

The State of the State: Trade, Immigration, and Economic Growth



Kansas Economic Policy Conference
Institute for Policy & Social Research
The University of Kansas, October 26, 2017

What to expect from today's presentation

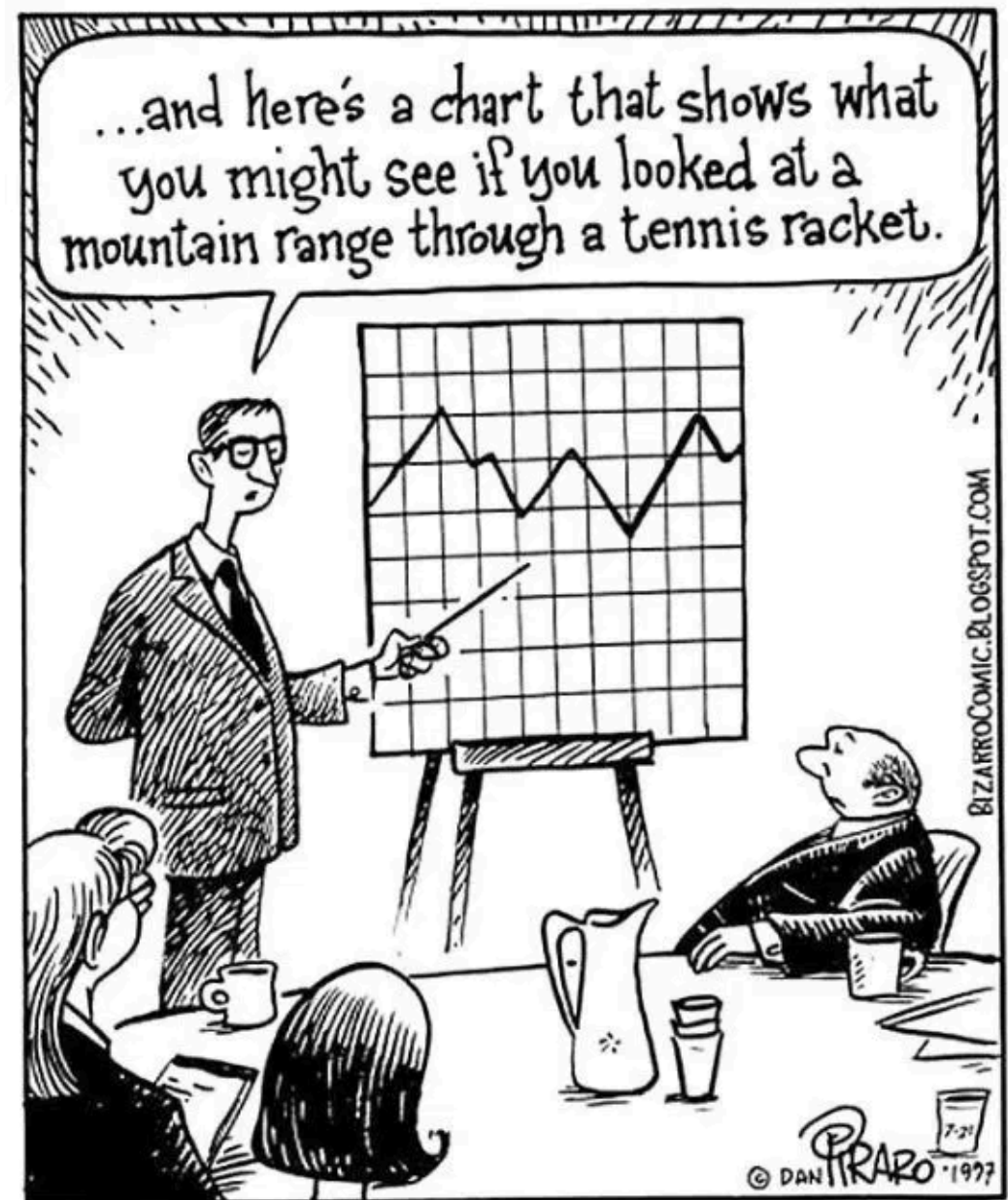
- Big picture of international trade and immigration in Kansas
- General themes and economic principles to help understand effects of trade and immigration on Kansas economy

Thinking about trade and immigration in Kansas

taking stock

and

understanding what
the numbers means



“The purpose of studying economics is not to acquire a set of ready-made answers to economic questions, but to learn how to avoid being deceived by economists.”

Joan Robinson

Substitution vs complementarity

- Trade (imports of intermediates vs imports of final goods)
- Immigration (hiring foreign talent vs replacing domestic workers)

IMMIGRATION

Some facts about immigrants in Kansas

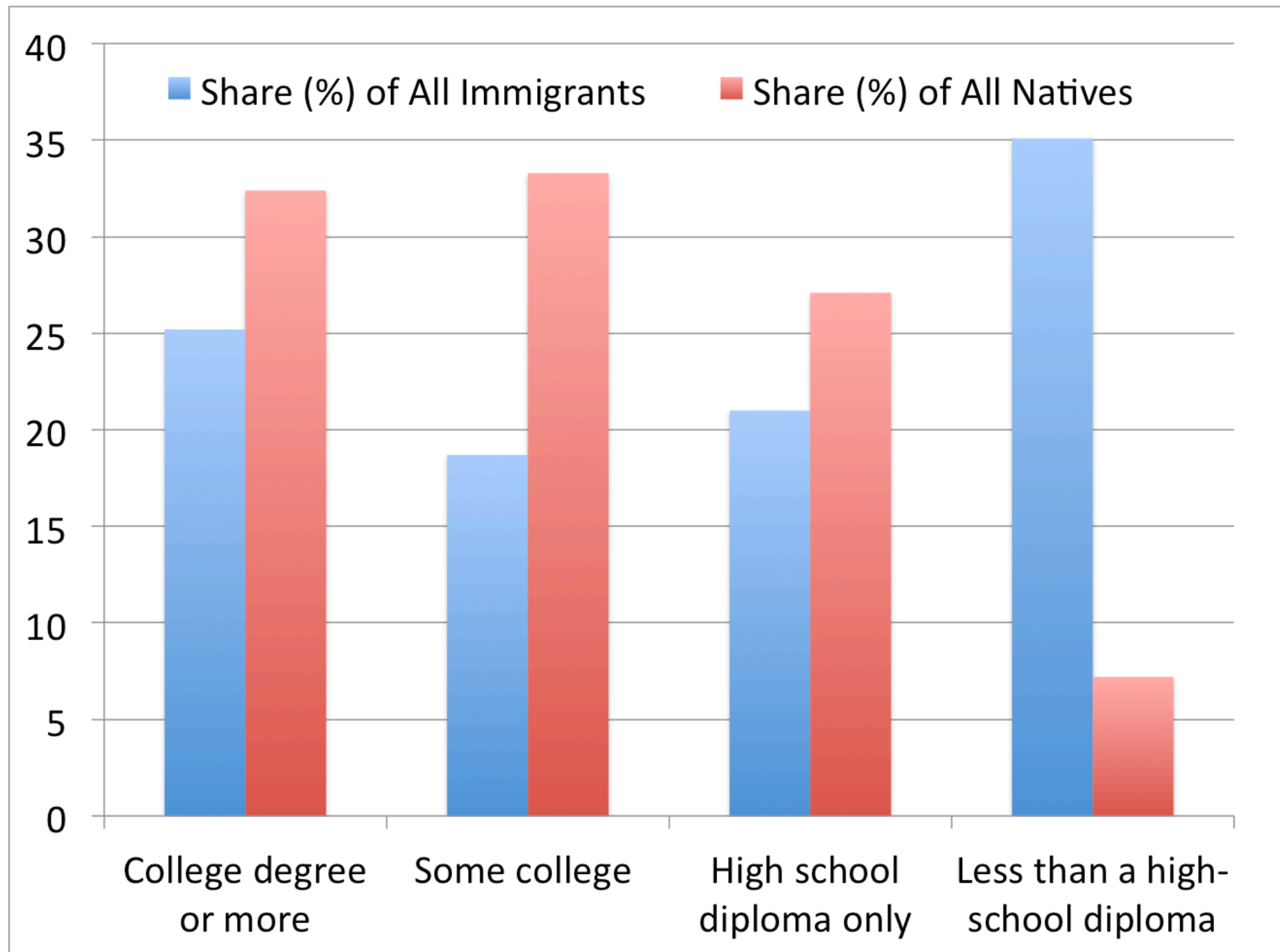
- 7% of Kansas population
- 10% of Kansas labor force (immigrants are younger and more economically active)
- Immigrant business owners account for 25% of all self-employed Kansas residents
- 14.5% business owners in greater Kansas City area
- 6.5% of Kansas City metro population (less than other US metropolitan areas)
- 25% of immigrants live outside metropolitan areas (more than in the US)

Sources:

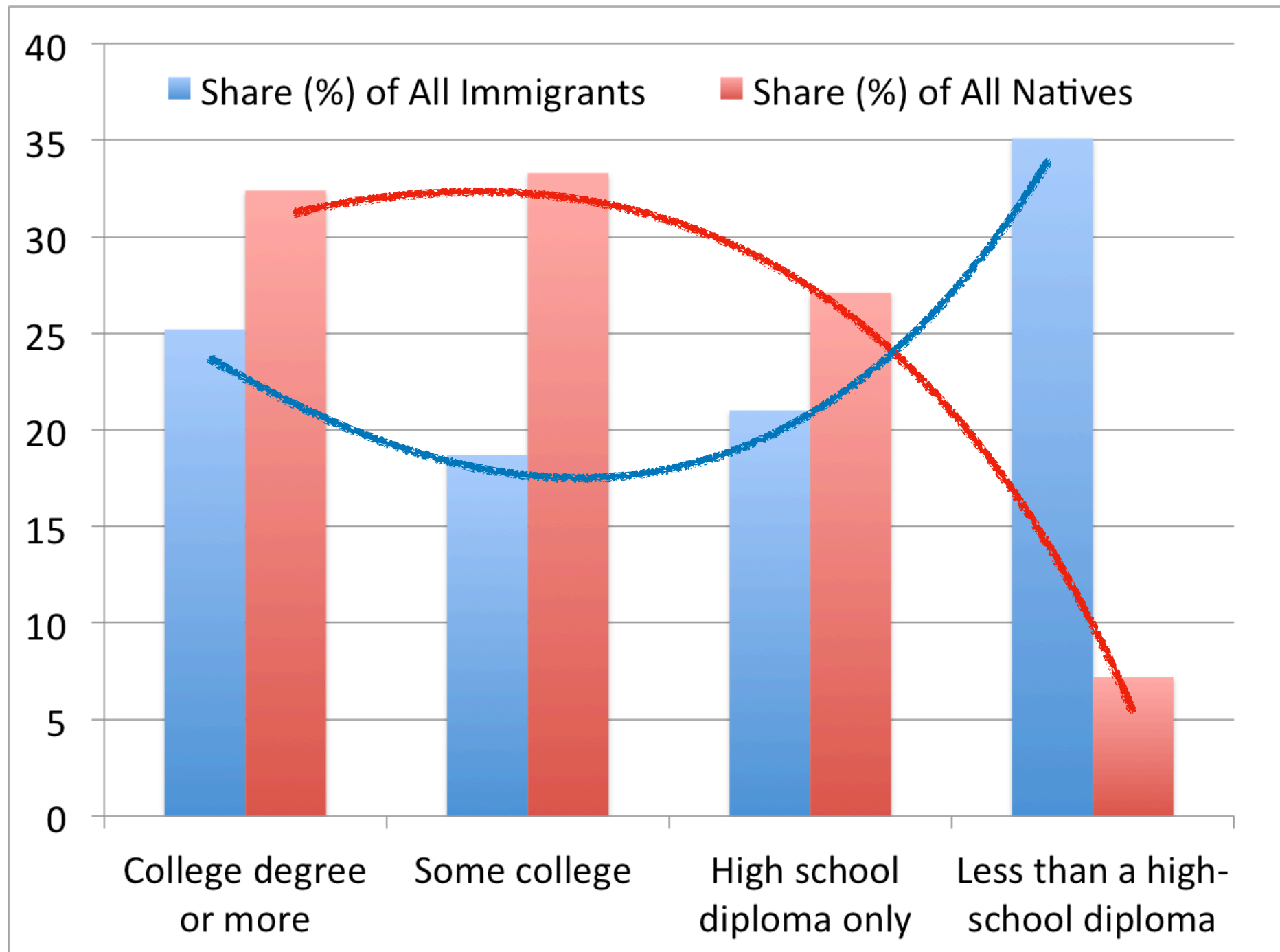
<https://www.americanimmigrationcouncil.org/research/immigrants-in-kansas>

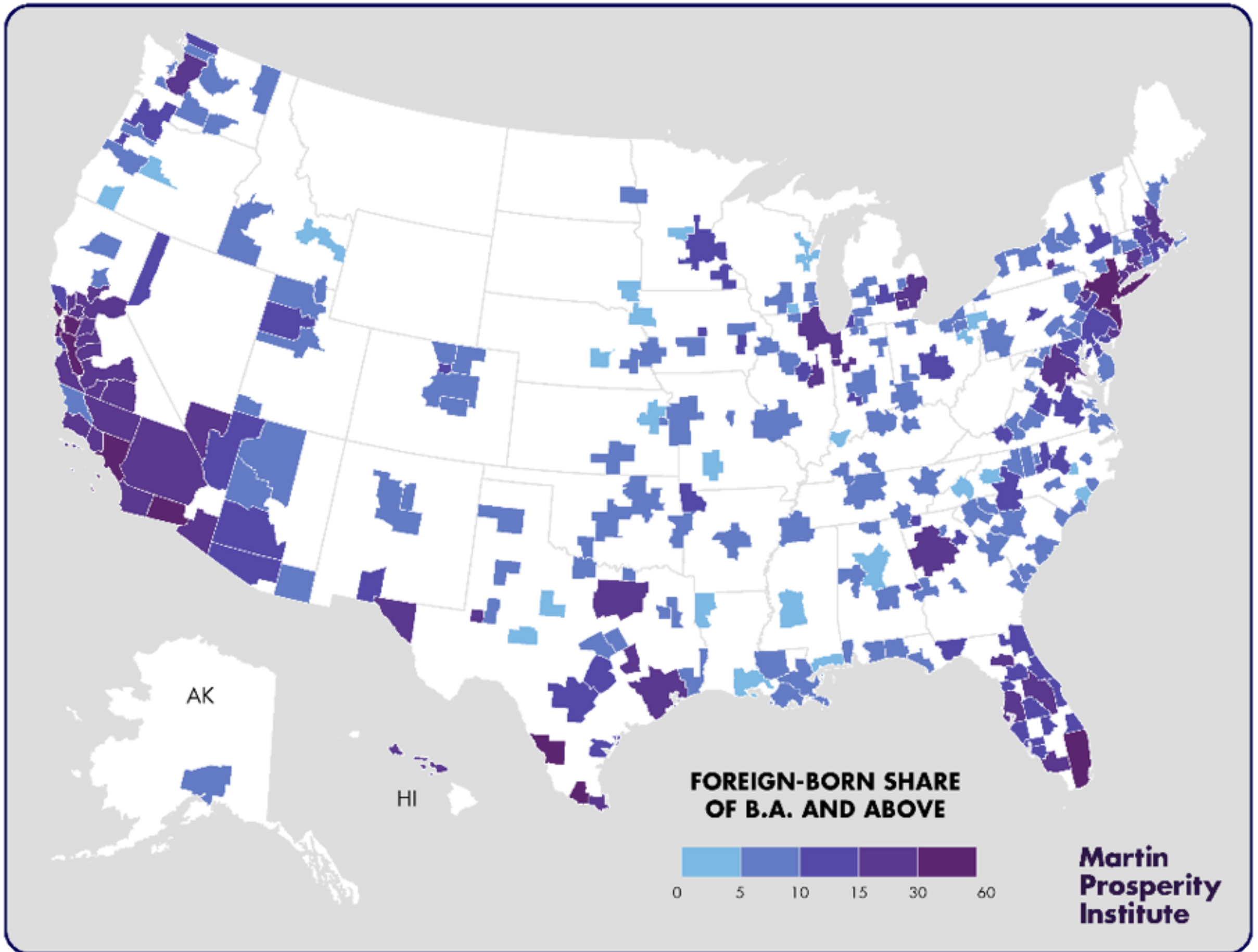
[https://kuscholarworks.ku.edu/bitstream/handle/1808/17096/ImmigrationKC2014 .pdf](https://kuscholarworks.ku.edu/bitstream/handle/1808/17096/ImmigrationKC2014.pdf)

Skill and education composition of immigrants in Kansas



Skill and education composition of immigrants in Kansas





Source: <https://www.citylab.com/life/2017/02/americas-lost-talent/516705/>

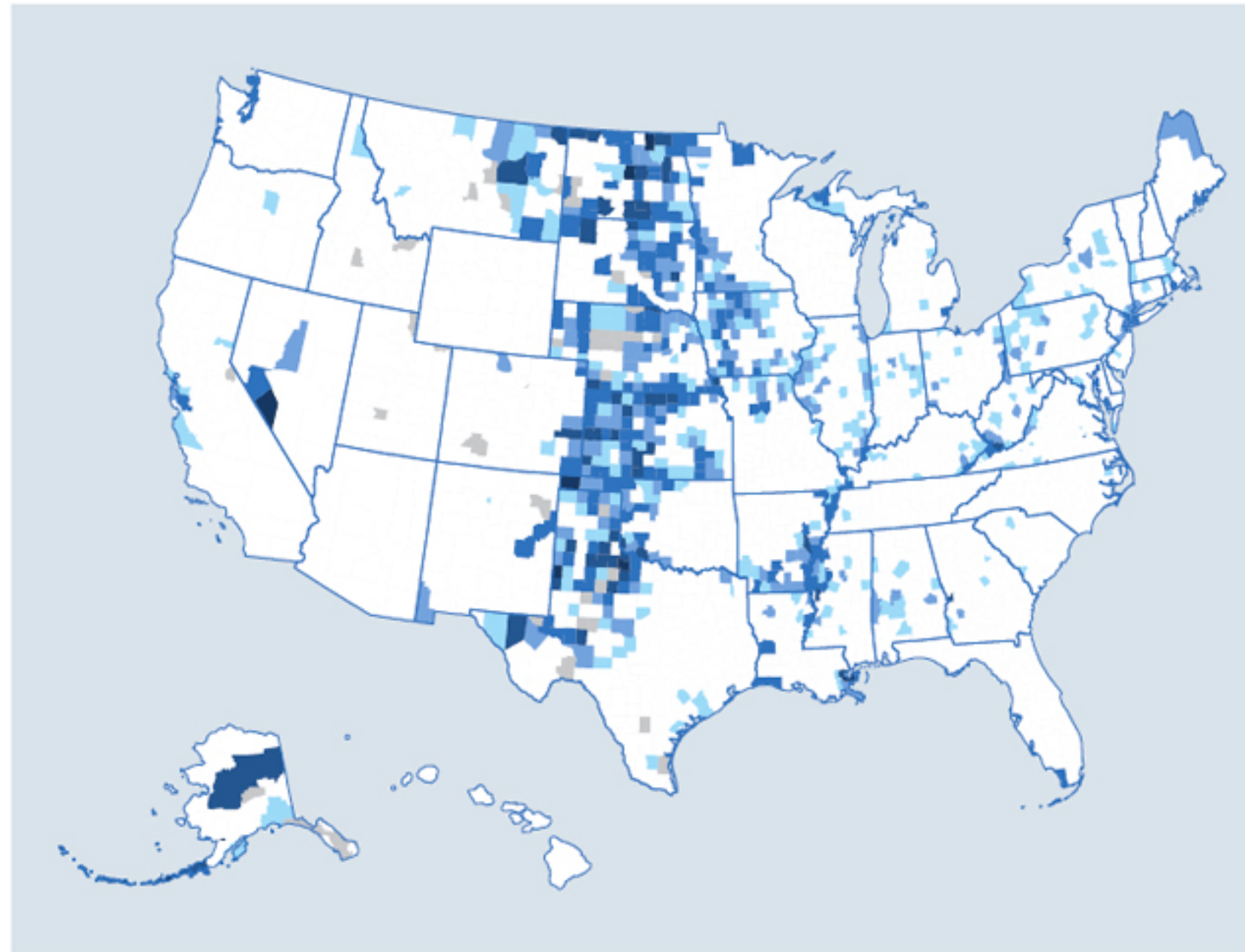
Skills of immigrants in Kansas

- Kansas' two metropolitan areas (Wichita, KC) are getting less skilled immigrants:
 - Historical reasons
 - Policy to attract skilled ones

**Immigrants to rural
areas replace loss of
labor due to decline in
native-born population**

Native-Born Population Declines in Middle America

Percent decline in counties' native adult populations from 1990 to 2012



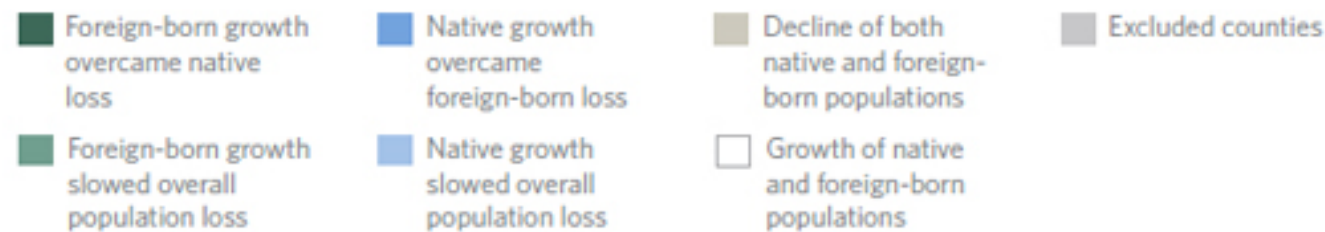
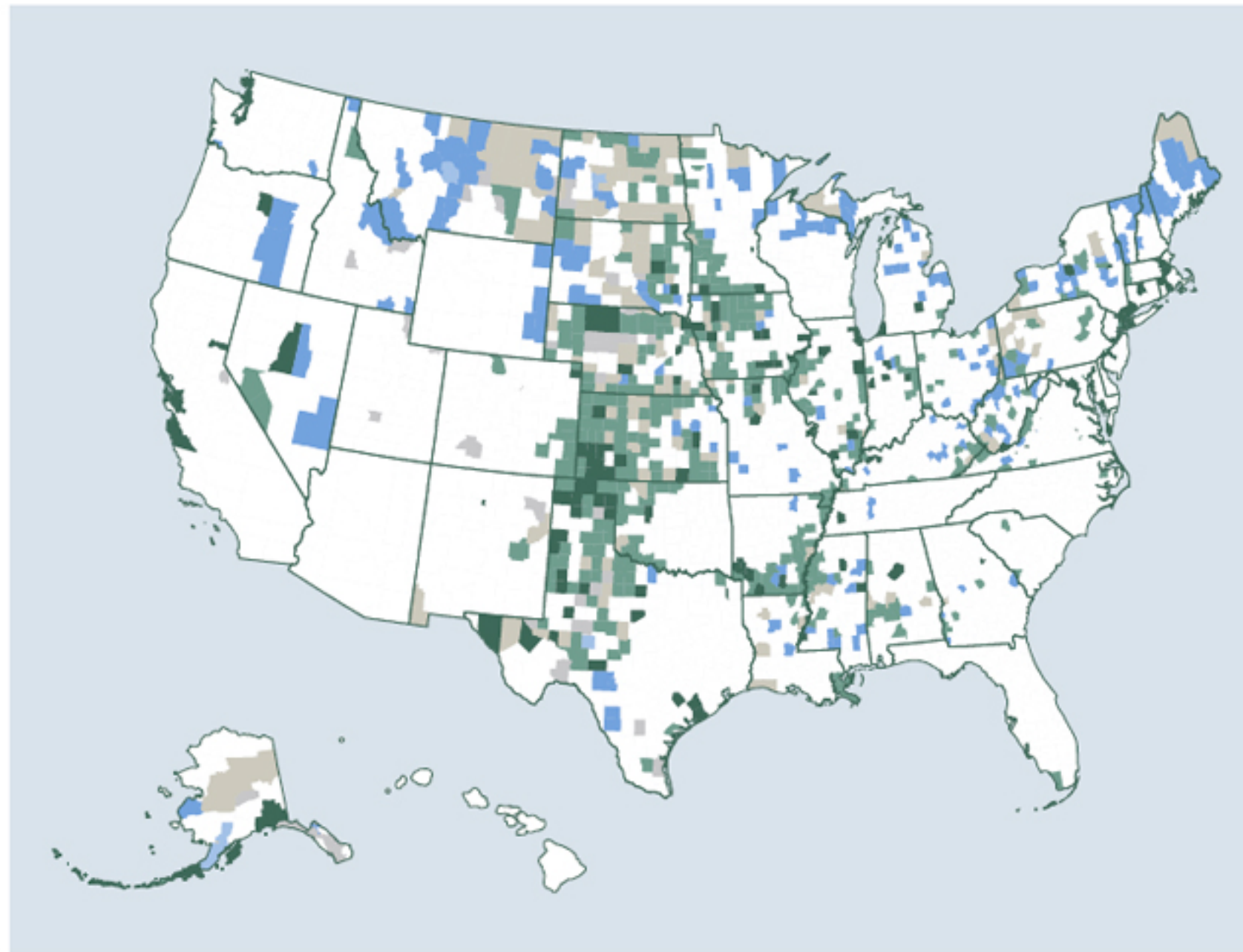
Note: Percent decline is calculated by subtracting the native-born population in 1990 from the native-born population in 2008-2012 and dividing by the total population in 1990. Excluded counties are those with fewer than 1,000 residents in 1990 or for which no data were available.

Sources: Pew's analysis of the 1990 decennial census and 2008-2012 American Community Survey

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Immigration Slows Population Declines in Middle America

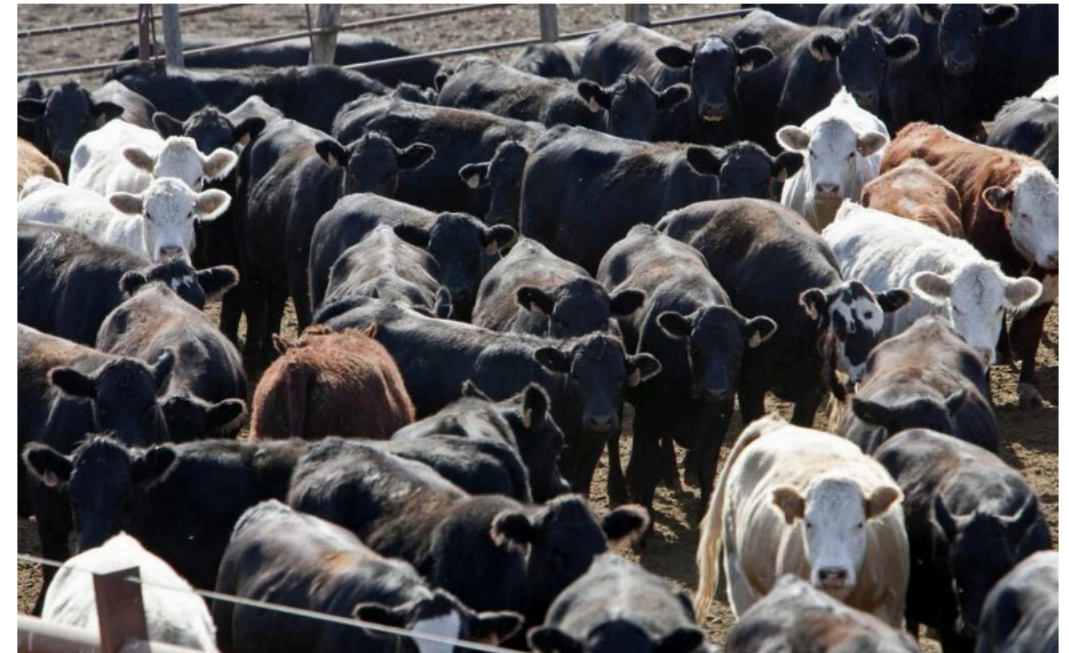
Change in county native- and foreign-born populations from 1990 to 2012



Note: Categories are based on calculations of the difference in county population from 1990 and 2008-2012, the difference in foreign-born population from 1990 to 2008-2012, and the difference in native-born population from 1990 to 2008-2012. Categories shown cover all possible outcomes and types of population change. Excluded counties are those with fewer than 1,000 residents in 1990 or for which no data were available.

Immigrant labor revitalizes meatpacking in Garden City, KS

Source: <http://www.ipsr.ku.edu/conferen/kepc11/HarvestofChange.pdf>



Changing preferences in the beef marketplace have sparked an expansion at National Beef Packing Co.'s Dodge City plant. **Nati Harnik** - The Associated Press

BUSINESS

National Beef Packing invests \$30 million in Dodge City plant

BY MARK DAVIS
mdavis@kcstar.com

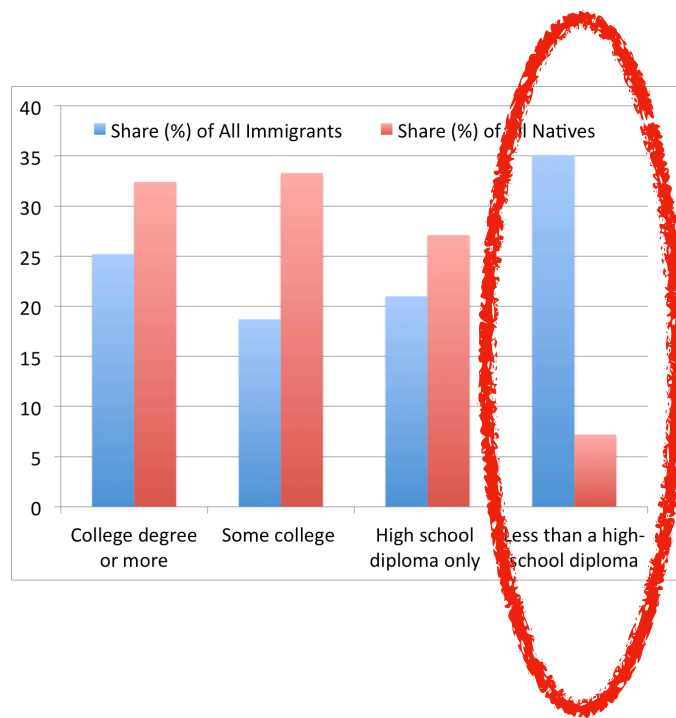
JULY 27, 2016 2:44 PM

National Beef Packing Co. LLC on Wednesday announced a \$30 million expansion at its Dodge City, Kan., operations.

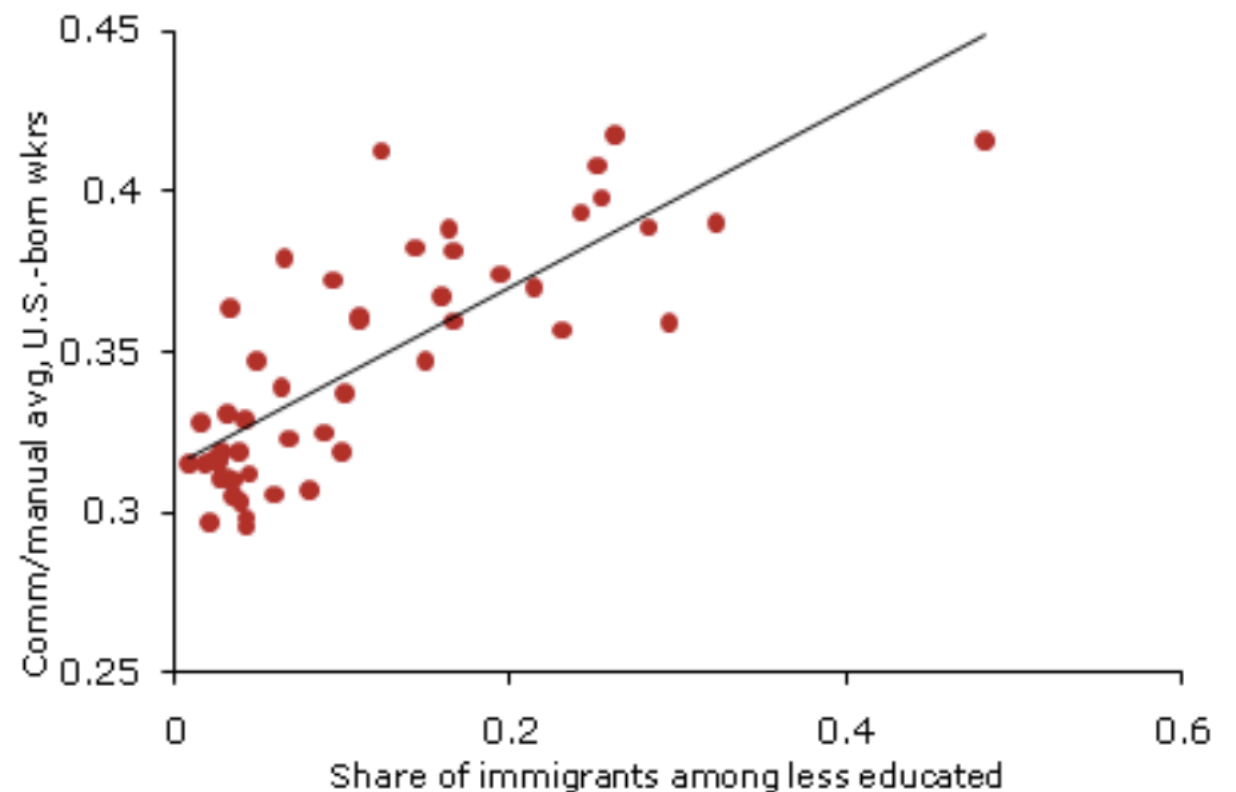
The project will add box carousels, pallet-packing machines and cranes to the meatpacking plant. It will also increase the plant's ability to handle material and boost its box storage capacity.

Source: <http://www.kansascity.com/news/business/article92157312.html>

How do the US-born workers adjust to immigration? Short run pain, long run gain.



Communication/manual skills among less-educated U.S.-born workers



Sources:

<http://www.frbsf.org/economic-research/publications/economic-letter/2010/august/effect-immigrants-us-employment-productivity/>

<https://www.nap.edu/catalog/23550/the-economic-and-fiscal-consequences-of-immigration>

Complementarity of immigrant labor and the effect of immigration on female employment

- The areas with more unskilled immigrants see an increase in the female participation in the labor force

Source: Cortés, Patricia; and Tessada, José. “Low-Skilled Immigrations and the Labor Supply of Highly Skilled Women.” *American Economic Journal: Applied Economics*, Vol. 3, No. 3, July 2011, pp. 88-123

TRADE

Imports and exports

Kansas trade deficit in 2016 was \$976 million

- In 2016, Kansas was 0.81% of the US GDP
- Kansas accounted for 0.7% of US exports and 0.5% of US imports
- Only 0.12% of the US trade deficit

Calculations based on data from:

<https://www.census.gov/foreign-trade/statistics/state/data/imports/ks.html>

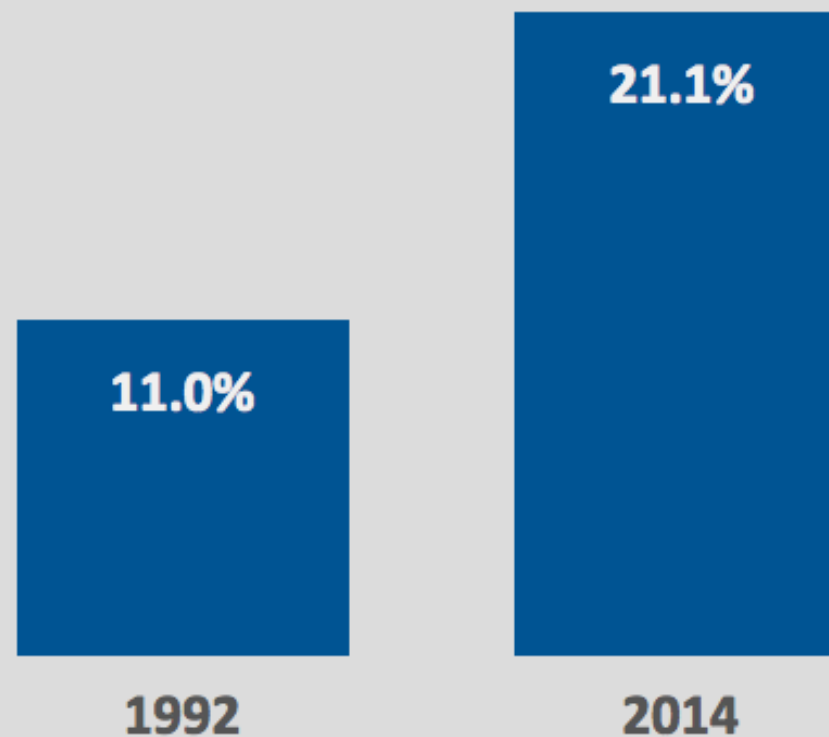
<https://www.census.gov/foreign-trade/statistics/state/data/ks.html>

400,900

**Number of Jobs in Kansas
Supported by Trade**

Share of Jobs Tied to Trade

Increased 92 percent from 1992 to 2014

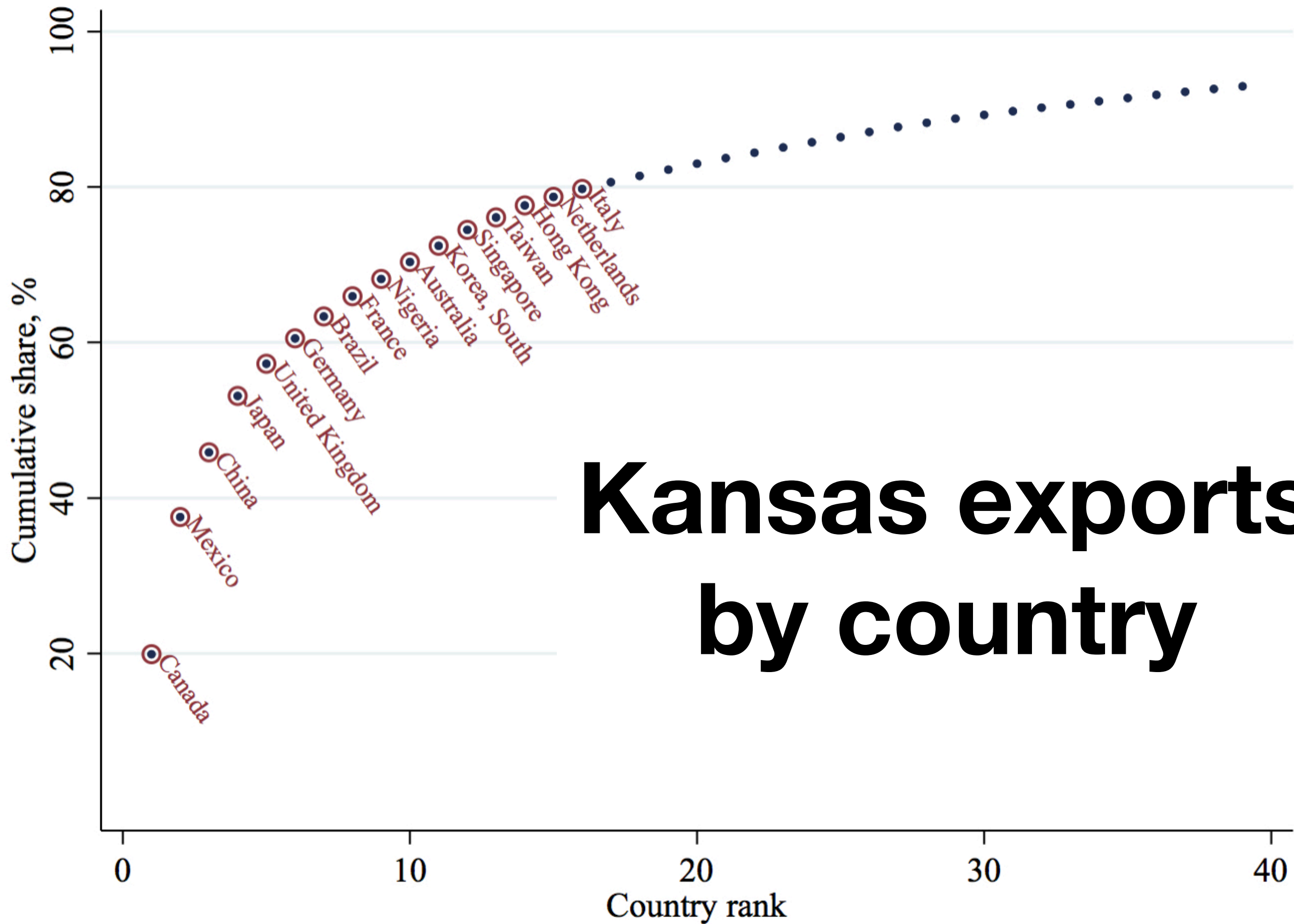


Source: Business Roundtable report http://tradepartnership.com/wp-content/uploads/2016/02/BRT_TRADE_2015_Kansas.pdf

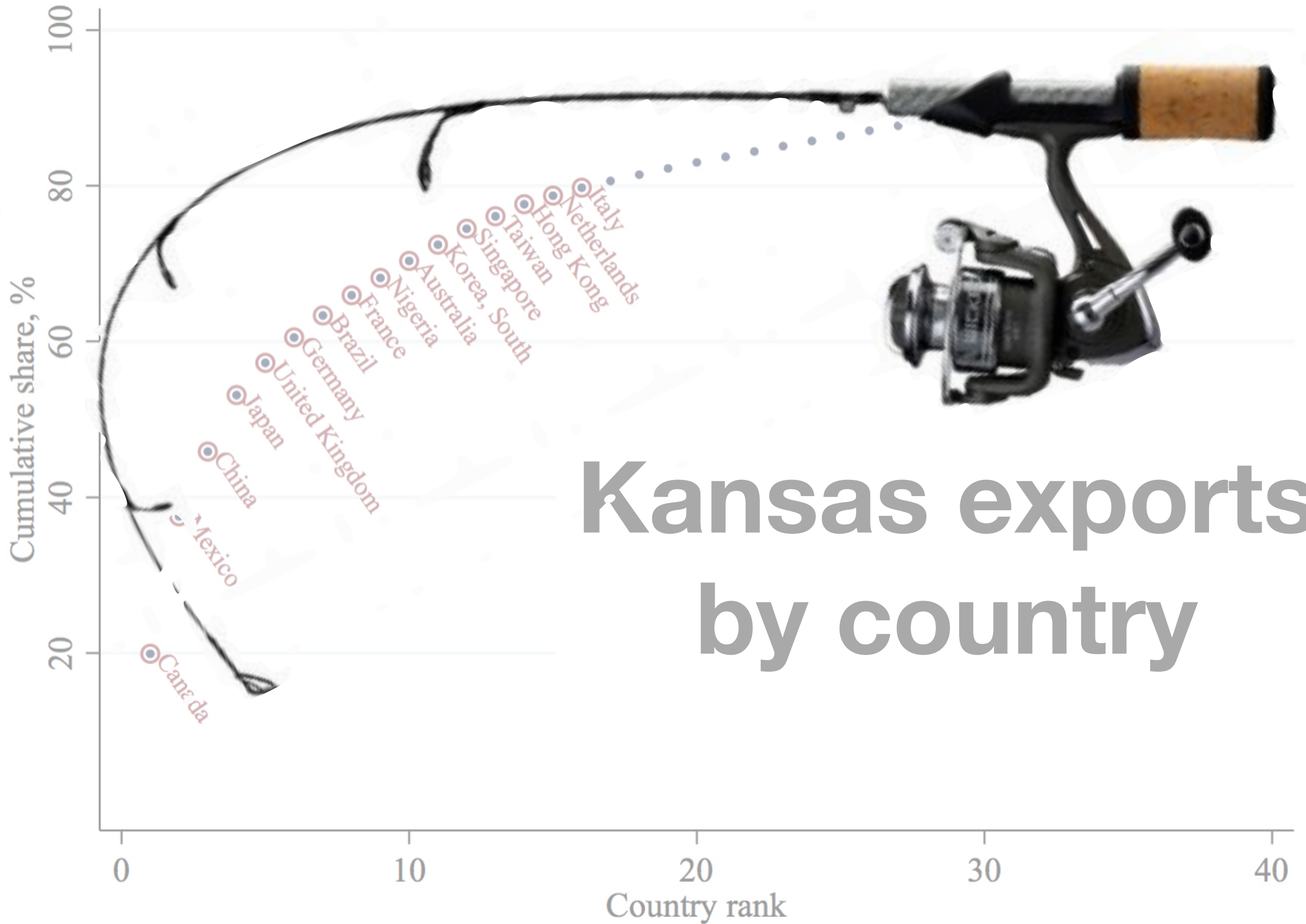
Exports are easy to like

1. Exports = Domestic Production - Domestic Consumption
2. We produce more than we consume
3. Production = employment
4. The rest of the world is paying our workers





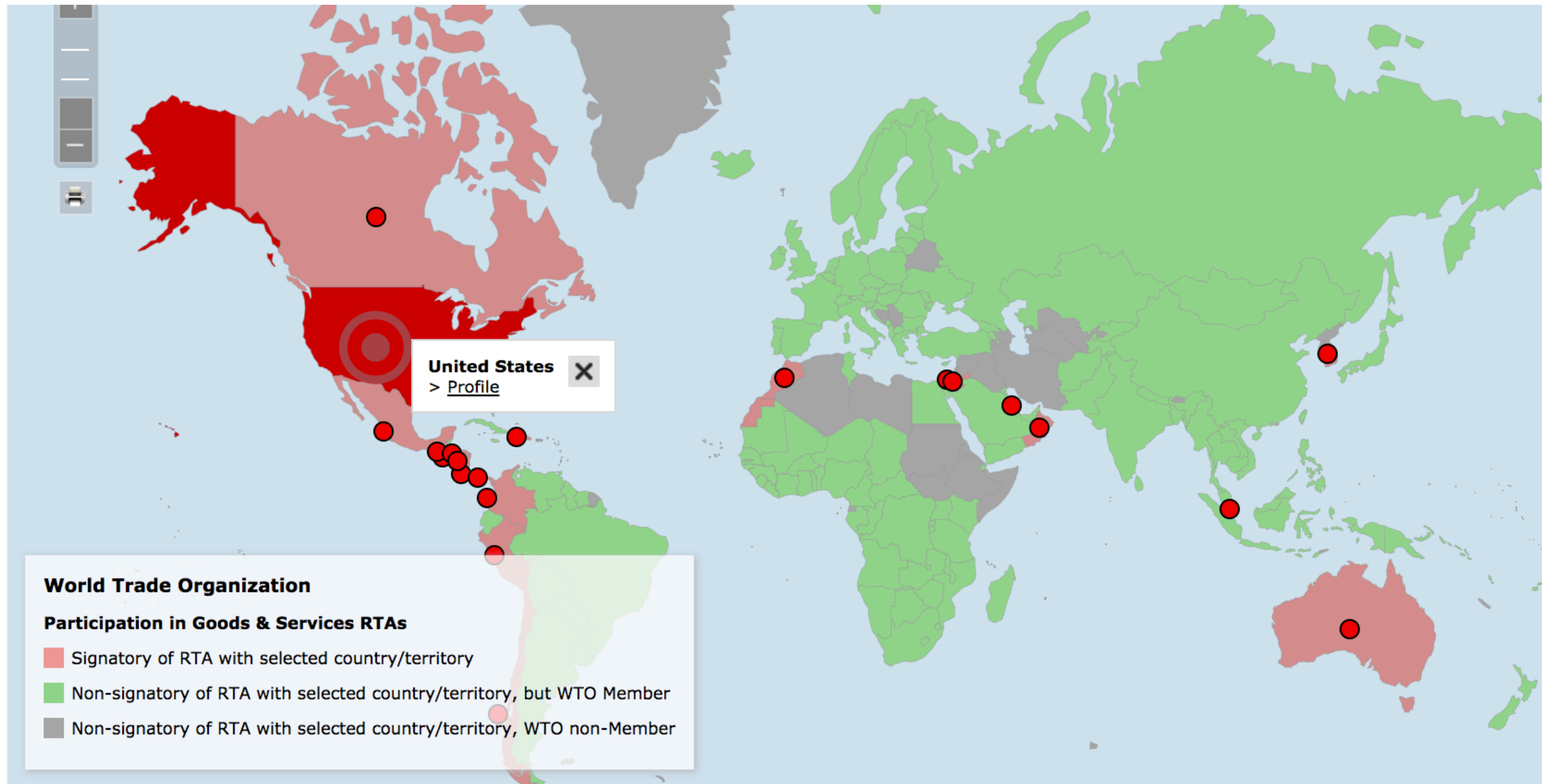
Kansas exports by country



Kansas exports by country



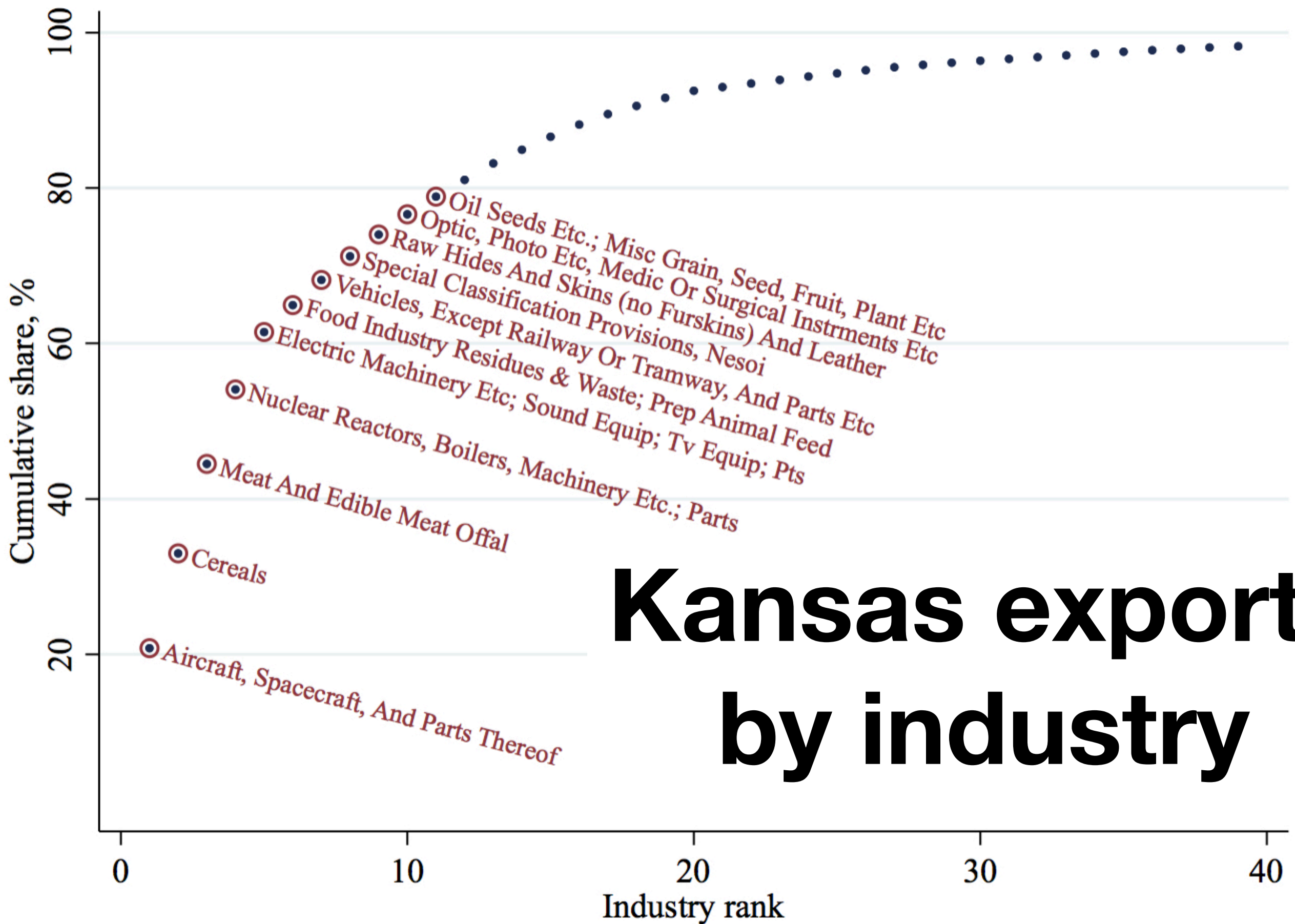
US participation in Regional Trade Agreements



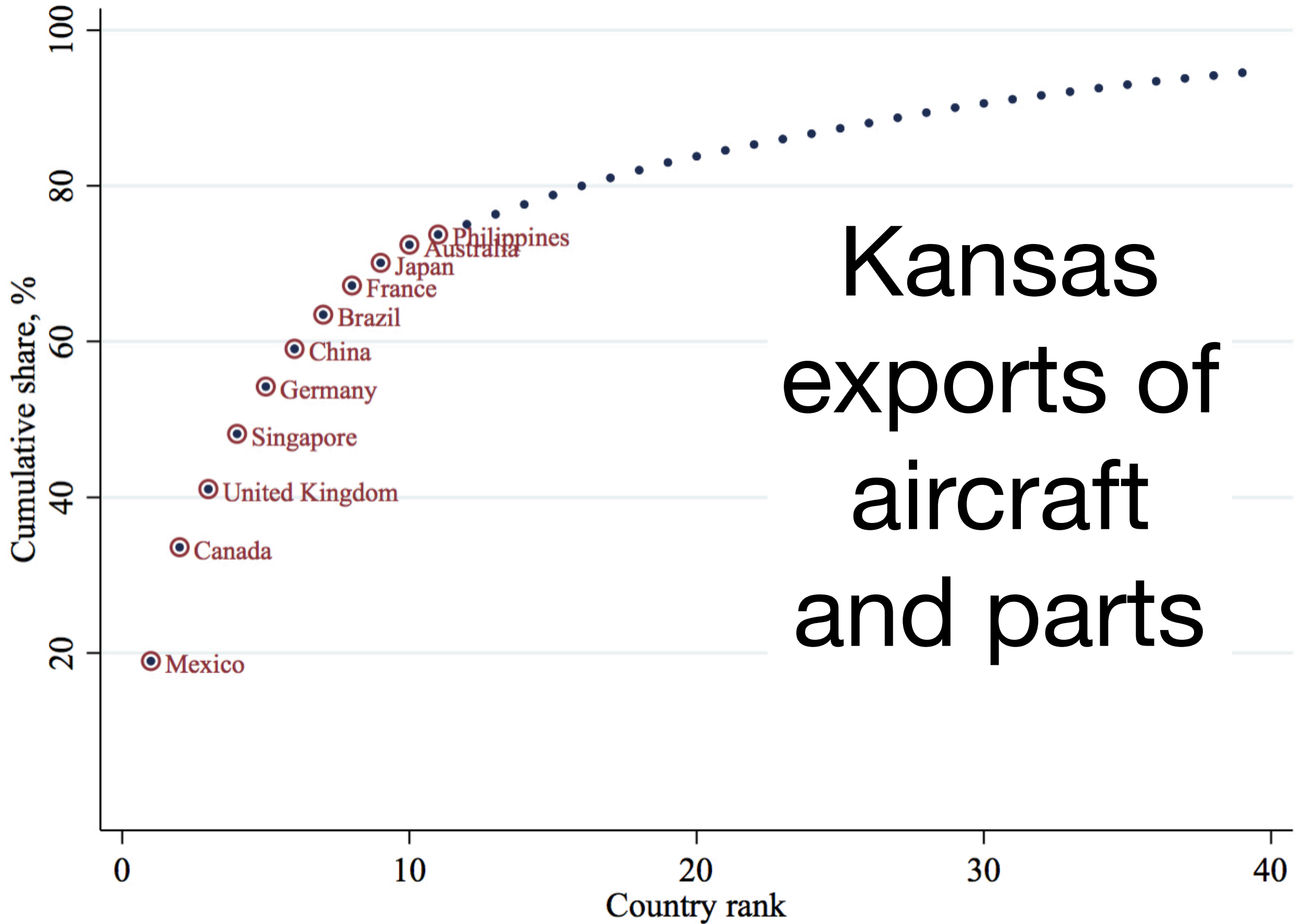
Source: https://www.wto.org/english/tratop_e/region_e/rta_participation_map_e.htm

Kansas exports to countries in trade agreements with the US

- In 2016, 48% vs 47% for the US
- A modest increase from 46% in 2012

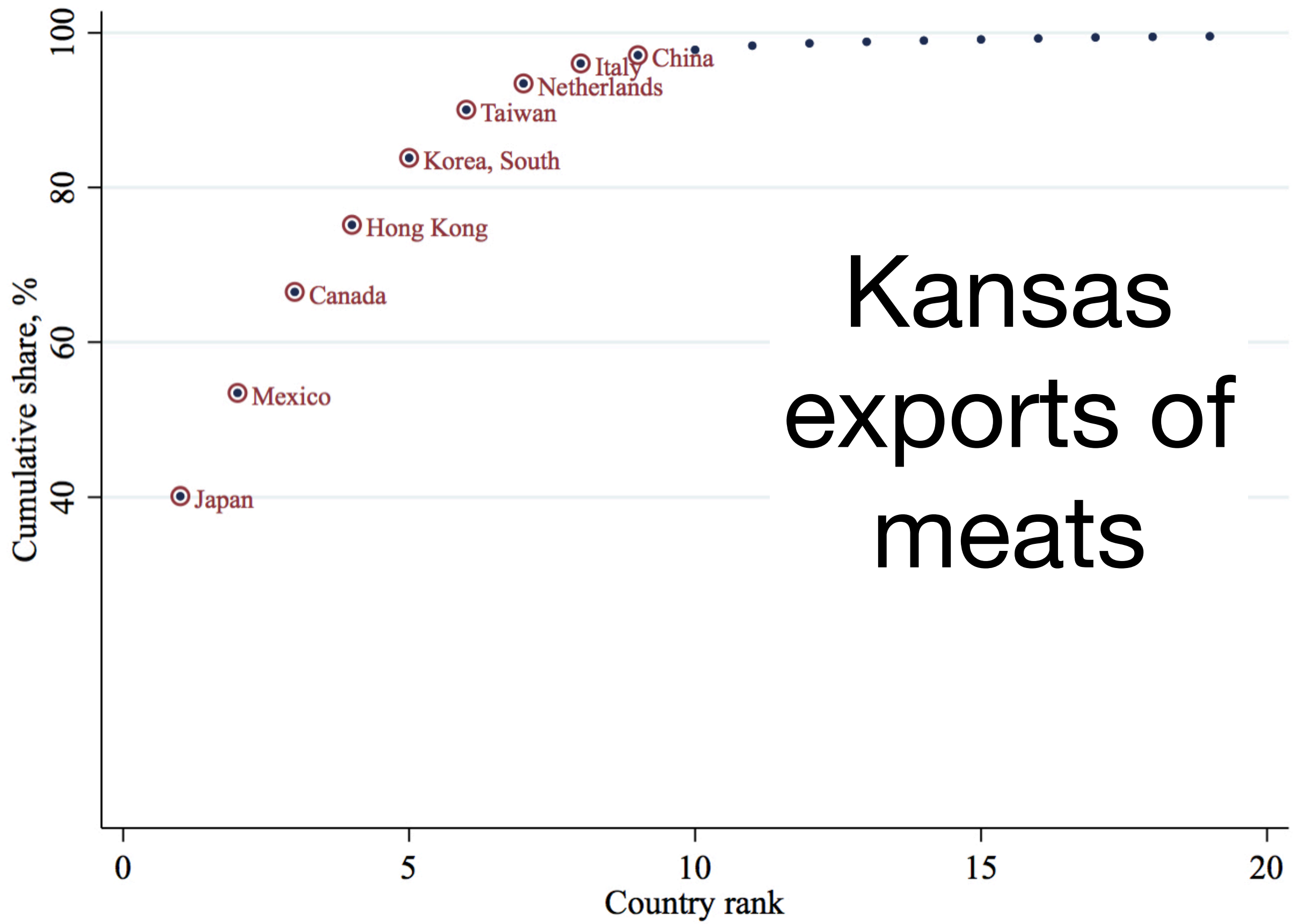


Kansas exports by industry



Kansas exports of aircraft and parts

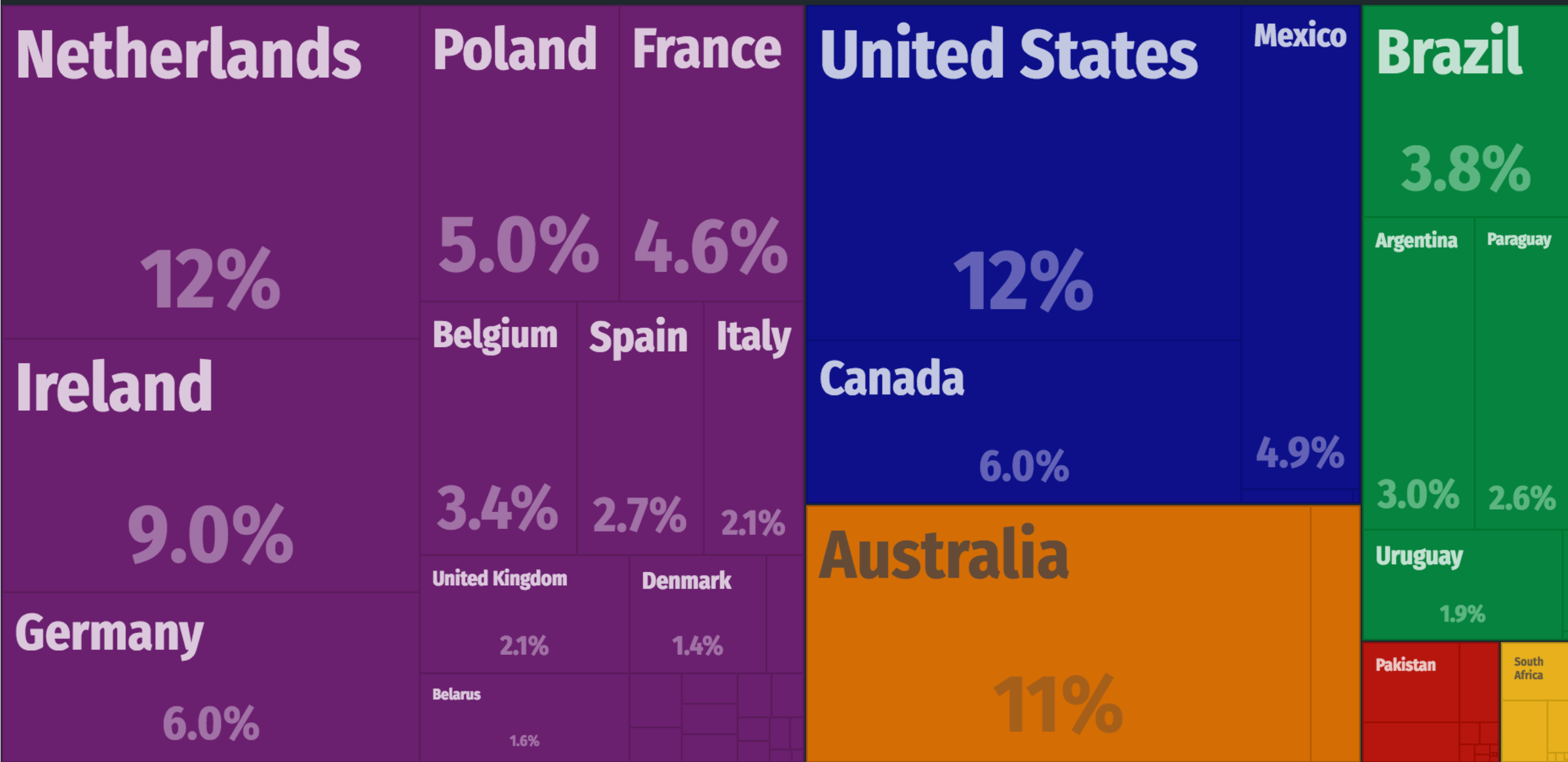
Kansas exports of meats



< 2015

Which countries export Bovine Meat? (2016)

TOTAL: \$20.2B



Source: <http://atlas.media.mit.edu/en/profile/hs92/0201/>

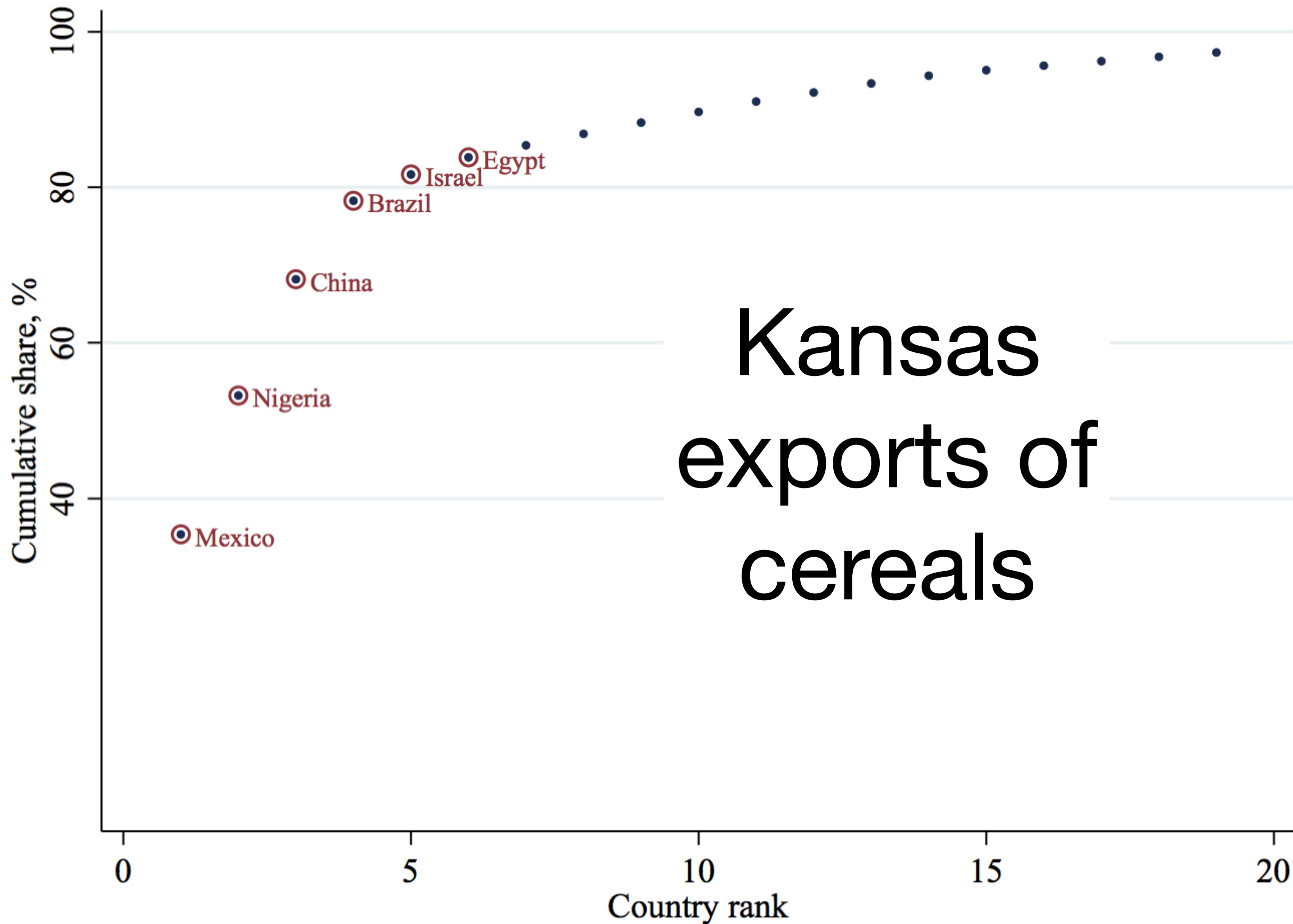
Canada, Japan, Australia are all members of the now defunct TPP

THE WALL STREET JOURNAL.

Japan Slaps 50% Tariff on Some U.S. Beef

Beef tariff comes after Trump named Japan as one of the countries contributing to U.S. trade deficit





Important trade relationships

Industry	Destination	Share (%)	Cumulative share
Meats	Japan	4.6	4.6
Cereals	Mexico	4.0	8.7
Machinery and parts	Canada	3.3	11.9
Electric machinery and parts	Canada	2.9	14.9
Aircraft and parts	Mexico	2.9	17.7
Aircraft and parts	Canada	2.3	20.0
Cereals	Nigeria	2.2	22.2
Raw hides, skins, leather	China	2.2	24.4
Misc grain	China	2.0	26.4
Vehicles and parts	Canada	2.0	28.4
Cereals	Brazil	1.8	30.2
Cereals	China	1.7	31.9
Meats	Mexico	1.6	33.5
Meats	Canada	1.4	35.0
Aircraft and parts	Brazil	1.3	36.2
Aircraft and parts	United	1.3	37.5
Aircraft and parts	Germany	1.2	38.7
Aircraft and parts	Singapore	1.1	39.8

Export growth

Exports growth 2012-2016	Export value in 2016	Industry/Product
1171%	25,080,620	Cocoa And Cocoa Preparations
311%	28,934,499	Wood And Articles Of Wood; Wood Charcoal
276%	23,574,308	Base Metals Nesoi; Cermets; Articles Thereof
173%	32,935,944	Edible Preparations Of Meat, Fish, Crustaceans Etc
84%	32,334,560	Miscellaneous Articles Of Base Metal
68%	11,831,472	Wood Pulp Etc; Recovd (waste & Scrap) ppr & pprbd
41%	10,933,349	Prep Vegetables, Fruit, Nuts Or Other Plant Parts
39%	32,574,960	Furniture; Bedding Etc; Lamps Nesoi Etc; Prefab Bd

Kansas entrepreneur exports of tumbleweed to Japan, Austria, England

LJWORLD.COM
LAWRENCE JOURNAL-WORLD

Business Directory Obituaries Classifieds Jobs Real
News Sports KU Today Events Health Entertainment

Archive for Monday, June 23, 2003

In southwest Kansas, tumbleweeds are on a roll

Bumper weed crop a nuisance to some, a novelty to others

Email Print Facebook Tweet

By Bill Snead

June 23, 2003

ELKHART — The way the wind blows out here, you're never sure which county they come from, Sandy Turner said.

"But in 28 years I've never seen them this bad," said Turner, Elkhart's water clerk.

She is talking about tumbleweeds.

A three-year drought put the western half of Kansas behind in annual rainfall, with the towns of Elkhart

Source: http://www2.ljworld.com/news/2003/jun/23/in_southwest_kansas/

Even if imports are to blame for some job losses, restricting imports would not work

- this is sort of like fixing a symptom not the reason
- There is equivalence between restriction of imports and exports

Imports are harder to like

- Imports = Consumption - Production
- Consumption > Production
- Imports of intermediates vs final goods:
 - 50% or, in the extreme case, all imports are intermediates
- Import competing production is concentrated while consumption of imports is dispersed





LIVE

breakyourownnews.com

BREAKING NEWS

GM TO CLOSE PLANT IN DAYTON, OH

14:48

A GM FACTORY WITH 2,100 WORKERS CLOSES, AND 33,000 OTHER PEOPLE LOSE THEIR

LIVE

SALE

breakyourownnews.com

BREAKING NEWS

OHIO FAMILY SAVES \$153 IN 2016

14:53

FAMILY SAVES \$153 DUE TO LOWER PRICES OF IMPORTED CLOTHING FROM CHINA

State Exports from Kansas

Rank	HS Code	Description	2016 Value	2016 % Share
1	880000	CIVILIAN AIRCRAFT, ENGINES, AND PARTS	1,850	18.2
2	100199	WHEAT AND MESLIN, NESOI	850	8.3
3	020130	MEAT OF BOVINE ANIMALS, BONELESS, FRESH OR CH	662	6.5
4	100590	CORN (MAIZE), OTHER THAN SEED CORN	305	3.0
5	120190	SOYBEANS, NESOI	242	2.4
6	880230	AIRPLANE & A/C UNLADEN WGHT > 2000, NOV 15000	203	2.0

State Imports for Kansas

Rank	HS Code	Description	2016 Value	2016 % Share
1	841112	TURBOJETS OF A THRUST EXCEEDING 25 KN	687	6.2
2	880330	PARTS OF AIRPLANES OR HELICOPTERS, NESOI	658	5.9
3	852691	RADIO NAVIGATIONAL AID APPARATUS	633	5.7
4	640411	FOOTWEAR TEX UP RUBPLAS SOL SPORT SHOES	296	2.7
5	640299	FOOTWEAR, OUTER SOLE & UPPER RUBBER OR PLAST	236	2.1
6	110900	WHEAT GLUTEN, WHETHER OR NOT DRIED	178	1.6
7	640419	FOOTWEAR, OUT SOLE RUB OR PLAST & TEXT UPPER	144	1.3
8	840734	SPARK-IGNTN RECPRECTING PISTON ENGINE ETC > 10	140	1.3
9	850300	PARTS OF ELECTRIC MOTORS, GENERATORS & SETS	135	1.2

Imports are needed to produce exports

Big importers are also big exporters

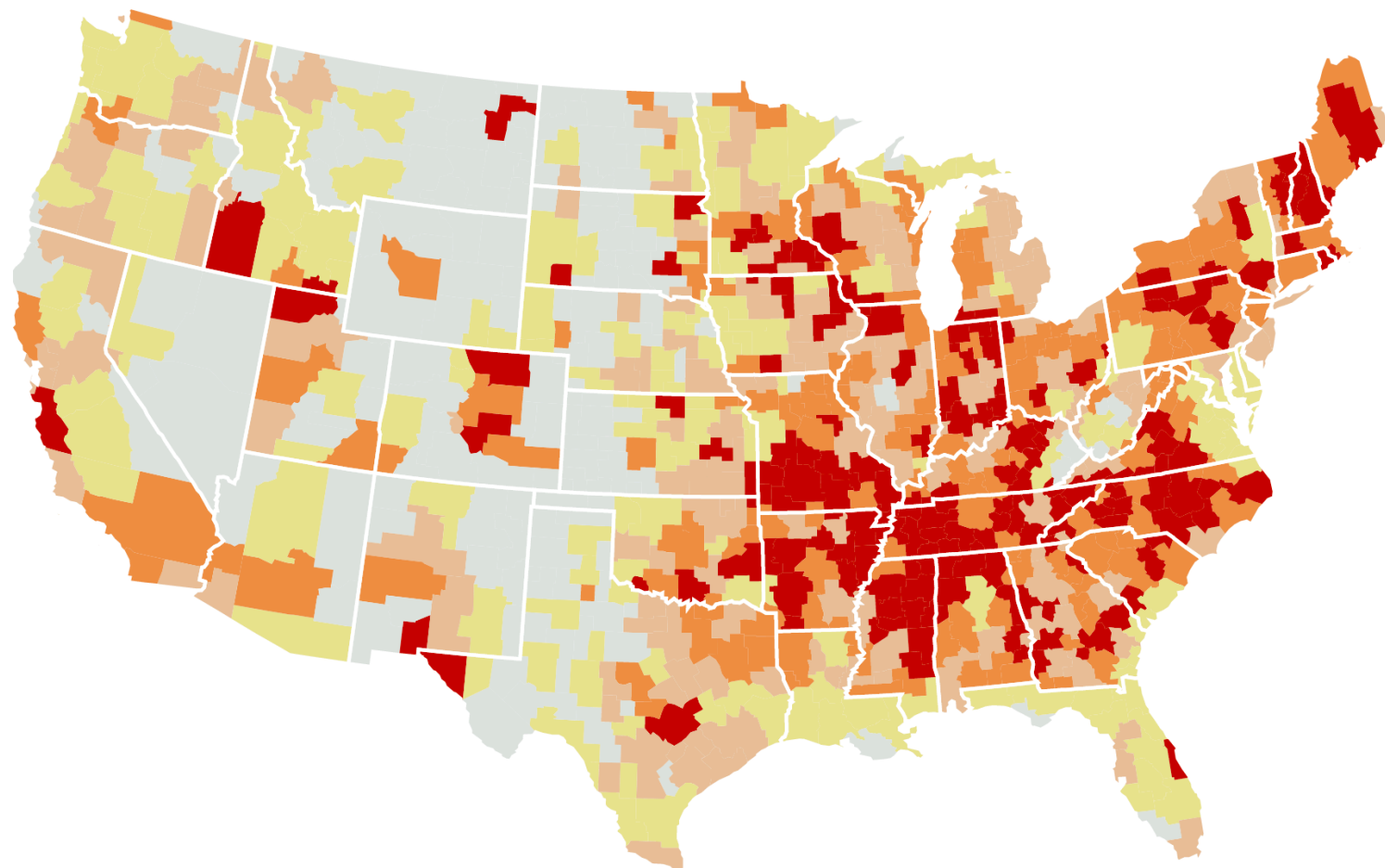
Imports complement exports

Kansas is relatively unaffected by the rise of imports from China

Most-affected areas of the U.S.

Colors show which areas were most affected by China's rise, based on the increase in Chinese imports per worker in each area from 1990 to 2007. Hovering over each area on the map will show a demographic breakdown of that area, below, and its most-affected industries, at right.

Most-affected 20% Second-highest 20% Middle 20% Second-lowest 20% Least-affected 20%



Most-affected industries

Most-affected industries, based on number of areas* Impact per worker†

Furniture and fixtures

196 areas \$44k

Games, toys, and children's vehicles

114 areas \$488k

Sporting and athletic goods

106 areas \$82k

Electronic components

87 areas \$65k

Plastics products

84 areas \$11k

Motor-vehicle parts and accessories

79 areas \$12k

Electronic computers

68 areas \$207k

Radio and tv communications equipment

66 areas \$111k

Source: <http://chinashock.info/>

Concordia, Kan.

*Area-wide industry effect
on average resident*

*Impact per
worker†*

Games, toys, and children's vehicles

\$3.95k

\$488k

Surgical appliances and supplies

\$0.46k

\$15k

Unsupported plastics film and sheet

\$0.36k

\$5k

Fabricated plate work (boiler shops)

\$0.21k

\$5k

Sporting and athletic goods

\$0.03k

\$82k

Emporia, Kan.

*Area-wide industry effect
on average resident*

*Impact per
worker†*

Printing trades machinery

\$12.67k

\$365k

Motor-vehicle parts and accessories

\$0.16k

\$12k

Plastics products

\$0.14k

\$11k

Meatpacking plants

\$0.11k

\$1k

Hand and edge tools

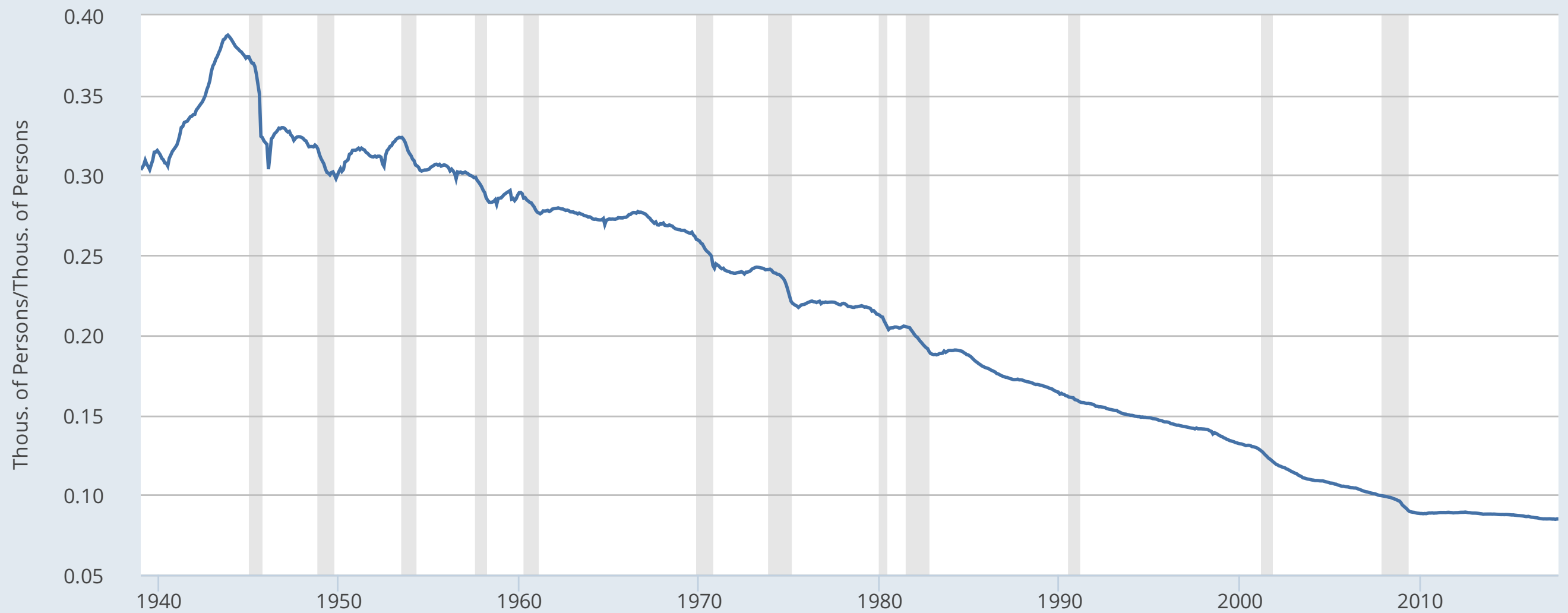
\$0.05k

\$20k

Manufacturing employment and imports



— All Employees: Manufacturing/All Employees: Total Nonfarm Payrolls



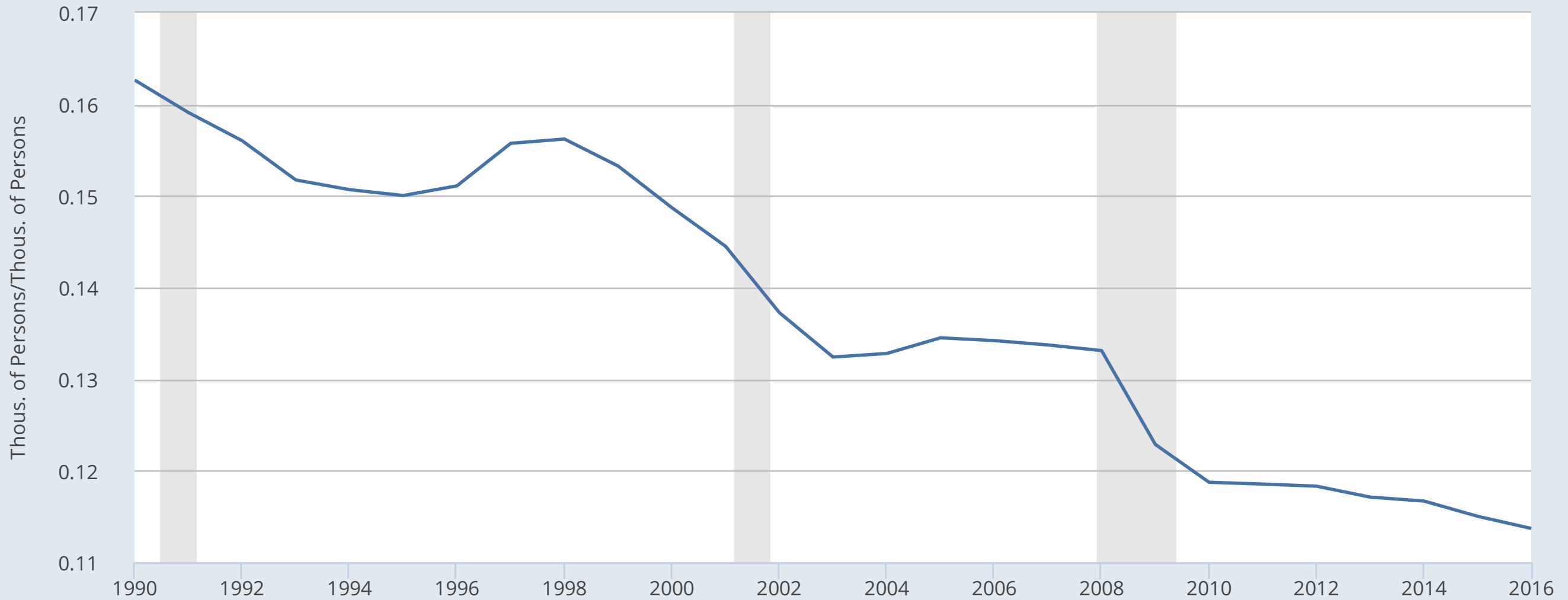
Source: U.S. Bureau of Labor Statistics
fred.stlouisfed.org

myf.red/g/fqVm

Manufacturing employment in Kansas



— All Employees: Manufacturing in Kansas/All Employees: Total Nonfarm in Kansas



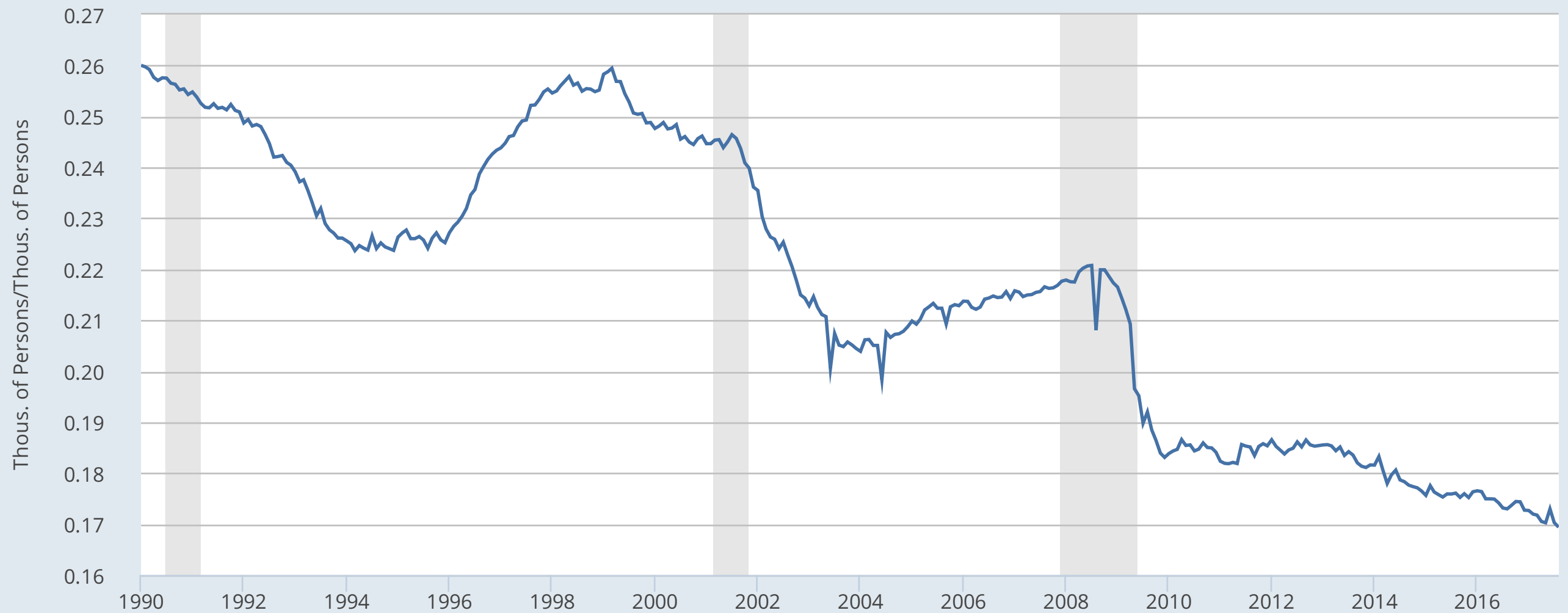
Sources: BLS, St. Louis Fed
fred.stlouisfed.org

myf.red/g/fqUv

Wichita metropolitan statistical area



— All Employees: Manufacturing in Wichita, KS (MSA)/All Employees: Total Nonfarm in Wichita, KS (MSA)



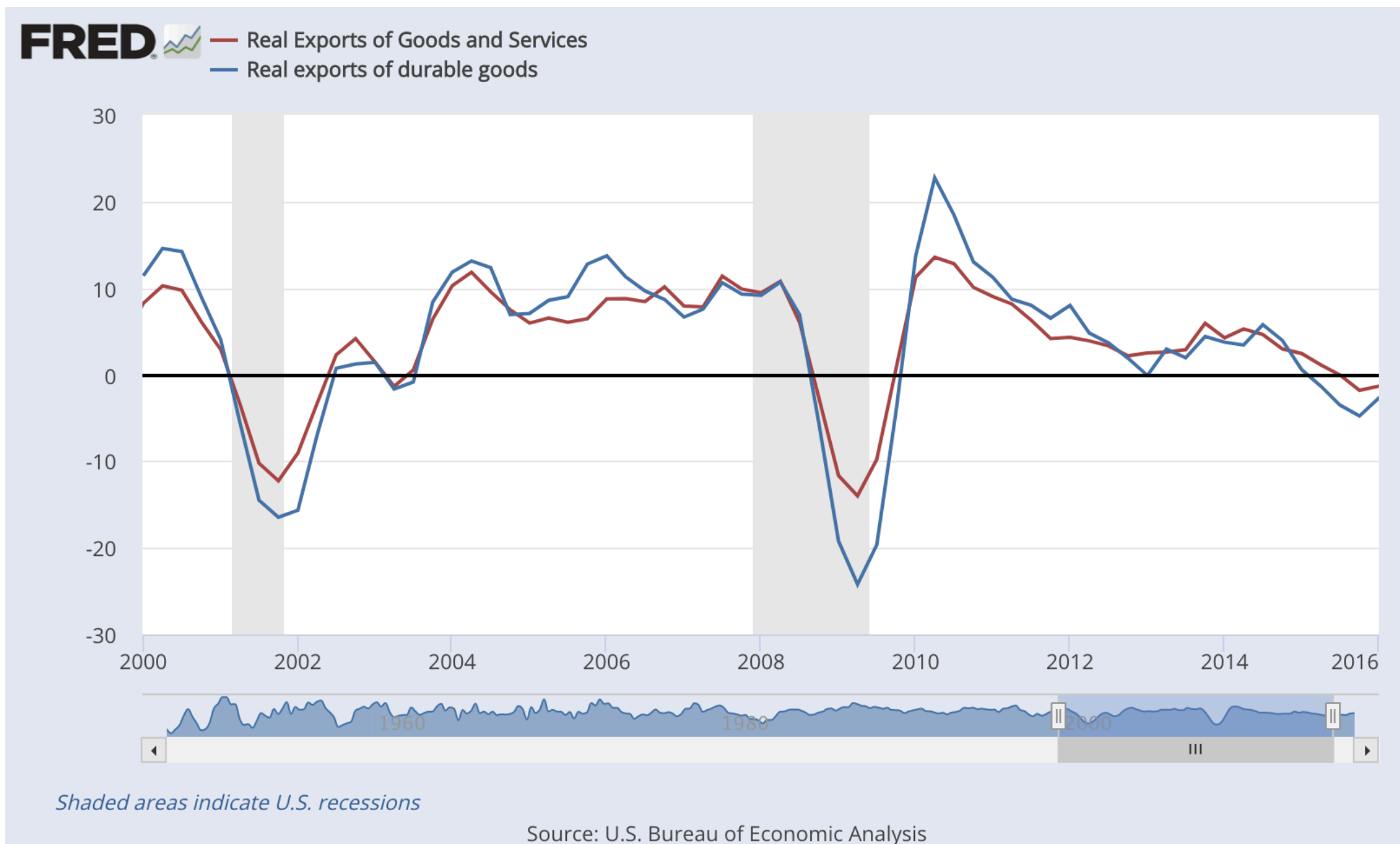
Source: U.S. Bureau of Labor Statistics

fred.stlouisfed.org

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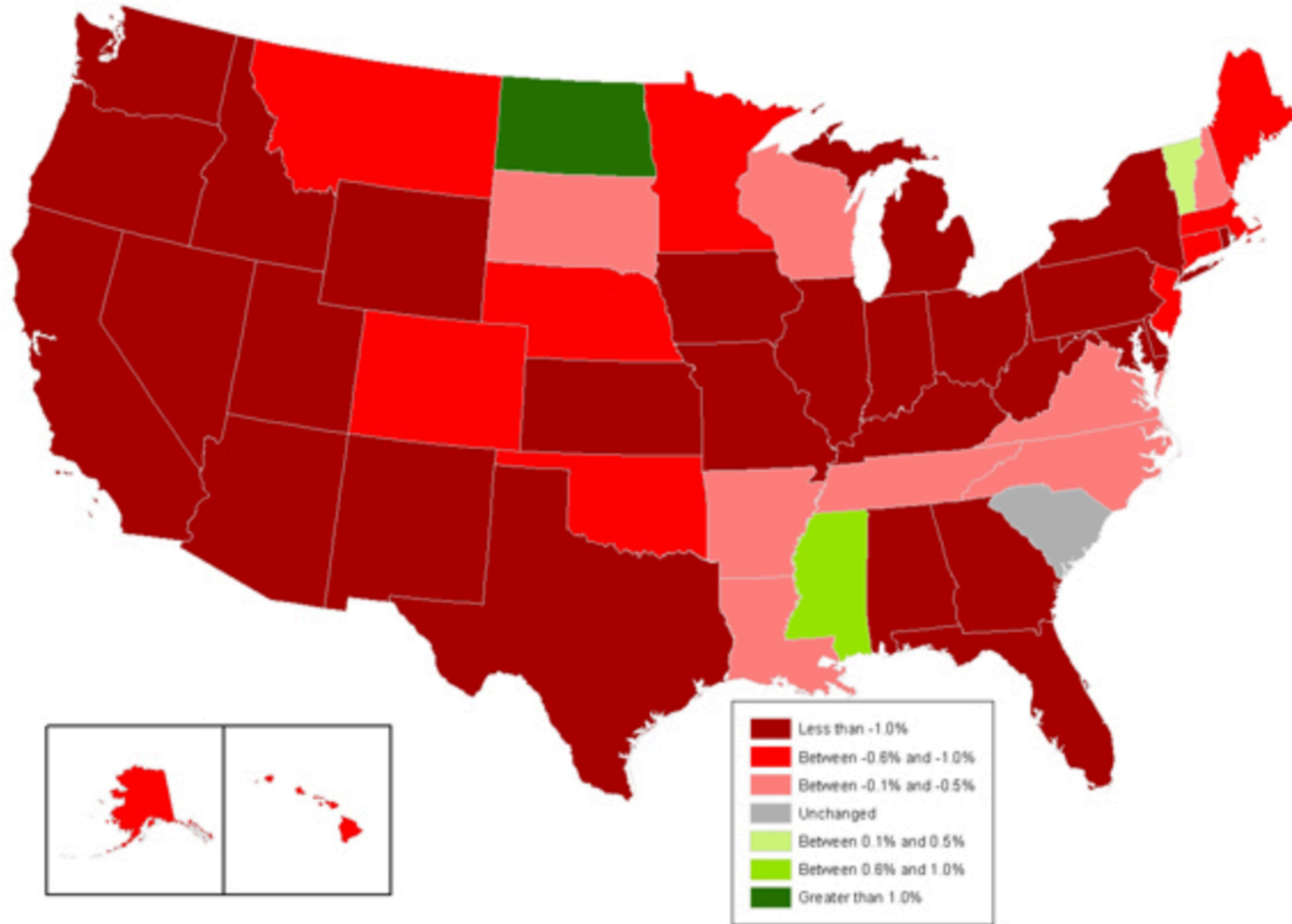
**Trade or openness also
affects how Kansas fares
in bad (and good times)**

Large part of Kansas exports are durables. The exports of durables are sensitive to the business cycle

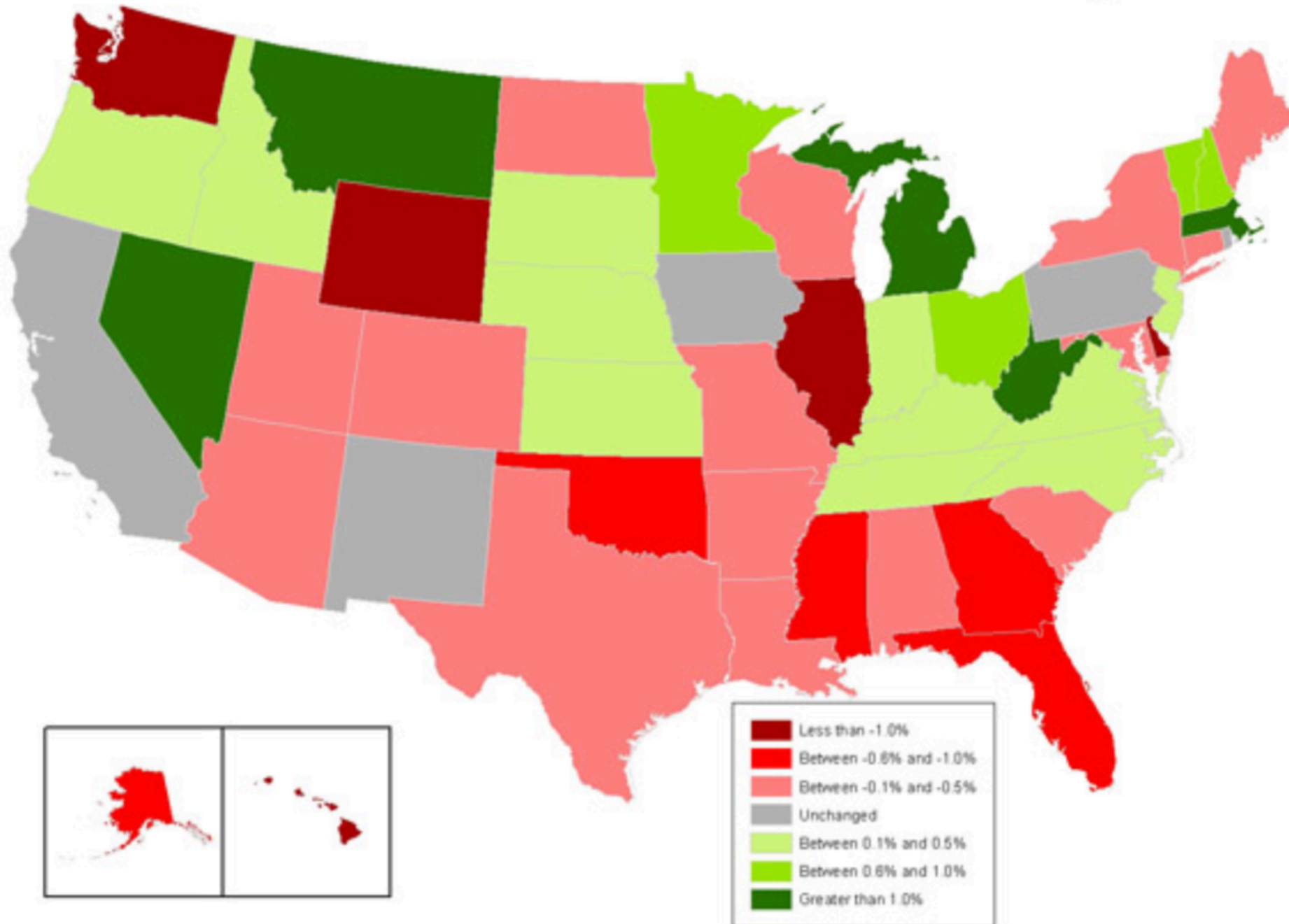


Can we help soften the blow to the areas specializing in production of durables?

July State Coincident Indexes: Three-Month Change

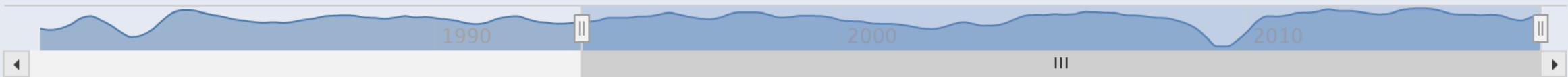
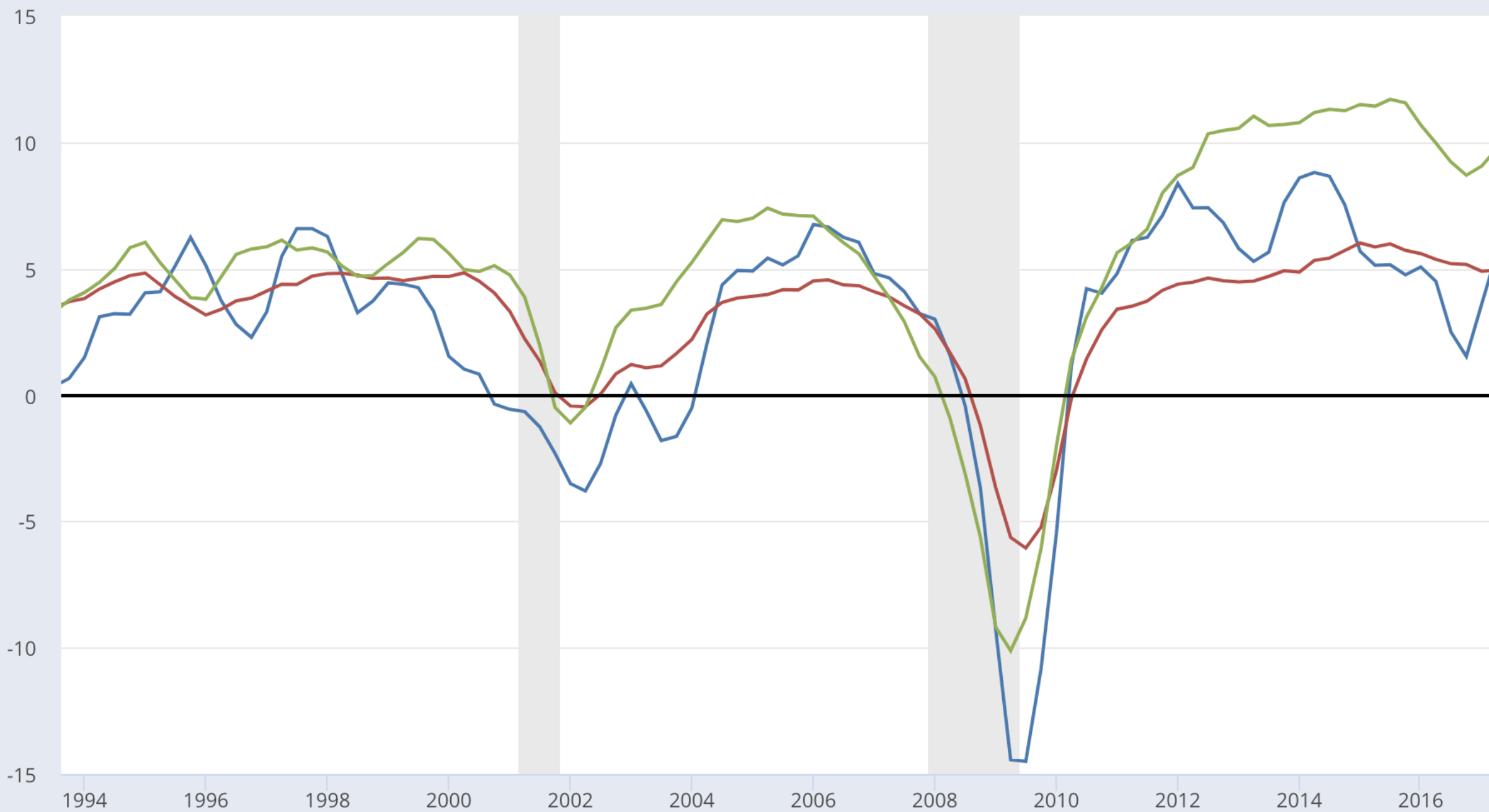


November State Coincident Indexes: Three-Month Change



Source: <https://www.philadelphiafed.org/research-and-data/regional-economy/indexes/coincident/maps>

- Coincident Economic Activity Index for Kansas
- Coincident Economic Activity Index for the United States
- Coincident Economic Activity Index for California

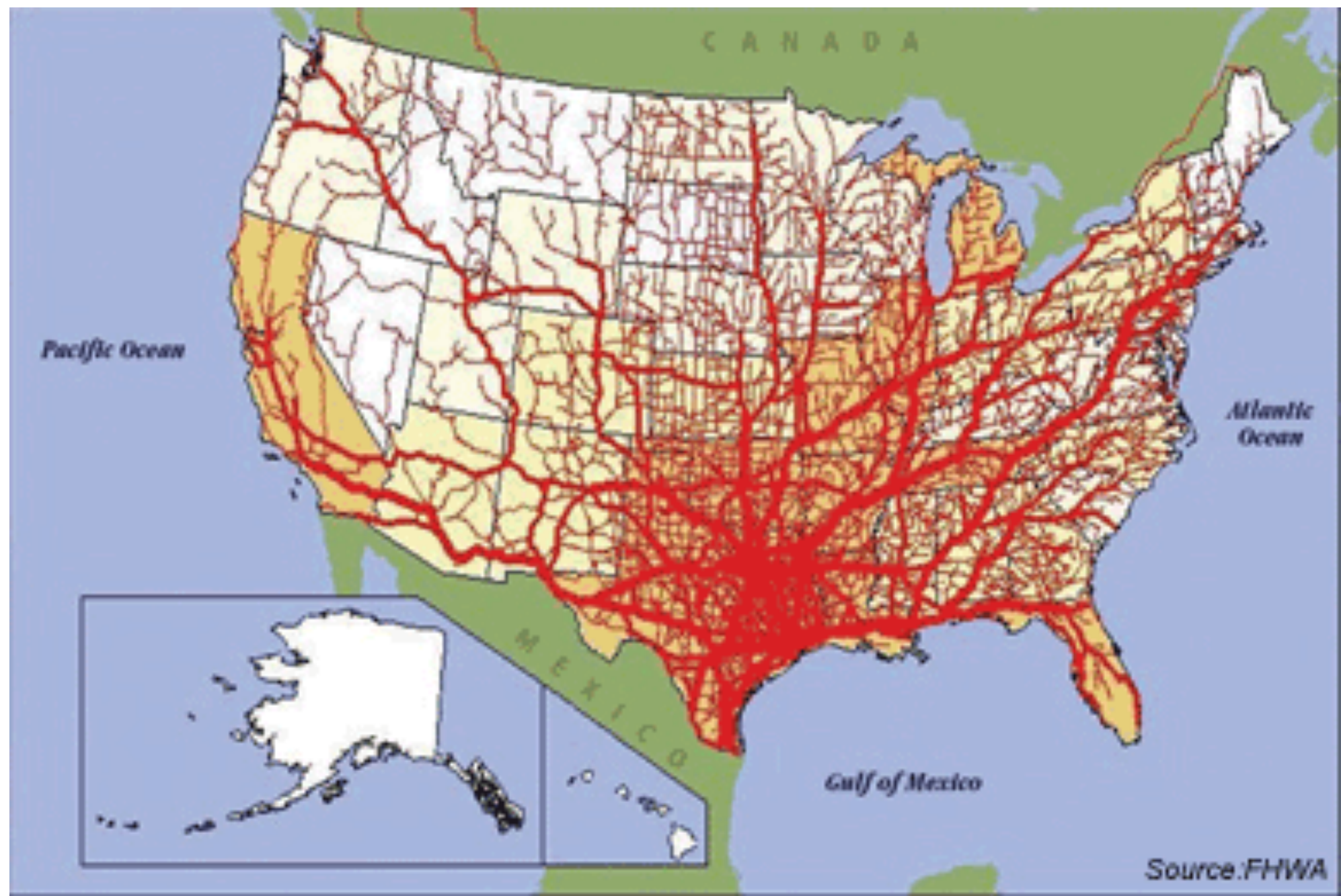


Shaded areas indicate U.S. recessions

Source: Federal Reserve Bank of Philadelphia

fred.stlouisfed.org

**Kansas is located on
important freight routes
used to transport
imports and exports**



Tonnage of Trailer-on-Flatcar and Container-on-Flatcar Rail Intermodal Moves: 2011



Source: U.S. Department of Transportation, Federal Railroad Administration, special tabulation, September 2013.

Conclusions

- Trade and immigration create opportunities by complementing economic activity in Kansas
- Even though there are gains and losses, Kansas seems to gain more than lose