THE BROOKINGS INSTITUTION

EXPORT NATION:

U.S. METROS AND NATIONAL EXPORT GROWTH

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PARTICIPANTS:

Welcome:

JAMES RUBIN
Senior Partner
BC Partners

Remarks:

BRUCE KATZ
Vice President and Director, Metropolitan Policy Program
The Brookings Institution

PANEL ONE:

Moderator:

CHRYSTIA FREELAND
Global Editor-at-Large

Reuters

Panelists:

FRANCISCO SANCHEZ
Undersecretary, Commerce for International Trade
U.S. Department of Commerce

FRED P. HOCHBERG
Chairman
Export-Import Bank of the United States

PANEL TWO:

Moderator:

BRYAN ASHLEY
Chief Marketing Officer
Suniva, Inc.

PARTICIPANTS (CONT'D):

Panelists:

SEAN RANDOLPH
President
Bay Area Council

J. BRADFORD JENSEN
Senior Fellow
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THE HONORABLE CHUCK REED
Mayor
City of San Jose

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P R O C E E D I N G S

MR. RUBIN: On behalf of the Brookings Institution Board of Trustees, I welcome you to Brookings for the launch of a signature report from the Institutes of Metropolitan Policy Program: “Export Nation: How U.S. Metros Lead National Export Growth and Boost Competitiveness.”

This report continues the excellent work of the program in showing the essential role the metropolitan areas play in reviving and sustaining America’s economy.

Shortly, Bruce Katz, who is the director of the program and a study coauthor, will present the report which provides a unique analysis of the export of goods and services from our metropolitan areas. It ranks the 100 largest metros, according to their level of export production and numbers of jobs created by exports, and identifies critical exporting firms. The report concludes with some specific policy recommendations for advancing the national export initiative. The panels later in the day will explore these topics from the perspective of policymakers, elected officials, and business people.

I’m told the papers is already receiving significant attention from the administration, which I assume is a good thing. So, congratulations to Emilia, Jonathan, Bruce, all the coauthors, and the

Brookings team for advancing once again the discussion of what cities mean.

The depth and impact of this report will not surprise observers of the Metropolitan Policy Program. When I got involved with the program nearly three years ago at Bruce’s request, I assumed that you studied cities primarily because they are the places where all of our thorniest social problems go to die and manifest themselves, the ones most traditionally considered urban: affordable housing, access to health care, public education, and so on. Bruce and his team have completely blown this conception wide open, and now regularly present metropolitan areas as the last great hope for continued American economic predominance.

Collecting immense amounts of broad data and working with the best public servants in the country to gather evidence of how the world actually works, Bruce and his team have developed a conception of cities that places them at the heart of every major policy innovation. He has advised cities here and around the world on sustainability, innovation clustering, economic development, and seemingly everything else.

City leaders engage with Metropolitan Policy Program because they understand that the world is changing dramatically and they’re looking for advice on how to adapt. Earlier this year, Brookings came out with the State of the Metropolitan America Report, which anticipated the 2010 Census findings and showed the incredible demographic upheaval our metropolitan areas have experienced with endless social and policy implications to follow. Similarly, today's export report opens a new discussion, this one around the enormous and growing role cities play in global markets.

My business, I'm a private equity professional, which is likely to get me drummed out of here as soon as I exit the stage, takes me around the world. My firm owns businesses based here and in Europe doing billions of dollars in revenues every year, producing and selling to every country on Earth. The findings in this report are absolutely consistent with what I see when I travel, and the recommendations I believe are absolutely necessary to restore growth and job creation in this country in the years to come.

Before I turn it over to Bruce to present the report, just a few words of introduction. Bruce founded the Metropolitan Policy Program in 1996. The program defines the challenges facing cities in metropolitan areas by publishing cutting-edge research on major demographic, market development, and governance trends. Under Bruce's leadership, as I've said already, the program is articulating a vision for a new economy that is export-oriented, low carbon, innovation-fueled, and opportunity-rich. This paper represents the first in a series of products that will showcase opportunities for our metropolitan areas.

In addition to leading the Metropolitan Program at Brookings, Bruce is also a visiting professor at the London School of Economics, which I actually did not know before I read that.

(Laughter)

MR. RUBIN: Before coming to Brookings, Bruce served as chief of staff to Henry Cisneros who was a former secretary of HUD in the Clinton Administration.

Bruce, I turn it over to you.

(Applause)

MR. KATZ: How many people in the room are here to get out of the heat? Don't be shy.

First of all, I want to thank Jamie for that introduction and for his leadership, his guidance, and his friendship over the past number of years. Incredibly helpful to have business insight into what we're doing here. I also want to start by thanking Emilia Istrate and Jonathan Rothwell, who I hope are here, who are the coauthors of this report, and have spent an enormous amount of time exploring a critical but unexamined topic with rigor and persistence and good humor.

So, the report we feature today describes how America's metropolitan areas can lead the nation to a different kind of economy, an economy that creates quality jobs with good wages by exporting more goods and services abroad. In a global economy, exports begin at home with private sector firms seizing market opportunities beyond our borders. Thus, it's best to begin with a story that takes us to Atlanta, Georgia, at a small company with large export ambitions. The company is Suniva. The products they make and sell are high efficiency silicon solar cells and high-power solar modules. Between their founding in 2007 and the end of 2009, they racked up nearly $1 billion in orders from India and Europe. The company is the brainchild of Dr. Ajeet Rohatgi, an Indian-born scientist, educated in the United States. Like inventors before, Dr. Rohatgi was able to commercialize advanced research he conducted in the economy, in his case the Georgia Institute of Technology. Ninety percent of Suniva's sales in 2009 were exports, eight-five percent of the content of their products is U.S.-made. The company is now working to build a second plant in Saginaw, Michigan, a symbol of economic renewal for that troubled industrial state.

Suniva represents how the U.S. firm by firm builds the next American economy, and in the process, creates millions of private sector jobs. The Suniva economy is one that we at Brookings described, as

Jamie said, export-oriented, low-carbon, innovation-fueled, and opportunity-rich. In other words, an economy where we export more, we waste less, we innovate in what matters, we produce and deploy more of what we invent, and we make economic growth work for the many rather than the few.

The report we released today focuses on exports and makes three critical points. First, the U.S. must and can become an export nation. This is a recipe for a job-filled rather than a jobless recovery, and a vehicle for raising our standards of living, tapping new sources of global demand, and bringing balance back to our economy.

Second, U.S. metros will be the vanguard of national export growth. These places here and abroad are the hubs of trade, commerce, and migration, and the centers for talent, capital, and innovation. They are the path to an export nation.

Finally, we must connect the macro export vision to the metropolitan export reality. The macro to the metro. For too long, export policy has been narrowly confined to macro levers like currency exchange and trade agreements. It is time to boost exports through broader federal, state, and metropolitan interventions on innovation and infrastructure, education and immigration, trade promotion, and cluster expansion. This is a competitiveness agenda designed to improve the quality of the goods and services we produce in the United States and better connect firms and the goods and services they produce to global markets.

Now, I've already used the word "export" 14 times in the last 2 minutes, which leads to the initiative question: What's an "export?" Now, people typically think of exports as goods that are manufactured here, put in a box, and placed on a ship that takes them to foreign markets. Now, that's only part of the story and overlooks the growing importance of service exports. When a U.S. firm designs a building in Shanghai, that's a service export. When a foreign student pays tuition at an American university, that's a service export. The service export can include a tourist from abroad paying to see the sites in New York, and it includes royalties American movies and music that are consumed abroad.

Now, given that broad definition, let me begin by offering a vision for an export nation. This is a vision where more firms and more sectors trade more goods and services seamlessly with the world, particularly with the rising nations that are rapidly urbanizing and industrializing. President Obama embraced this vision in the State of the Union when he called for a doubling of exports in five years.

The departure from the current order of business cannot be starker. The American economy has become dominated by imports rather than driven by exports. In 2008, according to the Economists Intelligence

Unit, total exports made up only 13 percent of the GDP of the U.S., compared to 36 percent in China, 35 percent in Canada, 24 percent in India, and higher levels in Japan and Europe. Exporting has become almost an unnatural act in the United States. Incredibly, according to the Department of Commerce, less than 1 percent of American companies export, and of those that do, less than half export it to more than one country.

The movement of freight in the United States is compromised. Undermined by an infrastructure that is third class and transport networks that are clogged and congested. Now, all of this is true and sobering, but there's a cultural dimension to exports which often gets overlooked. Americans don't get out much. We are remarkably insular.

(Laughter)

MR. KATZ: Despite being a demographically-blessed nation with a growing and diversifying population. Half the population thinks the U.S. should mind its own business. Remarkably, 72 percent of U.S. citizens don't even have a passport. So, can we get back into the export game? We think the answer is decidedly yes.

The U.S. still manufactures a range of advanced goods that the rest of the world wants: aircraft, spacecraft, electrical machinery, precision surgical instruments, high-quality pharmaceutical products. The

U.S. is also the world's largest exporter of services. We already have a trade surplus in commercial services; $152 billion in 2008, and are poised for a quantum leap in exports in sectors such as education, health care, business and management consulting, and architecture and engineering. The consequences of shifting to an export-oriented economy are profound.

In a jobless recovery, growing exports means more jobs. The administration has estimated that doubling exports will generate 2 million new jobs. We think that estimate is exceedingly conservative, and that the real impact could be much higher; 3, 4, even 5 million new jobs. In an economy polarized by income, growing exports means higher wages for more workers. Research shows that exporting firms pay workers more and export-intense industries are more likely to provide health and retirement benefits. In 2008, for example, the top five exporting industries: advanced machinery, business services, transportation of chemicals, computer and electronic products, delivered almost half the value of total exports. Each of these industries pay workers with wages that are higher than the national average wage. Computer and electronics paid the most among the top U.S. exporting industries. Eighty-five percent more than the national average wage.

In an economy crippled by ruined credit, growing exports means taken full advantage of the growth in Brazil, India, China, and other rising nations. We are about to cross an economic Rubicon. Brazil, India, and China, the BRICs, are expected to account for about one-fifth of the global GDP in 2010, surpassing the United States for the first time. This will grow to more than 25 percent by 2015.

The rise of the BRICs reflects the rise of metros. For the first time in recorded history, more than half of the world's population lives in urban and metropolitan areas. By 2030, the metro share will surpass 60 percent. Across the globe, metro economies are driving demand for increased trade and commerce, only temporarily abated by this downturn. The rise of the BRICs also reflects the emergence of a global middle class. According to a recent Brookings study, the middle class spending of the Asia Pacific region alone will increase from 28 percent of the world total in 2009 to 54 percent in 2020. Consumers in rising nations will have the power to purchase the products and services we export in an unprecedented way.

Final point. In a nation saddled with debt and deficit, growing exports means a return to economic sanity and economic balance. Americans have been consuming too much, and we've been exporting too little. Over the last 30 years, the U.S. share of domestic

GDP attributable to consumption has risen by 7 percentage points. In other G-7 countries, Canada, France, Germany, Italy, Japan, the United Kingdom, private consumption has stayed at the constant share of GDP.

Exports pose a very different disturbing picture. Exports as a share of GDP rose by almost 7 percentage points in other G-7 nations, while barely budging in the U.S. This pattern of failing to exploit market opportunities abroad while living beyond our means at home is simply unsustainable. It contributed in no small measure to the bubble-bursting economy of the past decade. Its foreign resources helped over-stimulate the U.S. housing market. It is time to change, and it is time to make exporting a central narrative of America's economic renewal.

So, here's our second proposition. Metros will be the vanguard of national export growth. Any growth in exports, doubling or not, will begin with our major metropolitan areas. Here's the real heart of the American economy. One hundred metropolitan areas that after decades of growth take up only twelve percent of our land mass, but house two-thirds of our population and generate seventy-five percent of our GDP. These communities form a new economic geography, enveloping cities, suburbs, exurbs, and rural towns.

Our report shows the extent to which these top 100 metros in the aggregate drive U.S. exports. In 2008, they produced an estimated

64 percent of U.S. exports, including 75 percent of service exports and 62 percent of manufactured goods that are sold abroad. Incredibly, the top 100 metros even produced 25 percent of America's agriculture exports, and almost one-third of oil, gas, and mining exports.

The top 100 metros dominate 7 of the 10 largest U.S. export sectors. This includes 68 percent of chemical exports, the top U.S. export to Brazil and India, 76 percent of computer and electronic goods exports that top U.S. export to China, and 80 percent of business and professional service exports; the number one U.S. service export to China.

Now, here, we're talking about goods and services produced within the top 100 metros, but these places also play another critical role in trade. They are the nation's logistical hubs, concentrating the movement of people and goods by air, rail, and sea. The metro economies, of course, do not exist in the aggregate. They have distinctive starting points, and they very considerably in the export prowess and intensity.

Our research digs deep to profile the export potential of each of the top 100 metros. Here's what we find: The nation's four largest exporting metros, New York, Chicago, L.A., and Houston are super-sized performers, exporting more than 50 billion apiece in 2008. Other major metros, Dallas, San Francisco, Boston, Philadelphia, Detroit, and Seattle are also global players, exporting more than 24 billion apiece that year. These 10 large metros generated 43 percent of the exports of the top 100 metros and 28 percent of all national exports in 2008. This is not just about the large metros.

As we see here, a different group of smaller and medium-sized metros are dependent on exports in ways that larger metros are not. Exports contributing more than 15 percent of gross metropolitan product in these 10 U.S. metros.

Now, the power of these places is the power of agglomeration and the power of networks. Let's take Wichita, for example. Wichita is the nation's most export-intense metropolis with 28 percent of its metropolitan output coming from exports. Transportation equipment drives the lion share of Wichita's exports, with more than 65 percent of that metro's exports coming from the sales of aircraft and aircraft parts.

Jobs in the transportation sector pay well. More than $61,500, on average, significantly higher than the average national wage of $45,500 and change. In total, exports are responsible for 22 percent of total employment in that area and 71,000 jobs. The Wichita sector represents a well-tuned network of public, private, and non-profit firms and institutions. Firms like Cessna and Hawker Beechcraft are global players in aviation, servicing demands in countries ranging from Germany, Japan, to the U.K.

These firms compete, but they also collaborate. They share a thick labor market of skilled workers and benefit from a wide range of supporting firms and institutions like part suppliers, (inaudible) machine, and Perfekta, the National Institute for Aviation Research, the Wichita Technology Corporation, and Wichita State University.

The Wichita story is repeated over and over in the top 100 metros. Now, we've prepared export profiles for each of these places, which are available on our Web Site, and these specific profiles illustrate the general proposition that metros are the vanguard of national growth.

So, that leads to the final proposition. The U.S. must connect its macro export vision to metro economic reality. The macro to the metro. Now, for decades, trade and export policy has only been about getting the big stuff right. Working to compel a reevaluation of foreign currencies so that U.S. goods are accurately priced. Working for open foreign markets so U.S. firms can compete fairly with foreign competitors. Working aggressively on the next generation of bilateral and multilateral trade agreements.

Now, all of that is fundamental and it must continue. But we compete in a fiercely competitive world where established nations like Germany and rising nations like China, India, and Brazil are growing exports purposely to other channels; transformative investments and innovation institutes, modern ports, freight rail, export promotion, even facility construction.

To compete with these global powerhouses, the U.S. needs a competitiveness agenda that is uniquely aligned with our entrepreneurial nation, where quality, growth, and jobs emerge from the DNA of metropolitan America. Private firms large and small, research institutions, investors, governments, trade associations, philanthropy, and labor.

This is a playbook where the federal and state governments should lead where they must, given the need to level the global playing field and buttress a large, national market. At the same time, networks in metropolitan leaders and firms must innovate where they should, given their distinct export clusters and special responsibilities for educating and training the workforce that serve those clusters.

For our federal and state leaders, it's time to invest and reform. We know that innovation is the historical catalyst fuel for economic growth. To compete abroad, we must boost innovation at home so that our goods and services are of the highest quality. Yet, federal and state innovation efforts are still scattered, fundamentally divorced from manufacturing, and ill-resourced by a tax code that is still heavily tilted towards real estate and consumption.

We call for a national innovation foundation modeled on efforts in Korea and Finland to bring under one roof and ramp up the government's fragmented efforts to boost commercial innovations in fields such as precision manufacturing, IT, and clean energy.

Now, beyond innovation, we must focus on connectivity, linking firms in metros to markets around the world. The global connectivity requires a national freight strategy. Yet, in the face of rising imports and exports, the feds and the states -- this is a historic matter -- often disperse scarce infrastructure dollars based on political reward, earmarks, rather than market returns.

We call for a new national infrastructure bank to invest with evidence and purpose through public-private partnerships for the future. Intermodal facilities that are congested ports, high-speed passenger and freight rail, as in many of our competitor nations, modern transmission lines to carry renewable energy seamlessly across state lines.

Connectivity also requires smart and strategic export promotion, yet, while our foreign competitors promote exports in deliberate ways, through sophisticated networks of outreach, facilitation, and support, our federal and state efforts tend to be timid and fragmented. We fundamentally applaud the president's National Export Initiative, and all the work going on at ITA and XM Bank, and many of the other agencies, but there is much work to do in coordinating export promotion of assistance across all levels of government. The work of coordination can start with expanding the President's Export Advisory Council to include state and local leaders, such as governors, mayors, county executives, heads of metro business chambers, universities, and economic corporations. We need a fundamental overhaul of our federalist approach to export promotion, requiring state and local players to be at the federal table.

A national competitiveness strategy requires metros to innovate. There is a lot of work to do, and, frankly, probably more work to do at that level than at the federal and state level. For most cities and metros today, economic development focus is either on (inaudible) real estate plays, or an old-style tax abatements to lure firms, to steal firms generally from one municipality to another. This kind of economic development strategy resembles the prior economy. Overly consumption-oriented, excessively wasteful.

Ideally, every single metro in the U.S. should have a metropolitan export initiative that is evidence-driven, cluster-led, goals-oriented, and metropolitan in scope, and, ideally, these initiatives should be organized and even implemented by business with support from other sectors, civic, government, labor, and university that are critical to success.

Export initiatives must be evidence-driven because export growth must start with metros understanding who they are in the global marketplace. This requires moving beyond outdated, regional notions of economic composition.

In the south, for instance, Charlotte has a different export profile than nearby Greensborough. Austin is distinct from San Antonio. Likewise, the notion of a unified rustbelt stretching across large portions of the northeast and Midwest overlooks the factors that distinguish export economies in Rochester, Cleveland, Indianapolis, and Chicago from one another.

Export initiatives must be cluster-led to reflect the way metro economies actually function. This is the Bay Area. By clustering in close proximity networks of for-profit firms and the institutions, companies, and associations that support them. Cluster-led strategies include tailored interventions on land, labor, and capital, as well as marketing and promotion.

Export initiatives must be goals-oriented so that aspirations can be set and progress can be measured. Just as the president has set an export goal for the nation, metro should set export goals for themselves on export job growth or scale of exports or number of exporting firms. Nothing focuses the metro mind like a unified goal.

And, finally, metropolitan export initiatives must be metropolitan in scope. It sounds fairly obvious, but, currently, there’s a mismatch between the fragmented geography of government on one hand and the integrated geography of the economy on the other. Stuttgart, Germany -- an export powerhouse -- had one economic development entity, one, despite having 169 separate municipalities. American metros must do the same. Rather than compete against each other with scarce resources, U.S. metros must collaborate to compete.

So, let me end where I began. The great recession forces us to think differently about the shape of the economy and to purposefully lay the foundation for a radically different kind of growth. We need to get about the business of restructuring our economy towards exports and low carbon, in favor of innovation, fueled by education and skills, so that we can complete globally and put the United States back on the path to prosperity. This path runs directly through our metropolitan areas.

If the U.S. is to become an export nation, major metros will be the vanguard of national export growth. They are the places that concentrate the firms, the entrepreneurs, and the workers at the cutting edge of innovation. They are the places that have the infrastructure to connect to growing markets abroad. They are the places that have the talent and the energy to push our economy forward to a prosperity that is real and sustainable. In a global economy, exports begin at home. The major metros that are on the frontlines of global exchange. We are a metro nation, and if we finally start to act like one, we can become a powerful export nation.

Thank you very much.

(Applause)

MR. KATZ: So, that is the sound and lightshow for the morning. At some point, we were actually thinking of doing the Rambo video, but Warner Brothers wouldn’t let us.

Let me open up for questions. We have a few minutes before I introduce Chrystia. Thoughts, comment, criticisms? Including from my own staff.

(Laughter)

MR. KATZ: Trust me, they’re not shy. Any thoughts? There’s one over here.

MR. MILLER: Hi, Eric Miller. I represent Canada's Department of Industry in Washington.

One of the things you see with Canada-U.S. trade is that one-third of bilateral trade is intra firm and one-third is within established supply chains. Obviously, it's easier to conceptualize a world in which you're dealing with finished goods and services.

MR. KATZ: Yes.

MR. MILLER: How does the dynamics of complex global supply chains impact your vision?

MR. KATZ: You should have been part of some of our conversations internally here because, obviously, we live in that world, and part of the statistical challenge, frankly, is to try to sort of take out these kind of sophisticated exchanges. Why gets made abroad, what gets packaged here, or visa versa?

I think as we go forward, and this is partly in work with some partners in the administration, the first thing we have to do is make sure that the statistical base, the data infrastructure for exports coming out of the U.S., particularly with powerful trading partners like Canada, is sophisticated, granular, and precise as it can be because we're dealing in a world now also where it's not just goods, it's services, and our data infrastructure is decades out of whack.

Secondly, I think what your question requires us to understand is the power of clusters and the power of networks of firms large or small that are supporting infrastructure of NGO, other private-sector firms, and the way in which these clusters operate at the global scale. I think for a long time what we've tended to do is to separate out the sort of macro vision of the economy which doesn't tend to have sort of a special sense and the local vision of the economy, which I've said before has tended recently to be more real estate oriented than tradable sector oriented.

The way to match up the macro to metro is through clusters, is to really accept that that is the way, particularly the wealth-generating sectors of our economy are organized, and then to try to map them. I mean, obviously, Michael Porter has done much of this work not just here, but in Europe and elsewhere, so that we can understand these sophisticated interactions and we can understand the way in which we partner as well as compete with others aboard.

So, Canada, in many respects, should be a close partner with the U.S. both on research to unveil how interconnected our economies are, but then also on policy and other interventions.

Great question, and I think it gets to the heart of what we're talking about here. Other thoughts, comments, criticisms?

Yes, back over here?

SPEAKER: (Off mike) so, in the past couple of years -- can you hear me?

MR. KATZ: Yes.

SPEAKER: (Off mike) in Europe (off mike) clusters, and it's great that these ideas are coming to the U.S., very useful, but what about development in rural areas? How do you envision metros as (off mike) non-metropolitan areas?

MR. KATZ: Yes, I think it's a great question, and I think one of the great things about the United States is we invent a lot of things which then get produced and deployed abroad. I include cluster strategy in that. I think if Michael Porter was here today, he would probably talk about they love me in Europe, but, at home, I don't get as much respect. Hopefully that's changing under this administration and other state governments.

In some ways, I have the same response to your question as to the prior question. I think the U.S. economy in many respects is a much more interconnected, interlinked network between large metros, small and medium-sized metros, and many of the non-metropolitan areas. We tend to think about these things in very compartmentalized ways, without understanding the sort of fruitful synergy that occurs in various clusters of the economy.

A couple of months ago, we had a forum here on the national infrastructure bank, and, in our view, not surprising, the United States needs to make some targeted, sustained interventions in our major air, rail, and sea hubs. L.A. Long Beach to start with just one. We had the head of the Kansas Department of Transportation come here, who basically said I understand where the agricultural products that we produce in Kansas are shipped abroad, and I understand where the imports we bring in for Kansas consumers or for Kansas industries are shipped from.

So, we have an interest in the heartland, though, frankly, the majority of Kansas is GDP, is metropolitan-led, but in talking about non-metropolitan aspects of that economy, we understand from a logistics perspective the interconnection metro and non-metro, between major ports and economic prosperity. I think we have to take that same notion of connectivity and apply it to clusters that obviously move across borders in seamless and integrated ways.

Maybe one more question, and then we can go -- yes?

MR. KALORIS: Andy Kaloris with Dow Corning.

The striking --

MR. KATZ: An American question.

MR. KALORIS: American question. There you go.

The striking statistic of only 1 percent of American companies exporting, that stood out to me, and I know that there's discussion about whether we should be focusing on boosting the exports of the 1 percent that already export or should we be focusing on the 99 percent that don't.

Given that we have scarce resources not only from dollars and cents perspective, but sort of from a policy, energy perspective --

MR. KATZ: Right.

MR. KALORIS: Which one should we be focusing on, the 99 percent or the 1 percent?

MR. KATZ: Yes, I think this is a really central question for decision-makers, some of whom are here today. I mean, frankly, we come away from this work feeling like we need -- this is classic Brookings response, the researchers say we need more research.

(Laughter)

MR. KATZ: But this is why it's like a full-time employment in these operations.

(Laughter)

MR. KATZ: I mean, I do think that what this work leads you to think about is the structure of different sectors of the economy. So, in the goods production sector, I mean, obviously, the presence of multinationals, the presence of supply chains are quite pronounced and they're quite different really from different parts of manufacturing. Service exports, I think a different structure, right?

So, it partly sort of depends on where you think growth might be in different segments of the economy. I don't think you can ignore particularly in the service sector the potential for SMEs to trade abroad, and what that requires is a level of facilitative assistance that we probably have never experienced in the United States before.

I know Fred and Frank inherit this sort of network of export assistance centers. It's not entirely clear to us that that network is a 21st Century network that is fully taking advantage of the Web and the Internet to supply particularly with peer-to-peer, match with peer-to-peer counseling the kind of advice and guidance you need to crack into particular markets and then to move on to other markets.

All that said, I do think that there is enormous growth that we could achieve by understanding better what this 1 percent does. And, again, of that 1 percent, less than half actually export to more than one country. So, getting that 1 percent to move to another country might be, if you're really trying to prioritize, the most immediate kind of payback. But I do think that we'd like to see a broad-based export initiative that takes full account of the talent, energy, and dynamism of this economy and the changing nature of global demand. And, so, in the near term, because of the recession and because of the jobless recovery, we want to prioritize in ways that you described if we can find some of this more granular information. But I think going forward, we really need a broad-based approach.

One thing about the 1 percent number is that it does underestimate the supply chains and how many firms in this country ultimately interact with multinational corporations in their exporting abroad, and unveiling that and understanding how fundamental exports are to American job growth, standards of living, and just economic sanity is, I think, part of the road back, as well.

I think more question and then someone's going to kick me off. Or maybe I'll kick myself off. That'll get us going. Okay, I'm going to shut up, so, let me do this. let me transition to the panels because I think that's really the most important thing, is to hear from senior people in the administration and to hear from elected officials, business, and other leaders who can sort of react and respond, but also take this forward.

We are privileged to have here Chrystia Freeland to moderate both panels. This is a sign of true masochism, but since she offered, we said okay. I think many folks in this audience obviously watch Chrystia on the Sunday talk shows and other talk shows. She is a senior leader at Reuters. Before then, she held senior positions at the *Financial Times*. She is the right person to moderate these panels. Thank you very much.

(Applause)

MS. FREELAND: Okay, well, thank you very much. We have an action-packed morning. We're going to run until 12:00, and my first job is to warn everybody that this is all an on the record session. I know that all of us journalists here hope you will all be very controversial and say indiscreet things, but if you do, you have been warned. And then my other job is going to be to be a good timekeeper. So, I promise you we will be done at noon. That's going to be a lot of action packed in.

Our first panel I was very excited about, and I'm going to introduce the panelists, ask them to come on, and while I'm briefly talking about them, they will be miked up. We didn't have enough mikes to go around beforehand so that's why we're doing it that way.

So, the first panel, the two panelists will be Fred Hochberg of the Export-Import Bank of the United States. Come on up. Fred has long experience in business and in government. I emphasize the business part. He was the president and COO of the Lillian Vernon Corporation. I thought that was a particularly important thing to bring up because I work in New York, and I hear a lot of complaints about how Washington doesn't understand how business actually works. So, I think it's particularly good to have someone that we're talking to who not only is in government, but can speak to the actual work of running a company.

And then our second panelist is Francisco Sanchez, the undersecretary of the U.S. Department of Commerce. He, too, has experience of business. He was the Hispanic Businessman of the Year for Tampa and has experience working in Colombia and Ecuador, as well as really extensive experience in government.

And, with that, I'm going to sit down and start asking them questions. The way we'll run this panel I'll ask them questions for about 25 minutes. Then it will be your turn. At 11:00, we'll move to our next panel, so, do start getting your questions ready, and I think, probably, we might bring Bruce into the conversation from time to time since that was a really excellent and multi-media presentation, if I can compliment on that, too.

So, the first thing, I thought a good point to start with was in a way the elephant in the room of Bruce's presentation, which is this macro to metro point. I think it sounds great that America should export more, and certainly from the U.S. perspective, that seems essential, but that requires that other people consume more.

Is that going to happen, and to what extent is getting that global framework, those global, financial, and trade imbalances shifted essential before any of this great work that Bruce is talking about can even start to happen?

MR. HOCHBERG: One, I want to thank Bruce for this presentation. Bruce and I met a couple of years ago. I was at the university and we’ve reconnected in the administration, and a lot of the work that's being done here very much is helpful to us, very much mirrors what we’re trying to do at the XM Bank. So, I want to thank Bruce for this and it’s a great sort of blueprint for us to work forward on.

I just got back from Turkey on Sunday. To give you two illustrations, I met with the deputy minister of economics. They have $350 billion worth of infrastructure projects in the next 10 years, and in the power sector, it’s $150 billion by 2023, which is the 100th anniversary of Turkey as a government. So, that's $500 billion. That's half a trillion dollars. We don’t need that big a percentage of that. We only need our little fair share, and, right now, we export less than $5 billion to Turkey, just to give you an illustration.

So, I see that in Mexico, south of the border, they've got $100 billion worth of infrastructure projects planned in the next five to eight years. In Colombia, it's about $50 billion in the mining and extracting world alone. So, the amount of money that's going to be spent at the government level, the public-private partnership level in country after country is enormous, so, the --

MS. FREELAND: On infrastructure.

MR. HOCHBERG: On infrastructure. And --

MS. FREELAND: Being a Canadian, I'll ask a rude foreigner's question, which is: You guys don't seem that good at your own infrastructure. Why should the Turks and Colombians being relying on you to build it for them?

(Laughter)

MR. HOCHBERG: Well, I'll answer that. One, we actually do make some of the best aircrafts in the world. That's infrastructure. We make some of the best renewable energy like Suniva. We actually are the leaders in freight locomotives worldwide between GE and EMD, which is now part of Caterpillar. We are the world leader in locomotives.

So, that's a good question, and in medical technology, we have a very cost health care system, but we are also the gold standard, if you can still use that world, for medical technology. So, the kind of products we excel at, we are the largest manufacturing country in the world still, and particularly in (inaudible) services, we actually do sell the exact kind of products that is going to fuel the global economics for the next decade.

MS. FREELAND: Francisco, do you want to jump in?

MR. SANCHEZ: Well, let me answer the second question first. I think we're actually very good at infrastructure; we just may not be investing as much as we should, but actually in the making of it, we're actually quite good.

Let me first say congratulations to Bruce, to Amelia, and to Jonathan for putting a spotlight on exports because it's absolutely crucial to a vibrant U.S. economy.

And, to your first question, the answer is resoundingly yes. Ninety-five percent of the world's consumers live outside our borders. As Bruce pointed out in his presentation, countries like China, Brazil, India, have economies that were a fraction of what they were just 10 years ago. Like Fred, I travel a lot, lead trade missions. I was in Saudi Arabia and Qatar, and to add to Fred's list, those two countries Saudi Arabia and Qatar, and to add to Fred's list, those two countries, Saudi Arabia and Qatar over the next 10 years will spend $750 billion in a whole array of infrastructure projects, everything from health care to education to improving their petrol chemical business to water management services, a whole host of environmental services. So, the demand is clearly there. We have the capability, and we have to have a concerted, integrated export strategy.

MS. FREELAND: You mentioned China. To what extent is that a possible big consumer of U.S. exports? You mentioned GE, as well, and Jeff Immelt has sort of famously recently been skeptical about his ability to actually make money exporting into China. Is that going to happen, and is that sort of a bilateral relationship issue?

MR. SANCHEZ: Well, we’re already exporting a lot to China, and I think that market is going to continue to grow, and, yes, it will be an important market for us. That isn’t to say that we don’t have challenges. China still presents a number of trade barriers that we have to deal with and contend with. USTR, Commerce, and others work on it every day. But it will be an important market for us. And it won't be the only market. I mean, we have to look at the other BIC countries, but, beyond that, there are a number of other emerging market. Turkey where Fred was, Saudi Arabia, Qatar, Indonesia, Vietnam, all these present great opportunities. So, yes to China, and we need to have a more diversified strategy.

MS. FREELAND: And, on China, you haven't mentioned the currency. How important is that?

MR. SANCHEZ: Well, since you mentioned this was on the record --

MS. FREELAND: You're allowed to forget that.

(Laughter)

MR. SANCHEZ: I think Fred will agree that we defer to Secretary Geithner on currency policy matters. So, I'm going to defer to the secretary on that one.

MS. FREELAND: Are you going to defer, too, Fred, or do you have strong currency --

MR. HOCHBERG: I'm not an idiot.

(Laughter)

MR. HOCHBERG: Let me say on thing. We've identified at XM Bank nine countries that are focused for what we see particularly export growth. And we chose them because they have high GDP growth, a huge appetite for infrastructure, as Francisco mentioned with Saudi Arabia and Qatar, and where our financing can make a difference.

Briefly, those nine countries in our hemisphere, it's Mexico, Colombia, and brazil. It's Turkey, Nigeria and South Africa, just going across the globe, India, Vietnam, and Indonesia, a number that Francisco mentioned. In our case, China is not on my list. Our --

MS. FREELAND: How did you pick that list?

MR. HOCHBERG: By strong GDP growth, an appetite for infrastructure, a real commitment to investing in infrastructure, and where our financial leverage, the XM Bank financing can actually make a difference to move those projects forward more quickly.

China doesn’t need our money, big surprise. So, that's not part of our -- so, my point is, we’ve had an opportunity to sort of narrow our focus and say we’re going to focus on particularly these nine markets. And that was last year we did business in 80 markets. We do business in total in 150, but to focus our resources, Bruce and I use the same sort of construct of more companies to more countries to more customers, we realize we’ve got to focus that in a couple of industries, in a number of countries to really have an impact to move President Obama’s National Export Initiative and make this more and more of a possibility and more and more of a reality.

MS. FREELAND: Okay, so, speaking of focus, to what extent do you buy Bruce’s metro point? Is the way to achieve these goals working through cities?

MR. HOCHBERG: Totally. I have a trip to Wichita in about 10 days. Wichita has been a very important hub for XM Bank. No surprise, Seattle, Washington, with Boeing is a very large concentration. When I spoke here about a month ago, mentioned Suniva. That is a key metro area in the sort of Atlanta area. Miami, which is one the list, we have a small business that does -- Francisco and I both know this company. In fact, Francisco took this company to Saudi Arabia, DemeTech --

MR. SANCHEZ: Yes.

MR. HOCHBERG: A small company, just giving an example, located in Miami, makes surgical sutures, sort of actually not that high-tech, the highly-precisioned medical technology. Last year, they did $4 million. This year, for the first time had its first $1 million month, and Francisco took them to Saudi Arabia, and it got it's first half million dollar order in Saudi Arabia. So, that was connecting a metro area right to Saudi Arabia and building that bridge.

MR. SANCHEZ: The answer is absolutely yes.

MR. HOCHBERG: I'm also his press agent.

(Laughter)

MS. FREELAND: I can see that.

MR. HOCHBERG: Keep it up.

MR. SANCHEZ: We have a network of trade specialists throughout the country, and wherever possible, we try to collocate with the state and local economic development authorities. The fact is, and I think Bruce alluded to this in his presentation, we have to work a lot smarter, and that includes better partnerships, and, clearly, better partnerships with state and local government and better use of technology. And we're getting there. So, in terms of partnerships, we're trying to increase the number of collections with state and local government, we're creating a much closer nexus to a thing called district export councils, which are voluntary organizations of businesses, mostly SMEs, some academics, as well, that help companies that want to export. So, we're doing much better on partnering. Our next goal is to improve the use of technology so that a lot of the things that have been handed down from person to person can be accessible through technology.

So, yes, it's critical that we work closely. We're doing it, we're going to do more of it in the future.

MS. FREELAND: That sounds great and very motherhood and apple pie and no one's going to object to going on a trip with you to Saudi Arabia or sharing your great technology, but as I read Bruce's presentation, there was a harder edge there, too, and one of his points was there has to be more of cluster strategy, U.S. metro areas have to more aggressively choose what there area of specialization is and not fight with each other.

Is the U.S. Government prepared to be the referee or the judge in that kind of a national industrial strategy?

MR. SANCHEZ: Well, I won't speak for Fred. I don't know that it’s our role to be a referee. I think it is our role to be a facilitator and to encourage smart thinking in these areas.

MS. FREELAND: Is Bruce right to have identified a problem? I mean, is it an issue that metros aren't --

MR. SANCHEZ: Well, let me describe it as --

MS. FREELAND: -- focusing on what should be their core strength and are competing?

MR. SANCHEZ: I think some metropolitan areas are doing it better than others. As illustrated in Bruce’s presentation, there are some metropolitan sectors who have formed clusters around a particular industry or industries and they’re thriving. And I think it does make sense. I think it makes a lot of sense.

Now, is it the role of Federal Government to impose that strategy? I don’t think so. But I do think there are ways to encourage smart thinking in this area, and that is a role that the Federal Government should play.

MR. HOCHBERG: At XM Bank, we have 53 what we call city state partners, where it's either a local chamber or a trade export association in each of those different municipalities and counties. When I got to the job a little over a year ago, one of the things I wanted to do was invite in the economic development officers of all 50 governors as a start. Frankly, I had a hard time getting that off the ground.

I actually think starting with President Obama talking about the National Export Initiative at the State of the Union, followed by this kind of work, when I want to do it this fall, it'll be a lot easier to get more pickup on that than I think it even was a year ago. So, this is the first time, I suspect for anybody in this audience, that a president of the United States has actually named exports as a national priority. It was sort of well, if it happens, it happens. These companies will figure it out on their own. No place else in the world, not one other country in the world says oh, well, we'll let industry figure it out on their own, and if they make it, stand on your own two feet, it's the American thing, you don't need any government help, and --

MS. FREELAND: Yes, but you guys are supposed to be laissez-faire capitalists. I mean, maybe you're right, maybe having this sort of (inaudible) government approach doesn't work. There's down of economic literature about how governments are bad at picking winners. So --

MR. HOCHBERG: Well, I'm not talking about picking winners. Francisco made it very clear. It's about creating an environment and setting up a facilitation. We need companies like his example of taking this small company to Saudi Arabia. They would not have found their way to Saudi Arabia all on their own. They would not have gotten into the meetings to meet with the kind of health care distributors in those countries without a little government assistance.

MR. SANCHEZ: Look, I think that it's not all or nothing. I don't think that you have to have an industrial policy that dictates every aspect. I think there are plenty of examples around the world where that has failed miserably. But we do have a role to play.

In our area, like Fred, we're trying to be much more focused. So, we are focusing on emerging markets, emerging technology, and capacity-building. That's three of our core areas. Emerging markets, and you've heard us talk about some of them. Emerging technologies --

MS. FREELAND: Do you endorse Fred's nine or do you have a different --

MR. SANCHEZ: Well, Fred has a much narrower focus. Fred's job is to help facilitate export financing. We have a little broader focus, so, we have a broader number of countries in our emerging market bucket. But virtually everyone that he listed is in ours, and then we have some additional ones. But in emerging technologies, we still invest more than any other country in the world in research and development. That gives us a competitive advantage, so, we need to focus on the alternative energy opportunities that both these two gentlemen, their companies represent.

Health care technology. We need to focus on that because we have competitive advantages. Smart grid technology. And then another area that is not necessarily innovative, but I think provides tremendous opportunity, and Fred mentioned that it’s infrastructure projects. Governments are spending just enormous amounts of money on infrastructure, whether it’s Saudi Arabia and Qatar, Libya, Algeria, Turkey, everywhere, that's vast amounts, so, we’re focusing on that, as well. And then the third are is capacity-building, and capacity-building at home means focusing on SMEs.

And if I could take a second to respond to the question that you posed, the gentleman from Dow Corning, should we focus on those companies that are already exporting or should we try to get the companies that aren't? I would argue that we have to do both, and we have to do both in a smart way, and I believe the Federal Government is trying to do it in a smart way.

And what do I mean by that? The International Trade Administration, which has a relatively small network, is focusing on that 58 percent that Bruce mentioned, 58 percent, by the way, of the 1 percent of American companies that export that only go to one country. We're focusing on those companies because they're export-ready. So, we can help them because they're ready to hit the ground running. But that isn't to say that there aren't companies that aren't exporting that need to focus on that.

So, we're working very closely with the SBA, which has 1,400 business counselors all over the United States, and we're going to have them prepare those companies rather than have our limited resources focus on it. So, I think we can do both, but, clearly, we have to do it in a much smarter strategy than we have in the past.

MS. FREELAND: One point that Bruce made in his presentation was about the parochialism of Americans and American business.

Is he right, and do you want to do something about it if he is?

MR. HOCHBERG: The difficulty I think we have here on exporting, and it's interesting, I found it parallel to when I was in Brazil.

When I was in Brazil, by example, it's a country with 200 million people, growing very quickly, a lot of companies there say why should I bother exporting? I speak Portuguese, and I have to learn another language, I have to deal with tariffs, I have to deal with shipping --

MS. FREELAND: And maybe they're right. Maybe it makes sense.

MR. HOCHBERG: And Americans, particularly SMEs in this country, this market was so big and so broad and so rich --

MS. FREELAND: Not Finland.

MR. HOCHBERG: You didn't need to do so. Germany didn't have that luxury, Finland didn't have that luxury. The fact is we don't have that luxury anymore. We're going to be a 3 percent growth. We're not going to be at the --

MS. FREELAND: You're going to be 3 percent growth?

MR. HOCHBERG: U.S. economy. But we're not going to be at the 7, 8, 9 percent like Turkey, like Brazil, like India, like China, and if you're a businessman, you've got to say well, if that's where the growth is, I'm going to invest in those areas, I'm going to put my resources in those areas. We're finding, it's one of the things Jamie mentioned, being private equity, private equity firms frankly can do well by exporting, and there a number of them, Suniva and others we deal with, are focusing a lot of their efforts on outside the United States market because they see that is actually, as opposed to in the past, where you saturate the U.S. market, and then when that was saturated, go abroad. We're seeing companies that actually start with going abroad and then end up backing in to looking at our market.

MR. SANCHEZ: I can give you a number of stories of companies who 10 years ago, 12 years ago exported nothing, and today, anywhere from 20 to 50, in some cases, 80 cases of their revenue comes from abroad. I think those kinds of stories are going to be more the norm than the exception, and it's precisely what Fred says. The world has changed. I don't know if it's because we were parochial, but the fact is we had a very strong market, and, so, if you can sell a lot of your goods and services here, why go abroad? But the fact is that the world is changing and we need to change with it. so, I think that to the extent that we've been parochial, I believe that will somewhat change naturally, and with a little help from Brookings to highlight this challenge and others, I think we'll move in the direction of being much more global in our thinking.

MS. FREELAND: Okay, I'm going to ask one more question, and then I hope everyone else will help me out and please, you've had some warm-up time so ask some hard questions. These are your government officials on the line.

I think it’s now become a truism in business circles that globalization is a reality, businesses have to think global. One way businesses think global is actually by setting up operations outside the U.S., by operating directly in those 8 or 9 percent growth economies where, by the way, you can find a very educated workforce, as well.

What is to stop that from being the dominant phenomenon? Why do you guys think that the U.S. can have export-led growth out of Wichita rather than people setting up in Brazil, in Turkey, et cetera?

MR. HOCHBERG: It’s going to be a mix, but I’ll give you an illustration. Yesterday at our board meeting at the XM Bank, we approved a transactions where Siemens, manufacturing in Charlotte, one of cities that Bruce identified, is exporting power turbines to Korea. So, here’s a foreign company, a Germany company locating here, and many companies that are located here initially were about selling to this market and now exporting from this market. There --

MS. FREELAND: Did Charlotte have to pay them a lot of money to set up there?

MR. HOCHBERG: That's before my time. I don't know what Charlotte did to get them there.

MS. FREELAND: Do they get lots of tax breaks to stay?

MR. HOCHBERG: That's out of my portfolio. My portfolio is about getting them to create jobs in America and selling goods abroad. That's what I care about. I stay in my own lane.

(Laughter)

MS. FREELAND: That's a good dodge.

(Laughter)

MR. HOCHBERG: No, it was a direct answer. Why are we asking about something that happened 20 years ago? I wasn't there 20 years ago when they moved. But I think that there is great expertise. I mean, we're helping Bombardier, which makes Learjets, is going to be keeping its manufacturing in Wichita. They're actually importing some of the suppliers from overseas, but bringing them to Wichita to assemble and make the new Learjet 85. So, a lot of the manufacturing is still here, it's the expertise that's here.

GE Locomotives, when they do have a demand, and sometimes there's a demand if they're going to sell locomotives to India, that some of the assembly is done there, and the term I've learned, they actually send them "kits," which essentially a partially completed piece of equipment, and then it gets completed there.

Suniva, there’s a number of times they sell their solar panels, and the cells get installed into a panel in-country.

We’re going to have to get used to the fact that it’s not going to be all or nothing. We’re not going to keep 100 percent of it and just send over there. There’s going to be some sharing back and forth, just the way, think about it, foreign auto manufactures opened up here in America. We’re going to have some of it here and some of it there, but if we keep our eye on the macro issue and the global issue, we will do a lot better.

MR. SANCHEZ: And, to add to that, when you have foreign direct investment overseas, in almost every case, those companies buy goods and services to support their operations. So, in many ways, they help increase exports. I want to go back to a point that was made in the presentation earlier that exports the definition of exports, and probably at one time, we thought exports were just as you described where that ship coming over and shattering what is an export, a very nice visual, Bruce. But the entire project was made here and purchased somewhere else, but that's not always the case.

Suniva is a good example. You make the more sophisticated piece of a solar panel here, and the part where it gets encased, as Fred mentioned, maybe gets done in India.

But a more interesting example of where there is value in trade in both countries, Brazil and the United States, one of Fred's targeted markets, one of my targeted markets. Brazil has a company called Embraer, and they make aircraft. They sell them here in the United States, they sell them all over the world. And, at first, you would lament that gosh, they're our competitor and this is a problem for us. Well, actually, 60 to 70 percent of the content of each Embraer aircraft is U.S. content. And, so, you have a supply chain process that greatly benefits us. The entire aircraft isn't made here in the United States, but a big chunk of that aircraft, the components of it are made here. And it really helps us when those airplanes are sold to third countries.

So, I think there are advantages to foreign investment abroad. I think here though in terms of making sure we retain the Sunivas of the world, that's where the clusters that you talk about in this study become very, very important because one of the reasons that a company will stay here is because they have the talent here, they have the research and development capabilities. So, we need to continue to invest in those things to continue to retain big chunks of that process here.

MS. FREELAND: Okay, questions? I guess Jamie is our host, and maybe should start.

MR. RUBIN: Thanks. A hobby of Bruce's is data collection and measurably, which I completely agree with.

How do the two of you think you're going to be able to measure the success of your efforts a year from now, two years from now beyond the merely anecdotal, which is obviously important.

MR. HOCHBERG: Well, the first five months of this year, exports are up 17.7 percent over a year ago. So, frankly, at that level, we're going to double exports.

One way we measure it --

MS. FREELAND: But maybe that's a bad year to compare to.

MR. HOCHBERG: Well, it may be a bad year, but the president said we're going to double exports based on 2009. You have to pick a starting point. Do you pick 2008, do you want pick 2007? Pick a starting point.

MS. FREELAND: 2007, that was a good --

MR. HOCHBERG: Well, then give us eight years or nine years.

MR. SANCHEZ: Yes, we're sticking with 2009.

MS. FREELAND: A lot of people like to stick to 2009.

MR. HOCHBERG: So, one, at the rate we're going, and five months isn't five years, but five months is a running start, we're actually on a trajectory that we're going to double exports.

So, the actual data, Jamie, is one, we've got very good data that comes out of the Commerce Department on a monthly basis in terms of exports, in terms of what countries are buying, countries like Indonesia. Many of the countries in Asia are actually exports and total up 17 percent, and a lot of the Asian countries that are up 36 percent, 40 percent, Vietnam, Indonesia, Taiwan, they're actually a much faster rate. So, we'll actually have solid metrics there.

We, at the Export-Import Bank, I know exactly what we finance on a weekly basis in terms of to what impact we're having there.

The third piece we track, as I said, similar to Bruce's, we actually look at how many companies are we helping, to what countries are we taking them to, and to what number of new customers? So, a metric goes beyond the dollars because, at XM, I'm hoping that after we help a company for a couple of years, they actually don't need our help. We helped John Deere get into Russia. After a number of years, they learned the market; they didn't need our help anymore. We helped them in new markets or helped them in markets that have a financial setback where they could use our financial assistance for a year or two until that market recovers.

MR. SANCHEZ: Jamie, it's a great question, and one that my boss, the secretary of Commerce, would applaud for you simply asking because he's constantly asking me how are we measuring our success. And, right now, the International Trade Administration is largely focused on implementing the President's National Export Initiative, and we're doing it by focusing on short-term and long-term. So, the short-term plan, and it's not a very creative name, but it's the 12-month plan.

(Laughter)

MS. FREELAND: At least it's not a five-year plan.

MR. SANCHEZ: It's not a 5-year plan, it's a 12-month plan, and we have very specific measurements. So, export successes through some of our traditional activities of trade missions, reverse trade missions. One of our most important offices in terms of achieving the NEI is the Advocacy Center, and we track U.S. content in projects that we help facilitate, and I'm very happy to say that in the first five months, the Advocacy Center has helped land deals that are reaching almost $12 billion in U.S. content.

Then the next thing we do, matching up our efforts in advocacy, matching up our export successes support. There's a formula that translates to the number of jobs created from those export successes, and we have goals that we've set to achieve them, and we're largely on track to achieve them, but we very much are tracking what we're doing to goals that have been set, and, at the end of the year, we should be able to say whether the programs we invested in are doing what we need them to do.

MS. FREELAND: Did they satisfy you, Jamie?

MR. RUBIN: That was good.

MR. HOCHBERG: If you have data without anecdotes, it does not make an illustration. Bruce's presentation is full of anecdotes that drive home the point, and if you have anecdotes without the data to back it up, they're just a bunch of stories.

MS. FREELAND: Journalism.

(Laughter)

MR. HOCHBERG: You said that.

MR. NELTY: Ryan Nelty of the British Embassy.

I was wondering, the one aspect that hasn't been spoken about at all is the psychological aspect of exporting. American companies are used to a very homogenous market. Philadelphia is not as different as Washington, D.C., which is not as different as New York. But moving abroad, Paris is much different than Prague and Kyoto is much different than Kiev. So, how will, on the government side, and I hope the next panel will be able to speak to it a little bit, as well, how do you kind of prepare American companies for the different business structures, the different aspects of doing business on an international stage because going into Europe, every country has a little tweak that makes doing business very difficult for Americans if they're not used to the process or used to dealing with certain structures that are in place.

MR. SANCHEZ: Well, let's just take a shot at that. First of all, you don't build a strong, vibrant economy like the one we have in the United States without being agile and adaptive. So, I have great faith in American business that they can go into a market that has perhaps different regulations, different norms, different cultures, and do just fine.

In addition to that though, we try to help them in a number of ways. The International Trade Administration has offices in 77 countries with people that have become expert in knowing the lay of the land in those areas. So, we're ready to help companies with any kind of questions, information that they have. In another 40 countries, we partner with the Department of State, where they try to help us.

So, I think between our own adaptability as a nation and the support that we give, and Fred's shop does it in the export financing area, and a number of other federal agencies also provide support. I think we're well-positioned to expand exports and take advantage of opportunities all over the world.

MS. FREELAND: Do you have anything to add there, Fred?

MR. HOCHBERG: When we traveled to these nine markets, worked with the Commerce Department, the senior commercial (inaudible) in each of those countries, and it's a question of tailoring, more tailoring the products and sometimes the dynamics of how sales are done, whether it's to a government agency or what their structures are. But they're different, but I would say they're almost more similar than they are different in many ways, and, certainly, if we feel that a company can export to one country in the E.U., they can frankly with the other 27. There's a lot more similarity now at the E.U. as a trading block.

MS. FREELAND: And, so, do you buy the premise of the question? I mean, are Americans bad at dealing with diversity outside the U.S.?

MR. HOCHBERG: Well, no, I think Americans, they are insular. I mean, the fact is we haven't had to do a lot of exporting versus a country in the E.U. I mean, in some ways, it's like exporting from Texas to Illinois would be from Germany to France, but we're going to have to get better at it. I mean, I think that that's why I'm very optimistic about doubling our exports because I look at the huge market appetite outside of the country, and as Francisco -- American companies are adaptive. They'll figure out pretty fast to how to get onboard.

And then lastly I would add, this work that Bruce has done, the president announcing the National Export Initiative, at this point, members of Congress, mayors, governors are all interested in talking about exporting. I mean, we've done 14 metropolitan-focused export events. We've had over 3,000 small and medium-sized companies come to learn about exporting in less than a year.

MR. SANCHEZ: Chrystia, let me add another part of the strategy for us to help those companies that are exporting to one market. If we see interest in one of those companies to look at other markets, and, perhaps, this is a company that may be only selling to Canada, for example, chances are we might encourage them to look at the E.U. or to look at Mexico before going to Indonesia or to Libya or to Algeria, markets that may be a little more challenging.

So, another aspect of this is, perhaps, take some baby steps. If you're in one market, go to another market that perhaps won't be as challenging or different, and once you've done that, then you can take on others.

MS. FREELAND: Okay, we have time for one final question. The gentlemen in the back.

MR. AKIBE: My name is Ferme Akibe and I'm with African Development Center, originally from Nigeria.

My question: In light of the Chinese dominance in the export finance arena, what is the U.S. strategy to have a financial scheme that could compete with the Chinese? Why is it that the U.S. is not doing the same things the Chinese people are doing by (inaudible) export goods for (inaudible) in Africa?

Thank you.

MR. SANCHEZ: (Off mike) that one to you.

MR. HOCHBERG: There are a whole host of reasons. the United States is a member of the OECD, the Organization of Economic Cooperation Development, that was formed after World War II. Those 30-odd nations in that have an agreement of how we do financing of exports. China, Brazil, India, to name three of the four BRICs and the ones that Bruce mentioned, are not members. China can offer financing terms that we cannot. That's the "arrangement" that all those countries have. That said --

MS. FREELAND: Would you like that to change?

MR. HOCHBERG: Well, we're working hard to bring China, Brazil, and India into the fold, but it's a long, long-term proposition. What we are trying to do is twofold: One, U.S. companies are not going to sell the cheapest goods. If you're looking for price, we're not going to be the cheapest competitor out there. But, you know what, people buy cars, people buy foods, people buy medical equipment, they don't always buy the cheapest goods. So, just on price alone is not the only criteria.

In financing terms, we actually have gone to the OECD and, in one case, we have a proposal in that with approval, we will match the Chinese financial terms, and we have the ability to do that, we have petitions to do that --

MS. FREELAND: Is that the first time?

MR. HOCHBERG: We are the first country, and this is the first time in over 30 years that mechanism has been employed. So, if we get the order, it'll be great news. We're still waiting to see if we get the order. But we have actually --

MS. FREELAND: Who's the order from?

MR. HOCHBERG: I couldn't tell you that.

MS. FREELAND: You could.

(Laughter)

MS. FREELAND: You choose not to, but you could.

MR. HOCHBERG: I chose not to because I want to make sure we get the order.

(Laughter)

MS. FREELAND: Are you going to give us the sector?

MR. HOCHBERG: It will be a good industry.

(Laughter)

MR. HOCHBERG: It'll be a subject in an industry that was in some way mentioned in this room in the last hour.

(Laughter)

MS. FREELAND: Anything to add on the China-Africa question?

MR. SANCHEZ: Well, I think that, as Fred has alluded to, one of the things that will make trade benefit all countries is that we play with a level playing field, and, in many ways, we're in a transition with emerging markets like China, Brazil, and India. They certainly are not the developing countries that they were 10 years ago, and, yet, they have not necessarily agreed to play by the same rules that all the member countries of the OECD have played. And, so, I think we're in a bit of a transition there, but it's important for trade to work for all countries that we do play by the same rules, and I hope that we move in that direction.

MS. FREELAND: If I could just ask a follow-up question to the gentleman who asked the question: Would you like to see American companies competing more aggressively with Chinese companies in Africa?

MR. AKIBE: That’s correct. That's yes is the answer. The fact that the Chinese people are very, very aggressive and they’re willing to do everything and anything to get what they want, and the U.S. is just standing by looking. Before you know it, they dominated the market, they have 15 million people in the continent already, and U.S. companies are not equally participating. Would like to see more U.S. participation in Africa. Thank you.

MR. HOCHBERG: I definitely agree with that.

MS. FREELAND: Okay, there’s an assignment, gentleman.

MR. HOCHBERG: Well, let me say this. We actually have a (inaudible) Africa mandate initiative at the bank. We are looking to do far more exploits to Africa, and, frankly, it’s one of our largest markets for aircraft. We’ve sold over $3 billion worth of Boeing aircraft, which is helping to build an infrastructure in Africa, that it really provides a transportation network. But there are limitations to how we are allowed to compete with the Chinese, and that's a thorny issue the developing world is coming to grips with right now, and in a way that was not an issue three or four years ago.

MR. AKIBE: If U.S. is very good in building infrastructure, the whole of continent is (inaudible) infrastructure, and that's exactly what the Chinese are using. Build you a stadium, give us zinc. Build you a road, give us copper. What's the (inaudible) with U.S. doing that?

MR. HOCHBERG: We don't have a command to control economy.

MS. FREELAND: Okay, I think that's a very good assignment for you though, and a good concluding note, not to command and control economy.

(Laughter)

MS. FREELAND: Which would not be my personal preference. But maybe to do a better job on Africa.

MR. HOCHBERG: I would agree with that. That's exactly one of our goals.

MR. SANCHEZ: Yes. I concur.

MS. FREELAND: We have to move on now to our next panel, but I hope you'll join me in thanking our terrific and (off mike).

(Applause)

MS. FREELAND: That's really good. Thank you.

Okay, don't leave. There's no time for a coffee break anything civilized like that. It's hard work, one more hour, pressing on. And if our remaining panelists could come join me, we have a man we've heard about already, Bryan Ashley, who is the chief marketing officer, who

I'll introduce quickly, of Suniva. That's the Atlanta-based green technology firm that Bruce advertised. I hope Suniva is contributing to your research.

Then we also have Bradford Jensen, who's a senior fellow at the Peterson Institute for International Economics and a Georgetown professor. He's an expert in trade and its impact of firm performance.

Sean Randolph, who is the president of the Bay Area Council Economic Institute. He also has Washington experience. I'm really pleased that he is here because now we've been hearing Bruce talk about cities, and we have some people from cities who can speak to that experience.

And then we have an actual mayor, Chuck Reed, who is the major of San Jose, and we'll make him maybe also talk about the entire U.S. because he comes from Garden City, Kansas. So, he can speak a little bit as to the heartland, as well.

I wanted to start with a question for Bryan. Seeing --

MR. ASHLEY: I've got to follow Fred and Francisco. That's a hard act to follow.

MS. FREELAND: They are a hard act to follow.

MR. ASHLEY: Yes.

MS. FREELAND: But you're actually doing what Bruce would like more U.S. firms to be doing. How have you guys been doing it?

MR. ASHLEY: Well, first of all, we have a product that people want to buy, and that's important. It's kind of the basics, and some of that was due to government-funded research and innovation and commercialization because we spun out of --

MS. FREELAND: Which parts of government?

MR. ASHLEY: The DoE, for many years, has funded the University Center of Excellence in photovoltaics at Georgia Tech, and our founder is the director of that center and the founding director of that center. So, what we're able to do is commercialize public-private partnership very quickly, and, from day one, I designed the go to market strategy as an exporting company because that's where the market was, and I would make a product that turns sunshine into electricity, and there's 600 million people in India that don't have electricity yet. So, naturally, we just think that way.

The whole executive team has been in the international business for 25 years, so, I think going back to one of Bruce's --

MS. FREELAND: And your founder is Indian, right?

MS. ASHLEY: And our founder is Indian, yes.

MS. FREELAND: Has that helped? In terms of mentality?

MS. ASHLEY: A little bit. A little bit, but we already had that mindset of exporting really a borderless business. You go where the market is and where the customers are and where the money is for your product. But, first of all, you have to have a product that people want to pay a reasonable price for.

MS. FREELAND: Does going where the business is mean you're going to start manufacturing in India?

MS. ASHLEY: Eventually, we may, because, right now, India, and this goes to some of our friends in Commerce and some of the work I've been doing with them in the ITA right now, and that's fighting domestic content provisions, and, right now, with their new solar mission, I'm in kind of a unique industry from that standpoint. They are considering domestic content provisions, which would mean that if we wanted to do business under the provisions and incentives under the mission, we would have to locate a plant there.

However, today, as I think Fred mentioned earlier, we make a really high value piece, which is the solar cell itself, which turns sunlight into electricity here in the States, but we have the modules which you actually put on buildings or out in power fields, et cetera, assembled in India today. That's kind of a screwdriver technology. It's very well-done in India, China, or one of the developing countries because it's not a lot of high-value add there. We do the high-value add and we export, and the materials that are used to go in those modules are 90 percent U.S. content, it's our cells, which is the major value, and then the back sheet is from Mataco, some of the other adhesives and laminates are from our friends at Dow Corning. Albrecht makes the ribbon in Tennessee. So, most of the components that go into that solar module are actually made in the U.S.

MS. FREELAND: And what impact do these domestic content provisions have on you?

MS. ASHLEY: Well, if they have the provisions go upstream to the cell, then that would really change because what I do is not easy to do, and you have to have absolutely perfect infrastructure. I mean, if I lose power for 30 seconds, I could lose $500,000 of wafers in a wet bench. So, and you have to have the engineers, the (inaudible) engineers, the PhDs, and other people there with deep experience to do it. So, it's not easy just to throw up a factory and turn a key. It's 18 months to 2 years to actually do it to bring it up we figure in an environment with an infrastructure like India. So, yes, it could really drastically affect our business there if they do this and put this into effect. So, we're working with Francisco's people and Secretary Locke's people right now to fight that.

MS. FREELAND: This connection between this cluster idea, this connection between government-led research and industry obviously is something you guys are very familiar with.

Do you want to talk a little bit about the broader Bay Area experience of that?

MS. ASHLEY: I'll let Sean do that.

MR. RANDOLPH: Sure. I think the Brookings report goes very well into the subject, that it's not purely a question of the facilitating mechanisms to help companies find partners that receive, extremely important, but, at the end of the day, you actually have to produce something people want to buy. And there's a manufacturing process there, and that gets you into manufacturing policy. You got to make something to sell it or you have to produce something to sell it, that's a service, but a lot of the highest value content we saw from the U.S., as we were just hearing, is really technology intensive, research intensive. We may be able to assemble a lot of things, but pure economics, they dictate a lot of the basic assemblies is best done overseas.

However, the things that produce the high-value jobs, the really high-value products, we excel in those things, and that goes back to R and D. So, in San Francisco Bay Area, especially in the Silicon Valley, a lot of what we produce is technology. It's everything in IT. It's nanotech, it's biotech and biopharma, it's medical device, it's very R and D intensive.

So, that goes to the investment that private companies make in R and D, and we've been very happy to see that even over the worst of the recession, our companies have continued to invest in a sustained way in R and D because they are really positioning themselves for a recovery as it comes to be well-positioned to take advantage of those markets domestic and overseas. But there is an important federal role in that.

A lot of basic fundamental research is done at the federal level. It's really hard for a company that needs near-term returns to focus on those long, long, long-term investments.

And, so, the role of the Federal Government is very, very important, especially in things as we were hearing like energy R and D, clean tech, very fundamental part of that value chain that's going to help us produce those high-value exports.

MS. FREELAND: Is there enough? Are you worried that American Government investment in research is falling behind?

MR. RANDOLPH: It's been an issue for some years. We had, what, four years ago, six years ago (inaudible) Act. It's an authorization, among other things, that tried to ramp up Federal R and D. There was the National Academy of Science had an alarm that just a minute, we lead the world in R and D, but, in fact, other countries are investing a lot more, and we risk losing our edge because of that.

It wasn't really added on as an appropriation, but the Obama Administration did act on it, it's part of the whole stimulus package, and I think we're looking now at a reauthorization.

MS. FREELAND: That's running out, right? MR. RANDOLPH: That stimulus will run out. We are going to have to reauthorize the America Competes Act, and then we are going to have to actually appropriate. So there is a debate about -- and it's a legitimate one -- whether investing in more Ph.D. scientists is enough. It's probably not enough, but I think there's no question when we look at what's happening around the world, in Europe, of course, but in China, many, many other countries that are really investing very, very intensely in their R&D base, expecting there will be commercial returns on that over time, we probably aren't investing as much as we could.

And I think even though we've made great progress the last two or three years, especially in energy, this is a huge and growing area. We could be investing a lot more than we are in helping to develop the technological underpinnings for a very aggressive clean tech sector and clean tech exports.

MS. FREELAND: And isn't it actually likely that government, federal government spending will fall? There is a budgetary crisis. You guys are in California. I don't need to talk to you about government budget crises, and that sort of anxiety is going to increase at the federal level. It sounds great, you know, to follow Bruce's ideas about more government-led investment and innovation. Aren't the politics militating against that?

MR. RANDOLPH: Well, I don't think it should or necessarily has to fall in basic science and applied science. And I think there is a question out there, too. Federal laboratories. We have five of those in Northern California. There's many more all around the country that are doing a lot of basic research. They could be reoriented more than they are toward the connection between the basic research and the business community and small businesses and how that fundamental research is hard to develop as even a big company, much less a small one. How that gets connected into the business community, how it gets licensed and turned into product. So that's one area where you don't have to be investing a lot more money, although we probably should in the basic research, but we could do a much better job in seeing how that technology is commercialized and eventually sold abroad.

MS. FREELAND: Chuck, Bruce has given you a starring role and cities a starring role. Do you want that? Is he right? Do you want more of a federal connection with mayors, with cities, in pushing U.S. exports?

MR. REED: I think Bruce and the reporter absolutely are right about the necessity of a broader collaboration on these issues. There's a lot of things we can do at the metropolitan area. San Jose is identified in a report as number one on the list in terms of percentage of workforce in the export business and we're eighth overall in terms of the jobs. But there is no doubt that the federal government monetary policy has already been mentioned, tax policy, deferral of tax on foreign earnings, immigration policy and other federal-level policies have a huge impact on our ability to export and expand, even though our companies, many of them have foreign born founders and they sort of grew up with the idea of exporting. That's just part of their business plan. It's not an add-on.

Federal impact is huge and I think we as mayors have to start thinking about Washington in a different way. We typically come here looking for money, earmarks, you know, the usual -- well, that's just the way it is. (Laughter) This is where the money is. They print it here, you know.

We have to think about the monetary policy and we have to think about deferral of tax on foreign earnings, and we have to be engaged with our business community on those issues to facilitate the export because if you want to maintain double digit growth in your company you're going to have to export. You're not going to find that kind of growth typically in the U.S. with the maturing of our market. And our companies that are focused on growing are exporters.

MS. FREELAND: So what's on your wish list from Washington? Take monetary policy, take tax, take immigration. You're here in Washington. Tell them what you want.

MR. REED: The number one thing for our Silicon Valley companies, who are exporters and who are growing and were hiring people even during the recession is that don't make it worse. Don't change the policy on deferral of tax on foreign earnings. If you're going to do a tax policy change, do it in a comprehensive way, not just to pay for something, but to look at the impact because we would have a dramatic negative impact on the companies that are exporting and creating jobs by changing that deferral of tax level.

MS. FREELAND: It wouldn't mean that companies bring the jobs home?

MR. REED: No, it would not mean that companies would bring the jobs home. It would mean the companies would start investing overseas and all the jobs would be created overseas. It would probably cut jobs in the U.S. based on our survey of our local companies. That one tax policy alone would have a dramatic negative impact on not only our ability to export, but the creation of jobs in the U.S. Of course, monetary policy has been mentioned and, you know, that's way above my pay grade, but, you know, I have to be engaged as a mayor and that with my companies. Immigration policy --

MS. FREELAND: And do you have in mind particularly China? Is that -- what are you hearing from your companies? What are their focus?

MR. REED: Well, we know that we have to compete with China. And not only do the Chinese companies pay a lot less in taxes, if we're competing with them that gets back to the deferral issue. That's an issue. But their financing, their ability, and the exchange rates give them an advantage in selling products to the world. And I'm particularly concerned about the renewable energy sector that's a growing -- it's one of our key clusters is that while, you know, the Obama Administration has, rightfully so, put a lot of money into clean technology, we may have a lot of that deployed with foreign made products because of some of the advantages that China and other countries have over our companies.

MS. FREELAND: And finally, immigration.

MR. REED: Immigration. Forty percent of the people in San

Jose are foreign born. More than half of our tech sector companies have foreign-born founders. And our Silicon Valley companies that are growing thin that if you graduate from a U.S. university you should get a green card stapled to your diploma because those folks stay here and create jobs here and create companies here. And you just have to look at the growth industries over the last couple of decades. You can see that. But our immigration policy, if it starts pushing those folks back to their countries, especially now that there are a lot of opportunities in India, China, Brazil, if you push those people back to the companies they're going to start -- in those countries they're going to start their companies there and not here, and we're going to see a big difference in the job growth. So the immigration policy is really important.

MS. FREELAND: Are you worried about the actions in Arizona? Is that going to have a chilling effect for you?

MR. REED: No. We're trying to take advantage of the actions in Arizona by demonstrating that's why you should locate your company in California. (Laughter)

MS. FREELAND: Is that going to work or are you worried that it will make potential immigrants think the U.S. isn't such a great place to be? Let's go to Canada instead, they like immigrants there.

MR. REED: No, I'm not worried about that. The U.S. is the best place in the world. Silicon Valley is the center of world innovation and it's created by the fact that people come from all over the world. That is something no place else in the world can replicate the way that the United States does. That's one of our huge advantages. It's a huge advantage for Silicon Valley.

MS. FREELAND: And so what would you like to see on immigration happen?

MR. REED: Well, we need --

MS. FREELAND: More green cards for university graduates?

MR. REED: All of the issues that are on the table for immigration. The key one for Silicon Valley is, you know, everything, but really it's about the people who want to come here and start companies, who go to universities and we want to stay here to help create new companies. That's number one.

The rest of the immigration policy is important as well as we understand that we may have to have a comprehensive package. But there are key issues that we would like to move ahead more quickly, but it's pretty much impossible to move without comprehensive reform.

MS. FREELAND: And are you seeing this Arizona effect yet or is that just something you're talking about?

MR. REED: We're talking about it. We're not seeing much. It hasn't been in effect that long. It's impossible to tell the impact. Arizona has some competitive advantages over California and, you know, we have to overcome those as well as this. But it's an opportunity for us to talk to companies about why you might want to be in California instead of Arizona.

MS. FREELAND: What's your verdict on the report and on what these guys are doing?

MR. REED: I applaud the authors of the report. I think that it highlights a great opportunity in the United States. I think the aggregate trade numbers, the aggregate trade picture tends to make people very anxious. A lot of that is driven by macroeconomic effect, which is always hard to talk about when you talk with local and regional leaders or business people, that it's driven by savings and investment imbalances. That's -- the economist is always the cold, wet blanket. But exchange rates matter. Foreign growth matters. And research that I've done that looked at kind of the last export boom that we had that was the late '80s and early '90s, we saw that exchange rates and foreign income growth were big drivers of U.S. export growth at that period, much greater than productivity growth at individual firms.

So getting the macro picture right is very important. That's where the colleagues from the federal government have to get that part right. At the local and --

MS. FREELAND: And the main macro issue you're worried about right now is the renminbi? Does it all come down to China exchange rate?

MR. REED: I think that there are a suite of issues. The fiscal balances within the United States, whether at the federal level, the state levels. At the personal level we need to save more. We need to spend less. So that's one thing. That feeds, you know, it's kind of the yin and the yang of the Chinese savings glut. That feeds into the renminbi issue. So I think those are all kind of part and parcel of one piece. We need to adjust our behavior. We need them to adjust their behavior. That will help U.S. exports.

At the local -- at the industry level I think we need to remember that we do have great companies. We have globally competitive companies. The U.S. retains comparative advantage in many activities. This is a high-skill place. We have comparative advantage. We still export high-skill, innovation-intensive products. And I want to applaud the authors for highlighting services. I think services are too often overlooked in the conversation about exports.

The service sector, if you look at just the professional service sector, in geek-speak this is the Nakes 50s. Right? It's the information sector. It's finance; insurance; real estate; professional, scientific, and technical services; and administrative support services. Just those -- it sounds kind of specialized, but in terms of employment it's two and a half times the size of the manufacturing sector. Okay, so we need to pay attention to this sector.

People say, oh, these service jobs, they're not good jobs. The average wage in the service -- in this business service sector is 20 percent higher than the average wage in the -- don't hold me to that. It's somewhere in that 20 to 40 percent range. Better than the average wage in the manufacturing sector. So these service jobs are good jobs. And these are tradable activities. You know, in that big cluster, more than half of the jobs, and those are in industries or occupations that look tradable within the United States. And the firms that participate -- we've heard about the 1 percent of firms -- of all firms that export. That sounds like a very low number, and it is, but remember we're including in that kind of firms dry cleaners and pharmacies and all things that you might not think should be exporting. Right?

If we look at the manufacturing sector maybe 20 to 25 percent of firms export, that's still low. If we look at service producers it's only 1 in 20. Okay. Even in these tradable service activities it's only 1 in

20. So a big question is why? Why isn't there more services -- more exports from the service sector? And I applaud the authors for highlighting services as part of the puzzle here. And I think that listening to local leaders, they are engaged on services as well.

MS. FREELAND: And what about the, you know, bringing the metros, bringing the mayors, more into the relationship with the federal government? Is that important?

MR. REED: I think we don't understand the process by which firms come to export. Again, a number that was mentioned this morning was of the exporters, of that small number of firms that export, only half export to more than one country. In fact, in research that we've done it's 40 percent of exporters only export one product to one country. I mean, it's kind of stunning. It's -- why don't we see these firms exporting at least more products to the same country or the same product to more countries? Why is it? What are the impediments?

And I don't -- the research community, Bruce said, you know, we need to more research. We do. We don't really understand what these impediments are. What are the sunk costs? What are the trade -- what are the barriers to firms engaging in --

MS. FREELAND: Do you have a guess? What's your theory?

MR. REED: I think that the sum costs are big. You know, there are big information costs. It's a big effort to enter a new market. I think to the extent that government policy, the types of agencies -- Axiom Bank, ITA, the Federal Commercial Service -- to the extent that they can provide information to all firms and to reduce the information costs of entering a new market, help make connections to distributors, help make connections to consumers, you know, to customers, that will enable more firms to participate in the global economy.

MS. FREELAND: So, Bryan, I think you just are exporting to one market. Is that right?

MR. ASHLEY: Oh, no. I export Africa, all over Europe, even China. I export to China, which is unusual. And my main competitors are Chinese, of course. So, yeah, we're a global exporter.

But I wanted to comment on something the mayor said and I totally agree with you on the green card stapled to especially advanced degrees because we can't find process engineers to hire. We're not graduating enough engineers, indigenous engineers right now. People in science, and math, and high science, electrical engineering, et cetera, et cetera. So we need to keep a lot of those smart people from Asia and elsewhere, and Africa, that are getting those advanced degrees. And really try and incent them to stay here. Because unfortunately we're not graduating them ourselves. We're educating the rest of the world, the best universities and the best research universities, but most of them aren't native American people.

Another --

MS. FREELAND: And is there a chilling moment happening right now? Do you think that people from outside the United States are feeling that America is less welcoming?

MR. ASHLEY: No, I don't see that. It's -- a lot of people come here and they spend eight years here getting a degree and some of them are just ready to go back home. And there are many other opportunities as the mayor mentioned back in the developing world for them now, and they can have a much better standard of living actually there making even less money than they would make here. They could still live like kings and queens there to a certain degree, so I think that's some of it. I don't think they don't feel welcome. If we made it easier for them, though, it certainly would help and make it more of a natural, well, you are going to stay here, right? And take advantage of all the opportunities that are here.

MS. FREELAND: Do you think business hasn't been speaking out loudly enough in favor of immigration reform and of a more open immigration policy? You hear a lot of voices on the other side of the debate.

MR. ASHLEY: You know, I don't know. I'm not that close to it other than the factors that I just mentioned, of course. There's a whole raft of other thorny political issues at Arizona and elsewhere. And maybe that's why some people haven't, because they didn't want to get embroiled or sucked into the other part of a conversation. But I definitely agree with the point earlier.

And one other point I wanted to make about and touch a little bit on the fringes of industrial policy and not a command and control industrial policy, but we're not competitive with the rest of the world in helping industries, especially key industries be competitive. My competitors in China, one last week got a billion-dollar loan from the government at no interest rate.

MS. FREELAND: Fred's gone. Too bad.

MR. ASHLEY: Three billion dollar loan guarantees to build capacity, and the name of the game is capacity. The bigger capacity you have, the more scale you have, the lower your manufacturing costs. We're not doing that here. We're trying to build a second plant. Right now I'm sold out. I'm turning away customers in India and China and Europe every day because my capacity -- I'm at capacity. We're trying to get a DOE loan guarantee now to build a second plant in Saginaw, Michigan, as

Bruce mentioned. It's taken since last September when we put the --

MS. FREELAND: Why do you guys need the government?

MR. ASHLEY: -- thing and this is going to take another year.

MS. FREELAND: Why do you need the government?

MR. ASHLEY: Well, because right now to compete with free money our competitors are getting, a loan guarantee. We're not asking for money from the government, but the loan guarantee program is a great way that the government doesn't have to shell out the money, but at the same time enable us to get much more favorable interest rates and less onerous terms which banks are charging right now in this environment. Banks are still holding us up and financing is key, especially for a very capital-intensive industry like ours is. You know, so that to be competitive we need that. I can go to Malaysia and they'll give us the money to build the plant.

MS. FREELAND: Are you going to do that?

MR. ASHLEY: No, we'd rather do it here, but we'll see what happens. I'm turning customers away every day and I don't want to do that. I could triple my exports the rest of the year if I had that new plant.

MR. RANDOLPH: If we could add on the visa point and the service point, too, that one of the major reasons that companies these days locate where they locate, domestically or internationally, isn't as much the cost of production, although that can be a factor, but it’s the human capital pool. Can they find the right kind of people to get the job done?

MR. ASHLEY: Absolutely.

MR. RANDOLPH: And that’s becoming really the arbiter of a lot of competition policy. So if we can’t get the people we need in to produce what we need here, whether it’s the entrepreneurs with graduate degrees for starting companies or people with very specific skills our companies need, then that’s just going to have the perverse effect I think of adding to pressure to push that production offshore where you can easily access those pools. So it’s been a tough one though in immigration policy because it gets tied up with the entire debate. Arizona came up about illegals coming in from Central America and Mexico which is really a totally different issue. But it’s been very hard politically.

MS. FREELAND: You think there needs to be more differentiation between the unskilled and the highly skilled immigrants?

MR. RANDOLPH: I think they need to be disaggregated. There’s a lot of pressure and I think the call on Capitol Hill now is comprehensive reform. You can’t do anything unless you solve everything and there’s a logic to that. On the other hand, these issues are very discreet. They have very specific impacts. They have almost no relation to each other and they really should be disaggregated.

The other -- on services, I think it was a really important point because just to take as an example, architects. A lot -- it's amazing the number of architectural and urban planning firms I encounter in California, especially the Bay Area, who are now getting a major share -- 20, 30, 40 percent of their total revenue from overseas. And it's been a countercyclical business. I first started to meet these people back in the big recession in '93 and they started to go overseas when building really plummeted then. The recession in 2001-'02, they started to focus more overseas and, of course, now, certainly in California, people aren't building very much at all, but these cyclical waves of long periods of very little construction or design activity has led a lot of our architects and planners to look overseas. And now I'd say the biggest market right now is China, but other places in Asia as well where they are literally designing entire sections or, you know, 30, 40 square miles of cities. Urban waterfronts, the tallest building in Shanghai, et cetera, et cetera, et cetera.

So these aren't all big, global architectural firms. They're remarkably 10, 20, 30 architects who are actually finding that if they partner properly overseas they are doing terrific business and it's counter-banning the slowdown here.

MR. REED: And we're probably not measuring any of that.

MR. RANDOLPH: No, no. It's very hard to capture.

MR. REED: I mean, to the point on data, on the good side we have fantastic data that the Census Bureau puts out, but on the services side we're just not measuring any of that.

MR. RANDOLPH: No.

MR. REED: Woefully inadequate.

MS. FREELAND: Chuck, I'd like to hear your thoughts on Bryan's point about it'd be nice if the government gave American exporters a little bit more of a hand, especially with some juicy interest-free loans. Is that something --

MR. ASHLEY: Loan guarantees.

MS. FREELAND: Loan guarantees. Loan guarantees.

MR. REED: I have 10 companies in San Jose that are waiting for Department of Energy loan guarantees. Some of them have sold out their production for multiple years and in the renewable energy sector, in particular, that is going to be vital to expanding our capacity and meeting those world markets because we have the technology. It's been developed here. We have -- in San Jose alone we have the producer of the world's most efficient solar cell, a producer of the world's most cost-effective solar cell, a producer of the world's highest conjugater solar cell. All of this stuff has come, you know, not just in California, but in Georgia and elsewhere. And we're going to sell that technology to the world, but the manufacturing could well be done elsewhere, and that's why the DOE loan guarantees are really important. So there's an area where the federal government could play a huge role in making it possible for us to manufacture the materials here and sell it overseas.

MS. FREELAND: And this is a bottleneck bureaucracy problem or --

MR. ASHLEY: Yes.

MS. FREELAND: -- or do programs not exist? Because it sounds as if you're waiting for approval. You have 10 companies waiting for approval?

MR. ASHLEY: We submitted the first application in the previous administration and the program really wasn't designed to really give out the loan guarantees to be honest with you. But it has been fixed.

MS. FREELAND: Was it designed to have people write about it?

MR. ASHLEY?: Yeah, and spend $300,000 or $400,000 to submit applications like we did and then nothing would happen. That has been fixed. We submitted last September. It's going to take another year before the due diligence is finished, and we'll spend a million dollars on consultants to help them with their due diligence. It's not like -- we're not exotic new technology. It's proven stuff that works and we've proven we can build a plant and do this and make it work. But it's the bureaucracy and we're working on that right now.

And, you know, if we're going to be competitive, China can turn around in 30, 40 days and actually give the loan, not just a loan guarantee. Or a loan guarantee. And other countries as well. It's not just China, but to help industry-leading companies it's vital to compete worldwide and be an exporter. To have that quick and less expensive.

MS. FREELAND: Do you buy that, Chuck? Is that the experience of your companies?

MR. REED: Let me say that the Obama Administration has vastly improved in this particular area.

MR. ASHLEY: Yes.

MR. REED: Over what it was in the previous administration.

MS. FREELAND: Particularly being Department of Energy?

MR. REED: Department of Energy and loan guarantees. Vastly improved. Vastly got greater capacity, but they really had to build the program almost from scratch when the stimulus package started. So I'm not going to complain about that. I just want to point out that our companies who are looking at these kind of loan guarantees are also looking at other places in the world, not just in China. They're not just giving them loan guarantees; they're giving them money to come build their factory there.

MR. ASHLEY: That's my point.

MR. REED: And every one of these companies that will be exporting has the opportunity to go to other countries and build those manufacturing facilities and do it there. They want to stay in the U.S. for a lot of reasons. They want to be close to their technology. They want the innovation of production to be close together. The people are here or the human capital is here, but it is a hugely competitive global marketplace and it's not just company to company. It is government to government that's competing, and there are many ways that other governments are doing much more than our federal government is currently capable of doing.

MS. FREELAND: Should the U.S. Government be doing more?

MR. REED: Yes.

MS. FREELAND: What? More loan guarantees? Actual loans?

MR. REED: Loan guarantees. Loan guarantees is a great one. Export-import bank. These are all good programs. I think the expansion and the focus on export the president has laid out will I think lead to that, but you just have to look around the world. Look at what other countries are doing and realizing that, wow, this is really tough to compete with these other countries in terms of locating as manufacturing facilities. In particular, the innovation, the technology, innovation in Silicon Valley will continue and that's important. But if we're talking about trying to create the jobs, especially in manufacturing, that's where we are at a competitive disadvantage with other governments.

Renewable energy is an area where we can manufacture. We have companies who spend $50 million on a building and $100 million on the machinery to go into those buildings to pump out renewable energy, particularly in solar. The low percentage of labor in that product allows them to manufacture in the U.S., but when you have other countries offering them free money to come build in their country, that's tough to turn that down.

MS. FREELAND: And are you confident these government programs, these loan guarantee programs you're talking about, also government investment in R&D, is going to survive the coming sort of budget hawkishness, which it seems pretty certain we're moving into, certainly next year?

MR. REED: I think we have to worry about all of that. And if I look at the companies that are growing and building, some of them are spinoffs from the NASA Mars program. And some of them are spinoffs from other federal programs. And the federal relationship to innovation is not as well known as it should be. And you can look back over the last couple of decades where federal money has gone into innovation that's creating products today. And if we stop that federal flow we may not notice it for a year or two, maybe a decade, but by then it's way late.

MS. FREELAND: Okay. I'm going to ask one more question.

MR. RANDOLPH: Oh, and one point on --

MS. FREELAND: Let's just everybody get ready for your questions, please, because we're coming to an end and please go for it.

MR. RANDOLPH: On the scale of what we do, just one case study. And my numbers are going to be wrong so don't cite them or anything. But the U.S. -- Lockheed-Martin just lost a megadeal to a French consortium for the iridium deal which is this big, mega global satellite system. It's probably the biggest satellite telecom deal in 10 years. And the French government came in at a very timely way, I think with a 100 percent loan guarantee. And I think Ex-Im wasn't able to get a bid in in time to compete with that, but even if it had it could have maybe done 25 percent.

MS. FREELAND: And would that have been enough? If Ex-

Im had been --

MR. RANDOLPH: Well, it --

MS. FREELAND: Too bad Fred isn't here. You could have confronted him directly.

MR. RANDOLPH: I would have asked him.

MS. FREELAND: If he had been speedier.

MR. ASHLEY: I'll take up for Fred in a minute when he's finished.

MR. RANDOLPH: But what I'm told is that actually the U.S. Lockheed-Martin was very competitive on quality. Extremely competitive. And they've done the previous systems, so there was sort of a benefit there. But that maybe if we'd come in with 25 percent in a timely way we could have competed, but the fact that we weren't as timely and the French came in obviously having made a strategic decision that it was important to French to capture this deal. Many, many thousands of jobs involved in a tough economy for everybody. I think they made the strategic choice. They're going to do 100 percent guarantee.

So then the cards fall where they fall, but some other governments are obviously making very strategic decisions on the importance of these activities and they're going to get behind them.

MS. FREELAND: Do you want to (inaudible) Bryan and then we'll take --

MR. ASHLEY: I was just going to say that Ex-Im facilities are vitally important as well and we've used them. And Ex-Im has been a great supporter. The problem has been, again, like the loan guarantees from DOE, that it's been onerous and a long process, an expensive process. And OMB gets involved. Fred, to his credit, since he's come in, the whole team over there is trying very hard to streamline that. And they have, in fact, for the solar industry they have something called solar express, which is if it's under $10 million they can do it quicker and they don't have to go through all the -- and it's much less expensive to the customer.

MS. FREELAND: Is that the fault of the system or are they understaffed? Do we, God forbid, need more federal --

MR. ASHLEY: No, it's systemic. And I don't know if that comes from the charter and the law from Congress. The same thing with the loan guarantees from DOE or if it's legislation that needs to change to streamline or not. That would be a great research. What is wrong and why can't the bureaucracy fix it? Even though we have great leaders that want to fix it now, and really, they're banging their head against the wall because they're as frustrated as we are.

MS. FREELAND: And you think there's enough money there? They have enough money to disperse? It just takes them too long?

MR. ASHLEY: Yeah. Yeah.

MS. FREELAND: Please.

MR. REMY: My name is Tom Remy and I am a former executive of a Fortune 100 company and does an awful lot of business overseas. And one of the things that has surprised --

MS. FREELAND: Do you want to tell us which company?

MR. REMY: Liberty Mutual Group. And one of the things that has surprised me about this presentation is that first of all, and I had a preview of Bruce's presentation before I came, was that it's a frightening presentation. I mean, my view is that we should be here, all of us, a little bit panicked and all of us extremely concerned. The two previous speakers, in fact I was sitting here thinking you should have made them stay because it was a soft sell. I mean, the Ex-Im Bank relative to what you're talking about how we have to compete, I mean, the amount of money they're dealing with is peanuts. That's the first thing.

The second thing is that from my -- just my own perspective, my company's perspective, is that the usefulness of the State Department, the Commerce Department, the array of government institutions, is minimal. Basically, we know more about what's happening in countries than they do, so I can't imagine what a small and medium enterprise company would do if they were depending on them for resources, particularly in this competitive environment we're talking about.

MS. FREELAND: And can I just ask you, how about Bruce's suggested metro focus? Do you think you'd get more purchased at the city level?

MR. REMY: So I think the most -- one of the most important slides or other than those that should scare the hell out of everybody was the slide that showed the incredible array of government entities dealing with this problem and how there's very little coordination between any of them. And the reason why that's important is because the speed of change is such that you can't afford the kind of delays that you're talking about relative to loan guarantees or the array of instruments.

And just one last point. So this is a statement. This isn't a question.

MS. FREELAND: It's a good statement. It's a good statement. We're all interested, I think.

MR. REMY: If you haven't gathered by now. I mean, what we haven't talked about is we're graduating less people with four years of college degrees. China has a supercomputer that has been developed here in the very recent past, and I think we have three in the United

States. They have one and Europe has one or two. And that's just as a measure of the kind of development that's taking place. The immigration policy, the desegregation of what's really important and what's not is critically important.

You're asking if we're too parochial. I think we absolutely are. Our language education is awful. For me and for our company, we ended up bringing executives together outside of the country versus coming into the country because the hassle of coming through customs was so bad. Tax issues are huge. I mean, they are really huge and they're getting confused with a bunch of other things that have little to do with our export issues.

So in summary, I just -- I wish there were -- people were acting more frightened, more concerned, acknowledging the whole that we have and that we're talking about how we have to get more aggressive and how we do it. And I'm not quite sure how we do it in terms of convincing our populous and our government to go about this differently because we are literally -- no matter what you say about the status quo right now, we in effect are getting our clocks cleaned. And every day that passes it gets worse.

So, thank you all.

MR. RANDOLPH: I could comment on that for just a moment, maybe from -- going back to the report itself and this metro federal connection and the role of leadership at the local level and at the federal level. I think in a way we've seen actually unfortunately, in California, a regression in capacity -- in local capacity. Ten years ago I ran the state's trade program. It was the biggest in the country. It doesn't exist anymore. The state's trade program was abolished in the last budget crisis about seven years ago. There are at that point I think five world trade center associations in California. It's down to about two. Some major cities, like San Francisco, had a trade specialist on staff. That hasn't been the case for many years.

But I think at the local level, at a civic local government level we've seen -- actually in the state level we've seen a pullback, and I think a lot of state level programs that were fairly well empowered, those have all shrunk in recent years with state budget crises, too. We've seen, on the other hand, other more business-based groups I think stepping up. Our own group has been focusing on publishing, on exports in the area in Northern California and why they're important and what the issues are for exporters and where the export support resources are. We've been publishing on the business and economic ties with major countries, like China and like India, trying to identify opportunities there. Then we've taken three conferences in clean tech and venture capital to China. We opened an office in Shanghai, a full-time office.

MS. FREELAND: Is that good enough to substitute for the missing government?

MR. RANDOLPH: No, it's not. I think it was pointing to the fact that businesses and business-based civic organizations are to some degree stepping up and need to step up more aggressively to fill the void, but it's still a void. And here's where we get to the federal level. The -- I've worked with the U.S. Commercial Service ITA folks for years and years and I think it's a small, underappreciated, but for the most part very, very effective service for small and medium companies. Big ones don't need it, but small and medium ones, there's a lot of expertise on the ground so it's good to see in the President's export initiative that more resources are going to be put that way. And the fact is in a lot of our metro areas it's really only the U.S. Commercial Service offices that's anchor any activity now. They're really -- they have more expertise than anywhere else.

In California we have 13 what we call Centers for International Trade Development to help really small new-to-export people through community colleges. That's down to five this year because of the budget crisis. And so really I think a lot of these metro areas, especially in California, are having to look more and more to the federal resources, the

U.S. Commercial Service, as the anchor for real expertise at the urban metro level.

MS. FREELAND: But isn't there a bit of a contradiction in what we've been hearing, which is on the one hand we need more government support, we need more actual civil servants working on these issues, we need more loan guarantees. But God forbid we don't want more taxes. So if the exporters don't want to pay the taxes for these services, I don't see other parts of America putting their hands up and volunteering.

MR. RANDOLPH: Well, some of the services -- the U.S. Commercial Services -- I don't think they pay for themselves entirely, but they are fee-based services. And there has been studies done in the past that say that the taxes generated on the business growth from the exports pays for those services anyway.

But I think what this is calling for though is a tighter partnership, which is also in Bruce's report. Between the federal services and local cities and business groups, really more of a coalition at the urban metro level between business, local government, federal services, and states to really develop localized concentrated strategies.

And on that -- I wouldn't want this to end without one important point which is a federal one. It's federal trade data. So it's really hard to get across to local governments to your congress members, to your mayors and city council people why it's important to focus on this if there is no data.

MS. FREELAND: Okay. That's probably where Bruce can wave his report around and say that's part of the reason he's done it. Right?

MR. RANDOLPH: It's a valuable thing. It's very valuable. There used to be a data service called the Export Location Series that tried to trace it to where the company was located that exported. Now it's the origin of movement so it's where it was shipped from. That's different. But at the end of the day it's really hard to get congressional support for trade agreements, for trade services. It's hard to get cities and counties and states and others focused on why it's important if there's no data that says here's how you're benefitting; here are the companies in your district that are exporting; here are the jobs that are being generated; here's the tax base you're getting from this activity. So I think this really needs some work at the federal level.

MS. FREELAND: Will you gentlemen permit me to go to the next question? Is that okay? (inaudible) responses.

MR. ASHLEY: Sure. You're in charge. Go.

MS. FREELAND: Okay, please.

SPEAKER: My name is Antwan for the Center for Cleanup Policy.

In the realm of transportation and land use there have been a lot of dialogues and programs on smart growth type of development for our cities. Ideas include high density, transit-oriented development, improving accessibility for all modes of transportation and for our communities. And these programs are designed to improve livability for our residents. So I want to ask all panelists how do you think these urban policies might be related with the cluster strategy that Bruce talked about? And how would that contribute to the prospect of U.S. exports, if any? And what kind of programs that you guys think we should design to associate these goals, you know, together, you know, and ultimately include the competitiveness of our nation?

Thank you.

MS. FREELAND: Maybe I'll ask Chuck and Bryan to respond.

MR. REED: Well, we certainly spent a lot of time talking about smart growth as a basic approach dealing with not having enough land, not having enough transportation infrastructure, and not having enough of everything you need for continued population growth and being able to accommodate that. And we certainly focus that a lot in San Jose and the Bay Area in particular.

Ultimately, I think what it means is being able to be more efficient in the use of people and land, which will help us be more competitive in the world market. I don't see it as a short run impact on the problems that we're facing in the export market at this point. But in the long run being more efficient is important because we do have to compete on price, even though at the commodity end we're not very good at competing on price, but there are many, many products where price will be very important.

MS. FREELAND: And how about you, Bryan. Is making Atlanta livable and appealing important for you to attract people?

MR. ASHLEY: Well, sure it is. And other incentives for business and tax abatements and everything else, that's important, too. I mean, that's how you choose a location as well as the clusters concept. So all those things come into effect.

Another comment is that that's something that pays for itself. If you attract the industry you get more tax base. You get more people paying taxes. You get more residents making better wages. And the same thing could be said about the investment that I mentioned earlier. This country is far behind the rest of the world as the gentleman mentioned in the audience. It will pay for itself. We're going to be in a lot worse shape if we don't spend the money on the loan guarantees and the investment and the innovation, et cetera, et cetera.

MS. FREELAND: Okay.

MR. DIAMINE: Hi. I'm Mack Diamine and I work for International Finance Corp, part of the World Bank.

I travel around a lot. And it's oftentimes on business trips I can have an entirely sort of U.S.-centric day even overseas in staying in a U.S. hotel and having a Starbucks and having a lunch in a U.S. chain and watch U.S. content, et cetera. And it's hard for me to picture that the U.S. hasn't been adaptive. I could have this day in China, for example, and often do. And I think that the U.S. has done a lot. The issue is that it hasn't gone down to second tier cities. It hasn't hit some of the emerging issues a lot of countries have. You know, energy -- renewable energy is certainly there, but water is now increasingly important for a lot of countries.

And so I think that as far as the report goes, the agglomeration issue, you know, we did a report a year or two years ago on world development port explaining economic development and agglomeration terms. The U.S. was seen as to having already done this. I mean, the coasts are already where manufacturing is and the center isn't, where a lot of countries haven't picked that up. And so for them it's advice. For here it's maybe explaining what has already happened. Maybe we need to go look at that from the other (inaudible). How do we penetrate the process of agglomeration in other countries?

And so I guess really my question is, you know, if on that line and along the lines of this gentleman that just made comments, what would be the next step of research? What would be the advice to Bruce's team as to how do we go a little bit deeper in understanding the process of what's happening in countries and being, you know, linking this agenda a little bit more because a lot of what we heard is really -- could have been done on purely exports without the metro connection. Here we need to connect it a little bit more and I would just be curious as to what the research advice would be from others.

MS. FREELAND: Do you want to try, Bruce?

MR. KATZ: I think a lot of what you're describing is hidden in plain sight in the United States. And I think the mayor's comments in particular and Sean's comments as well sort of talked about a disconnect between the macro discourse around the economy and the way in which we're actually organized geographically. And again, you know, we've sort of drifted here so on the academic side, you know, I would probably agree with you in terms of the extensiveness of the research on agglomeration and how it sort of iterated over the past several decades. But it is not affecting until recently the way in which we actually act. So I think this is about taking frankly the practice in other parts of the world back into the United States.

I sort of share Tom's perspective on this frankly, and I think the most interesting part of this panel, and maybe we should have flipped it and had Fred and Francisco stay, but the most interesting part of this panel is about the slowness of response.

MS. FREELAND: I pity the Department of Energy.

MR. KATZ: Yeah. And again, I mean, what we're talking about here is a legacy government that was basically run down for a period of time. You know, and this is over a longer period of time. So this is not about the last eight years. This is over several decades. A national government which began to lose capacity bit by bit around these issues of project finance, around issues of export support and so forth, and now we're finding ourselves at the tail-end of that period realizing, A, there is demand abroad, there's possibilities abroad, but we don't quite have the capacity to deal with the same alacrity, the same precision, that many of our competitors do, A; and, B, we're not making the macro to metro connections.

You know, every time I heard Fred and Francisco say the word "Saudi Arabia" or say the word "Indonesia" or say the word "Brazil," what I thought about was their metros. Because we're not trading with countries; we're trading with other metros and the firms within those metros. I mean, that's where the demand is coming from.

So I agree. We have to research, but perhaps because we're a specialized nation and we're a sophisticated economy, we're not really connecting dots between the macro and metro. We've almost given responsibility for certain parts of the economy up here and other parts of the economy down there. And this fragmentation and disconnect is severe. So, you know, macro to metro from our perspective is not, you know, it's a bumper sticker, but within it I think it really unveils some really profound insights of how --

MR. ASHLEY: We've never faced the competition that we face now on the world stage. We used to be the big dog on the block and we're not that anymore. And we're going to get smaller and smaller and smaller unless we change that.

MR. KATZ: So maybe I should rewrite this according to Tom's call to arms.

MS. FREELAND: Okay. We have time for just one more question. So, please.

MR. JONES: Hi, I'm Don Jones. I'm with the New Economy Initiative of Southeastern Michigan. So first, coming to Saginaw, if there's anything we can do to help DOE, please, we're right there with you. (Laughter)

Some of these questions that have come around -- mine comes to I think, at first sounds pretty mundane and to our mayor and local area. The infrastructure as it relates to supply chain. So we're talking about roads and water and shipping and air and the bad state of our infrastructure in that part. I'd like to say this. Our friends in Canada, as we look to our neighbors to the south as we say in Detroit, our neighbors in Canada, you know, it is much better. But that, again, the investment in the past has always been thought of as a local investment. You know, there's gas tax and such like that, but it's always been sort of a local investment. Fix your roads, work on the railroads (inaudible).

I guess the question about it is looking at the national investment in that infrastructure because it's about moving things from one market internally to the next and then overseas and how do we sort of address that or think about addressing that?

MR. KATZ: Infrastructure is the basic building blocks and that's why they call it infrastructure. That's why it's so important because it's really tough to build an export economy if you don't have the fundamentals in place for a company, and those company decisions get made in many cases based on infrastructure because if they're going to manufacture they've got to export it to someplace, another state or another country. And so, but it's not all just local money. If I look at our infrastructure demands in California and the Bay Area in particular, there is a lot of state and a lot of federal money. Certainly stimulus funding, the ORA funding has been huge on infrastructure and we're spending a lot of money. We've got many applications in for the federal government. And that's part of what local governments traditionally have done: come to Washington looking for that kind of infrastructure and support because it's much bigger than we can do on a local level, even though we are a self-help city, a self-help county. We tax ourselves for infrastructure. It's much bigger than what we can afford to do locally.

MS. FREELAND: Bruce is pushing the infrastructure bank. Do you like that idea?

MR. REED: Yes. The infrastructure bank is something that we do support because there are many, many projects that we would like to be able to finance and doing it at favorable rates would be very helpful.

MS. FREELAND: And has the federal stimulus money helped you on infrastructure?

SPEAKER: I think again, slow. Moving very slowly. And again, with so many needs I think this sort of coordinated policy is what I'm thinking about. There are so many needs. You know, unfortunately too much of it is sort of Band-Aids again, fixing some things that just need some desperate help right now, but it's not looking at the whole system. How do we better coordinate? How do we improve it? What actually is the supply chain that we're interested in? You know, what directions do we want to go? How do we get from the Port of Halifax to Detroit to the West Coast, and thinking about that in a more coordinated way is just one example.

So, yeah, the money has helped, but it's not really -- unfortunately, I think as many people know, the stimulus dollars, the recovery dollars were at one level a lot of money and another level not enough money.

MR. KATZ: (inaudible) the way in which we allocate infrastructure dollars is really an old-style political reward system. And you know, at the end of the day, you know, our work basically shows that the U.S. economy is highly concentrated in a particular set of places. If we want to compete abroad we have got to make the signature transformative investments in L.A., Long Beach, and some of the other major hubs. We're spreading this money like peanut butter all over the country. You know, when I go into a state I usually just say how many people in your state senate and how many people in your state house, and then I can tell you the way you allocate your infrastructure dollar, you know.

SPEAKER: Well, I think one thing until fairly recently we've never really had a national goods movement strategy. So a lot of transportation dollars get allocated to this city of that town. We're going to repave this road or have this or that on ramp or off ramp which is great. But I think, as Bruce is suggesting, looking at the goods movement, hubs that are the critical gateways into and out of the U.S. for exports, looking at the national transportation network that moves the goods, you know, from the East Coast to the West Coast, looking at that in relation to well, where's the ship going to be going when the Panama Canal is widened? Are our West Coast ports going to be competitive and so on and so on. So I think it's a relatively recent idea there would actually be a national strategy for commercial infrastructure, the kind of things that actually move goods.

MS. FREELAND: Okay. We have reached noon and I promised we would be done then. I'm just going to give Bruce two more assignments for your next seminar that have come from this which are I think you need to extend your research to effectiveness of federal government institutions. That seems to be a theme that we've heard. And maybe you need to do a chapter on immigration. And I think Tom's point about perhaps alarmism on this subject seemed to resonate with all of us.

Usually journalists are the ones being accused of being alarmist, but it sounds like we could be more so.

And I hope you all join me in thanking our really frank (inaudible). (Applause)

MR. RUBIN: I guess thank you on behalf of the Brookings Institution again for everybody. I'm sufficiently alarmed. But I want to thank you again, Bruce, for all the terrific work and thank all the panelists. This is a terrific day.

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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