The KC Chamber’s Economic Forecast

Friday, October 19, 2018

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STATUS OF THE U.S. ECONOMY

Business optimism increased immediately upon the election of Donald Trump as President of the United States in November 2016. This can be clearly seen in NFIB survey of small business, whose optimism index jumped more than 10 points between October 2016 and January 2017, and has remained elevated ever since.

![NFIB Small Business Optimism Index](image)

Increased confidence was also reflected in the stock market performance, as broad indices accelerated beginning in late 2016 after being relatively flat for most of 2015 and into 2016. The S&P 500 grew 14 percent in the six months following President Trump’s election, before the enactment of any significant fiscal policy by the new administration, compared to 1 percent the six months preceding. Over the entire period since President Trump’s election, the S&P 500 has climbed nearly 30 percent.

Source: NFIB Small Business Trends, September 2018, © NFIB Research Center
After a period of relatively flat growth between the end of 2014 and early 2016, business investment in plant, equipment and intellectual property began to increase. However, it has also accelerated since the presidential election. The 11.5 percent growth in first quarter 2018 was the highest since 2011, and second quarter’s 8.7 percent increase was still substantially above the average increase over the previous five years.
This optimism is now being supported by expansionary fiscal policy in the form of 2017’s Tax Cuts and Jobs Act and a two-year budget deal passed in February 2018 that increased both defense and non-defense spending. In conjunction with continued strong consumer spending, the nation’s economic performance ratcheted up a notch in 2018. At 4.2 percent annualized increase in second quarter 2018, U.S. GDP growth is currently running near the top of the post-recession range.

As important, GDP growth is more stable, with fewer and shallower slow quarters. As a result, quarterly GDP growth has not been below an annualized 1.5 percent since 2015 Q4, and has averaged 2.9 percent over the last year, compared to 2.1 percent the prior year.

The pace of hiring also began picking up in fourth quarter of 2017, as indicated by the 12-period moving average of monthly employment change, which started growing again after nearly three years of decline. U.S. employment growth over the 12 months ending September 2018 is now running at 211,000 per month, an increase of more than 40,000 compared to the prior 12-month period.
At 3.7 percent in September, the official unemployment rate is below its pre-recession low and lower than it has been since December 1969. Also, when those who looked for work in the past year are included, along with those who are employed part-time but want full-time work, this so-called “underemployment” measure has also declined steeply. It is currently 7.5 percent, nearly a half a percent below its low point just before the Great Recession, though it is still 0.7 percentage points above its all-time low in 2001. These employment growth and resulting low unemployment rates are largely responsible for the high levels of consumer confidence fueling strong consumer spending.
With the official unemployment rate so low, it is worth considering whether there remains slack in the labor market. Certainly, with 12 million Americans underemployed, one can easily make the case that there is.

Moreover, while prime age (25-54 years) labor force participation rates are increasing, they are still lower than their pre-recession peaks. This is especially true for men in their prime working-age years, whose participation in the labor force is 2.3 percentage points lower than in early 2007. Participation rates by women have increased faster than men, but are still off by nearly a percentage point from their pre-recession peak. This also suggests there is still some slack in the market, if more full-time work with good pay and benefits were available.

Yet, it is clear there are some secular trends working to reduce prime-age labor force participation, especially for men, but perhaps more recently also for women. Exactly what structural factors might be responsible for those trends re not clear. However, if we allow their existence, then returning to prior peaks may be significantly more difficult than it appears at first blush.

Moreover, the rate of growth in estimated potential GDP has been declining for decades, and is now about 1.7 percent. Potential GDP is not an economic speed limit, but what can be sustained given expected growth in population and productivity.

Since 2000, working-age population growth has slipped from about 2 percent to about half a percent, while productivity growth has declined from nearly 4 percent to under 1 percent. As a result, the Congressional Budget Office estimates that in second quarter 2018, potential GDP growth is approximately 1.7 percent, less than half the 4.2 percent GDP growth this quarter. At a minimum, this suggests excess capacity, including underutilized labor, is being rapidly absorbed.
Additionally, from a business perspective, labor supply constraints are a growing issue. According to the September NFIB survey, more than half of respondents said they have few or no qualified workers for job openings. Additionally, lack of qualified workers was most often selected by respondents as the number one problem facing their business. While there may be many people who want to be more fully employed, the difficulty in connecting them to employers seeking workers suggests there are additional barriers that need to be removed, which might include skill or location mismatches, or simply pay expectations on both sides of the bargaining table.

If labor supply is insufficient to meet demand, we would expect wages to increase. Nominal wages are. After seeming to be stuck at just over 2 percent annual growth between 2011 and 2015, average hourly earnings growth broke out of that range in 2016 and 2017 to average 2.6 percent. In 2018, this edged up to 2.7 percent and the most recent reading in September showed average hourly earnings increasing 2.8 percent during the past 12 months. While not achieving the 3.5 percent rate of increase that was prevalent just before the recession, the trend is definitely upward.
Though wage increases are rising, consumer prices increases are rising faster, eating away most of the improvements in worker pay. Applying the Consumer Price Index to adjust for inflation shows the rate of increase in the real wage declining since late 2014, so that by second quarter of 2018, it was growing only one half percent per year.
Nonetheless, underlying inflationary pressures appear to remain well-contained. While the CPI is appropriate for deflating nominal wages, as a measure of underlying inflationary pressures, it is unduly influenced by volatile food and energy prices. These are excluded in the so-called core PCE price index, which measures the price of personal consumption expenditures excluding volatile food and energy prices. Additionally, it allows the substitution of lower-cost goods for higher-priced ones, and so provides a better indication of underlying inflationary pressures. On a year-over-year basis, it has been slowly trending upward toward the 2 percent target inflation rate of the Federal Open Market Committee (FOMC) of the Federal Reserve Board, but has not exceeded it.

In large part, this is due to the FOMC sending a strong signal concerning its commitment to fight inflation. The FOMC has voted to increase its policy rate, the Federal Funds rate, three times in 2018 and is likely to increase it again when they next meet in December. This follows on the heels of raising it three times in 2017, resulting in a Federal Funds rate two full percentage points above its historical low when it was held near zero for nearly six years. The FOMC is shifting monetary policy toward a more neutral stance with respect to the economy, and their view is that a Federal Funds rate that is substantially below three percent is still expansionary. While they are actively removing prior accommodation, they are not yet adopting a contractionary stance.

Nonetheless, the difference in direction between monetary and fiscal policy is stark. Fiscal policy, as a result of the tax cut and the budget agreements in the last year, is highly expansionary. This difference is, in fact the exact opposite of the directions taken in 2010 when fiscal policy stopped being expansionary and turned to deficit reduction while monetary policy proceeded to embark on several rounds of quantitative easing. Such mixed policy signals can lead to volatile economic expectations as a result of conflicting assessments concerning which policy direction will dominate.
Effective Federal Funds Rate

Source: Board of Governors of the Federal Reserve System, retrieved from FRED, Federal Reserve Bank of St. Louis, fred.stlouisfed.org
The median forecast of the FOMC is that U.S. GDP will grow 3.1 percent in 2018, measured on a fourth-quarter to fourth-quarter basis. Growth is expected to slow to 2.5 percent in 2019 and 2.0 percent in 2020 as it heads toward a more sustainable longer-term rate of 1.8 percent. No recession is anticipated within the forecast horizon, even at the lower end of the FOMC’s forecast range, which would make the current economic expansion the longest on record.

The GDP forecast from the University of Michigan’s Research Seminar in Quantitative Economics (RSQE) used to drive the local forecast matches the FOMC median through 2019, after which it turns somewhat more conservative. The RSQE forecast for 1.7 percent GDP growth in 2020 falls at the lower end of the FOMC’s range of GDP forecasts. Moody’s Analytics is more alarming, forecasting an annual increase in GDP of only 0.9 percent in 2020. While not technically a recession, growth this low would lead to rising unemployment.
The median projection of the FOMC for the appropriate level of monetary policy is that by the end of 2018, the Federal Funds rate will increase another quarter of a percentage point, to 2.375 percent. In 2019, the FOMC median currently anticipates three more rate increases of the same amount, followed by one more in 2020, at which time it will be a full percentage point higher than the end off 2018. It appears Federal Funds rate of 3.375 percent is currently believed to be sufficient to ward off any building inflationary expectations created by the current expansionary fiscal policy, and ultimately allow the return to a more neutral rate around 3 percent.

According to RSQE, total nonfarm employment growth is expected to gradually decline from about 600,000 per quarter currently to 300,000 per quarter in 2020. Given that the working age population is increasing by less than 100,000 a month, this forecast calls for the growth in effective demand and potential supply to be brought into balance by the end of the forecast period.
Even slowing employment growth continues to put downward pressure on the unemployment rate through 2020. The FOMC and RSQE both see the national unemployment rate continuing to drop in 2019. In 2020, the median FOMC forecast show the unemployment rate leveling off at 3.5 percent. RSQE’s unemployment rate forecast is more aggressive, predicting it will hit 3.3 percent in 2020. Should it reach this level, it will be the first time in 65 years that the unemployment rate has been this low.

The FOMC is signaling unemployment rates this low are unsustainable, given its median projection shows an uptick to 3.7 percent in 2021 and longer-run unemployment rate of 4.5 percent. Presumably, this longer run rate, the range for which FOMC estimates to be between 4 percent to 4.6 percent, is approximately the level they view as consistent with their dual mandate of price stability and maximum employment.
STATUS OF THE KANSAS CITY AREA ECONOMY

Through the first eight months of the year, construction contracts totaled $5.2 billion, with non-residential construction accounting for about half that, or $2.5 billion. Residential construction accounted for a little over a third of 2018 construction contracts, totaling $1.9 billion through August, while non-building construction, which is mostly infrastructure, reached $0.8 billion, or 15 percent of construction contracts so far this year.

Value of Construction Contracts by Major Type
January-August 2018

- Non-residential Buildings: 49%
- Residential Buildings: 36%
- Non-building: 15%

The value of construction contracts increased by almost 50 percent in the first eight months of 2018 compared to 2017. This was led by a more than doubling in the construction of infrastructure and utilities, as non-building construction leaped 132 percent compared to the same period a year ago. The value of non-residential building construction increased 55 percent while the value of residential building construction rose 23 percent.

The pace of construction may be outstripping the readily available labor supply, as construction wages increased twice as fast as the fast as the average wage in Greater Kansas City during the year ending second quarter 2018, 3.2 percent vs. 1.5 percent. Labor supply issues can only worsen once construction on the new KCI terminal begins in 2019. This $1.3 billion project, which is expected to take about four years, would add an average $0.3 billion in annual expenditures. For context, this is about one-third of 2018’s already elevated non-building construction contracts.

Source: Dodge Local Construction Potentials, Dodge Data & Analytics
About 76 million square feet of buildings are either under construction or proposed in the Kansas City area. Of this, about 20 million square feet of buildings are currently under construction or renovation, and another 56 million square feet of building construction are planned.

Major projects are occurring throughout the metropolitan area. These include:

- Loews Convention Hotel - Downtown Kansas City
- Children’s Research Institute - Downtown Kansas City
- Multiple projects in Lenexa City Center
- Garmin Headquarters Expansion - Olathe
- Cerner Innovation Campus - South Kansas City
When existing plus proposed building construction is added together, about a third of the space is industrial, a third is multi-family, and a third is office, retail and other.
Beyond construction, other indicators of the region’s economic performance are disappointing. Its GDP growth of 1.2 percent in 2016-17 is about half the national metropolitan average of 2.1 percent. This rate of economic growth places the region 26th among its 31 peer metros.

Source: U.S. Bureau of Economic Analysis
Additionally, the region’s employment growth seems to have ratcheted downward even as the nation’s held steady or began to increase.

The data represented here is from the Quarterly Census of Employment and Wages, which aggregates reports on payroll employment that all businesses must file for unemployment insurance purposes. It is the foundation for the national monthly reports on non-farm payroll employment and is considered the “gold standard” for employment estimates. The data lags six to nine months behind the initial national reports and is not seasonally adjusted, so change must be calculated relative to the same quarter one year ago. First quarter 2018 is the latest data available.

It seems likely that first quarter 2018 marks the low point of the region’s deceleration in employment growth, given the acceleration in national employment growth did not begin until early 2018 and may not yet be reflected in the local data. If not, and the regional economy responds as it typically does to the national, employment growth in the Kansas City area should also begin to accelerate later in the year. Data for second quarter 2018 to verify this supposition won’t be available until 2019, however.

Despite slower than average job growth, the Kansas City area economy continues to experience a lower unemployment rate than the nation, though this difference appears to be shrinking. In August, the unemployment rate in the Kansas City metro was 3.6 percent, compared to 3.9 percent for the U.S. By September, the U.S. rate had also dropped to 3.6 percent. September data for the Kansas City area is not yet available. Because the local data is not seasonally adjusted, it is expected it will show a decline from the August value as teachers and others return to work from summer vacations. September typically posts an unemployment rate about 0.3 percentage points lower than August. If this occurs again, it will result in a metro unemployment rate of 3.3 percent, which is close to its most recent low of 3.2 percent in November 2017.
KANSAS CITY AREA ECONOMIC FORECAST

The metro has seen some significant announcements of business gains and losses within the forecast horizon. On the negative side, Harley Davidson announced they will be closing their Platte County facility in 2019, costing the region 800 jobs. Sticking with manufacturing, the Procter and Gamble plant in Kansas City, Kansas also announced that it was closing by 2020. They employed 280 full-time employees and roughly 100 contract workers.

Kansas City has also seen the fate of two large employers cast into doubt due to acquisitions. Most notably, Sprint and T-Mobile appear to be heading towards a merger. What the newly formed company has in mind for local employees at their Overland Park campus is not clear, but leaders have indicated that the Kansas City metro will still play a significant role in their future. The extent to which the loss of headquarters personnel will be replaced by other workers to take advantage of the lower costs of doing business in Kansas City relative to Seattle make it difficult to estimate the net employment effect of the merger.

Additionally, one of Downtown Kansas City’s top employers, DST, was acquired by SS&C Technologies. DST did have a round of layoffs earlier this summer likely totaling in the hundreds, but their precise number was unclear, as is whether more cuts are forthcoming.

On the positive side, Kansas City did garner some significant economic development wins, principally in call centers and distribution centers. Some of the notable gains include Turn 5, Geico, Trial Card, EXL and CVS. In addition to these new enterprises, some of Kansas City’s major employers continue to expand. Cerner’s Innovation Campus in south Kansas City continues to grow. Garmin’s Olathe campus is expanding to house an additional 2,600 workers. Honeywell continues to add employment as part of modernizing the nation’s nuclear weapons arsenal. Finally, Burns and McDonnell’s growth is necessitating expansion at their south Kansas City location to house over 700 new employees by 2020.

Much of the above represents normal creation and destruction in a dynamic economy and well-designed economic models attempt to forecast their net effect. To produce forecasts of Greater Kansas City’s employment growth, the Mid-America Regional Council (MARC) first created models of U.S. employment growth for each of seventy economic sectors. These national growth rate projections were then applied to the distribution of employment by industry in the Kansas City area. These were then aggregated to the 20-industry super sector level to produce the forecasts provided here. The resulting employment forecast and how it differs from the nation was then used to develop a forecast of regional GDP.

One prospective event, however, was unique enough that special assumptions seemed required. Given the public vote earlier this year, it was assumed that that the new KCI terminal would, in fact, be constructed between 2019 and 2022 at a cost of $1.3 billion spread evenly over the four-year timeline. Because the funds to build the airport are coming from the airlines and not local taxpayers, this expenditure brings net new dollars into the regional economy that would not otherwise be expected. An economic impact model from Regional Economic Models, Inc., was used to simulate the impact of the airport on the regional economy, which was then combined with the results from the standard forecasting model. These impact estimates should be considered a rough order of magnitude approximations and not the result of authoritative economic impact assessment.

Though the airport terminal project is starting in a very tight labor market, expectations of slowing national growth in 2020 appear to make the new terminal a somewhat counter-cyclical public works project that boosts area employment growth over what otherwise might have been expected.
**Employment by industry forecast**

Between the fourth quarters of 2016 and 2017, the region’s employment growth was concentrated in three sectors. Health care led the way, adding 6,000 jobs over the period, followed by transportation and warehousing with 3,500, and professional and technical services with 3,200. The latter category includes the region’s engineering and architecture, life sciences, and software design industries.

Educational services showed the biggest decline, losing 2,300 jobs during this period. This was likely the result of several private educational institutions closing their doors, such as ITT Tech and Wright Career College. The administrative and support, public administration and information sectors (the latter includes Sprint) also lost significant numbers of jobs during this period.

For the year ending fourth quarter 2018, health care, professional and technical services and transportation and warehousing are again expected to lead the region’s job growth, with each adding approximately 3,000 jobs. Educational services rebounds to add 1,600 jobs while the administrative and support, accommodations and food, and construction sectors all add over 1,000 jobs. Information is expected to lose another 300 jobs during this period.

In 2019, the airport terminal project begins to have an impact on the regional economy. As a result, construction employment is expected to increase by 4,000 jobs between the fourth quarters of 2018.
and 2019, leading all sectors. Health care continues its strong growth, adding 2,800 jobs, followed by professional and technical services, which adds 2,300. Several sectors are expected to add between 1,000 and 2,000 jobs during this period, including educational services, accommodations and food, administrative and support, transportation and warehousing, and manufacturing.

In 2020, slowing growth in the rest of the U.S. begins to have an impact on the Kansas City area as well, with most sectors forecast to experience less growth than in 2019. Construction employment returns to a growth rate in line with its pre-airport trend. Health care’s employment growth leads all industries, but declines to 1,900 jobs and professional and technical services to 1,600. Similar drops in the rate of job growth affect the other sectors. Nonetheless, education, accommodations, and administration are forecast to add at least 1,000 jobs, while transportation and manufacturing are forecast to add between 800 and 1,000.

Measured on a fourth-quarter to fourth-quarter basis, these rates of growth translate in the region adding 17,300 jobs in 2018 and 20,700 jobs in 2019 before falling back to 12,100 jobs in 2020.

It is worth noting that without the new airport terminal construction, the region’s job growth forecast would have been 16,000 in 2019 and 11,500 in 2020. About half the increase is due to the construction jobs being created, with the other half resulting from the spending of the income those jobs generate. This analysis assumes that the income will be spent in the same way that existing construction workers spend their income. While construction employment is still down by about 7,000 from its pre-recession peak, some portion of the needed labor is likely to come from outside the region, and so may have different spending patterns. A more detailed assessment is required to fully pin down the most likely effects, but it may be that the above figures represent the upper bound of the airport’s expected impact on regional employment.

Based on the assumption above, the KC economy is forecast to outperform the national economy over the next two years after underperforming it in 2017 and staying even in 2018. The net injection of dollars into the regional economy contributes to the Kansas City area’s employment forecast of 2 percent growth rate in 2019 and 1.1 percent in 2020, compared to 1.4 percent and 1.0 percent for the U.S. during this period.
Applying these growth rate differences to the RSQE GDP forecast and assuming local output per worker roughly equals that of the nation yields a Kansas City GDP forecast that follows a similar pattern. In fourth quarter 2017, the Kansas City area economy is estimated to have grown 2.0 percent, compared to 2.3 percent for the nation. By the end of 2018, the economies of both the region and the nation are expected to have accelerated to a 2.9 percent clip. Regional and national GDP growth rates both fall during 2019, but the nation’s rate of growth declines more, to 2.1 percent, compared to 2.7 percent for Greater Kansas City. In 2020, GDP growth decelerates in both the metro and the nation. The Kansas City area economy maintains a slight advantage, with the value of its economic output expected to grow at a 1.6 percent rate by the end of 2020, compared to a 1.5 percent rate for the nation.
SUMMARY AND CONCLUSION

The U.S. and KC economies are currently in a period of maximum growth significantly above their potential to sustain it. This necessarily means growth will slow over the forecast period; however, no recession is foreseen. Instead, the FOMC’s steady raising of the Federal Funds rate to achieve a more neutral monetary policy stance is expected to keep inflationary expectations in check while the economy goes through this fiscally-induced sprint of growth. As a result, the economy is forecast to experience a “soft landing” where it gradually cools to its long-run sustainable rate of growth. In the past, achieving such a “soft landing” has been difficult, but absent spiking inflationary expectations or other economic disruptions, such as abrupt and significant changes to the rules of international trade, this path seems to be the most likely.

Labor shortages are currently the number one problem for business. Even as the economy cools down, businesses are likely to continue having difficulty matching the skills they need in their open jobs with the worker availability.

Locally, the value of construction in KC increased by half in 2018 relative to 2017, creating many visible signs of progress. However, this masks some underlying weakness in the regional economy as it continues to struggle to keep up with the nation on more fundamental measures such as GDP and job growth. The forecast calls for this to be temporarily reversed as Kansas City constructs a new airport terminal financed with money from outside the region, resulting in the region adding jobs in 2019 and 2020 at a faster pace than the nation.

Civic leaders in the Kansas City area seek more than a temporary advantage, however. Given the likelihood of persistent labor supply needs, the region that best solves its workforce issues will have a significant competitive advantage over its peer metros. To that end, the Greater Kansas City Chamber, along with its KC Rising partners that include the Kansas City Area Development Council, the Civic Council of Greater Kansas City, and MARC, have created several workforce initiatives that strive to ensure the talent produced by educators and communities better matches the needs of business and on a more timely basis. These include an upcoming Workforce Assembly by the Chamber as well as Talent to Industry Exchanges, KC Scholars and KC Degrees, which bring educators and industry together and ensure untapped talent in underserved communities and among adult learners are able to complete the educations required for full participation in a 21st Century economy. As these are implemented, greater ease of finding the workforce needed for economic success should provide KC businesses a more permanent competitive advantage.
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Current trade disputes between the United States and China, Canada, Mexico and the European Union are disrupting global supply chains that multinational companies have established over the past 25 years. We will highlight the most significant disputes that are likely to impact business in the region. In general, the trade “weapons” being used by the United States – specifically tariffs – have the effect of increasing costs on production to the extent U.S. companies need equipment or components coming from various targeted markets. To the extent these companies export to the same markets, such exports are being met by retaliatory tariffs. Those companies also face a complex array of non-tariff barriers – such as licensing delays, discriminatory investigations and audits – that have the effect of slowing down their business in overseas markets.

Coming up with an appropriate strategy involves legal, political and public relations components. In our discussion, we will highlight the following topics:

**U.S.–CHINA TRADE DISPUTE: THE U.S.’ SECTION 301 MEASURES AND CHINA’S RETALIATION**

**What is Section 301?**
On August 14, 2017, President Trump directed the U.S. Trade Representative (USTR) to determine whether it should launch an investigation, pursuant to Section 301 of the Trade Act of 1974, into any of China’s laws, policies, practices, or actions that may be unreasonable or discriminatory and that may be harming American intellectual property rights (IPR), innovation, or technology development.

**What is “Made in China 2025” and why is it important to understanding the U.S. position on China?**
Made in China 2025 is a strategic plan of China issued by Chinese Premier Li Keqiang and his cabinet in May 2015. The goals of Made in China 2025 include increasing the Chinese-domestic content of core materials to 40% by 2020 and 70% by 2025. The plan focuses on high-tech fields including the pharmaceutical industry which are presently the purview of foreign companies.

**TRADE AS A U.S. NATIONAL SECURITY CONCERN: SECTION 232 INVESTIGATIONS**

**What are Section 232 Investigations?**
The purpose of the investigation is to determine the effect of imports on national security of the United States. Pursuant to Section 232 of the Trade Expansion Act of 1962, investigations may be initiated based on an application from an interested party, a request from the head of any department or agency, or may be self-initiated by the Secretary of Commerce.

**What is its impact on U.S. business?**
Effective June 1, 2018, additional tariffs of 25% on steel imports and additional 10% on aluminum imports were imposed for almost all countries including China.
THE U.S.-MEXICO-CANADA AGREEMENT: BYE BYE, NAFTA, HELLO USMCA

Key changes from NAFTA: the U.S.-Mexico-Canada Agreement

- Access to the Canadian dairy market for American products.
- Higher North American content for automobiles sold in the region; protection against U.S. tariffs on automobiles.
- Agreement to certain labor/environmental standards by Mexico.
- The arguably unconstitutional dispute resolution mechanism stays in place.
- Dispute resolution with governments largely eliminated.
- Intellectual property protection updated and improved.
- Big pharma has more time to sell its products before generic drugs can compete.
- The USMCA must be renewed every 6 years.
- Current 25% tariffs on Canadian steel stays in place for now.

POSSIBLE SOLUTIONS CAN CAUSE NEW PROBLEMS

Common questions and reactions to the tariff barriers include the following:

- How can a corporate structure be re-organized so that the supply chain faces less exposure in countries like China?
- How can products subject to tariffs be produced in a way to avoid the full impact of the tariffs?
- What considerations are there for moving physical goods – such as capital equipment, work-in-progress, or finished goods – to new locations used in the newly modified supply chain?
- How do we move the human resources that we need to operate the new locations that form the critical backbone of the newly modified supply chain?

The answers to these questions raise U.S. legal issues and often involve the corporate and tax laws of the countries where the current supply chain is located as well as those of the target countries. In addition, the movement of goods typically raise customs, trade and tax laws of multiple countries. These are often a “flashpoint” for bribes and other illicit activity overseas – often triggering problems for U.S. multinational companies that are obligated to comply with the U.S. Foreign Corrupt Practices Act as well as other applicable anti-bribery laws.

The movement of people also frequently requires an in-depth analysis of the labor and benefits laws of multiple countries, many of which do not have “at-will” employment contracts – resulting in significant, potential liability as key employees are transferred to new supply chain operations.

Our team has more than 25 years of experience representing U.S. industry in complex trade disputes and mitigating the negative effects that can result from tariffs and other non-tariff trade barriers. We bring key strategic insight into our clients’ global supply chain restructuring issues. We also supplement this strategic advice with government and public relations resources often necessary for successful execution.

IF YOU HAVE ANY QUESTIONS, PLEASE FEEL FREE TO CONTACT:

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