



# Trade Makes Kansas Strong

Kansas gains from global trade. Trade (export and import) growth increases jobs by advancing Kansas' manufacturers, services providers and farmers. Imports also keep costs low, helping Kansas businesses compete and saving Kansas families real dollars at the cash register. Foreign investment in Kansas creates good jobs across a range of sectors.

## TRADE CREATES JOBS FOR KANSANS

Trade with the world – both exports and imports of goods and services – creates jobs in Kansas.

- Today, trade supports **327,035 jobs** in Kansas.
- **18.4 percent of jobs** in Kansas are supported by trade, up from 11.0 percent in 1992.

### *Kansas' Three Most Export-Intensive Industries*

Industry	% Export-Related
Computers	31.7%
Transport. Equip.	28.8
Electrical Equipment	20.5

Trade particularly benefits employees of Kansas' small- and mid-size companies.

- In 2004, nearly 2,300 **Kansas companies** sold their products abroad.
- 1,849 exporters – **80.6 percent** – were small- or mid-sized companies in 2004.
- **Jobs in exporting plants pay on average up to 18 percent more** than similar jobs in non-exporting plants.

### TEN WAYS TRADE MAKES KANSAS STRONG

Trade supports nearly one in five jobs in Kansas.

Kansas' exports have increased nearly two times faster than its GDP.

Jobs at exporting plants pay 18% more than at non-exporting plants.

6% of Kansas' 2005 GDP was from exports.

Foreign-owned companies employ 32,200 Kansans.

Foreign-owned firms pay workers 32% more.

Half of imports are raw materials and other manufacturing inputs.

Marketing imports demand services, which account for 18% of Kansas' GDP.

Import prices grow much slower than overall consumer prices, saving money for Kansas consumers.

NAFTA worked for Kansas. In 2005, Kansas exports to Canada and Mexico were \$1.8 billion and \$854 million.

## KANSAS' FARMERS AND KEY INDUSTRIES GROW WITH EXPORTS

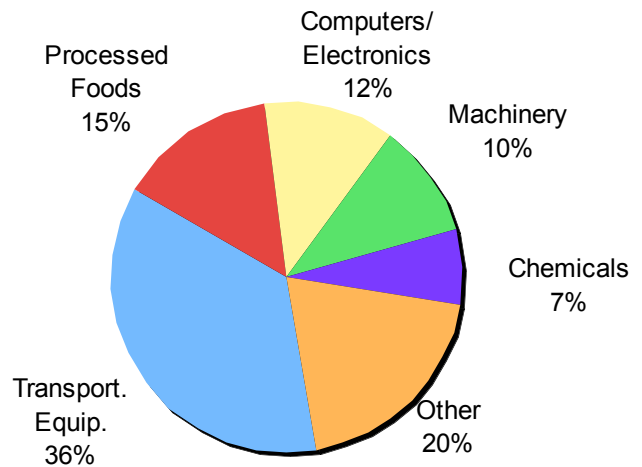
Kansas farmers are strong exporters. The state ranked 7<sup>th</sup> overall with **agricultural product exports** valued at **\$2.8 billion** in 2005.

- Kansas ranks among the top 10 U.S. exporters of **wheat (1<sup>st</sup>)**, **feeds and fodder (1<sup>st</sup>)**, and **sunflower seeds and oil (3<sup>rd</sup>)**.

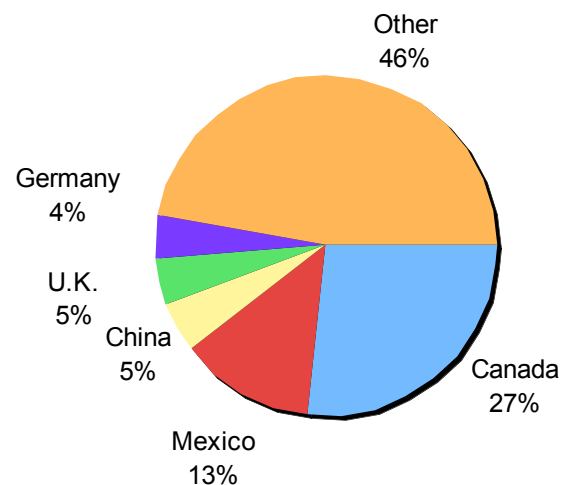
According to the U.S. Department of Commerce, Kansas' **total exports had a value of \$6.7 billion** in 2005.

- **Transportation equipment** was Kansas' leading export product in 2005, accounting for **36 percent** of total exports.
- One of the fastest growing exports for Kansas is **computers and electronics**, which grew at an **annual rate of 34.5 percent** between 2001 and 2005.
- In 2005, Kansas companies sold their products in **183 foreign markets**.
- The top export market is **Canada** (\$1.8 billion). Other leading markets include **Mexico** (\$854 million) and **China** (\$313 million).
- **Australia** is one of Kansas' fastest growing trading partners. In 2005, Kansas companies **exported \$192 million** worth of goods to Australia, an **increase of 178.6 percent** since 2000.
- In 2005, exports represented **6.4 percent of Kansas' state GDP**.
- Since 2002, exports have increased **nearly two times faster** than state GDP.

**Leading Export Products**



**Leading Export Markets**



*In an effort to promote domestic exports, the Kansas Department of Commerce's Trade Development Division sponsors the **Kansas International Trade Show Assistance Program (KITSAP)**. The program **offers financial support for Kansas companies seeking to expand their markets overseas to exhibit their products in trade shows and has produced positive results.***

- *In fiscal year 2005, **26 companies** received a total of **32 KITSAP grants**.*
- *Through June 2005, KITSAP recipients reported **\$20.3 million in export sales** as a result of attendance at program-sponsored shows.*
- *Every **\$1 provided by the state** led to **\$411 in export sales** by recipient companies.*

## KANSAS WORKERS & BUSINESSES BENEFIT FROM FOREIGN INVESTMENT

Foreign-owned companies invest significant amounts of capital to open or expand facilities in Kansas every year, infusing money into the local economy and keeping unemployment low.

- Foreign-owned companies employ **more than 32,200 workers**, nearly three percent of all Kansas employees.
- **Manufacturing** accounts for **13,500 insourced jobs**, representing over 40 percent of all insourced jobs in Kansas.
- U.S. subsidiaries of **foreign companies pay** an average compensation of \$63,428 per year, **32 percent higher** than U.S. companies.

*In November 2006, British biotechnology company **OncImmune** announced that it would establish a new **North American headquarters and laboratory in Lenexa**. OncImmune will use the facility to further develop and commercialize its early breast cancer detection technology.*

*OncImmune will invest **\$30 million** and expects to **create 120 new jobs** over the next four years. The **University of Kansas** will hire an additional **20 employees** as part of its research collaboration with OncImmune.*

### Selected Corporations with Operations in Kansas

<u>Company</u>	<u>Industry</u>	<u>Country</u>
Airbus North America	Aerospace	France
Akzo Nobel	Pharmaceuticals	Netherlands
Allianz	Financial Services	Germany
Cadbury Schweppes	Food/Beverage Products	United Kingdom
DaimlerChrysler	Transportation Equipment	Germany
DHL	Transportation Services	Germany
Lafarge North America	Building Materials	France
Learjet Inc.	Aerospace	Canada
OncImmune	Biotechnology	United Kingdom
Philips	Electronics	Netherlands
Saint-Gobain	Glass/Engineered Materials	France
VVF Ltd	Consumer Products	India

*Recognizing the importance of local contacts for trade and investment, the Kansas Department of Commerce maintains **foreign offices in China, Japan, Mexico, and the United Kingdom** as well as a network of in-country specialists in **Argentina, Brazil, Chile, and Taiwan**.*

*The Department sponsors **international missions** for Kansas companies. The missions, often led by **Governor Kathleen Sebelius**, promote Kansas' products and investment opportunities. Governor Sebelius has led missions to **Japan and China**, and the department sponsored another mission to **Mexico**.*

## KANSAS MANUFACTURERS NEED IMPORTS TO BE COMPETITIVE

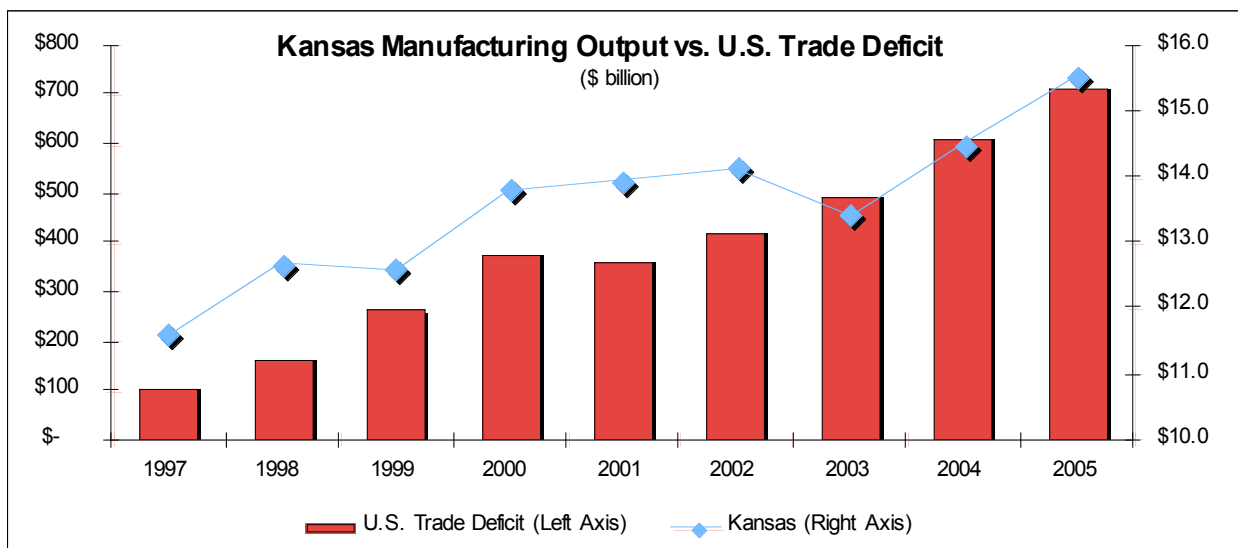
Raw materials, capital goods and industrial products used to manufacture goods in the United States account for approximately half of total U.S. merchandise imports.

- Numerous Kansas manufacturing sectors benefit from imports in some way.
- Kansas' **aircraft manufacturers** use imported **machinery and components** to manufacture aircrafts in Kansas.
- Kansas' **chemical manufacturers** import commodity chemicals (e.g., chlorine) to produce **high-value chemicals** such as **paints, pesticides, and adhesives**.

### Capital Goods Imports Benefiting Kansas' Manufacturers

Product	Price Change, 1996-2005
<b>All Capital Goods</b>	<b>-23.4%</b>
Electric Generators and Parts	-6.4%
Non-Electrical Machinery, (excl. Computers)	-9.4%
Business Machinery (excl. Computers)	-12.4%
Computers	-50.2%

Kansas experienced some of its strongest growth during periods when imports contributed to increasing national trade deficits.



## KANSAS' SERVICES INDUSTRIES BENEFIT FROM IMPORT-DRIVEN DEMAND

Numerous **services industries** benefit from business generated by imported goods.

- **Professional services**, including finance, insurance, marketing, and legal services, are needed to market imported products. These industries are vital to Kansas' growth, and account for **17.9 percent of state GDP**.
- Imports comprise a significant portion of Kansas' **transportation and product sales** (both wholesale and retail). These industries account for 16.8 percent of state GDP.

<http://trade.businessroundtable.org>

# KANSAS FAMILIES ENJOY A HIGHER STANDARD OF LIVING BECAUSE OF IMPORTS

Imports help keep prices for Kansas families down while increasing their choices for goods and services.

- Trade helps **keep inflation in check**. Prices for widely traded consumer goods tend to rise less than prices for non-traded goods.
- Trade and investment liberalization policies are **worth over \$10,000 per year** to an average Kansas family of four.
- Between 1990 and 2004, U.S. import prices grew at about a quarter of the rate of growth of overall consumer prices (0.6 percent per year vs. 2.2 percent per year).

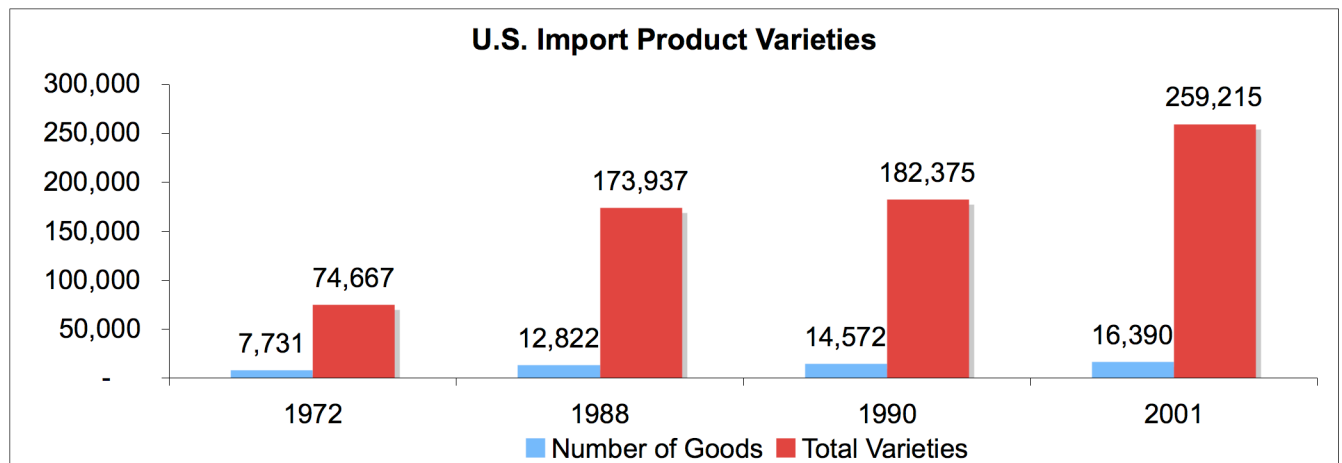
<b>Trade and Low Inflation: Price Changes (1997-2004)</b>	
<u>Traded Goods</u>	<u>Price Change</u>
Toys	-36%
Household Appliances	-15%
Clothing	-11%
Footwear	-6%
<u>Non-Traded Goods</u>	
Milk	24%
Margarine	22%
Ice Cream	17%
Sugar	9%

The lower costs resulting from trade mean **more purchasing power** for Kansas consumers, which is particularly important for lower income families.

- In 2005, 63,000 families in Kansas were at or below the national poverty level (about \$20,000 per year for a family of four).
- Lower income families spend nearly three times as much on footwear and 50 percent more on apparel than upper income families spend, both goods that are largely traded.

**Consumer choice** increases with trade.

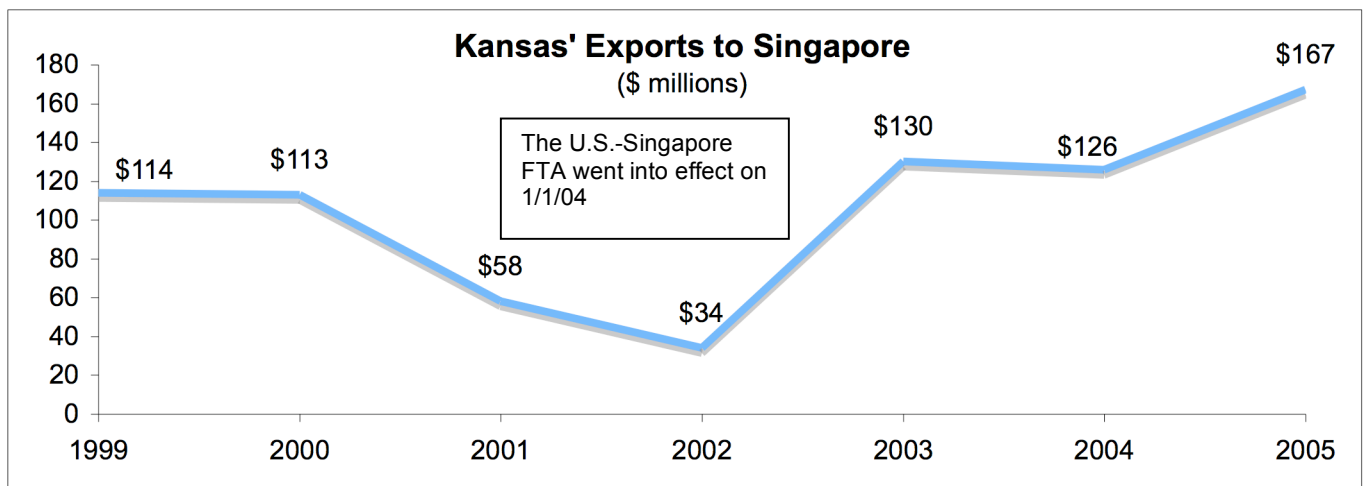
- Trade allows consumers to enjoy products with limited U.S. production (e.g., coffee) as well as out-of-season goods (e.g., strawberries in January).
- The number of product varieties imported by the United States increased fourfold over the last three decades.



## MORE OF A GOOD THING FOR KANSAS – LEVELING THE TRADE PLAYING FIELD

The United States has some of the lowest trade barriers in the world. Free trade agreements level the playing field by lowering other nations' trade barriers and opening up foreign markets to U.S. exports.

- Since the **North American Free Trade Agreement** went into effect in 1994, Kansas' exports to Canada have increased \$1.2 billion (189 percent), while exports to Mexico have increased \$586 million (218 percent).
- In 2001, a recession year, Kansas' total trade with **Canada** generated \$1.3 billion for Kansas' economy and supported 50,958 jobs.
- Similarly, the completion of the **U.S.-Singapore FTA** helped to support and solidify the increasing trend in exports from Kansas to Singapore in subsequent years.



## SOURCES

### JOBS

Laura Baughman and Joseph Francois (<http://www.businessroundtable.org>)  
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### EXPORTS

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([http://kdoch.state.ks.us/KDOCHdocs/AD/commerce\\_annual\\_report.pdf](http://kdoch.state.ks.us/KDOCHdocs/AD/commerce_annual_report.pdf))  
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(<http://ita.doc.gov/td/industry/otea/edb/index.html>), (<http://www.bea.gov/beat/regional/gsp/>)

### FOREIGN INVESTMENT

Kansas Department of Commerce  
(<http://www.kansascommerce.com/IndexPages/DivTopics/tdHelp.aspx>)  
Organization for International Investment (<http://www.ofii.org>)  
ThinkKC.com ([http://www.thinkkc.com/1\\_kcnews/1c\\_article\\_archives/2006/oncimmune.htm](http://www.thinkkc.com/1_kcnews/1c_article_archives/2006/oncimmune.htm))

### IMPORTS

U.S. Department of Labor (<http://www.bls.gov/mxp/home.htm>)  
U.S. Department of Commerce (<http://www.bea.gov/beat/regional/gsp/>)

### STANDARD OF LIVING

Council of Economic Advisers (<http://www.gpoaccess.gov/eop/index.html>)  
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(<http://www.bls.gov/cex/home.htm>)  
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Christian Broda and David Weinstein ([http://www.ny.frb.org/research/staff\\_reports/sr180.html](http://www.ny.frb.org/research/staff_reports/sr180.html))

### TRADE LIBERALIZATION

U.S. Department of Commerce (<http://tse.export.gov>)  
Joseph Francois and Laura Baughman  
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