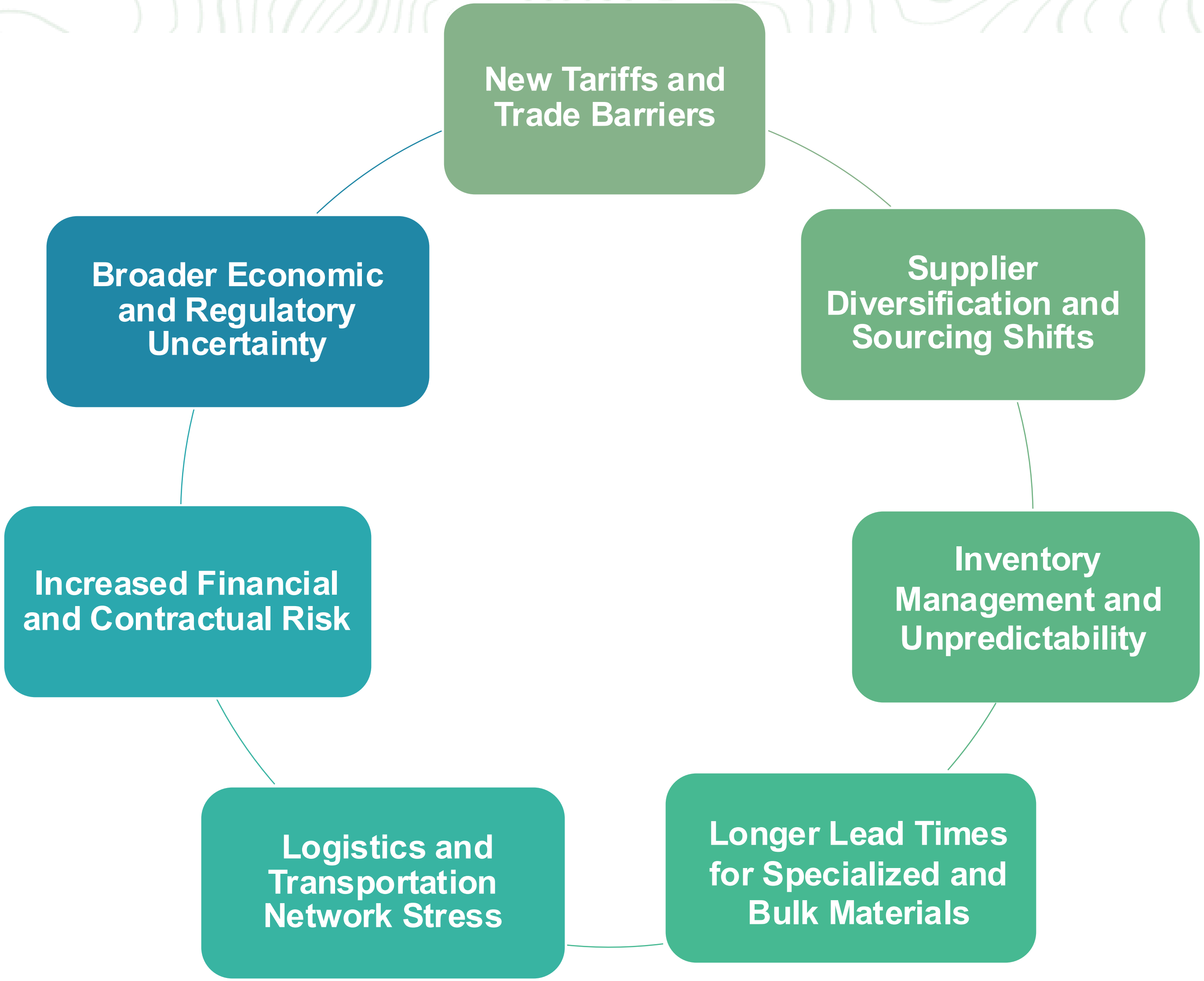
AUTO PARTS AND VEHICLES

- Auto parts and vehicles dependent upon imported components.

ENERGY

- Increase in costs of imported materials such as steel, aluminum, and solar panels for wind and solar projects.

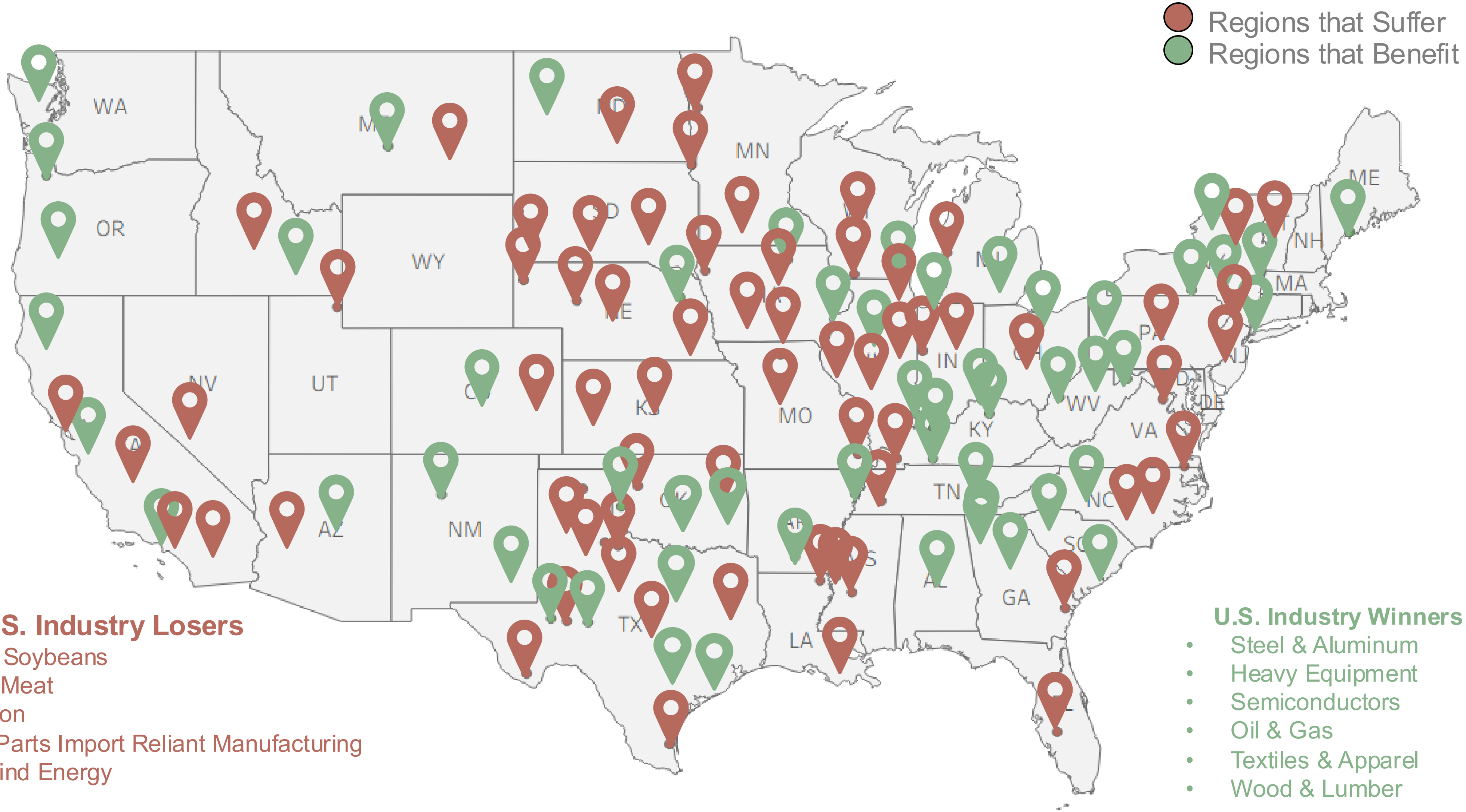
Impact on Supply Chains



Regional and Global Outcomes

Most Benefitted and Most Hurt

Regional Winners and Losers



U.S. Industry Losers

- Grain and Soybeans
- Dairy and Meat
- Construction
- Materials/Parts Import Reliant Manufacturing
- Solar & Wind Energy

U.S. Industry Winners

- Steel & Aluminum
- Heavy Equipment
- Semiconductors
- Oil & Gas
- Textiles & Apparel
- Wood & Lumber

Impact on Our Neighbors

MEXICO:

- Could push Mexico into severe economic recession, resulting in:
- Sharp drop in Mexican exports
- Disruption of integrated cross-border supply chains

- Significant job losses
- Reduced FDI from other countries
- Exacerbate migration pressures toward the U.S. and potentially worsen organized crime
- Could shift Mexico's geopolitical alignment away from U.S. and toward other global powers.

CANADA:

- Significant GDP decline: Could shrink Canada’s GDP by 6% (Bank of Canada)
- Significant job losses
- Disrupted supply chains

- Weakened global industrial competitiveness
- Loss of confidence in North American trade and shifting of business and operations elsewhere
- Reduced FDI
- Higher construction costs
- Canadian industry will diversify and not rely any on the US as its only trading partner

Tariff Impact on U.S.-built Pickup Truck Piston

Auto parts cross the US-Mexico-Canada border several times creating potential for significant industry disruption and price increases

How tariffs will apply on a piston for a pickup built and sold in the U.S.

1. Raw aluminum comes from Quebec.
2. The aluminum is melted and cast into a piston in Toronto.
3. The piston crosses the Canada-U.S. border for machining and finishing in Detroit.
   +25% tariff on the piston's value by May 3.
4. The piston is sent from Detroit to Windsor, Ontario, for engine installation.
   No tariff as auto parts are exempt from Canada's tariffs.
5. The engine returns to the U.S. for installation. **+25% tariff on its value** because an engine is a designated powertrain component.
6. Automaker builds the vehicle in the U.S. While the vehicle itself has avoided a tariff, it now has input materials that may have been tariffed multiple times.

Canada USA Mexico

Texas Impact

Industries Hardest Hit

Sector	Why Texas is impacted	Tariff Impact
Manufacturing	Texas' machinery, electronics, and auto industries depend on global supply chains	Raising costs for manufacturers
Agriculture	Texas exports cattle, cotton, grains, and other commodities	Reduced demand abroad hurting the state's farmers
Technology and Consumer Goods	Texas imports large volumes of electronics and consumer goods	Higher costs pressure retailers and consumers.
Energy	Sector deeply tied into global supply chains and cross-border trade with Mexico	Increased costs for refineries and energy firms

Despite its diverse economy, Texas has been hit hard by tariffs, estimated to have cost it $6B through first half of 2025 - business and consumers grappling with rising prices and diminished exports

Worker Shortages - Sectors Most Impacted

Manufacturing

The Dallas Fed reports that 13% of firms already face labor shortages, with another 7% expecting to be affected this year.

Construction

North Texas construction companies report labor shortages of at least 30%

Food Services

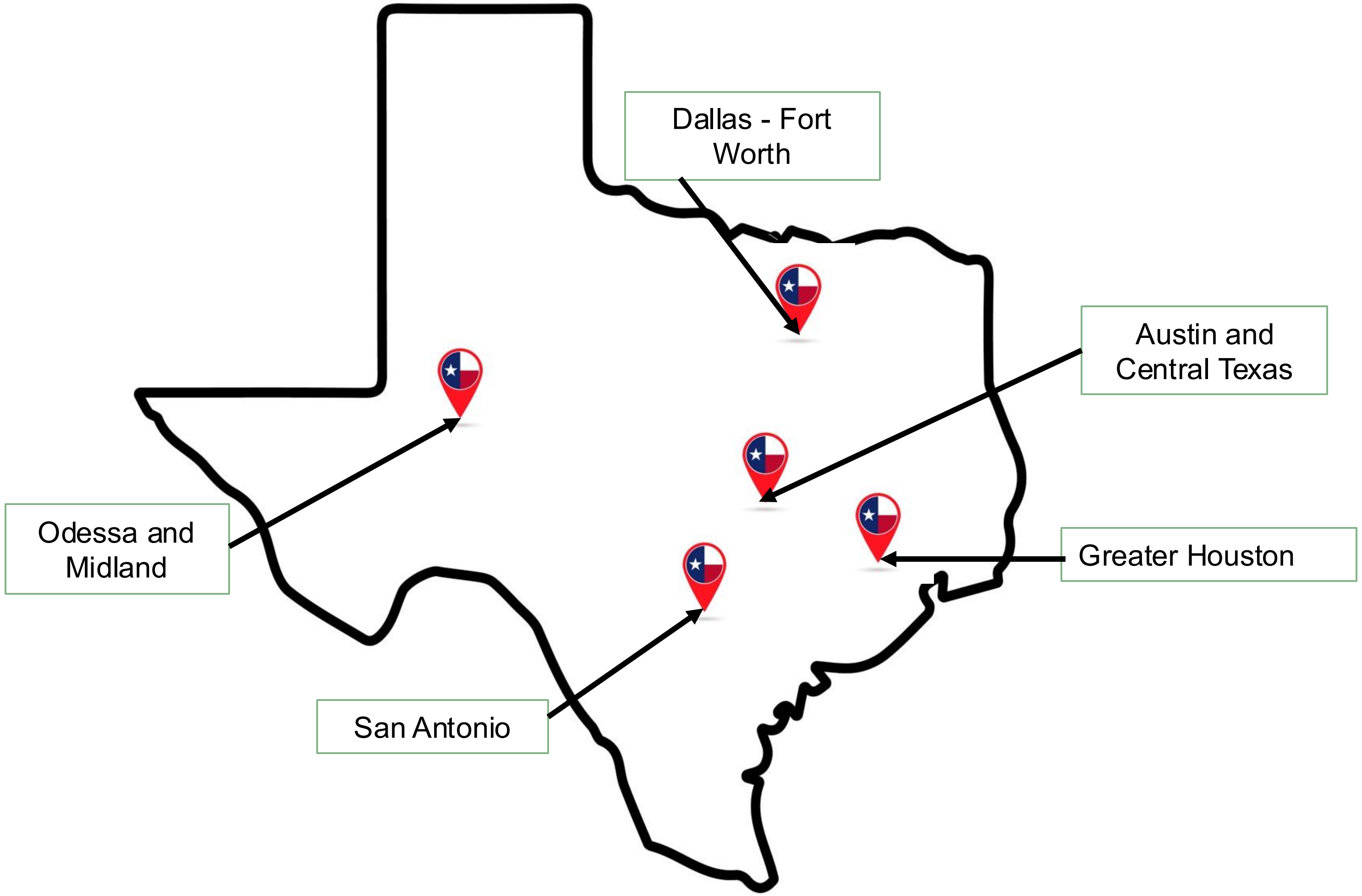
Nearly 27% of Texas hospitality and food service workers are immigrants – almost half of restaurants report job openings are hard-to-fill

Agriculture

Texas farmers reported that 30%–60% of their workers stopped showing up due to fears of arrest.

Labor-intensive jobs (framing, roofing, concrete, farm labor) struggle to recruit U.S.-born workers for jobs long filled by immigrants - farmers in Texas reported between 30-60% of their workers stopped showing up over fear of arrest

Regions with Positive Opportunity



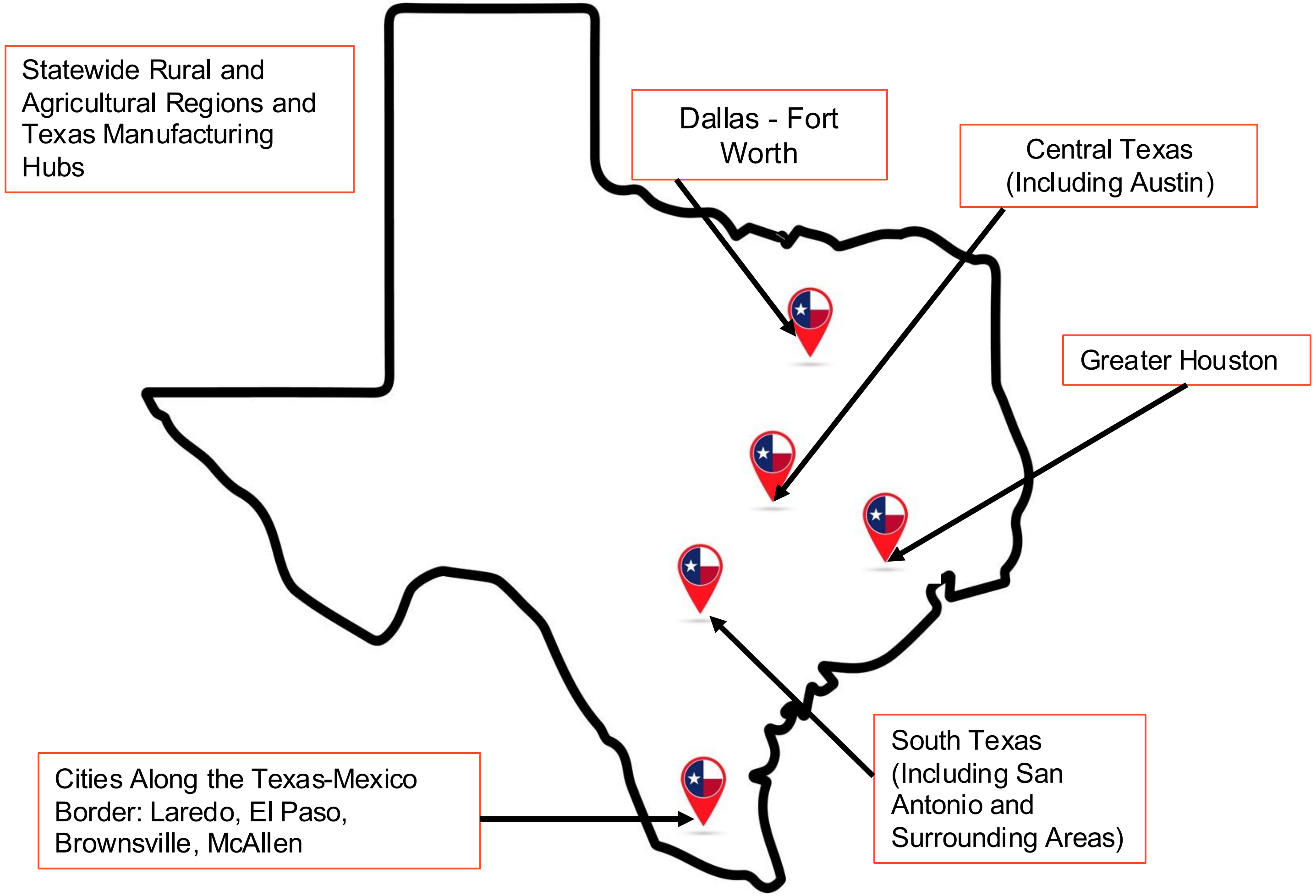
Relative "Winners"

- Larger, diversified industrial and technology cities: **Dallas, Houston, San Antonio, Austin**
- Emerging manufacturing centers: **Odessa, Sherman, Taylor**
- Benefit from reshoring, new domestic projects, and FDI pivoting away from tariff-affected imports

But…

- Broader Texas economy remains **more exposed to downside risks**
- Even in "winning" metros, gains are **industry/project-specific**, not across metro economy
- Net effect: **localized gains but widespread hardship especially in rural areas**

Regions More Negatively Impacted

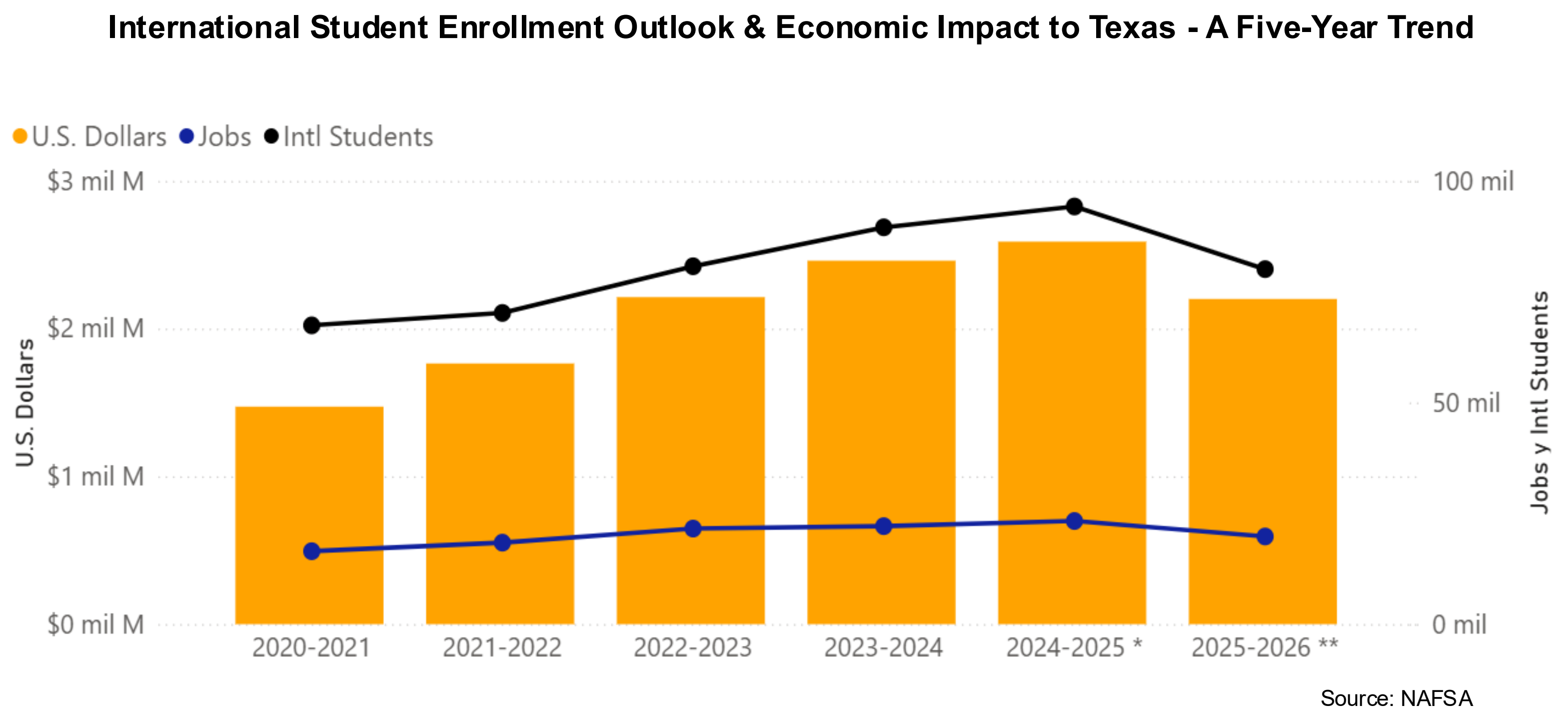


- **Rural/agricultural regions statewide**
- **Border cities**
- **South Texas hubs**
- **Major metros**

…will bear the brunt of:

- ❑ Job losses
- ❑ Cost increases
- ❑ Supply chain disruptions

Labor & Skills Gap

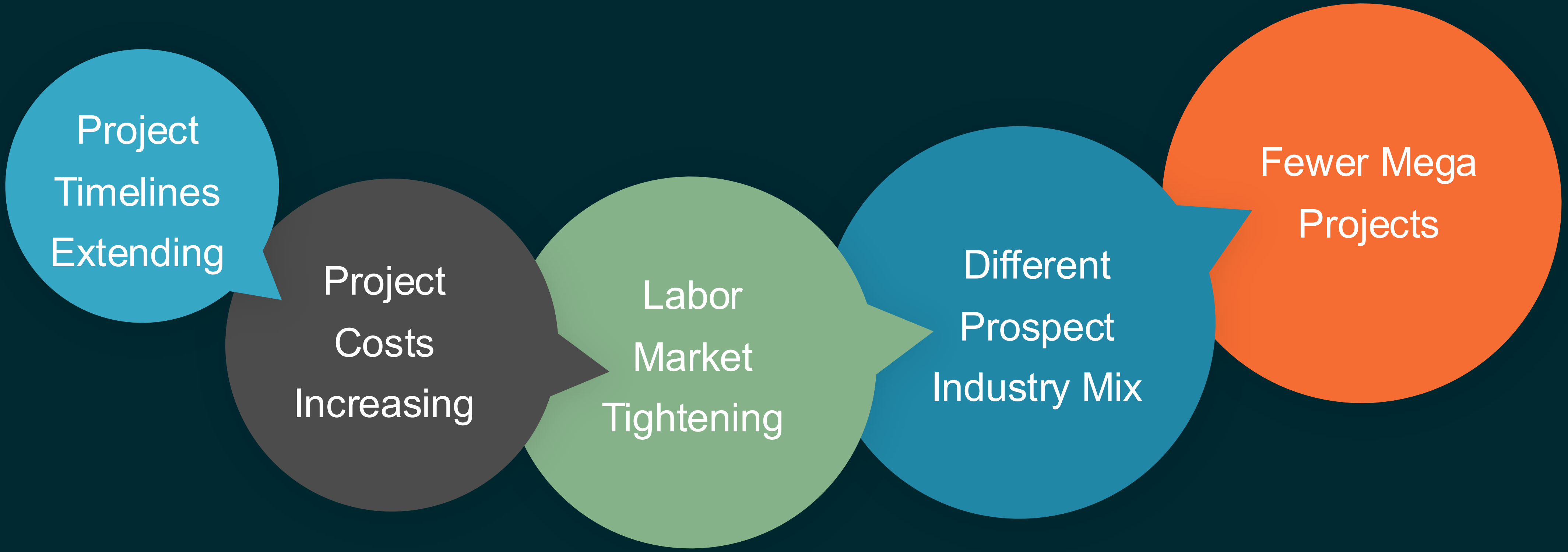


- Universities losing revenue from reduced tuition
- Fewer skilled workers in the future
- Texas universities projected to see a ~15% drop in international student enrollment.
- Economic contribution expected to fall from ~US$2.6 billion to ~US$2.2 billion.

Implications

For Site Selection & EDOs

Impact on Site Selection and Economic Development



EDO Response – Never waste a crisis

Monitor Closely

01
- Keep stakeholders & policy makers informed
- Lead stream volume
- Industry mix
- Decision timeframes

Adjust Goals

02
- Fewer and smaller projects
- Longer decision-making timeframes

Recalibrate Targets

03
- New mix of growth industries
- New domestic and FDI sources

Workforce Development

04
- Low and high skill shortages looming
- Close collaboration with recruitment and training allies

Improve Product & Inventory Mix

05
- Rebuild inventory
- Infrastructure improvement

Conclusions

Trump Economic Policy is Significantly Impacting Site Selection and Economic Development

Economic Uncertainty Reigns

There will be winners

Project Costs are Rising

There will be losers

Timelines are Extending

Texas will experience both

Thank You

Q&A

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