

# BACKGROUND

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## Trade and Prosperity in the States: The Case of Mississippi

*Patrick Tyrrell and Anthony B. Kim*

### Abstract

*International trade and investment support hundreds of thousands of Mississippi jobs. About 51,000 Mississippi jobs depend directly on exports, and another 41,700 jobs have been created by foreign direct investment. Thousands more jobs depend on foreign trade to generate business activity in fields including: retail, transportation, construction, advertising, and legal services. To continue to create jobs and increase prosperity, Mississippi's representatives should encourage continued reductions in government barriers to trade and investment.*

The freedom of Mississippians to do business with people around the world is increasingly important to the state's economic well-being. Jobs created exclusively by exports abroad and foreign investment account for 6 percent of Mississippi's private-sector non-farm employment, an amount that is likely to grow as global barriers to trade and investment fall.<sup>1</sup>

Also dependent on international trade for all or part of their livelihoods are the 96,310 Mississippians who work in the transportation and material moving occupations; 51,630 Mississippi retail workers; 41,650 Mississippi construction industry workers; 5,820 Mississippians who work in legal occupations; and 810 advertising workers in Mississippi.<sup>2</sup>

Employment in these and other industries has been aided by lower transportation costs, new technologies, and trade agreements that lowered U.S. and foreign trade barriers. To continue to create jobs and increase prosperity, Mississippi's representatives should encourage continued reductions in government barriers to trade and investment.

### KEY POINTS

- Jobs created exclusively by exports and foreign investment account for 6 percent of Mississippi's private-sector non-farm employment, an amount that is likely to grow as global barriers to trade and investment fall.
- Employment in many industries has been aided by lower transportation costs, new technologies, and trade agreements that lowered U.S. and foreign trade barriers.
- In contrast to foreign investment, which creates gainful employment in Mississippi, trade restrictions can force U.S. firms to relocate overseas to avoid the higher costs of production that come with protectionism. Trade barriers can limit job growth and expansion at businesses that remain, or even cause them to shut down.
- To continue to create jobs and increase prosperity, Mississippi's representatives should encourage continued reductions in government barriers to trade and investment.

This paper, in its entirety, can be found at <http://report.heritage.org/bg3355>

**The Heritage Foundation**  
214 Massachusetts Avenue, NE  
Washington, DC 20002  
(202) 546-4400 | [heritage.org](http://heritage.org)

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CHART 1

## Mississippi's Leading Exports in 2017

### EXPORT INDUSTRIES, IN BILLIONS

Petroleum and Coal	\$3.1	
Transportation Equipment	\$1.3	
Chemicals	\$1.2	
Miscellaneous Manufactures	\$0.7	
Computers & Electronic	\$1.1	

### EXPORT MARKETS, IN BILLIONS

Canada	\$2.2	
Mexico	\$1.0	
Panama	\$1.0	
China	\$0.8	
Guatemala	\$0.5	

**SOURCE:** U.S. Department of Commerce International Trade Administration, "Mississippi Exports, Jobs, and Foreign Investment," <http://www.trade.gov/mas/ian/statereports/states/ms.pdf> (accessed August 27, 2018).

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### Mississippi's Roots in Free Trade

Trade policy seems controversial today, but it was even more of a hot-button issue early in U.S. history. Taxes on imports—also known as tariffs or duties—were an important source of early revenue for the federal government. Politically powerful manufacturers in the North thought that import taxes should also be used to protect them from foreign competitors.<sup>3</sup> However, like most Southerners at the time, Mississippi's elected officials believed that tariffs should only be used to raise revenue for the federal government, not to protect industries from international competition.

For example, President James Polk's Secretary of the Treasury, Robert J. Walker, a former Senator from Mississippi, in his annual report dated 1845 propounded the following principles, "That no more money should be collected than is necessary for the wants of the government economically administered," and "[t]hat the duty should be so imposed

as to operate as equally as possible throughout the Union, discriminating neither for or against any class or section."<sup>4</sup> Mississippi Governor Gerard Brandon and the Mississippi legislature opposed legislation like the 1828 "tariff of abominations," which increased the price of manufactured goods in Southern states and impeded Mississippi's cotton exports.<sup>5</sup>

Although special-interest "protective" tariffs are more widely advocated today, Mississippi's state legislature used to view them as unconstitutional abuses of government power.<sup>6</sup>

### How Trade Benefits Mississippi Businesses and Workers

In recent years, reductions in U.S. and foreign trade barriers have provided major benefits for people in Mississippi. More than 51,000 jobs depend directly on exports.<sup>7</sup>

While Mississippi exports peaked in 2013, over the past decade, they increased by 50 percent (in

1. Total Mississippi full-time and part-time jobs in 2016: 1,544,719. Foreign direct investment jobs in Mississippi: 41,700. U.S. Department of Commerce, Bureau of Economic Analysis, "Interactive Data," data from 2015, <https://bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=10&203=8&204=3&205=1&200=2&201=2&207=52&208=70&209=713> (accessed April 24, 2018). U.S. jobs supported exclusively by goods exports from Mississippi: 51,113. U.S. Department of Commerce, International Trade Administration, data from 2016, <https://www.trade.gov/mas/ian/statereports/states/ms.pdf> (accessed April 24, 2018).

2. Bureau of Labor Statistics, "Occupational Employment Statistics: May 2017 State Occupational Employment and Wage Estimates, Mississippi," [https://www.bls.gov/oes/current/oes\\_ms.htm](https://www.bls.gov/oes/current/oes_ms.htm) (accessed April 24, 2018).

3. See, for example, Douglas A. Irwin, "Historical Aspects of U.S. Trade Policy," National Bureau of Economic Research, NBER Reporter: Research Summary (Summer 2006), <http://www.nber.org/reporter/summer06/irwin.html> (accessed August 30, 2017).

4. Edward Stanwood, *American Tariff Controversies in the Nineteenth Century*, Vol. 2 (Boston and New York: Houghton, Mifflin and Company, 1903), p. 44.

5. Westley F. Busbee Jr., *Mississippi: A History* (New York: John Wiley & Sons, 2015), p. 80.

6. Douglas A. Irwin, "Antebellum Tariff Politics: Coalition Formation and Shifting Regional Interests," NBER Working Paper No. 12161, April 2006, p. 19, <http://www.nber.org/papers/w12161.pdf> (accessed January 4, 2018).

7. U.S. Department of Commerce, International Trade Administration, "Mississippi Exports, Jobs, & Foreign Investment," <https://www.trade.gov/mas/ian/statereports/states/ms.pdf> (accessed April 24, 2018).

nominal dollars); and since 2000, Mississippi's exports have increased by 303 percent (also in nominal dollars).<sup>8</sup>

Leading export markets in 2017 include Canada, Panama, Mexico, China, Belgium, and Guatemala. Petroleum leads the state's exports. Other sizable exports include transportation equipment, pigments used in paints and plastics, chemical wood pulps, as well as medical devices, including artificial joints and related parts and accessories.<sup>9</sup>

Jackson County, Mississippi, benefits greatly from international trade due to the Port of Pascagoula. Seventy percent of the U.S. Navy Fleet of warships were manufactured at this port.<sup>10</sup> A new natural gas liquefaction and export facility at the port being proposed by Kinder Morgan, Inc., and other business partners could bring the residents more fruits of trade freedom if it is allowed to go forward. The proposed export facility stands to be one of the largest economic development investments in Mississippi history. The companies believe it will bring hundreds of jobs to Jackson County during construction, as well as boost long-term construction spending, and provide enhanced economic value to Jackson County once the liquefied natural gas starts to ship from the Port of Pascagoula to countries around the world.<sup>11</sup> Indeed, the residents of Jackson County have much to gain

from international trade if the facility is built. The Federal Energy Regulatory Commission is in the process of preparing a draft Environmental Impact Statement for the project.

Tens of thousands of Mississippi jobs rely directly on trade—both exports and imports. For example, about 55 million tons of freight were shipped through Mississippi ports in 2011.<sup>12</sup> According to the Mississippi Department of Transportation, Mississippi ports directly and indirectly support more than 125,700 jobs and \$16.8 billion in economic activity annually.<sup>13</sup>

In addition to exports of goods, Mississippi businesses also exported \$2.4 billion of services, such as installation, maintenance and repair services, and financial services per year in 2015.<sup>14</sup>

### **How Trade Benefits Mississippi Farmers and Ranchers**

Mississippi's agricultural exports have more than doubled since 2000 (in nominal dollars).<sup>15</sup> Exports accounted for over one-third of Mississippi's agricultural production in 2016.<sup>16</sup> Leading agricultural exports include soybeans, broiler meat, cotton, and soybean meal.<sup>17</sup> In 2012—the most recent year data are available—Mississippi farmers and ranchers received over 11 times as much income from exports as they did from federal sub-

8. U.S. Department of Commerce, International Trade Administration, "State-by-State Exports to a Selected Market," <http://tse.export.gov/tse/TSEHome.aspx> (accessed January 4, 2018).
9. U.S. Department of Commerce, International Trade Administration, "Mississippi Exports, Jobs, & Foreign Investment," and U.S. Census Bureau, "State Exports from Mississippi," <https://www.census.gov/foreign-trade/statistics/state/data/ms.html#comm> (accessed January 5, 2018).
10. Mississippi Development Authority, Mississippi Works, "Shipbuilding," <https://www.mississippi.org/home-page/our-advantages/target-industries-overview/shipbuilding/> (accessed August 22, 2018).
11. News release, "FERC Application Filed for Gulf LNG Liquefaction Project Near Pascagoula, Mississippi," Kinder Morgan, Inc., June 19, 2015, [https://www.kindermorgan.com/content/docs/GulfLNG\\_PressRelease.pdf](https://www.kindermorgan.com/content/docs/GulfLNG_PressRelease.pdf) (accessed August 17, 2018).
12. Mississippi Department of Transportation, "The Economic Role of Ports and Marine Transportation in Mississippi," [https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKewjXt56hmL\\_YAhWYkeAKHW35DSoQFggnMAA&url=http%3A%2F%2Fmdot.ms.gov%2Fdocuments%2Fintermodal%2520planning%2Fports\\_waterways%2FStudies%2FMSport\\_Execsum\\_Sept2015.docx&usq=AOvVawOTSxWwzAljhDc4CKF6zct6](https://www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=1&ved=0ahUKewjXt56hmL_YAhWYkeAKHW35DSoQFggnMAA&url=http%3A%2F%2Fmdot.ms.gov%2Fdocuments%2Fintermodal%2520planning%2Fports_waterways%2FStudies%2FMSport_Execsum_Sept2015.docx&usq=AOvVawOTSxWwzAljhDc4CKF6zct6) (accessed January 4, 2018).
13. Ibid.
14. Coalition of Service Industries, "U.S. Service Exports: Mississippi," [https://servicescoalition.org/images/services\\_exports\\_2017/Mississippi.pdf](https://servicescoalition.org/images/services_exports_2017/Mississippi.pdf) (accessed January 4, 2018).
15. U.S. Department of Agriculture, Economic Research Service, "State Export Data," <http://www.ers.usda.gov/data-products/state-export-data.aspx> (accessed January 4, 2018).
16. U.S. Department of Agriculture Economic Research Service, "Farm Income and Wealth Statistics," <http://www.ers.usda.gov/data-products/farm-income-and-wealth-statistics.aspx#27415> (accessed August 31, 2018), and U.S. Department of Agriculture Economic Research Service, "Cash Receipts by Commodity," <https://data.ers.usda.gov/reports.aspx?ID=17845> (accessed January 4, 2017).
17. U.S. Department of Agriculture Economic Research Service, "State Export Data."

sidies and loans.<sup>18</sup> Only about 43 percent of Mississippi's farms receive federal support, but nearly 100 percent of farms benefit either directly or indirectly from exports.<sup>19</sup>

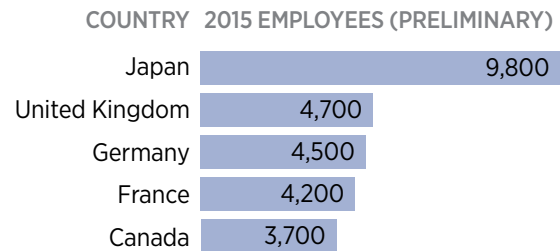
**The Impact of Trade on Jobs.** Critics claim that trade has cost Mississippi thousands of jobs, but the numbers tell a different story. In fact, since the North American Free Trade Agreement (NAFTA) took effect in 1994, the number of civilians employed in Mississippi has *grown* by 71,497 while the number of *unemployed* civilians *decreased* by 18,067. Since December, 2001, when China entered the World Trade Organization (WTO), the number of employed Mississippians has grown by 24,731—as the number *unemployed* decreased by 23,167.<sup>20</sup>

In 1993, five of the seven members of Mississippi's congressional delegation supported NAFTA and the Uruguay Round trade agreement that created the WTO.<sup>21</sup> More recently, support for trade has been stronger. In 2011, for example, both Senators and all but one Representative voted for the U.S.–Korea and U.S.–Columbia free trade agreements.<sup>22</sup>

Although Mississippi, like most states, has fewer manufacturing jobs than it did in the past, trade is not the reason. The downturn in the number of manufacturing jobs is the result of increased productivity by Mississippi workers. Manufacturing gross domestic product (GDP) per worker in Mississippi was 74 percent higher in 2017 than it was in 1997 (\$107,039 compared to \$61,434 in inflation-corrected 2009 dollars).<sup>23</sup>

CHART 2

## Mississippi's Top Five Sources of Foreign Investment Jobs



**SOURCE:** U.S. Department of Commerce, Bureau of Economic Analysis, "Activities of U.S. Affiliates of Foreign Multinational Enterprises: Preliminary 2015 Statistics," [https://bea.gov/international/fdius2015\\_preliminary.htm](https://bea.gov/international/fdius2015_preliminary.htm) (accessed June 12, 2018).

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## How Trade Facilitates International Investment to Create Mississippi Jobs

International flows of goods and services tell only half the story of trade's benefits for Mississippi. Mississippi workers benefit significantly from international investment. When Mississippians buy foreign goods, a share of the dollars they spend is used by foreigners to buy goods and services produced in the United States. Another large share returns in the

18. U.S. Department of Agriculture, *2012 Census of Agriculture United States Summary and State Data*, Vol. 1 Geographic Area Series, Part 51, Table 5. "Federal Government Payments and Commodity Credit Corporation Loans: 2012 and 2007," p. 290, [https://www.agcensus.usda.gov/Publications/2012/Full\\_Report/Volume\\_1\\_Chapter\\_1\\_US/usv1.pdf](https://www.agcensus.usda.gov/Publications/2012/Full_Report/Volume_1_Chapter_1_US/usv1.pdf) (accessed January 5, 2018), and U.S. Department of Commerce, International Trade Administration, "State-by-State Exports to a Selected Market."
19. U.S. Department of Agriculture, "2012 Census of Agriculture United States Summary and State Data," Vol. 1, Geographic Area Series, Part 51, Table 1. "State Summary Highlights: 2012," p. 249.
20. U.S. Bureau of Labor Statistics, "States and Selected Areas: Employment Status of the Civilian Noninstitutional Population, January 1976 to Date, Seasonally adjusted," data through August 2018, <https://www.bls.gov/web/laus/ststdsadata.txt> (accessed September 25, 2018).
21. Govtrack.us, "H.R. 3450 (103rd): North American Free Trade Agreement Implementation Act," <https://www.govtrack.us/congress/votes/103-1993/s395> (accessed January 5, 2018), and "H.R. 1876 (103rd): GATT Uruguay Round bill," <https://www.govtrack.us/congress/votes/103-1993/h575> (accessed January 5, 2018).
22. Govtrack.us, "H.R. 3080 (112th): United States-Korea Free Trade Agreement Implementation Act," <https://www.govtrack.us/congress/bills/112/hr3080> (accessed August 31, 2018), and "H.R. 3078 (112th): United States-Colombia Trade Promotion Agreement Implementation Act," <https://www.govtrack.us/congress/bills/112/hr3078> (accessed January 5, 2018).
23. Authors' calculations from U.S. Bureau of Labor Statistics, "Databases, Tables & Calculators by Subject: State and Area Employment, Hours and Earnings, Original Data Value, Series Id: SMS2800000300000001, Mississippi, Statewide, Manufacturing, All Employees in Thousands, 1997 to 2017," <https://www.bls.gov/data/> (accessed September 5, 2018), and Bureau of Economic Analysis, "Regional Data: GDP & Income—Real GDP by State (Millions of Chained 2009 Dollars), Mississippi, Manufacturing 1997–2017," <https://apps.bea.gov/itable/iTable.cfm?ReqID=70&step=1#reqid=70&step=1&isuri=1> (September 5, 2018).

form of foreign investment that creates jobs in the U.S., including in Mississippi. Many internationally headquartered companies choose to invest in operations in Mississippi because of the state's:

- Low overall cost of doing business,<sup>24</sup>
- Competitive labor costs,<sup>25</sup>
- Permitting speed,<sup>26</sup> and
- Relatively favorable regulatory environment.<sup>27</sup>

**Mississippi Going Global.** As a result of these four factors and others, Toyota and Nissan had committed a combined \$2.7 billion through 2016 to produce Toyota Corollas and Nissan models in Mississippi. Mississippi workers assemble over 500,000 vehicles annually for the two foreign car makers.<sup>28</sup> In 2015, foreign-owned companies employed 41,700 Mississippi workers.<sup>29</sup> Of these, 6,400 work in Nissan's vehicle assembly plant in Canton, and 1,500 in Toyota's manufacturing facility in Blue Springs.<sup>30</sup> In April 2018, Toyota announced that it will invest in new production lines in Blue Springs—a \$170 million investment by the corporation that will create an additional 400 jobs within 12 months.<sup>31</sup>

While foreign direct investment—when done right—is beneficial to Mississippi and to Mississippian working families, the means the state uses to attract the investment should be undertaken thoughtfully.

Nissan received more than \$1.3 billion in total Mississippi taxpayer subsidies in return for opening its plant in Canton.<sup>32</sup> Toyota received a \$354 million subsidy package.<sup>33</sup> Nissan and Toyota secured favored tax treatment over other businesses in the state, and the subsidies paid the two automakers for things like worker training costs and infrastructure upgrades. Attracting companies through regulatory and tax reform that is more even-handed—that applies to all business owners big and small equally—should be the targeted approach to Mississippi job creation in the future. Mississippi Governor Phil Bryant understands this, as evidenced in his January 2018 penultimate state of the state address, when he told his fellow Mississippians:

[W]hen government creates a tax and regulatory climate that encourages growth—and then gets out of the way so the private sector can harness its innovative character—our economy thrives, more of our citizens experience the dignity and

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24. Mississippi ranked no. 2 in overall cost of doing business according to CNBC in 2015. Mississippi Development Authority, Mississippi Works, "National Rankings," <https://www.mississippi.org/rankings/> (accessed September 4, 2018).
  25. Mississippi ranked no. 3 for competitive labor costs according to *Area Development* magazine in 2015. Mississippi Development Authority, Mississippi Works, "National Rankings," <https://www.mississippi.org/rankings/> (accessed September 4, 2018).
  26. Mississippi ranked in the top 5 for permitting speed according to *Area Development* magazine in 2015. Mississippi Development Authority, Mississippi Works, "National Rankings," <https://www.mississippi.org/rankings/> (accessed September 4, 2018).
  27. Mississippi was ranked in the top 5 for most favorable regulatory environment by *Area Development* magazine in 2015. Mississippi Development Authority, Mississippi Works, "National Rankings," <https://www.mississippi.org/rankings/> (accessed September 4, 2018), in August 2014.
  28. The Mississippi Development Authority, "Mississippi Works: Automotive," <https://www.mississippi.org/home-page/our-advantages/target-industries-overview/automotive/> (accessed September 5, 2018).
  29. U.S. Department of Commerce, Bureau of Economic Analysis, "Interactive Data," Foreign Direct Investment in the U.S., All U.S. Affiliates (data for 2007 and forward), Employment By State (NAICS) (Thousands of Employees) <https://bea.gov/iTable/iTable.cfm?ReqID=2&step=1#reqid=2&step=10&isuri=1&202=10&203=8&204=3&205=1&200=2&201=2&207=52&208=70&209=713> (accessed January 9, 2018).
  30. Nissan Group of North America, "Nissan Group Is Investing in America," [http://www.nissan-canton.com/wp-content/uploads/2018/02/5207\\_NISSAN-CORP-BRO\\_01\\_2018\\_v4.pdf](http://www.nissan-canton.com/wp-content/uploads/2018/02/5207_NISSAN-CORP-BRO_01_2018_v4.pdf) (accessed April 23, 2018), and Toyota, "Toyota Motor Manufacturing Mississippi, Inc., (TMMMS) Fact Sheet," April 20, 2018, <http://toyotanews.pressroom.toyota.com/fact-sheets/toyota-motor-manufacturing-mississippi-inc-tmmms-fact-sheet.htm> (accessed April 23, 2018).
  31. News release, "Toyota Mississippi Makes Major Jobs and Investment Announcement in Northeast Mississippi," April 26, 2018, <https://www.mississippi.org/general/toyota-mississippi-makes-major-jobs-and-investment-announcement-in-northeast-mississippi/> (accessed August 17, 2018).
  32. Brandon Cline, Russell Sobel, and Claudia Williamson, "Promoting Prosperity in Mississippi," Institute for Market Studies at Mississippi State University, 2018, p. 89, <https://www.ims.msstate.edu/publications/promoting-prosperity/> (accessed August 17, 2018).
  33. *Ibid.*, p. 90.

affirmation of a good-paying job, and our state is made stronger.<sup>34</sup>

## How Anti-Trade Policies Harm Mississippi's Economy

**Clothing Taxes.** Americans are gouged on a daily basis by double-digit taxes on imported products like shoes and T-shirts. In 2016, the average U.S. tariff rate for shoes and clothing was 13.1 percent—which is more than 13 times higher than the average tax on other imports. Clothing and shoes account for 5 percent of U.S. imports, yet duties on textiles and apparel generate 40 percent of U.S. tariff revenue.<sup>35</sup>

These import taxes cost Mississippians close to \$400 million in 2016.<sup>36</sup> They are especially harmful to low-income consumers in Mississippi and across the country.<sup>37</sup>

**Trade Restrictions and Overseas Relocations.** In contrast to foreign investment, which creates gainful employment in Mississippi, trade restrictions can force U.S. firms to relocate overseas to avoid the higher costs of production that come with protectionism. Trade barriers can limit job growth and expansion at businesses that remain, or even cause them to shut down.

It would be a disaster for Mississippi farmers, for instance, if the ongoing NAFTA negotiations result in Mexico or Canada imposing new tariffs on agricultural products. Mexico and Canada are two of Mississippi's largest foreign export markets. Under NAFTA, the cotton industry in particular has enjoyed a steady recipient market in Mexico. A Californian cotton farmer named Cannon Michael recently told *The Wall Street Journal*, "There's so much speculation right now. It's really hard to tell what [President Trump] is going to implement. Will there be a 20% tax? Who pays it? It just throws up

a lot of question marks.<sup>38</sup> Another cotton farmer named Alan Underwood said, "Mexico is my domestic market," because it is closer and cheaper to ship cotton to Mexico where it is assembled into apparel than it is to ship it to much of the U.S.<sup>39</sup>

Other countries are also likely to target U.S. exports with trade barriers in retaliation for import restrictions that the Trump Administration is implementing on questionable national security grounds. In April 2017, President Trump ordered the Department of Commerce to investigate steel imports under a little-known part of the Trade Expansion Act of 1962, Section 232, which allows the executive branch to place import restrictions or tariffs on steel for national security reasons. In a letter to Secretary of Commerce Wilbur Ross, a large collection of groups representing U.S. agricultural producers expressed concern that other countries would put up retaliatory trade barriers of their own on false national security grounds.

The groups explain in their letter:

The undersigned agriculture organizations are extremely concerned about the consequences of import restrictions under Section 232 of the Trade Expansion Act of 1962. If the Section 232 investigations on steel and aluminum result in new trade barriers, the aftermath could be disastrous for the global trading system and for U.S. agriculture in particular.

U.S. agriculture is highly dependent on exports, which means it is particularly vulnerable to retaliation. Many countries that export steel to the United States are also large importers of U.S. agriculture products. The potential for retaliation from these trading partners is very real. Short of explicit retaliation, these countries may

34. "Text of Bryant's State-of-the-State Address," *Clarion Ledger*, January 9, 2018, <https://www.clarionledger.com/story/news/politics/2018/01/09/text-bryants-state-state-address/1018569001/> (accessed August 17, 2018).

35. U.S. International Trade Commission, "Interactive Tariff and Trade DataWeb," <https://dataweb.usitc.gov/> (accessed August 29, 2017).

36. Authors' calculations based on data from Federal Reserve Bank of St. Louis, "Personal Consumption Expenditures: Nondurable Goods: Clothing and Footwear for Mississippi," <https://fred.stlouisfed.org/series/MSPCECLTH> (accessed April 23, 2018).

37. Jason Furman, Katheryn Russ, and Jay Shambaugh, "US Tariffs Are an Arbitrary and Regressive Tax," *VoxEU*, January 12, 2017, <http://voxeu.org/article/us-tariffs-are-arbitrary-and-regressive-tax#.WHeSA6D-zQw.twitter> (accessed August 29, 2017).

38. Julie Wernau, "Trump's Trade Policies Worry U.S. Cotton Farmers," *The Wall Street Journal*, February 12, 2017, <https://www.wsj.com/articles/denim-dilemma-1486900803> (accessed January 9, 2018).

39. *Ibid.*

also stall efforts to resolve current trade issues if they believe they have been unfairly targeted over legitimately traded products.<sup>40</sup>

In March 2018, the groups' fears were affirmed when President Trump ordered steep protectionist tariffs on steel and aluminum imports, to which China retaliated with plans for steep 25 percent tariffs on a range of U.S. products including soybeans. The soybeans tariff will especially hurt Mississippi farmers, as soybeans made up over 30 percent of Mississippi's total agricultural exports in 2016.<sup>41</sup>

The free flow of goods to and from Mississippi and across United States borders is a boon to economic activity, as it makes the size of the economic pie larger so more Mississippians, and more Americans in general, can partake in increased mutually rewarding transactions. Individuals enjoying the freedom to trade should not have trade-stopping booms lowered over their heads by bureaucrats in Washington, costing them their prosperity or livelihoods. Mississippi jobs depend on doing business with foreign countries.

### **“Buy American” Laws and Antidumping Tariffs**

Many U.S. government policies have unintended harmful consequences. Buy American laws, for instance, require government agencies to buy only U.S.-made inputs, instead of allowing them to buy the best-made products at the best prices.

Protectionist antidumping tariffs like the ones proposed by the Commerce Department earlier in 2018 on Canadian newsprint, have the stated purpose of preventing foreign producers from dumping their product in the U.S. at below the foreign producer's cost to make it—supposedly harming the competitiveness of domestic producers. But it is the tariffs that actually harm Mississippi businesses.

The tariffs on Canadian newsprint were thankfully blocked by the United States International Trade Commission (USITC) on August 29, 2018. Such tariffs are costly for taxpayers, and the ones on Canadian newsprint endangered the viability of newspaper businesses across the U.S., including *The Natchez Democrat* in Natchez, Mississippi. *The Democrat* felt the pain of the Canadian newsprint tariffs, which were being collected on a provisional basis at over 20 percent while the U.S. Department of Commerce and the U.S. International Trade Commission investigated. Before the USITC blocked the tariffs, *The Democrat* explained in an online edition what would happen if the tariffs on Canadian newsprint were made permanent:

Publishers will not be able to absorb the significantly higher cost of newsprint, which is a newspaper's second-largest expense behind payroll. Newspapers will likely have to raise prices for readers and advertisers, reduce distribution by eliminating publication days, and reduce our workforce. Not only will newspapers suffer, but so will our workers, readers, and advertisers.<sup>42</sup>

By the time the tariffs on Canadian newsprint were blocked by the USITC in its unanimous decision in August 2018, the damage had already been done. Both *The Natchez Democrat*, and another Mississippi paper, *The Vicksburg Post*, had cut printing of their newspapers from seven days to five days a week. Both papers implicated the tariffs as a main factor leading them to decide to decrease production.<sup>43</sup>

The Associated General Contractors of America called Buy American requirements an “antiquated” standard that could “specifically exclude certain American companies and jobs over others.”<sup>44</sup> Protectionist anti-dumping tariffs like the ones that were collected on Canadian newsprint do the same.

40. Letter to Secretary of Commerce Wilbur Ross from 18 agriculture-producing industry groups, July 11, 2017, <http://nppc.org/wp-content/uploads/2017/07/Ag-Industry-Letter-on-Section-232-FINAL.pdf> (accessed January 9, 2018).

41. U.S. Department of Agriculture, “State Export Data—U.S. Agricultural Exports, State Detail by Commodity [New Series]: Calendar Years 2000–2016,” <https://www.ers.usda.gov/data-products/state-export-data/> (accessed April 19, 2018).

42. “Answers to Questions About Newsprint Shortage,” *The Natchez Democrat*, April 1, 2018, <https://m.natchezdemocrat.com/2018/04/01/answers-to-questions-about-newsprint-shortage/> (accessed April 25, 2018).

43. Stop Tariffs on Printers and Publishers (STOPP), “Impact of Newsprint Tariffs Felt Across the Country,” <https://www.stopnewsprinttariffs.org/impact-of-newsprint-tariffs-felt-across-the-country/> (accessed September 4, 2018).

44. Jeffrey D. Shoaf, Senior Executive Director, Government Affairs, letter to Earl Comstock, Director, Office of Policy & Strategic Planning, U.S. Department of Commerce, April 7, 2017, [http://www.naylornetwork.com/ngc-constructor/pdf/Comments\\_on\\_Construction\\_of\\_Pipelines.pdf](http://www.naylornetwork.com/ngc-constructor/pdf/Comments_on_Construction_of_Pipelines.pdf) (accessed August 29, 2017).

**The Jones Act.** Protectionist restrictions on services can be just as harmful as restrictions on imports of goods. The Jones Act requires all ships that transport goods within U.S. waters to be U.S.-built, U.S.-owned, and at least 75 percent U.S.-crewed. These requirements restrict traffic for U.S. ports, including for Mississippi's 16 public ports. According to the director of the Fletcher Maritime Studies Program, "The Jones Act remains a fundamental roadblock to large scale coastal shipping between US ports."<sup>45</sup>

The ban on the use of foreign-built vessels was felt by the Gulf Coast following the 2010 BP oil spill. At that time, Alabama author Winston Groom, of *Forrest Gump* fame, wrote:

Does anyone share my outrage that there are not nearly enough, nor large enough, oil skimming craft in the Gulf of Mexico to protect our coast? There are numerous oil removal ships available right now that could be sweeping up the huge oil slicks heading for our shores, but various U.S. government regulations and red tape have prevented them from coming here.

For two months, 13 oil-producing countries plus the United Nations have offered to send us their huge oil-skimming tankers and other vessels. But the Obama administration has dragged its feet on accepting these generous offers because of a labor-union law called the Jones Act that permits only U.S.-built ships crewed by U.S. seamen to operate in U.S. waters.

A hundred years from now, someone is going to write the history of this tragedy/fiasco, and will likely record that if there was a single scandal attached to the so-called cleanup, it was the lack of proper craft to contain and remove the oil before it came on shore. And the worst part will be that this was caused by our own government in Washington.<sup>46</sup>

The lack of oil-skimming ships because of the Jones Act did in fact do great unnecessary damage to Mississippi wildlife and to the state's tourism industry. A 2013 report by the National Academy of Sciences details how removing the oil while it was still offshore was much more effective and preventative of damage to the Gulf ecosystem than when the oil later had to be removed from the shore.<sup>47</sup>

**Tariffs on Intermediate Goods.** More than 60 percent of goods imported to the U.S. each year are considered intermediate goods—parts used to make final goods, or capital goods, such as machinery.<sup>48</sup>

Access to competitively priced intermediate goods, regardless of origin, is crucial for manufacturers in Mississippi.

In 2017, auto parts used by Mississippi autoworkers accounted for over 15 percent of the state's top 25 imports by dollar value. Medical devices and medical device parts were another 10.2 percent.<sup>49</sup>

Restricting inputs of these parts would jeopardize Mississippi jobs. Policymakers should remove taxes on imports, including intermediate goods used by Mississippi autoworkers and by the large medical device and health care industries in the state.

### Trade Is Vital for Mississippi

Early in U.S. history, Mississippi fought special-interest trade barriers that held down the state's economy. Today, the federal government continues to pick winners and losers through policies like the Jones Act and protectionist taxes on imported parts used by the state's workers. Mississippi policymakers and their constituents should take the lead in eliminating these destructive federal government policies, so that Mississippians can thrive and prosper.

—*Patrick Tyrrell is Research Coordinator, and Anthony B. Kim is editor of the Index of Economic Freedom, and Research Manager, in the Center for International Trade and Economics, of the Kathryn and Shelby Cullom Davis Institute for National Security and Foreign Policy, at The Heritage Foundation.*

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