



## The Global Cities Initiative Presents Going Global: Boosting Ohio's Economic Future

On May 9, 2012, distinguished leaders from Ohio's private, public, and philanthropic sectors came together in Columbus, Ohio, for the second forum of the Global Cities Initiative (GCI), a joint project of Brookings and JPMorgan Chase. Hosted by The Ohio State University, this one-day convening featured speakers and panel discussions that contextualized the state's position in the global marketplace and identified new opportunities for global economic engagement.

The forum coincided with Brookings' release of "[Locating American Manufacturing: Trends in the Geography of Production](#)," a comprehensive report on the geography of manufacturing in the United States and the production profiles of the 100 largest U.S. metropolitan areas.

**Dr. Gordon Gee**, president of The Ohio State University, welcomed attendees by describing a vision for a global network of metropolitan areas that collaborate and compete to drive prosperity. Institutions of higher education, he insisted, must be full partners with the public and private sectors and serve as significant reservoirs of expertise in order to catalyze innovation and provide more opportunity and economic security.

Chase Ohio market president **Jim Malz** offered welcoming remarks on behalf of JPMorgan Chase, citing the company's deep commitment to helping Ohio grow its economy and create jobs. He also emphasized the growing impetus for private organizations to step up and contribute to regional economic development as public resources for such activities have diminished.

### *Ohio and the Next Economy*

**Bruce Katz**, GCI director and Brookings vice president and founding director of the Metropolitan Policy Program, offered an in-depth [presentation](#) on Ohio and the next economy. In the aftermath of the Great Recession, he argued, the United States needs a new economic model—one not characterized by excessive consumption and debt, but rather, driven by exports and global engagement, powered by low carbon and advanced energy, fueled by innovation, and rich with opportunity.

Katz situated Ohio's metropolitan areas within the context of the 100 largest U.S. metropolitan areas, which house two-thirds of U.S. population and account for more than three-quarters of U.S. GDP. He explained that U.S. metro regions must recognize the new locus of economic power in the world post-recession; today, the largest 30 metro performers are almost exclusively located in Asia and Latin America. Katz argued that this shift demands a more global focus in the United States, where we are beginning to experience an export renaissance inextricably linked to both innovation and manufacturing. He pointed out that exports were responsible for 46 percent of GDP growth between 2009 and 2011. In 2010, the United States exported \$944 billion in manufactured goods, making it the third largest manufacturing exporter in the world behind China and Germany.

Historically, the role of setting and stewarding a strong export economy has almost exclusively belonged to the federal government, Katz described. But with the federal government mired in gridlock, states and metropolitan areas must advocate nationally for real action. To be truly competitive in a global economy, Katz urged, metropolitan leaders will need to advocate for national leadership in four areas: 1) a new round of trade agreements that open up foreign markets to U.S. goods and services; 2) fierce protection of intellectual property rights of American businesses around the world; 3) a true national freight strategy that modernizes air, rail, sea, and land hubs and corridors; and 4) prominent roles for metropolitan areas and states in the streamlining of federal trade services.

In Katz's estimation, Ohio is a supercharged metro state. Its seven largest metropolitan areas house 71 percent of the state's population and 78 percent of its GDP. Three Ohio metro areas—Youngstown, Toledo, and Cleveland—are among the ten U.S. metropolitan areas that saw the fastest manufacturing-driven export growth in 2009-2010. A different set of metro areas, including Columbus, is implicated by the rapid rise in education service exports and the attraction of foreign students. Within these metropolitan areas, Katz explained, closely connected networks of private firms, universities, and public and nonprofit institutions fertilize ideas, extend innovation, enhance competitiveness, and collaborate to catalyze economic growth for entire regions.

As metropolitan leaders work to innovate locally and advocate nationally, they will also need to network globally, Katz asserted, to cultivate strong relationships with key trading partners in mature and emerging markets. These global connections will allow U.S. metropolitan areas to build on their unique economic strengths and distinctive geographic advantages in the world economy, yielding near-term job growth and long-term economic prosperity.

### *The Global Metro*

Immediately following his presentation, Katz welcomed GCI chairman **Richard M. Daley**, the former mayor of Chicago and a senior advisor to JPMorgan Chase, and Columbus Mayor **Michael Coleman** to join him on the stage for a conversation about how metropolitan leaders can deploy global economic engagement strategies. The mayors both stressed that to be successful in the global economy, metropolitan areas must leverage existing assets and meaningfully engage the private sector. At the same time, they noted, the United States urgently requires new thinking related to infrastructure investments and workforce development.

"It's a huge effort to become a global community or a global state," Daley began. To help mitigate this challenge during his tenure in Chicago, he partnered with area business leaders who acted as ambassadors for Chicago as part of the region's robust global engagement strategy. Mayor Daley then elaborated on his decision to ensure "languages of the future" were taught in Chicago public schools so that the next generation of workers would be prepared for new global realities. As a result, Arabic, Chinese, and Russian are now standard offerings in Chicago public schools. Mayor Coleman, for his part, described Columbus as "a city of innovation" and highlighted two of its competitive advantages: the leadership of The Ohio State University and Battelle in commercializing innovation, and the advanced logistics hub at Rickenbacker Inland Port. Columbus also has a unique geographic advantage; it is within one day's drive from 50 percent of the United States population, making it an ideal regional and national center of freight distribution. Both mayors emphasized goods movement and freight infrastructure as central to realizing their cities' full export potential in the global economy, and both called for more federal leadership in this area.

Building on the mayors' exchange on innovation and workforce development, Katz offered insight into the role manufacturing plays in advancing both of these aims, stating that the strong connection between manufacturing and innovation is often overlooked in America. He noted that the increasingly technology-driven nature of manufacturing would require a new workforce capable of employing and adapting to new innovations as they developed. Mayor Coleman said workforce preparedness must be a top priority and noted that it requires as much emphasis on associate degrees as on bachelor degrees. Mayor Daley fervently agreed, and identified Germany's apprenticeship program as one reason for the country's manufacturing and export prowess.

### *Realizing Ohio Metropolitan Regions' Global Potential*

In the forum's first panel, **Amy Liu**, senior fellow and co-director of Brookings Metropolitan Policy Program, explored how Ohio's metropolitan areas are working together to ensure global competitiveness. She was joined by four key leaders in the JobsOhio network, Governor John Kasich's new regional

economic development strategy, who highlighted the role of the state in advancing regional economic development for global competitiveness.

**Mark Kvamme**, JobsOhio president and interim CIO, reflected back to when Governor Jim Rhodes, fifty years ago, traveled the world talking to many people about why Ohio was a great place to work, eventually encouraging Honda to locate a plant in Ohio, which directly led to the growth in Japanese foreign direct investment in Ohio. Over time, restrictions on government travel have contributed to what Kvamme referred to as an economic development paradigm that “moved at the speed of statute, not the speed of the market.” JobsOhio, a privatized effort, can operate more efficiently, particularly with regard to international travel and trade missions. It also recognizes that although the state is comprised of six economically distinct regions, a statewide strategy can be more powerful in a global context.

In Central Ohio, clusters are driving the economy, noted **Alex Fischer**, president and CEO of the Columbus Partnership. Also citing the region’s automotive cluster anchored by Honda, he described cluster strategies as inherently global and driven by metro-to-metro and metro-to-national relationships. This was a key insight, as affirmed by Liu, because it underscored that a metro-wide coalition of leaders, not only firms, must be engaged in global outreach. Both Fischer and Liu agreed that such a coalition could better leverage university ties and cultural connections.

**Denyse Ferguson**, senior vice president of economic development for Cincinnati USA Regional Chamber, focused on the workforce development needs in Cincinnati and statewide, calling the governor’s new Office of Workforce Transformation “more important than anything else” and “completely synergistic” with the JobsOhio cluster strategy. Ferguson also suggested the need for a cultural shift in the middle of the country to better address challenges of the next economy, a comment that underscored views offered by Kvamme and Fischer about the relatively low appetite for risk and failure and the lack of venture capital to help foster innovation.

In Northeast Ohio, where **Brad Whitehead**, president of the Fund for Our Economic Future, has been leading a regional business plan for several years, JobsOhio is a critical accelerant to existing efforts like the Partnership for Regional Innovation, Services to Manufacturers (PRISM). For small and mid-sized manufacturers, twenty years of being “pounded for productivity,” according to Whitehead, meant reducing or eliminating R&D and business development, making it significantly harder to innovate and enter new markets. PRISM helps remedy this situation by connecting firms to universities for prototyping, design services, and patent searches as well as to intermediaries that can help identify new business opportunities. Referring to *Moneyball*, the legendary story of how analytics saved the ailing Oakland A’s baseball franchise, Whitehead described Northeast Ohio as a small market team. He added, “[We] try to manufacture the runs with what we have here now, [while] building this out over a period of time that can be sustained for decades to come.”

### ***Manufacturing and Exports in the Global Economy***

Following the Ohio panel, **Peter L. Scher**, executive vice president and head of corporate responsibility for JPMorgan Chase, moderated a discussion on the importance of manufacturing and exports to global economic growth. He was joined by **Peter Ammon**, German Ambassador to the United States, and **Dr. Henry Cialone**, president and CEO of EWI, a leading Columbus-based engineering and technology organization dedicated to the research and development of materials joining and welding.

Ambassador Ammon framed this dialogue by sharing the keys to Germany's success in manufacturing and exporting. Germany has embraced advanced production as a core part of its export-oriented growth strategy, which has yielded higher manufacturing wages, a slower rate of job loss, and greater export volume. Echoing a repeated message of the forum, Scher noted that innovation and a skilled workforce are two significant drivers of success in manufacturing and exports. The German advantage, as

Ambassador Ammon described, is directly related to how German companies responded to the cheap labor revolution in the 1990s. Today, half of Germany's \$1.3 trillion in exports can be attributed to products that were semi-finished in countries where labor was cheaper and completed in Germany by skilled workers.

Cialone provided insight into U.S. efforts to bolster manufacturing strength and how these efforts relate to those of Germany. EWI is modeled after Germany's renowned Fraunhofer Society, an institution established after World War II to address the gap between university research and the application of technologies in finished products. Cialone said that EWI's 250 partner corporations routinely decry the lag between breakthrough innovations and application and commercialization. Cialone called this "the missing middle," and identified it as one of two critical gaps in maturing American innovation.

Workforce is the second critical gap, Cialone offered, building further on a key theme of the morning. Culturally, the United States has signaled that manufacturing is second-class work, he noted. As a result, growing manufacturers struggle to find qualified professionals for increasingly high-tech, high-skilled jobs. Talent is the one factor that decides almost everything, Ammon agreed. Both held up apprenticeships as a best practice for changing the culture around manufacturing work. In Germany, two-thirds of high school graduates enter into apprenticeship programs, which are organized by both the public and private sectors. Ammon noted that "Work Masters," as apprentices' mentors are known, are as respected as doctors.

Scher asked about austerity and how it relates to the way both Germany and the United States debate the role of government in stimulating economic growth and innovation. Ammon said that even in the most austere of times, Germans value education and research and focus resources accordingly. "Among the few things on which we can agree is that we should support education and we should support research and technology," he said. Cialone argued that the role of government is to mitigate technical risk, leaving industry to handle commercial risk, which is what it is best equipped to do. Aligning both sectors' interests around the application of technology, which is critically important to industry, will bolster innovation even in lean times.

Ammon argued that the American notion of trading and exporting is too narrow. He contrasted it with Germany's thinking around global networks, which is, in his view, a more fluid and dynamic paradigm that accounts for the role of foreign direct investment, foreign subsidiaries, and other investments related to trade.

### ***Concluding Remarks***

Bruce Katz closed the forum noting that the Global Cities Initiative themes of exporting and innovation had been reaffirmed by all speakers and panelists and that Mayor Coleman in Columbus, as well as other Ohio leaders, clearly understand the need to engage globally. "We can do this," he insisted, while acknowledging the lack of national leadership to provide the platform for firm economic growth, expansion, and job creation. Katz emphasized, "With cities and metros acting like the engines of the economy they are and then working closely with their state and ultimately the national government, we will move this country forward."