THE BROOKINGS INSTITUTION

EXPORT NATION 2012:

HOW U.S. METROS ARE DRIVING NATIONAL GROWTH

Washington, D.C.

Thursday, March 8, 2012

PARTICIPANTS:

Welcoming Remarks:

ANTOINE VAN AGTMAEL
Trustee, The Brookings Institution
Chairman and Co-CIO, Ashmore EMM, LLC

Presentation:

BRICE KATZ
Vice President and Co-Director, Metropolitan
Policy Program
The Brookings Institution

Moderator:

MARY JORDAN
Editor, *Washington Post* Live

Panelists:

THE HONORABLE SAM ADAMS
Mayor
City of Portland, Oregon

STEPHEN CHABOT
Vice President of Operations
INFICON, Inc.

KATIE CLARK
Executive Director
Minnesota Trade Office

CARLOS VALDERRAMA
Senior Vice President for Global Initiatives
Los Angeles Area Chamber of Commerce

Dialogue: The Federal Role

AMY LIU, Moderator
Senior Fellow and Co-Director, Metropolitan Policy Program
The Brookings Institution

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

FRED HOCHBERG
President and Chairman
Export-Import Bank

DARIO GOMEZ
Associate Administrator, International Trade
Small Business Administration

* * * * *

P R O C E E D I N G S

MR. VAN AGTMAEL: So we're starting.

Welcome. My name is Antoine van Agtmael. I chair an investment firm that focuses on emerging markets, and am a Brookings trustee. I'm honored and delighted to welcome you here this morning at the Brookings on behalf of the Board of Trustees, not in the least because I come from a very small country, where trade is 66 percent of GDP, the Netherlands. And I've spent my entire professional career trying to figure out competitive edge. And this is what we are going to talk about today.

Today, Brookings Metropolitan Policy Program releases its "Export Nation 2012," a follow-up of a first report they did in 2010, and it aims to demonstrate two things: first, the key role that exports play in the recovery, in economic life and, frankly, in job creation. But second of all and, in my mind, even more important, is it takes the focus away from the top-down to the bottom-up, and focuses on the hundred largest metropolitan areas. In other words, it gives you some numbers at the sub-macro level that are really missing. And it's an enormous credit, I think, to this group that they have put them together, because they're useful.

So, congratulations to Emilia, Nicholas, and the entire Brookings team for not only producing an important, ground-breaking report, but also for having the vision to think broadly about our country's engagement in the modern world, and to help us to become what you could call more "globally fluent." I think the problems in exporting are cash and prejudice. (Laughs.) And I think this book, this report, addresses those problems.

Now, I care about this because I've spent a third of my life living out of a suitcase. In fact, my wife discounts the 36 years of our marriage by 12 years. (Laughter.) So I am totally behind this vision.

And 20 years ago, I actually discovered the importance of metro, in, of all places, Wuhan China. I arrived there exhausted from a long trip, to have dinner, reluctantly, with a group of people sitting in leather jackets, that barely spoke English. And I thought, who are these people? Well, it turned out that they were the Robert Moses -- some of you may know Robert Moses -- of China. I mean, these people had in the four years before that built, all by themselves, without help from the Japanese or the Americans or whoever, huge bridges, huge infrastructure, hotels, airports, and everything -- in other words, had transformed a sleepy town into an export center. Pure drive and initiative.

So, that experience taught me to think from the bottom up, and recognize the importance of the metropolitan level everywhere -- including the United States. And that is what Bruce and his colleagues do.

So, as a Brookings trustee, I'm a very enthusiastic supporter. They are a true think-tank, with fresh ideas, who focus on the critical message that being global in metros matters. It matters to the health and the prosperity of the nation.

I have only one request for the next report, if I may be so free. You know, don't just focus it on the U.S. I tried last night to find some data on the big export centers in Europe. Nada. Very hard to find. And it would be very interesting to put it in a context. So -- as my brother lives in Stuttgart -- it's part of the van Agtmael diaspora -- I found the data on Stuttgart, with some effort. And it's interesting. Compare Stuttgart to your largest metropolitan centers. Stuttgart, of course, is -- you know, Germany is the main exporter in Europe, and Stuttgart is the export area in Europe. So we're not talking, you know, second rate. We're talking really the best of the best.

Now, what is the best of the best? Well, compare Stuttgart with the Detroit area. Detroit, according to your data, has 27 billion in exports, and Stuttgart has 56 billion in exports. In Detroit, that is 15 percent of its GDP. In Stuttgart, it's 50, 5-0, percent of its GDP.

And what's the difference? They really help small and medium-size companies. Immelt, on Monday night, said exactly the same thing. That's what it was all about.

So, in the context of -- I just want to first start with kind of looking at an idea that has become commonplace, which is that we are losing the race for global competitiveness. That's what you find. And I have to admit, in my own book, *The Emerging Market Century*, I contributed to that idea. Because I think there was a problem. There were some good reasons for kind of a sliding feeling that we have. I mean, others overtook us in drive. Look at how China builds infrastructure. I don't need to say anything more about that. You know, they have built an impressive manufacturing platform, India, an impressive back office platform, in record time. Drive.

Two, we no longer make cheap goods. Consumers in the U.S. began to feel that everything they bought in Walmart came from China. We're doing a lot of other things that we aren't noticing.

We lost our virtual monopoly on innovation. The Germans, other northern Europeans, Japanese, are beating us now in making and exporting complex machinery, high value-added components, and many environmentally conscious products of the future. Our share of global R&D, patents, et cetera, is declining -- even though the world would have trouble living without iPhones, iPads, Google, Amazon, and Bloomberg, all U.S. innovations.

Our brands have lost some of their luster. The cachet of American-made cars, planes, phones, and machinery for the rising middle class in emerging markets seems to have dwindled -- although it's coming back in China.

Fifth, the U.S. seems to have missed the boat in becoming a leader in a more environmentally conscious world as it's ceded ground to mass production in China and innovation in Europe. We were talking about this morning at breakfast.

And, finally -- and, I think, most disastrously -- our infrastructure is now second-rate. It used to be first-rate, it's now second-rate. We have not kept up. Domestic political antagonism at the national level, combined with a sense of being overwhelmed by the budget and the debt crisis, has placed the onus on expense cutting rather than building for the future.

Well, yes, President Obama has called for proactive promotion of manufacturing and export competitiveness, and also for the need to rebuild our infrastructure, but this top-down message has not really gained the traction it deserves. As a result, we are falling behind.

Now, out of this litany of problems, you might think that I'm a pessimist. Actually, I'm not. You may start to despair, but you have no reason to despair.

Not so fast. There's actually some rather unnoticed but very important good news when it comes to global competitiveness.

Let me make six points. The first one: This is a game changer. Let me repeat it. What I'm going to say now is a game changer. The U.S. built its industrial power on cheap energy. For awhile we lost it, and now we have it back. The answer is shell gas. Gas is cheaper in the United States -- to be exact, three times as cheap as in the rest of the world, three times or more as cheap. We have companies from Chile, that used to get Argentinian gas, moving to Texas because it's cheap. Remember, cheap is not just labor. Energy is, in most industries, much more important than labor as a cost. We are now cheapest in the world when it comes to the energy needs most used by industry. Let's not forget that, and build on that. This is an incredible opportunity.

Two, I think the way we get our statistics, with the exception of the Metropolitan Group -- (laughter) -- because they actually do it the right way, but we get our statistics the wrong way. We gather the statistics as if we're still living in the 19th or, at best, 20th century. But we aren't anymore. We live in the 21st century. We have to do this in a different way.

I believe that if we measure it right, and if we look at the true impact of the computer, the internet, the smartphone -- if we do that, and realize that we are not only the inventors but the first users of these, then we would see that, actually, our productivity has improved much more than we have measured it. And that means export competitiveness.

Third, we're actually regaining some of our competitiveness the old-fashioned way. Let's face it, I mean, we have had miserable wage growth. Not in China, not in India. In fact, Mexican wages are now lower than Chinese wages, by the way. And Mexico is closer to the United States, if you hadn't noticed, than China. And Immelt, for example, mentioned that if you pay on the factory floor $15, you can compete with people who pay $3 in China. And that's the going rate there.

So, this story that we can't be competitive on a wage basis, I think is old hand.

Fourth -- we talked about this at breakfast -- belatedly, much belatedly, finally, but necessarily, we're finally beginning to focus again on manufacturing. I don't know what took us so long, but we finally are.

And it's a problem. And the problem is that we lived under a delusion. The delusion was that, you know, as long as we're really high tech, and have wonderful things like Apple, et cetera, the manufacturing jobs will follow. It was another trickle-down theory that didn't trickle.

Because we have created massive jobs with IT -- in China. The ratio of jobs created by IT abroad versus the U.S. is 10 to 1. That should be 3 to 1, and could be 3 to 1.

Finally, on infrastructure -- okay, we're behind. Let's face it. It's bad. There are a lot of things that need to be done. But one piece of good news is that the stimulus was so slow -- in comparison to China, which was very fast -- that at least the return on the investment we got after all these reviews is going to be a lot higher. And, actually, we're beginning to see some good news there.

So, I think that we are more competitive than we think. And what we have to overcome is not lack of competitiveness. What we have to overcome is lack of confidence. And let's start with that today.

Now, as Bruce undoubtedly will emphasize later today, things look worse from the top down than from the bottom up. And that's one of the great things of what you will see in this book. True, major challenges remain, but there's evidence of shifts underway.

In this vein, Brookings research and on-the-ground efforts are having a tremendous impacting helping our nation's metros pivot to an outwardly focused, globally networking plan to ensure the U.S. remains a major global leader and competitor.

I hope policy-makers, business leaders, elected officials, and opinion shapers pay really close attention. And if I looked at the sightings last night on Google, if this report isn't even out yet, it's not doing too badly. (Laughs.)

So, I think it's important. And the conclusions that Bruce is about to introduce to you represent a strategy for advancing U.S. competitiveness through growth in productivity, exports, and trade.

So let me now introduce Bruce. All of you know Bruce, but I'll do it anyway. He's the founder of the Metro Program in 1996, a program that all of you know, that really does what a think-tank needs to do. It has solid data, empirical analysis, and good ideas.

Under Bruce's leadership, the program is advancing a paradigm for the next economy that is export-oriented, low- carbon, innovation-fueled, and opportunity-rich. Can't be better than that, right?

In addition to leading the Metro Program at Brookings, Bruce is also a visiting professor at the London School of Economics -- as if he needed more academic credentials -- and before that, was chief of staff to Henry Cisneros at HUD.

Bruce -- thank you. (Applause.)

MR. KATZ: Good morning, everyone. I want to thank Antoine for that. And my regret is I have to give a talk now, because I was in the middle of Tweeting just about everything you were saying. But the level of confidence that you have, I think is shared, frankly, by many of the people in this room, and by many of the business, political, and civic leaders from cities and metros around the country. And your leadership here, and your guidance to our program is really second to none. So thank you.

Just at the beginning, I just want to thank also J.P. Morgan-Chase and the Rockefeller Foundation, because what you're going to see here today is a combination of empirical analysis and policy and practice innovation. And those two institutions have enabled us to do that. So, thank you to them.

For the past three years our program has been boringly consistent about the economic challenges facing our country and the metro areas that drive the national economy. At the most basic level, the U.S. needs more jobs -- 12.1 million by one estimate -- to recover the jobs lost during the downturn, and keep pace with population growth and labor market dynamics.

Beyond job growth, we need better jobs to grow wages and incomes for lower- and middle-class workers, and reverse the troubling decades-long rise in inequality.

So there's no easy fix to achieve those two goals. Our economy must be restructured from one focused inward, and characterized by consumption and debt, to one globally engaged and driven by production and innovation -- or, in our formulation, we must now move towards an economy that is driven by exports, powered by low-carbon, fueled by innovation, rich with opportunity, and led by metropolitan areas.

So our primarily focus on exports, and trade and investment more broadly, is driven by both cyclical and structural concerns. So in the rubble of the great recession, household wealth has plummeted with the collapse of the housing market. Now, constraints at home contrast sharply with growth abroad, as rising nations sand their rapidly growing cities and metros come on line. In 2009, Brazil, India, China -- the BICs -- accounted for about a fifth of global GDP, surpassing the U.S. for the first time. By 2015, the BICs' share will grow to more than 25 percent.

Now, these nations are growing precisely because they're urbanizing and industrializing. And the locus of economic power in the world is shifting. The top 30 metro performers today are almost exclusively located in Asia and Latin America. The 30 worst performers are nearly all located in Europe, the United States, and earthquake-ravaged Japan.

This is not a rocket science. In the near term, over the long haul, the United States, our firms, our states, our cities and metro areas, our NGOs, like hospitals and universities, must trade more goods and services seamlessly with the new world -- this new metro world -- and by so doing, grow more jobs, and better jobs.

So today we're going to take a bottom-up look, as Antoine said, at how well we're doing, by examining export growth in each of the top hundred metros. This both an update and an expansion of a report, and an interactive data platform that we developed two years ago. And I want to commend the co-authors of this report, Emilia Istrate and Nicholas Marchio, for just superb, diligent, persistent work.

We make three findings today.

First, exports are leading the national economic recovery, and having an outsized impact on job creation. As you will see, the United States not only remains a manufacturing powerhouse, but is the world's leading provider of advanced services, but is the locus of economic power shifts. The geography of exports is shifting towards the rising nations, particularly Brazil, India, and China.

Second, metros are leading national exports, because they concentrate and agglomerate many of the leading tradable sectors in the economy. Taking together, the top hundred metros dominate U.S. exports, in general, and with regard to the rising economies in particular. But unlike retail or housing, these are not cookie-cutter economies. Each metro has a distinct export profile, and a special set of trading partners.

Finally, metros are driving innovation -- in practice, in policy, in the formation of global trade links. They are, in essence, building an export economy from the ground up by innovating locally, advocating nationally, and networking globally. They are beginning to act like the economic engines they are.

Let me begin with our first macro finding: Exports are leading the national recovery and having an outsized impact on job creation in the United States.

With consumer demand depressed at home, U.S. companies are looking to global demand for growth. Export sales grew by more than 11 percent in 2010 in real terms, the fastest growth logged since 1997. Exports were responsible for 46 percent of GDP growth between 2009 and 2011 -- which is absolutely remarkable, since exports make up only 13 percent of the GDP of the United States, compared to 30 percent in China, 29 percent in Canada, and higher levels in India, Japan, and the entire EU.

Now, the result of fast export growth at home has been fast job growth. The U.S. added nearly 600,000 new export-supported jobs in 2010. About a third of those come from exporting firms and industries, and the remainder in supporting positions and suppliers, servicers to the exporters, and transportation and wholesale traders hauling merchandise goods across the country.

These are not just more jobs, these are better jobs. Export-intense industries are more likely to provide health and retirement benefits, and wages are, on average, roughly 11 percent higher in firms that export, for both production and non-production workers. In fact, wages in many of the top exporting industries -- machinery and transportation equipment manufacturing, business and professional services, chemical and computer and electronic product manufacturing -- far exceed the national average wage.

So what's happening here? For all the talk of a post-industrial economy, the United States remains a manufacturing powerhouse, exporting more than 1-1/4 trillion dollars in manufactured goods in 2010. This made us the second largest merchandise exporter in the world, behind China, but surpassing Germany just by a bit.

Manufacturing comprises 61 percent of U.S. exports, but has driven the export resurgence in 2010, contributing 75 percent of U.S. export growth in the first year of economic recovery. Over 64 percent of that manufacturing growth came from just four sectors: transportation equipment, chemicals, machinery, and computer and electronic products. To paraphrase the old motto for Trenton: What the United States makes, the world takes.

But this is not just about the advanced manufacturing of high-value goods. America is the number one exporter of private services in the world, exporting $518 billion in services abroad in 2010, which gave us $153 billion trade surplus in services. In 2010, U.S. exports of private services represented 14 percent of global exports, more than double the share of Germany, the second ranking country.

Three service export sectors -- education, telecommunications services, and business services -- grew both in 2009 and 2010, and represented 30 percent of all service exports in 2010. The education sector, expenditures of foreign students in the United States, is growing by leaps and bounds. We now have more than 720,000 international students studying in the United States, led by those from China, India, and Korea. And that sector represents $21.2 billion in U.S. service exports.

U.S. exports are not only growing, they are shifting to the economic powers in the world. Our North American trade partners remain the largest export markets. Canada and Mexico are the destination for a quarter of U.S. goods and service exports in 2010. Japan, China, and the United Kingdom round out the top five destinations for U.S. goods and service exports in that year. And, taken together, these countries accounted for 43 percent of U.S. exports.

But we're seeing a shift in the sources of U.S. export growth, both concentrating and shifting to rising powers. Pre-recession, between 2003 and 2008, five countries -- Canada, China, Mexico, the United Kingdom, and Germany -- contributed 32 percent of U.S. export growth. Post recession, from 2009 to 2010, these five nations -- Canada, China, Mexico, Korea, and Brazil -- accounted for a staggering 58 percent of export growth. We have entered a new world economic order.

So that leads to my second point: Metros are leading national exports. Any discussion of exports must begin with our large metro areas, the heart of the American economy, a hundred metros that take up 12 percent of our land mass, house two-thirds of our population, generate three-quarters of our GDP. This is the new economic geography here and abroad: cities, suburbs, exurbs, and rural towns.

So our report shows the extent to which these top hundred metropolitan areas, in the aggregate, drive state and national exports. In 2010, they produced an estimated 65 percent of U.S. exports, including 63 percent of manufactured goods, and 75 percent of services that are sold abroad. They produced a majority of state exports in 30 states in 2010, and a super-majority -- more than 60 percent -- in 20 states.

In addition, they are our export job centers, reflecting their position not only as the producers of goods and services sent abroad, but the hubs of supply chains and export logistics, supporting 64 percent of total export jobs in 2010, including 61 percent of jobs supported by manufacturing, and 75 percent of jobs related to service exports.

So metros, of course, do not exist in the aggregate. They have distinctive starting points, and distinctive assets, attributes, and advantages. Our research digs deep to unveil the export profile of each of the top hundred metro areas.

So here are our super-sized performers.

L.A. and New York, with both exporting nearly $80 billion in 2010, and Chicago and Houston, which topped $48 billion that year. The top hundred metro exporters -- or the top 10, include Dallas, San Francisco, Seattle, Philly, Boston, and Detroit -- I'm still recovering from the Stuttgart comment -- (laughter) -- which all exceeded $26 billion in exports. Taken together, these metros account for 28 percent of U.S. exports.

This is not just about the large, diversified economies. These 10 metros saw the fastest manufacturing-driven export growth, all having more than 88 percent of their 2009 to 2010 export expansion coming from goods production.

And a completely different set of metro areas, mostly in the northeast, are implicated by the rapid rise in education exports. Boston leads, with education providing almost 5 percent of total exports.

Now, the varied spatial geography of our export economy comes through all these graphics. And it's a critical point for national policy-makers and state and metro leaders alike.

The export economy, unlike the consumption economy, is highly differentiated. A Walmart outside Phoenix is the same as a Walmart outside Pittsburgh, same design, same footprint, same goods. A housing subdivision outside of Denver is the same as one outside of Detroit. But what Phoenix exports is different from what Pittsburgh sells to the world. And what makes Denver a special global metropolis is different from what drives Detroit.

Every U.S. metro presents a different economic face to the world. One group of metro areas, largely in the mid-west, benefits from the growing trade of cars and trucks to China. Another group, very regionally diverse, drives the growing trade of basic chemicals and pharmaceuticals to Brazil. And still another group, also regionally diverse, dominates the non-ferrous metal products which are sold to India.

So that leads to our final point: namely, that metros are starting to drive innovation in policy, in practice, in the formation of global trade links. This is a major structural shift. Setting and stewarding a strong export economy has traditionally been almost the exclusive role of the Federal government, given its powers over trade, taxes, and currency, and investments in innovation, human capital, infrastructure, and export promotion and finance.

Yet, with partisan gridlock, even the easy stuff, re-authorizing the Ex-Im Bank -- and Chairman Hochberg will be here -- modernizing freight infrastructure, has become extraordinarily difficult. In this polarized environment, cities and metropolitan areas, already the engines of the national economy, are doing double duty, and helping set a strong pro-trade platform for an export nation.

So three things are happening. First, metros are innovating locally, with export plans that exploit their distinctive competitive advantages in the global economy. Over the past year Brookings has worked closely with leaders in four metropolitan areas -- Portland, Los Angeles, Minneapolis/St. Paul, and Syracuse -- to invent and pilot actionable export plans. This activity has been done in close partnership with the International Trade Administration, and supported at the local level by U.S. Commercial Services, the SBA, and Ex-Im Bank.

So the elements of export planning and action are pretty simple and straightforward. Each metro does a market assessment of their unique export profile and potential: what goods and services they trade, which nations they trade with, where trade trends are likely to head, giving market dynamics here and abroad. Armed with that information, metros then set exporting goals and objectives that build on their distinct advantages, devise strategies to meet those goals, and establish metrics to gauge progress. All those efforts are undertaken by a consortium of corporate, government, university, and civic institutions that cut across jurisdictions, sectors, and disciplines, and collaborate to compete globally.

So the elements of export plans are not new, they just adapt the lessons of private sector business planning -- evidence-based, solution-oriented, performance-measured -- to the task of revitalizing and restructuring metro economies in a globalizing era.

Let's take a quick look at the four plans, and you might focus especially on the distinctive industry focus of each plan, and the remarkable collaborations that have been built in each community.

Let's start with Portland. The Mayor is here and will be on a panel. Portland is export-central, right? Enviable strengths: computer electronics, clean tech, innovation. It doubled exports in the past decade. Its goal? Double them again in the coming five years by bolstering the computer and electronics supply chain, and increasing the export orientation of its green-cities expertise to serve an urbanizing world.

L.A. is the nations largest exporter -- 80 percent of its exports concentrated not only in film and television, but also aerospace, computer and electronics, pharmaceuticals, and professional services. Its goal? Create a new Los Angeles Regional Export Council to identify and proactively support export-ready firms in these leading sectors.

The Twin Cities have core global advantages, starting with the health and medical technology sectors. Its goal, also: double exports in the next five years by expanding export reach among small businesses, and building off its distinctive base.

And, finally, Syracuse, New York, a small but highly diversified economy. Its focus: maximize its proximity to Canada, our largest trading partner, expand the sale of top goods and services exporters in the region, and build the export capacity of smaller firms.

So these export plans are not an anomaly. They are, in fact, the beginning of a new wave of local and metropolitan economic development. Several months ago Antonia Villaraigosa, the mayor of Los Angles, and head of the U.S. Conference of Mayors, put out an export challenge to America's cities and metros. His goal is very ambitious: 25 cities' designing and beginning to implement export strategies within the next year. And we will get there.

So, having innovated at home, metros are starting to advocate nationally for federal and state policies and practices that boost their metropolitan exports.

What do they want? Well, on one level, they want the federal government and the states to set a solid platform for export growth, generally. And the same time, they want federal and state policies to be nimble enough to align with the distinctive visions and strategies of disparate metros.

So let's start with the platform setting. For metros to realize their export potential, the federal government needs to ensure that American companies compete on a level playing field.

What does that mean? It means a new round of trade agreements that open up foreign markets to U.S. goods and services. It means fierce protection of intellectual property rights of American businesses around the world, particularly in China. It also means a steady, stable supply of ready capital and market advice, so that companies -- particularly small ones -- can overcome the financial, regulatory, language, and cultural barriers that impede trade and job creation.

Now, platform setting also requires the federal government and the states to work together to design and implement a national freight strategy that modernizes our air, rail, sea, and land hubs and corridors, so goods can move quickly and efficiently throughout the country, with the least environmental impact.

It means the feds and states work together to invest in advanced R&D, at scale, over a sustained period of time, and then support efforts to commercialize innovation in a way that spurs and recharges American manufacturing and advanced services -- the stuff that we actually sell abroad. And also, feds and states working together to help provide a steady stream of skilled workers to export-oriented industries, via a strong support for community colleges, and STEM education that focuses on science, technology, engineering, and mathematics.

Yet in today's competitive environment, merely setting a platform for trade is not sufficient. To maximize efforts, the feds and the states have to align policies and investments with metropolitan visions, goals, and strategies.

So what would that mean? In Minnesota, as discussed before, the state trade office is a lead organization in that metro export initiative. And we have a represent here today. State leadership is absolutely critical, because it brings real resources, programs, and tools to the table, serves as a unified voice for a metropolitan area, like most metros that are deeply fragmented, and helps coordinate overseas marketing and trade trips for all in-state metros.

Now, alignment is also imperative for the federal government. President Obama, to his credit, has proposed consolidating six agencies involved in trade activities: U.S. Department of Commerce's core business and trade functions, the SBA, Office of U.S. Trade Rep, Export-Import Bank, and the Overseas Private Investment Corporation.

Consolidation would be a failure, in our view, if it just moved agency boxes around in Washington, D.C. The key to success is to integrate activities on the ground so that local reps of the federal export agencies, such as the U.S. Export Assistance Centers, Small Business Development Centers, operate as a unified team, with metro leaders, one set of export objectives, one set of performance metrics, a clear system of referring clients and sharing information.

Last piece to the export puzzle: Beyond innovating locally, advocating nationally, U.S. metros are starting to network globally, creating and stewarding close working relationships with trading partners in both mature economies and rising nations.

So, strong connections already exist. Metros with concentrations in financial services, like New York, are forming tight, interlocking networks with similarly focused metros around the world. Metros with concentrations in advanced manufacturing, like Detroit, are similarly linking with metros in both developed and rising nations. And port metros, like Los Angeles, are making key connections with the world's air, rail, and sea hubs.

Now, these networks obviously start with firms that do business with each other. But, over time, they extend to the support institutions -- governments, universities, business associations -- that provide support for companies at the leading edge of metro economies. In northern California, for example, the Bay Area Council has become a foundation of respected, actionable, up-to-date information about its global connections and networks, focusing on emerging markets like China and India, as well as mature economies like Canada and the United Kingdom.

This platform is supplemented by the activities of private-public organizations, like China-SF, which acts as a matchmaker between firms wanting to sell goods and provide services to China, and Chinese investors looking for investment opportunities in the Bay Area. So the Bay Area provides an insight, from the ground up, into how the global economy is evolving at the metropolitan scale.

But in many respects, these 21st century networks are not new. They harken back to the way the global economy evolved before the rise of nation-states, when historical trade routs flowed through cities, and deep trading relationship were forged between cities. Between the dawn of the Common Era and the 15th century, a flourishing Silk Road connected cities in east, south, and western Asia with their counterparts in the Mediterranean and European world, as well as parts of north and east Africa.

So, like today, each city had distinctive concentrations and specialties. According to one source, cities in China traded silk, tea, and porcelain. Cities in India traded spices, ivory, textiles, and pepper. Cities in the Roman Empire exported gold, silver, glassware, wine, carpets, and jewels. I finally get to use my history degree. (Laughter.)

You get the lesson. Like today, the city economies of the ancient and the medieval world were distinct economies, and places grew and flourished as they built on their special strengths and their distinctive locations.

So let me end with this tantalizing prospect, before we open up for questions: A new Silk Road is emerging as we enter what is clearly an urban age, and what will be a metropolitan century. Cities and metropolitan areas are not only the economic engines of nations, they are the spatial backbone of global trade and exchange.

In a world where people and societies now live, operate, communicate, and engage through networks, a new Silk Road is emerging as a super-network of trading cities and metros, economically collaborative, and globally fluent.

For this country, the new Silk Road is a path back to shared prosperity, sane and sensible growth that works for companies, cities, and consumers. For the world, it is a path towards reducing poverty and generating wealth.

Let's build it. Let's nurture it. Let's extend it to all corners of the earth.

Thank you very much. (Applause.)

I think we have time for a few questions, and I'm going to ask Emilia Istrate to come up, because she and Nicholas have just done a brilliant job. And, you know, I get to give speeches, but these people actually do the work.

Question -- David?

MR. RUSK: It strikes me that what is missing from your presentation -- and particularly in response to your comments about our second-rate infrastructure, and the need to focus on more training -- is the whole issue of taxes, of public investment.

And for 30 years now, the mantra has been: "Americans are overtaxed. Americans are overtaxed. Slash taxes. Slash taxes."

Well, an obvious question is: we're overtaxed compared to whom? And if you add up all of the federal-level taxes, all the state-level taxes, all the local-government taxes of all descriptions, and compare them to the gross domestic product, we have the third lowest tax rate of the 32 nations of the Organization of Economic Cooperation and Development. And that's been the case for a long time.

Fundamentally, you know, this proposition has been a fraud. And it's been a fraud, sir -- and I don't speak to you in terms of your own individual capacity, or your own corporation -- but it's been a fraud perpetrated, supported actively, by American business, by the Chamber of Commerce, by the National Association of Manufacturers, and by the tremendous corporate funds which flow into various right-wing think-tanks.

And it seems to me -- and it can't be done, obviously, in an election year -- but it seems to me there needs to be launched a serious effort to lay before the American people the facts about our capabilities to pay for what we need to do. I mean, taxes are simply the dues that one pays for the opportunity to live in a civilized community. And I think that's been a missing dimension of what's been presented here this morning.

MR. KATZ: So, let me respond. And David Rusk is the former Mayor of Albuquerque, New Mexico, and a good friend. And I would respond in this way.

Let's put aside for one second tax rates, federal, state, and local, and let's focus on what the United States invests in -- right? Because I think, in this town, in a relatively short period of time, post-election, we will have a debate over the national tax code, and we will have a debate over national investments.

So, there's always a debate in the United States of whether we have an industrial policy or not. We do. It's called housing and real estate. Right? If you look at -- even with, as you've said, existing tax rates, what we invest in in the United States, through the mortgage interest deduction, through other housing-oriented tax expenditures, is in building homes and extending sprawl.

What we do not invest in, with any level of focus and discipline, are the things that make us wealthy, truly wealthy: innovation, advanced manufacturing, and, ultimately, export promotion and growth.

So, we can have a debate about tax rates. I think what we want to have a debate, through this report and others, is where do we invest as a nation so that we can spur another generation, another half-century, another century, frankly, of growth and prosperity that is shared and inclusive?

And I think that requires a new growth model, as well as, as you've said, an examination of taxes.

Antoine?

MR. VAN AGTMAEL: Maybe you will be surprised, but I entirely agree with what you're saying. In fact, you know, you have only five minutes to introduce. I would have loved to have talked about it.

I think we need more taxes. We have 16 percent of GDP in taxes, it's too low.

And I also agree with what Bruce says, is that we don't invest -- going back to the advantage of Stuttgart. My brother runs the largest department store in Stuttgart. The retail space in this area here is three times the retail space that they have in Stuttgart. And Stuttgart is rich. It's really rich. So that gives you an idea of how we mis-invest this process.

MR. KATZ: Questions -- yes? Sandy.

MR. APGAR: Sandy Apgar. What proportion, both in amount and in structure, of this export economy is based on national security strategy -- specifically to the U.S.?

And in an era when we are now embarking on massive restructuring of the national security strategy and all that goes with it, how much will be affected by those decisions?

MS. ISTRATE: That's a very good question and, in fact, we address it in the policy recommendation. And, I guess, because of the briefness of the presentation, Bruce didn't include it.

But, in fact, the President launched the Export Control Reform Initiative in 2009. And we think that this initiative should be accelerated, especially nowadays, that we see many manufacturers of products that used to contract with the military, they want to switch to civilian purposes, and they want to export it.

However, the export control system hasn't been fully reformed, and this deeply affects manufacturers across the country, as we found out through our pilot -- pilots like, for example, in Syracuse, New York.

So, I definitely agree with you that there is a need to reform any kind of -- all these sets of measures, controlling information technology, computer, or any kind of manufacturing that would be used, you know, that the military used in the past.

We don't have the specific information to your point about how much of the U.S. exports are related to security, just because, as you mentioned, it's very -- I mean, it can be very large. I mean, the system is, the technology is advancing quite quickly. So many things, you know, that in the past was used by military and so forth, now this can be safely used for civilian purposes.

MR. KATZ: When I was at the TED conference last week, and the head of DARPA gave a talk. So if anyone, you know, watches TED talks on their iPad or the computer, watch this talk. This is an unbelievably impressive individual, at an impressive institution. Whatever DARPA invents today, we will be applying -- if we're smart -- we'll be applying in the civilian sector tomorrow, as we've done with so many innovations before.

But really remarkable set of -- an institution, and really a platform for advanced growth.

Other questions? Comments?

MS. YEUNG: I think related to the tax issue --

MR. KATZ: Can you identify yourself, please?

MS. YEUNG: Oh, I'm Ophelia Yeung of SRI International.

I'm wondering if, in your work with the metro areas, the issue of regulations come up. You know, we heard a lot about people in the business community complain about the regulatory environment, I mean, more than just, you know, the intellectual property rights and all that. I'm thinking about the regulations that have been constraining business in growing and export -- export control is one of them, but, you know, labor, reporting, you know.

So I'm wondering if there is any areas that can really benefit from coordination between the metro level, state level, and federal level, in terms of regulations?

MR. KATZ: I think that's a great question. And Ophelia, and SRI, are really wonderful partners with us and, you know, worked with us on this Nevada report on state economic development.

I think what we hear from metropolitan business is the desire for predictability and certainty in regulation, as much as we hear any specifics about "This particular regulation is particularly onerous," or "This reporting requirement is particularly onerous."

We hear a lot of rhetoric about that, but when we talk with metropolitan business, what we hear about is the lack of any federalist coordination -- because the federal government is like Mount Olympus. The states -- what would be below Mount Olympus? Someone must know Greek history. I guess I did, you know, something else.

But, you know, there's really no sense of coordination between these different levels. And, frankly, in some parts of the country, particularly the manufacturing states, and the manufacturing metros, we've heard companies, both large, medium, and small, say to us: You know what? We would rather have a tight, ambitious, aspirational, renewable portfolio standard around clean energy, because at least we would know what it was. And at least then that would set a platform for us to be able to begin to compete with the Germans, the Europeans, and the Chinese around the next wave of the industrial revolution, which is clean-tech production.

So it's interesting when you go below Washington -- which is the land of rhetoric and polarization and ideology and partisanship -- to the real world, where people actually live and do stuff -- cities, metros, to some extent states -- you do get a little bit of a different perspective on what people want. It's still hard to get done, you know, to bring certainty and predictability in very contentious areas of regulation. But I would say that, more than anything else, is what we hear.

Last question, and then we have a panel.

Yep -- all the way in the back.

SPEAKER: I actually work for the U.S. textile industry.

And I was wondering, when you mentioned doing trade agreements, looking at IPR, then also credit, why there wasn't maybe a point of looking at trade barriers? If you're looking at duty evasion, which hurts us, currencies, subsidies -- the things that those of us who are manufacturing domestically are being faced with, both in our FTA countries, and then in others?

MR. KATZ: I think that's a very fair comment. And I think if you look at Emilia's broader report -- this was like the cliff notes, you know, if anyone remembers. Do they still have cliff notes? I mean -- okay. I just want to know.

This was the cliff notes of the report. I think as you dig deep into them, what you'll see is a much more expansive view of what -- particularly at the national scale -- we need to open up markets and to have a level playing field between American and international business.

But thank you for that question.

We are now going to hear from a panel from our four export-plan metros, ably moderated by Mary Jordan of *The Washington Post*. (Applause.)

MS. JORDAN: Terrific. Well, thank you, Bruce, for that perfect overview.

And now, to kind of move into more specifics, we have a great mix here to continue the conversation. It's people from state, city, private industry, and from different geographical parts of the United States.

Right next to me is Mayor Sam Adams. He is the Mayor of Portland, Oregon. And, before being elected in 2008, he was the Commissioner on the City Council. And there, on the City Council, he was in charge of the Office of Transportation, and the Bureau of Environmental Services. And now, as Mayor, he has been a leader in economic development, in planning and sustainability, education, arts and culture, and transportation.

Portland has earned the title of America's Most Sustainable City, and it is Mayor Adams' goal that it will be the world's most sustainable city.

I like how you think.

MAYOR ADAMS: Thank you.

MS. JORDAN: And next to him, we have Stephen Chabot. He is Vice President of Operations and Quality for INFOCON. It's a private company in Syracuse, New York, that he's going to tell you about, that's had stunning and recent success in the export world. And he's going to talk from both a small city in the middle of New York, as well as private industry.

And next to Stephen is Carlos Valderrama. Everyone seems to know Carlos. I was in L.A. recently, and everybody was talking about Carlos. He is export-man. Period.

MR. VALDERRAMA: Thank you. (Laughs.)

MS. JORDAN: He's had so many different jobs, and set up offices in Latin America, and Mexico, for the state. He actually ran worldwide exports for the state. And right now he's the Senior Vice President for Global Initiatives for the Los Angeles area Chamber of Commerce, working, like this, with the mayor on exports.

And next to Carlos is Katie Clark. Katie Clark is the director of the Minnesota Trade Office. So her job is to assist the companies in Minnesota to export. And she has had enormous success with that. She runs these trade trips overseas, which we want to talk about. And, basically, her job is to promote Minnesota globally.

So I've asked each of our panelists to kind of tell us about the export plan. It's very different -- as we heard from Bruce, that every metro area wants to build on its strengths.

So can we each, go down the line, we'll start with the Mayor, talk about what you're up to in your metro area, and why -- why it's important.

MAYOR ADAMS: Well, thank you. And thanks for the opportunity to be here and partner with Brookings Institution on this effort.

Our strengths are advanced manufacturing, specifically, and everything from Daimler trucks, which is headquartered in North America in Portland, to Intel, which has one of its largest manufacturing and research and development plants, sites, in the Portland metropolitan area, to athletic and outdoor gear -- Nike, Adidas, Columbia Sportswear, Keen. We also have a strength in open-source software, digital development, and then clean technology, sustainable cities. One of our brands is "We build green cities," which allows us to brand a collection of companies that is both products and service based in the sustainability realm.

Through this effort we've identified a key need to both start talking about exports at business start-up, or when we're doing business retention, and also to ask more of our federal agencies in getting more intelligence abroad, so that we can do better matchmaking with specific firms in specific markets where there's opportunities.

We also believe that the work to get our baseline, we are -- our goal, as Bruce mentioned, is to double our exports in the next five years. And the strategy that sort of is behind the work that's summarized in the handout for Brookings is a path for us to do that. And we work on a four-county basis. We're putting together a consortium. The president of -- Tom Hughes is here, president of Metro Government. We have a four-county, two-state new organization called "Greater Portland, Inc.," that will be leading the consortium to implement and continue its perfection of this strategy.

MS. JORDAN: Before we move on, can you just walk me through -- let's say that there's a company that does sustainable services. They're great at -- you know, maybe you can think of a specific company.

MAYOR ADAMS: Sure.

MS. JORDAN: And they want to bring this to Canada, Mexico City --

MAYOR ADAMS: Sure.

MS. JORDAN: -- somewhere else.

What do they do? And how do they go about it with the help of this strategy.

MAYOR ADAMS: So, there is a company called Columbia Green that was part of five companies that we took to Toronto. We worked with the U.S. Commercial Service, ITA, and others, to help us figure out which developers that we needed to get in to see.

As mayor, I asked to meet with the CEOs. Columbia Green, you know, is -- what? -- six, seven people. But the mayor could get in to see the CEO, whereas the CEO of Columbia Green could never get in to see --

MS. JORDAN: And what does he provide?

MAYOR ADAMS: The --

MS. JORDAN: Columbia Green, what do they do?

MAYOR ADAMS: Columbia Green is a modular eco-roof company. They struck a partnership with Firestone, and so they do modular eco-roofs. In Toronto, they got, we were able to gt in to see Walmart, and they're on their fifth eco-roof on Walmarts in Canada. And with Firestone as their joint venture partner, they're now seeing explosive growth in the last three years. It's like, I think, 400 percent, business is up 400 percent.

So that's the U.S. Commercial Service giving us intel in Canada, in Toronto, where the building boom has not busted, so it's a good place for us to take our products, building products firm. The mayor -- I was there, got in to see folks that she, the CEO, would never get to see otherwise. She made the sale, had a joint venture with a credible international brand in Firestone, and now she's on her way.

MS. JORDAN: Perfect. That's great.

Stephen?

MR. CHABOT: Sure. I provide a different perspective here. I'm from INFOCON in upstate New York, and we're working with our center-state CEO group in developing an export plan.

If you look at our business, we do advanced manufacturing. We provide equipment for semiconductor flat panel display environmental monitoring. As a management team, approximately 10 years ago we set on a deliberate path of increasing exports. And over the last seven years we've grown our exports about 140 percent, whereas our domestic growth has been around 2 percent.

So, it's been very deliberate on our part to do that. We've increased sales. We're obviously increasing employees -- not at the same rate as our growth, unfortunately. Really, productivity drives less employee growth, but sales, overall, has been great.

We've got a great profit-sharing program. So we share profits with our employees. This, as we speak right now, we're actually announcing to our employees that every single employee in our company for the last year will get a 20 percent bonus. Twenty percent profit sharing -- that's 100 percent based on export growth.

Now, the other benefit, if you really look at it, is to our suppliers. A lot of our suppliers, because we're low-volume, high-tech, we don't get a lot of products from low-cost countries. So a lot of our suppliers have grown with us as we've grown. And there's a lot of statistics out there that show for every job that we create, there's three outside, in other facilities. And we believe that, for us, that's probably even higher. And a lot of what we source is within a 500-mile radius of where we are.

So, a lot of what companies are talking about here in a lot of the regions, export growth isn't just with the companies themselves that are increasing the exports, it's actually the multiplier effect on all the companies in the area, and in the United States. And manufacturing is one of those areas that has that effect -- you know, a significant multiplier effect on jobs.

The other thing that I think that's important for us as a company is average wages. We're probably about double the average wage of most companies in central New York. Now, part of that is bonus, part of it's -- you know, we provide great benefits, but at the end of day --

MS. JORDAN: You hiring? (Laughter.)

MR. CHABOT: We are hiring. We are hiring. (Laughter.)

And I think one of the things that we're trying to do is help educate other companies on how they can export.

I think one of the things that's out there is just maybe the fear of the unknown, or the unwillingness to take risks. If you look at the upstate New York area, we lag most of the other metro areas. About 10 percent of our GDP is actually exporting. And if you think about it, we're about a one-hour drive north to Canada, or a three-hour drive west to Canada. And we don't really tap that from a service standpoint, as well. So I focus, obviously, on the manufacturing side, but the service sector is absolutely huge.

Also, in the central New York area, there's a lot of universities -- 35 universities within a fairly small geography, some universities, such as Syracuse University, obviously, Cornell. There's a lot of smaller universities, too, that are really focused on engineering, and we need to tap into that, and keep those students local, and not going back to the big metros, so that we can really help grow a lot of manufacturing and advanced manufacturing in our area.

So, that's really my perspective.

MS. JORDAN: What percent of your products are you selling to Canada?

MR. CHABOT: A very, very small percent. It's under 5 percent. Our biggest geographies we export to are Germany, Korea, China, Taiwan -- a lot of Asia because of what we serve.

MS. JORDAN: So even though you're close, it's still a globalized world.

I guess this is my question, before you move on: It seems like it's a no-brainer -- 95 percent of consumers in the world don't live in America, right? A lot of people out there with money want to buy things.

So why is it taking so many companies so long to say, hey, why don't we export? I mean, there have been planes and trucks and trains and a globalized world for awhile. So why has it been kind of lagging, it seems? Like you were saying, so many people in Syracuse, and even your company is new to the game.

MR. CHABOT: Right. I think it's just the fear of the unknown. There's cultural unknowns, there's, you know, no easy -- there's no easy way for small and medium-sized companies to just walk into a country -- and, say, I want to go sell into China. Okay, well what do I do? And I think a lot of the programs, both at the federal and state level, target the bigger companies. Or, if they don't target the bigger companies, the smaller and medium-sized companies don't know what to do.

So one of the things that we're looking to do with Center State CEO is help educate those smaller and medium-sized companies on what to do. You know, we'd like to see more people on the ground in some of these emerging markets that can really help some of these small and medium-sized companies. You know, who are, you know, legal people in those countries that can help you? How do you get access to trade shows? How do you get access to -- you know, what are cultural differences? -- people on the ground in those countries that can really help, as opposed to sitting in Washington or New York or Syracuse, trying to help, you know, those companies.

I think the more we have resources in those countries we're targeting for growth, the better we can ease the fear of the companies that are looking to export.

MS. JORDAN: Well, think all of us should talk a bit more about this in our own -- about how do you mitigate the risk? How do you tell people what products are appealing abroad?

When I was talking to some people about this in Chicago, I remember this one woman said that she made over a million dollars selling wrapping paper to India that had been mislabeled. Like "Merry Christmas" was spelled wrong. So she couldn't do anything with it in Chicago, but she got a million dollars out of sending it to India. They just liked that it was in English -- or, at least, English lettering.

So, I mean, there are people on the ground that need to identify what can you sell abroad. It's not just some of the obvious things.

MR. CHABOT: Sure.

MS. JORDAN: And then how do you go about it? How do you get loans? So we'll talk about that.

But at the moment, we'll move on to Carlos -- and L.A.

MR. VALDERRAMA: Thank you. Thank you.

Well, our economy is very large, but certainly we wanted to be very target oriented, and a lot of things that we did was primarily -- it's still for small and medium-sized companies.

But before I give you an idea as to what are we doing, I'll tell you, on behalf of the international business community of Los Angeles, I want to thank the Brookings Institution for assisting in restructuring our export initiatives and strategies. Thank you, Bruce, Amy, Mark Goodman, Emilia, of course, and our good friend Brad McDearman, who was with us for many months, hours, and days, many e-mails, many phone calls. And, again, with his guidance and support, we're doing good things. Thank you, Brad. You're back there, but I want to acknowledge on behalf of the state and the city.

As background, in 2009 the Los Angeles Area Chamber of Commerce, the office of Mayor, Villaraigosa, and UCLA, we launched a program designed to create employment through exports. This was in 2009.

This initiative was called -- and it's still called -- The Americas Business Forum. And this initiative was organized recognizing the four or five following things:

the downturn in our economy. There were some areas in Los Angeles, and in California, that the employment rate was over 13 percent, in some cases 18 percent.

The State of California, the county, and the City of Los Angeles had really no formal programs for exports. We also noticed that there was intense competition from overseas in our markets. But we also looked at a couple of opportunities. We looked at the solid growth in the Pacific Rim in Latin America in 2009 and 2010. As you remember, the Pacific Rim, during that time, was growing at a click at about maybe 8 to 9, maybe more. In Latin America, the growth was about 5 to 7 percent.

So we thought -- I said, well, in these economic downturns in our home, why don't we go and look at those economies that are growing, and maybe they want to buy our products.

And also, we looked at the fact that, together with the City of Los Angeles and the Chamber of Commerce, we had number of memoranda of understanding with other chambers of commerce around the world. So we began to say why don't we link with them together, and we'll work and sell more products through them.

So we were very fortunate that in 2010 our path crossed with Brookings Institution. Today, with the Office of the Mayor of Los Angeles, Brookings, Port of L.A., the Los Angeles world airports, UCLA-Anderson, USC-Marshall, and other partners, we are developing the Los Angeles regional export plan.

Now, bear in mind, this plan is primarily for small and medium-sized companies. This plan addresses all the findings, conclusions, and recommendations made by Brookings as they completed the studies in Los Angeles.

Very specific goals: We want to increase quality of jobs through exports. We want to support the national export initiative. And we want to foster a more export-oriented business culture.

The strategies are very simple. We are going to be identifying and targeting export-ready and export-capable firms. We're going to be targeting the Pacific Rim and Latin America -- very important in terms of targeting our markets.

I have looked at the website of the U.S. Trade Representative, USTR, and I found that in our region, the Pacific Rim and Latin America, we have 15 free-trade agreements, we have 7 framework agreements, and 2 trade-facilitation protocols. This is a great advantage for us, because out exporters want to do business with countries that we have free-trade agreements, or some sort of agreement, because we have an international document that gives the parameters of how we're going to do business together. And so our companies, perhaps they diminished the fear of international trade, knowing that they're working under the umbrella of free-trade agreement in the country.

And also, very target oriented, we have selected -- or at least we're trying to identify -- the most important sectors in our economy, which is about 13.

So we have a plan, thank you to Brookings. We have our objectives. We have our strategies.

Now, the implementation. This plan will be the -- the implementation of this plan will be the responsibility of the Los Angeles Regional Export Council. Members of this council will be export-service providers with experience, a proven track record, and strong reputation of practical programs and professional counseling regarding exporting matters. Operating together as an efficient team, the council will be offering qualified programs and service to export-ready companies in our region.

And, again, I think I just want to give you a summary as to what we're doing in Los Angeles. I hope later we can talk more about our programs.

MS. JORDAN: Can you just very briefly tell me what an "export-ready" company is? Like an example? You said you're identifying them.

And then tell us what a company is that's not ready.

MR. VALDERRAMA: Well, you know, nowadays we have very limited resources, not only in terms of human resources and funding. We felt that looking for companies that are already in the business, that are already exporting to maybe one or two markets, it will be easier to take them into a third, fourth market. And that is what we're going to target: export-ready, and export-capable.

There are, obviously, a number of companies that are maybe you want to call it "new-to-market," that have never exported before. Our resources at this moment are very minimum to deal with companies that are in this stage of the game. Obviously, we are going to work with them, but the Department of Commerce, the CITDs, and other groups that work in the community, perhaps they'll be able to offer a more basic service to these companies that perhaps don't have the experience.

But we feel, at this moment, with the resources that we have, and a very strategic perspective, we want to go with companies, and take them into a third, fourth market.

MS. JORDAN: But there are resources -- and I'm sure we're going to be hearing about in the next panel -- that the federal government, the SBA, Export-Import Bank have, to help. You know, if a company knocks on the door and says, you know, I sell lipstick -- like there was a woman in L.A. when we were talking to her --

MR. VALDERRAMA: Right.

MS. JORDAN: -- and she wanted to sell lipstick abroad. And now there's a lot of lipstick around the world. Now, why is my lipstick any better? And, you know, isn't it going to be cheaper? And, you know, she started doing some tests, and now they have a huge business because American products, even if they cost more, can be very, very attractive out there.

So, anyway, you're going to be hearing about that in the next panel, about resources that help people identify which countries that a particular product -- whether it's, you know, boards, or semiconductors, or lipstick -- and which countries it would go to.

So, Katie -- Katie Clark, from Minnesota, we'd love to hear about your state view.

MS. CLARK: Well, thank you. And thank you to the Brookings Institution for inviting me here today, and for the amazing partnership that we've had, really, over the past few years.

Our export plan started as the beginning of our Metropolitan Business Plan that Minneapolis-St. Paul focused on with the Brookings Institution. For those of you that aren't familiar with our region, two large cities, divided by the Mississippi River, and that river really divides those two cities in many ways. So that Metropolitan Business Plan was focused on how do we coordinate as a region, think about ourselves as one metropolitan area instead of divided cities.

When this project came about, the City of Minneapolis reached out to my office, the Minnesota Trade Office, and asked if we would submit an application and partner with the cities to create a metropolitan export plan. And we enthusiastically submitted an application. About 80 percent of our state's exports come from the metropolitan region, and we saw this as a way to develop an export plan for that part of our state that could potentially create a template that we can use for other parts of our state further down the line.

So we started the project by identifying a steering committee. And I think that's one unique part of our plan, is that we have the state trade office involved, the governor's office involved, our state chamber of commerce, and then we have the City of Minneapolis, Mayor Rybak, City of St. Paul, Mayor Coleman, and our private-public regional economic development group, called Greater MSP, and many other organizations that are involved in our steering committee.

Our plan is focused on doubling exports from the region, with a particular focus on supporting the SMEs, and also selling the MSP -- Minneapolis-St. Paul region -- to the world.

One huge benefit that I see coming from this work is that it's opening up the lines of communication from the local level, to the state level, to the federal level. And we're figuring out how we leverage resources from the federal level, and the resources that we have at the state level, and bringing that down to the local level, to the mayors that know the companies in their communities and can help identify the companies that will truly benefit.

One quick example: Governor Dayton led a trade mission to Korea this past fall and, because of this export initiative, the City of Minneapolis was aware of this trade mission, knew of a small company in south St. Paul called Earth Clean that has a biodegradable fire-retardant that's more effective than water, and connected them with the trade mission. I have learned a little bit more about their business. We were able to arrange an official signing, working with our partners in the Foreign Commercial Service, at the ambassador's residence in Seoul, for this very small company to sign a $4.3 million contract with a distributor in Seoul. And, for a start-up, that was a huge contract.

So, just by opening those lines of communication, and being able to leverage resources that we have at the various levels, I think we're going to see great impact from this plan.

MS. JORDAN: I'd like both you and the Mayor to talk about the importance of these trade missions.

When I was -- I was based abroad for 14 years, and worked in Tokyo, then Mexico City, and London, and have a very distinct memory of when the Virginia wineries came to London to sell Virginia wine. And, you know, England is pretty close to France, and a lot of nice wine over there. And these -- it was costly for all the Virginia wineries to go over there. But if they didn't show up, and they didn't have big taste tests, they wouldn't have sold anything. And there's about four of them that do big business with the former colonists. They're kind of a big deal in England now.

So, anyway, I'd just like to hear your view of how important it is to actually go on site on these missions.

MS. CLARK: Yes -- I think it's hugely important. And part of the story that I always tell businesses in Minnesota, and why I encourage companies to come along with us on trade missions, is to leverage the governor. Or, if it's a sister-city visit, leverage the mayor in order to get new business.

MS. JORDAN: How do you feel about being "leveraged?"

MAYOR ADAMS: It happens every day. (Laughter.)

MS. CLARK: The governor and mayor can open doors for companies in hierarchical cultures. They can get meetings with chairmen of companies, and connect the companies that are on the delegation directly with the business divisions within that large conglomerate and create new opportunities for Minnesota companies, and other companies.

MS. JORDAN: So if you're a company and you would like to have the governor or the mayor, you know, take you to Korea, what do you have to do? You just call up, and -- I mean, what do you need? What do you need to prove in order to get on these delegations?

I think Governor O'Malley had about 30 different companies go with him recently on one.

MAYOR ADAMS: Well, the practical answer is you have to sponsor their trip. Because it's very controversial for, especially, mayors in these tough times to use tax dollars to go on these kinds of trips.

So, beyond the practical, it's also that pre-work, that intelligence gathering abroad. Businesses -- I've been on some really great trade missions, and I've been on some really awful trade missions.

MS. JORDAN: Do tell.

MAYOR ADAMS: The "awful" trade missions really lacked the pre-work, the intelligence gathering work, and failed to -- you know, if a business is going to go on a total flyer, you know, on a total spec basis, and they know that, that's fine. But a lot of businesses won't sign up for those trade missions unless you give them a reason to go. Some hoped for eventual sales.

Now, it does often have to start out in just basic introductions. It's hard to make -- it's hard to get a contract abroad unless you have some sort of relationship. So sometimes, like any sale, it takes more than one, or two, or three trips.

But what I -- directly related to good or bad trade missions is the pre-work: who are we going to be meeting with? And are we matching companies up, are we matching companies to public sector potential sales clients in an effective way?

MS. JORDAN: And what's the lag time, usually, when you go, before you kind of get results, where you get something signed. Because that is actually -- when more of those things are signed, it's certainly, your constituents, or the dreaded media, doesn't think you're off in Brussels having mussels, that you're off doing kind of good things.

MAYOR ADAMS: Right. It depends. I mean, you know, if -- so China is our biggest trade partner, Oregon's biggest trade partner. And, you know, I've been back, I've been to China seven times. And sometimes -- you know, it's very rare to sign a deal, or to see a company sign a deal on the first trip, without any pre-established relationship. It usually takes two or three trips.

And it helps if you have someone else with you that also does business in Asia. And they, in turn, can, you know, introduce you to their in-country joint venture partners. It's a lot about -- it's sales, it's good old-fashioned sales.

MS. CLARK: And I would just add, you know, of course international business takes time to develop those relationships. I think one thing that we're learning through this export initiative is that if we leverage all of the connections that we now have on the steering committee, we can identify the companies that can have a real impact, and are at that point. Maybe they're talking with a distributor overseas but haven't yet signed a contract. And by going on the trade mission, and having a governor or a mayor along, they can get that deal signed earlier than they normally would have.

You know, we're now asking the University of Minnesota, the City of Minneapolis, the City of St. Paul, "Who do you know that can truly have impact from joining Governor Dayton and going to China this June?" And they're identifying companies that are in that right stage.

MS. JORDAN: So you're asking the university to identify people in your own state, or people abroad?

MS. CLARK: People in our own state, and then also what are our connections abroad that we can --

MAYOR ADAMS: Alumni. Yes, we've really begun to light up the alumni for Portland State University in Oregon, Health Sciences University.

There is one caveat, and that's Brazil. We just opened our first trade office in Brazil. Because it is such a new market to us, and we have so little connections there, we decided to put in-country -- hire -- we have a three person team, they're Brazilians and, you know, they're going to, for two years, do a lot of that initial sourcing. Because we just don't have a lot of great information about Brazil.

MS. JORDAN: And what do you want to sell to Brazil?

MAYOR ADAMS: Well, Brazil is really interesting. They know that they can sell their oil abroad for a lot more money than use it at home. And their hydro-electrical power grid is about maxed out. So they are big into -- and they're interested in the relationship, in our businesses, because we're about clean technology, we're about conservation.

So, they're interested in our clean technology, both services and products -- not necessarily for the environment, but because they see the value proposition.

MS. JORDAN: And, Stephen, what is your company's next move now. I mean, do you sell the same things and it's higher quantity and in more places? I mean, when you blow out this -- what's you're strategy?

MR. CHABOT: First, I guess, one of the things I want to address is, you know, they're talking about making connections.

One of the things we're doing at Center State is almost that same idea, except using companies.

So we've looked at our top exporting companies in the center state area, and almost all of them are on board with -- so a lot of us that export a lot have offices or people or distributors in many of these emerging markets and countries. And we've agreed, as companies, to help some of these smaller companies, bring them over, make introductions. Like, as an example, we sell a lot to Samsung and LG and Sony, and big companies like that, where we already have people on the ground that have relationships.

And we have a lot of companies in our area that we don't compete with in any way, shape, or form. And a lot of our bigger exporters do, as well. So we've agreed, as companies who already have a lot of these relationships internally, to bring along some of the small and medium-sized businesses with us.

MS. JORDAN: Do you get a percent off of that? What do --

MR. CHABOT: No. (Laughs.) Actually, we're looking at that from a company-mentoring standpoint. And one of the recommendations in our Center State report is to go to New York State and ask New York State for some sort of tax credit for the companies that are actively promoting, and going out of their way to try to help these smaller businesses along.

Now, I don't know if that's going to work or not, but I think we're at least on the same page to help other companies help grow the region, as long as we don't compete. And a lot of us that are big in exporting don't compete in any way, shape, or form.

MS. JORDAN: I want to talk about infrastructure. And Carlos can start this, because there's been enormous discussion about, to be competitive, and to really scale up export, we need a stronger infrastructure system.

You have the largest port, busiest port in the country. What -- I mean, how bad is it? And what do you think that we need to stay competitive? What has to happen in infrastructure?

MR. VALDERRAMA: Well, I think we need to move our goods faster. We need to connect our cities, our states. And, you know, I guess we all have that difficulty, that infrastructure is lacking.

I think the Port of Los Angeles, the Port of Long Beach and, today, as we speak, the Los Angeles world airports are expanding their operations. And, obviously, we're going to see the results in years to come.

But, yes, infrastructure is the linkage of how you move goods.

MS. JORDAN: And do you see, in private industry, that this -- I mean, this has become such a hot topic in this town and across the country, that in cities, for private industry and for the city, that this is a drawback? That the rails aren't fast enough, or that things are not up-to-date?

MAYOR ADAMS: Absolutely. We're an inland port city. You know, the basics of dredging, freight congestion, interstate congestion for trucks.

You know, for those of you that work for the Federal Government, those of us in local government, you know, just the past couple of weeks, the Transportation Bill debates here have been incredibly frustrating to watch because, as was mentioned in the introduction, I mean, we are just getting our hat handed to us, in terms of speed, reliability, trip times, in access. I mean, I don't know, it's hard for us, it's hard for me, to fathom why Congress is dithering.

MS. JORDAN: "Dithering." This is -- (laughs).

Let's actually move to -- I was going to ask this the last question, but might as well do it now. Since we are in Washington, and there are people here from the Federal Government, what are the one or two things that if this happened -- if X happened, it would be so much easier for you to scale up exports in your city, or in your company, or in L.A., or in Minnesota?

What is it that you want? You can even go one, two, or three, if you want. And it doesn't have to be in order.

But what needs to happen?

MAYOR ADAMS: Why don't you go. I talked --

MR. VALDERRAMA: I do have some recommendations, obviously. But at this moment, I'll tell you, I must take the opportunity -- I'm here, I've never been at this fantastic institution, and I think I'm not going to -- I'm going to take advantage of telling you a little bit about two or three programs that we do in Los Angeles that I think -- not only to showcase what we're doing, but also it is very important that these two programs --

MS. JORDAN: I'm not going to let you off the hook. (Laughter.) You are going to tell -- all right, you can tell about your programs --

MR. VALDERRAMA: -- but also that these programs, I think, could be a model in other cities.

Earlier today, I discussed about The Americas Business Forum. Three years later, this program is quite successful. The concept of this program was very interesting, again, looking at the fact that we were looking to help small and medium-sized companies do more exports.

What we did, basically, is convince the Department of Commerce to have a memorandum of understanding with us. And so we are doing now, is we are bringing marketing opportunities from 14 countries in the Americas to Los Angeles. What we're trying to do is create a sense where our companies are going to be commercially visiting these markets. They're going to conduct business with 14 countries, without leaving Los Angeles.

So we bring the SCOs, the senior commercial officers, for two days to Los Angeles. It's very intensive seminars, conferences, country briefings, one-to-one meetings. And, again, this is without leaving Los Angeles. Our request to the Department of Commerce is to extend the MOU that we have. We have an MOU for two more years. But today, and maybe later, we would like to ask the Department of Commerce to also consider having an MOU not only with us but with other cities. To bring the NCOs from Europe and Eastern Europe to California and Los Angeles for us would be very important, because obviously those markets are also very, very good.

But the important thing about this basic program that we have is that they provided us with some specific information about the need in the market and about a need to create a new program in Los Angeles, and this is the program that we call Export Champions with USC and UCLA Anderson.

MS. JORDAN: And this is important because of state budget cuts in California. They didn't have state programs, so you actually went to the universities.

MR. VALDERRAMA: Right.

MS. JORDAN: This is also something that other cities and metro areas will be looking at.

MR. VALDERRAMA: Right.

Every year we organize a number of seminars and conferences in Los Angeles. We have great executives that attend the meetings, the one-to-one meetings. These executives are always amazed by the marketing opportunities in the Americas, information that they receive.

But, real quickly, what UCLA Anderson will realize is that a large number of these executives were developing these strategies or making executive decisions to pursue these extra opportunities in the market. And the question was why?

In most cases we found out that the desire to pursue opportunities in global markets was diminishing -- diminishing as these executives returned to their companies, factories, and offices and realized that the day-to-day operations, domestic requirements, and local challenges that they themselves had were so demanding that the international program lost its attractiveness and was placed at the bottom of the pile of things to do.

Together with UCLA Anderson we realized that the proper follow-up with these local executives was missing. We did not have the mechanism to encourage these executives to pursue export strategies. Now, with the Export Champions programs, we have MBA candidates, but they can in fact do the follow-up with these executives, and a system and develop market research strategies to participate in global markets.

Allow me just to give you an idea as to the resources, the great resources that we have in our universities.

The profile --

MS. JORDAN: Just brief, because --

MR. VALDERRAMA: Okay.

MS. JORDAN: -- we're going to move to questions in a couple -- in about two minutes, because we're running out of time, and then I do want to ask everybody, because, you know, we do have the Commerce Department here, and it is Washington, and we have the

Export-Import Bank and the Small Business Administration. And so this is your chance to kind of -- what do you need? Do you need backup help? Do you need expertise? Do you need credit? So, you want to quickly finish, Carlos --

MR. VALDERRAMA: Just very quickly. I just wanted to --

MS. JORDAN: -- then we'll go through this line and then we'll open it to questions.

MR. VALDERRAMA: A lot of people have said, well, you're going to have a lot of MBA kids doing export research and programs for our companies. Just to give you an idea as to the profile of the MBA candidates that we have in our schools, and I'm talking about only schools in California, average age at Anderson is 32 years old, 9 years of professional experience. Some have already earned a master's degree in engineering and science. Some students have been awarded U.S. patents. Some have law, accounting, and Ph.D. degrees. So, what we want to do is work with them to see if these young executives with nine years of experience can help our SMEs develop some strategies to take them overseas.

And obviously our request to the government -- state, federal, and city -- is to provide us with more funds. As a matter of fact, we are very grateful that today we are using the STEP grant that was given to us by the SBA, and these two programs were USC and UCLA.

MS. JORDAN: Perfect. Thank you, Carlos.

And, Katie Clark, what --

MS. CLARK: I think, from our perspective, you know, you've heard from some of the other groups some of the solutions, either they've created a new export council -- for our particular export plan, we're not creating a new organization. We're leveraging our state trade office, our USIAC (phonetic) in Minneapolis, and using those resources and budgets that are already in place, as well as the private/public economic development regional group, Greater MSP. So, we need continued support for those programs. We need staffing with the Foreign Service overseas. When we do trade missions we rely on our commercial service partners to know their markets well and to be able to create those connections, and our companies in Minnesota rely on those exports overseas.

And I would say, too, Minnesota has identified 15 priority export markets based on the industries in the state -- you know, current markets that we're exporting to, as well as emerging markets that we see really getting the Foreign Commercial Service to have that strategic placement of commercial service specialists in the markets where we see that opportunity and that growth and the Silk Road that was presented earlier.

And I think, second point, just to wrap up very quickly, continued support for the STEP grant through the Small Business Administration. This has been a huge new resource at the state level and is trickling down to the local metropolitan level as small businesses are receiving subsidies to go on trade missions to get Ex-Im Bank resources. It's been very, very valuable, and we're looking forward to hopefully year 2 and year 3 and many years of that program.

So, those are two.

MS. JORDAN: All right, Stephen?

MR. CHABOT: I think from a regulatory standpoint I think there's one thing that I can emphasize from our business and from many businesses we deal with, and the importance is speed, speed, speed, speed. Combining organizations is critically important, but the biggest hurdle we run into is not the regulations themselves; it's the amount of time it takes to get things approved and the multiple agencies that it has to go through and the multiple people you have to educate on exactly the same topic. And what that amounts to from a business standpoint is that's lead time to customers. And when you can't meet your lead times because we're going through government regulation and we're not getting quick turnaround, eventually our competitors that are overseas and not dealing with that will take our business. And we have multiple, multiple examples of this over the years where either the sense of urgency isn't there or the understanding or there's not enough staff or as we push to advance manufacturing there needs to be a better understanding from a technical standpoint of what will products do and how they're used and are they really a threat to national security, or is it just because people don't understand? So, that to us is really critical. It's not that we disagree with the regulations; it's the implementation and the amount of time it takes to get through them, and that's just a big, big problem.

MS. JORDAN: Mayor Adams.

MAYOR ADAMS: Integration. If you work for a federal agency, thank you. This administration has been by far the best in getting everyone to enthusiastically work together at the federal level. But there's still a lot of work to do, everything from giving local folks access to the case files and changing your boilerplate confidentiality form so that you include folks on the local level. And when we go through an export promotion strategy like this, you know, let us lead in a partnership with you, because we -- as was said earlier, I mean, city governments, county governments, we're going to know the constituency better than you will, because we deal with them -- not just businesses, not just on the business of business, but we deal with them, you know, in civic life and a whole bunch of other things. So I would say -- and package and combine, come up with scenarios, the likely funding scenarios that usually have dribs and drabs of help and financial assistance from various departments and have some sort of preapproved scenarios for certain kinds of business requests.

MS. JORDAN: Excellent. We have time now for a few questions from the floor. There are roving mics.

MR. APGAR: Thank you. Sandy Apgar. As a member of the State Department's Advisory Committee on International Economic Policy, I'm interested in how you think State and specifically the Foreign Service could be better equipped, could improve its capabilities to foster the export strategies that you are pursuing.

MS. JORDAN: That's a good question.

MAYOR ADAMS: I would say that it's -- as I travel a lot, I usually always go to the embassies or consulates, and the quality from one consulate or embassy to another is not consistent with State. The staff is -- it can vary widely in how active they are with the other U.S. in-country resources. I would say that there's a lot of work to do for federal agencies in various countries working much better together than they do right now, and State being the most visible presence around the world is always going to be the most visible. And I think it just needs to embrace its role as our billboard, our front door, and not only for in-country but also for our own firms going over there.

MS. JORDAN: Another question? Right here?

MR. LOSANKO: Thank you so much. My name is Adam Losanko (phonetic). I am from Brigham Young University. I have a question for Mayor Adams on the topic of infrastructure specifically.

You mentioned how important it is to you in Portland to bolster the competitiveness of local firms by having infrastructure and know that it is long overdue in the United States. I know that several foreign nations, most recently and notably China, have indicated that they see U.S. infrastructure as an attractive investment destination. For example, there's an Australian firm working on the D.C. Beltway right now. Do you see infrastructure funding from sources other than the national government, like China for instance, as attractive and acceptable alternatives to federal funding?

MAYOR ADAMS: The very Oregon answer is we don't have toll roads, and I think based on the last polling I saw from Oregonians, "and we don't want them." So, the cultural shift in my state would have to be pretty significant. I know there are firms around the United States that -- I'm sorry, there are firms around the world -- we've talked to firms out of Spain as well -- that do this kind of work. I personally am supportive of it.

We're going to end up with tolls to build a new bridge across our Columbia River. It's been very controversial. I do think it's a resource. In some states like ours it's a tougher thing to actually take advantage of than other states.

MS. JORDAN: Okay, we have another question here, and then we'll have to end it.

MR. VAN AGTMAEL: Antoine van Agtmael. I've not heard one word, that is "language." Is that an issue? You go abroad, have these missions to create contacts. Is there a fear?

MR. CHABOT: What we've done -- one of the things that we've done recently to help address that, because it's clearly an issue, is, as an example, we bought a product line from a company in China two years ago. We actually cut manufacturing in China. We actually moved R&D to Syracuse. And one of the things we actually did to help bridge that gap is we actually hired a student out of Syracuse University that's a Chinese national that speaks the language. She's got an electrical degree and an MBA, the perfect person to be that liaison; very technical, knows the culture, knows the language. And we just recently did it for another person from India. So, that's one of the things we're doing is trying to take people from our local universities. There are a lot of people from all over the world that speak the language, understand the culture, and that is a big barrier not just for us, but for a lot of others. And that's one of the things we're doing that I think is sometimes maybe overlooked even though it's fairly obvious probably.

MS. CLARK: And is your website in different languages now?

MR. CHABOT: It is. It is. And a lot of our products have software in different languages as we've had to adopt in different countries. That's one of the things that we've done: manuals, software, website in different languages.

MS. JORDAN: Carlos?

MR. VALDERRAMA: Aside from language, the other thing that we find that is very important is that before we take companies to trade missions, we will organize an export seminar before we go, because it's very important for companies to understand sales agreements, distribution agreements, and other things before they go. A lot of times they go, they meet with people, they make commitments that they cannot fulfill. It is very important to have a group of (inaudible) seminars before we go out.

MS. JORDAN: Well, and on that note we're going to have conclude our panel, but it was a terrific discussion. And coming up next we have Amy Liu, the co-director of Brookings Metropolitan Policy

Program, is going to lead a discussion with some very big shots coming up. (Laughter) I'll let her announce them.

Thank you. (Applause)

MS. LIU: Hello. I'd like to ask everyone to please take their seats.

Thank you so much for staying with the program this morning. I think we want to be able to stay on time and get everyone back to their offices by 12:15.

My name is Amy Liu, and I am the co-director and senior fellow of the Metropolitan Policy Program here at the Brookings Institution. We have had such a dynamic discussion this morning. I am really honored to be hosting this conversation with federal leaders who are absolutely the face of and the champions for our national ambitions for global trade and economic competitiveness.

We do have one change in lineup, but why don't I go ahead and start and introduce our panelists, and I believe one is on his way now.

First of all, next to me is Chairman Fred Hochberg, chairman and president of the Export-Import Bank. And it's a real pleasure to have Chairman Hochberg back, as he was part of our program last year when we first launched our initial findings on Export Nation.

Next to him is Dario Gomez. Dario is the associate administrator for international trade at the Small Business Administration. He, prior to the Administration, worked for the mayor of Los Angeles, so in many respects very much understands what it means to localize the national export initiative to metropolitan areas. We are really pleased to have Dario here today, and I know that Administrator Mills sends her regrets.

We should be joined shortly by Undersecretary Sanchez of the Department of Commerce. In fact, just in time.

MR. HOCHBERG: This guy knows how to make an entrance.

MR. SANCHEZ: How are you doing? Good to see you. How are you?

MS. LIU: Hello. Thank you so much for coming.

While he gets settled, I just want to say that it is a -- we are really privileged to have Undersecretary Sanchez join us today. He, in fact, literally just got off a plane from Japan and Vietnam.

And I know with such -- not only the time change and the long flight, we give you absolute excuse today if you drop a couple of nouns or verbs in your sentences.

MR. SANCHEZ: I just want to say it's really great to be in Tokyo. (Laughter)

MS. LIU: And I did also want to mention, in full disclosure -- and I think Bruce mentioned this in his remarks this morning -- that the Brookings Metropolitan Policy Program has a formal collaboration with ITA and the members of the TPCC, which is the Trade Policy Coordinating Committee, on how we can be, again, learning from each other and better aligning the National Export Initiative to the Metropolitan Export Initiative.

So, welcome, all three of you, to this discussion today.

I want to try to bring you up to speed on what we have talked about this morning, too, Undersecretary. But, you know, next week is the second anniversary of the National Export Initiative, and this administration has outlined a number of strategies for how they plan to achieve their goal of doubling exports over the next five years. In the National Export strategy there is an explicit commitment to -- I think everyone here uses the phrase -- “localize the NEI.” So, I want to use this panel, this discussion today to talk about what that means to localize the National Export Initiative from helping regional leaders both build the pipeline of small and midsize exporters, which we’ve heard a lot about today, to maximizing the global playing field, and then coming back directly to how do we support metropolitan areas as they undertake export strategies.

So, what I want to do first is start with a question with

Chairman Hochberg. I think one of the things that Brookings has learned a lot with our regional leaders over the past year is that in order for us to really increase the goal of boosting exports and really helping our economy benefit from global trade, we need to ultimately increase the number of small and midsize exporters that are participating in exports. And as Ex-Im Bank is the key export credit agency for the U.S., I wanted to ask Chairman Hochberg what exactly is the Ex-Im Bank doing in particular to help small and midsize companies, because I think there is a perception that Ex-Im Bank supports mostly large companies with the kind of profit margins and collateral to be more export-ready firms, if you will? What, and particularly in the last year, has Ex-Im Bank done to really support small and midsize companies in this way?

MR. HOCHBERG: Well, thank you, Amy, and thank you, Bruce, for this great work you do at the Metropolitan Project. And we actually -- just a quick -- we actually use this data very much. And we'll talk later, but we're actually opening some new offices, and the prime data input was the work done here at Brookings. So, thank you for making us more effective.

Last year, in January, with my new best friend, Tom Donohue at the U.S. Chamber of Commerce, we launched something called Global Access for Small Business. And the thinking behind that was that small businesses in particular have a much tougher time of understanding how to get into foreign markets. My good friend Francisco in the Commerce Department does a great job of bringing companies on trade missions, because they need someone to kind of show them the way the first time, as well as they go with key services. But we've organized these forums. We've done 34 of them in 2011. So, we've done better than -- almost three a month. I'm actually flying to Rochester tomorrow morning to do one with Congresswoman Louis Slaughter and did one just last week in Greensboro, North Carolina.

So, these are quick seminars. They run -- it's a half-day program. We have someone from Ex-Im, SBA, and the Commerce Department there to talk about exactly how the three of us can help small businesses. We usually bring in three or four small companies that talk about their experience so people get firsthand experience that way. And then we have representatives from our respective agencies available for one-on-one free counseling all afternoon, and it sometimes goes to 2, 3, 4 o'clock until people's questions are answered. So, one is communication.

But, two, we've also created a number of new products. I mentioned -- we were talking early this morning, Amy and I, and we launched a new product called Global Credit Express that is a direct loan program that the Ex-Im Bank is doing up to $500,000. These are actually direct loans from the federal government. It's very hard to get banks to be making small-scale loans like that, so these are working capital loans for exporters who need the capital so that they can buy inventory and finance the receivables. So, that's one particular one.

Another quick one is supply chain finance. If you're particularly a small business, but not necessarily, and you're selling goods that are inputs to a larger exporter, we can help you with a supply chain finance program that we've already launched with Caterpillar, Case New Holland, Boeing, and, as of two hours ago, NAVISTAR. We approved them this morning. So, if you're supplying inputs to their exports, instead of waiting 30 or 60 days to get paid, you can get paid in less than 5 days, and that really creates liquidity for small businesses. So, it's both communication outreach and specific financial products.

And just to close, it is a misnomer. Eighty-five percent of the customers we help are small businesses. Yes, Boeing and GE get a lot of the headlines, but 85 percent of the actual work -- it's about 20 percent of the dollars. The average transaction is about a million, a million and a half dollars. We've done as small as $5,000 and as large as $3 billion. So, if anybody in the room can't fit between 5,000 and 3 billion, come talk to me and we'll break new ground. (Laughter) But generally that fits -- most audiences I talk to can fit between 5,000 and $3 billion.

So, that's been our basic program. We did about $6 billion last year in small businesses.

MS. LIU: That's great. Let me now turn to Dario.

MR. GOMEZ: Yes.

MS. LIU: Along the same line, what exactly has, in the past year, has SBA -- SBA has entered into international trade, really, more aggressively in this past year or two under NEI. What are the key milestones you've achieved in the last year to support small and midsized companies? And how do the SBA programs supplement what Ex-Im Bank does in particular?

MR. GOMEZ: Yeah, absolutely. Well, first of all, I want to say thank you, Bruce, and thank you, Amy, for inviting SBA, and on behalf of Karen Mills I want to send her regrets as well. It's fantastic to be here, having been a former local person knowing the challenges that Carlos and the mayor mentioned before at the local level.

I would say that there are definitely three things that SBA has done to sort of elevate in international trade. Congress passed a law that created the Office of International Trade and created my position of associate administrator and gave us new tools, as well, that will help small businesses.

The first area is STEP. I think we've heard many people talk about how we've distributed 30 million in grants to all of the states and territories that are eligible. Last year we had 47 states, 4 territories, and the District of Columbia.

All right, we've started to get some of the progress reports from STEP, and I'm proud to say that a number of states are already taking trade missions with the Department of Commerce. They're taking advantage of Ex-Im loans as well as SBA loans and have started to see some actual sales and estimated sales that are really promising.

The second area is that we increased the cap on two of our loan programs and made one of them permanent. We have an international trade loan that was increased from 2 million to 5 million and an export working capital loan that complements what Ex-Im does from 2 million to 5 million as well. And it made permanent our Export Express Program, which is fantastic. It's 500,000 guaranteed at 75 percent. And this is a great product for a new export company to take advantage of a new line of capital to pay for a Gold Key trade mission, trade shows that the Department of Commerce is doing, and marketing abroad. I think those three areas, those three loans alone, have been fantastic.

The last area I'd say is that we are also training and certifying a number of our Small Business Development Center counselors. We have 950 SBD Centers around the country. Many of you are familiar with them, 4,000 counselors. Our program there is to get them to a level of competence so that we can have ongoing counseling and training for that new-to-export company. And I know in the report you mentioned that you need case managers. That's exactly what we have in mind. If we're going to increase the number of small businesses exporting, we really need to increase our multipliers as well, and that's an area that we're deeply focusing on.

MS. LIU: Great, great, that's really helpful.

I'm going to turn to Undersecretary Sanchez. One of the discussions we had this morning is how do we use limited resources in this, how do we prioritize industries and prioritize markets at a time of very limited resources? It's certainly one of the hallmarks of each of these plans. Each of the four plans has goals to double exports. They need to prioritize their resources around how to get there. My understanding is the administration ITA in particular is also doing the same thing. Please explain to us what are your priority targets and priority industries? How did you arrive at those? And -- well, why don't we start with that, and I'll have a follow-up.

MR. SANCHEZ: Well, first of all, Amy, thank you for having me here. Bruce, thank you and Brookings not only for inviting ITA to be a part of this, but, more importantly, for the partnership that we have with you. We believe it's one of the most critical things we're doing to make sure that the NEI is successful, meaning we double exports, and that there's a continued life for the NEI -- or, I guess, the new NEI after December 2014.

To your specific question, we embarked on a process now -- about 18 months ago we started -- on developing strategic plans for key markets and key sectors. And we did this with an eye -- short-term goal of achieving the President's NEI objectives of doubling exports by 2014, but also looking beyond that, where do we want to be in particular markets and what sectors can help us get there in those markets. And we pulled data together from -- well, certainly from think tanks around here, from different groups that we regularly rely on for information, from our network -- we have offices in 75 countries around the world with trade specialists there; they provide information -- talking with our colleagues. And from all that information we focused on those markets that have the greatest potential and often the greatest challenge. So, it will not be any surprise that included in our emerging markets are China, Brazil, India. But in addition to those -- and Russia -- in addition to the BRIC countries, we have Vietnam, Indonesia, the Gulf State countries, Turkey. These are all countries that are showing great potential. In some cases we're already seeing huge jumps in exports, and we project even larger increases in the years to come. So, we've identified roughly about a dozen markets.

And then we looked at sectors. Overall, what are the sectors that are showing great growth? And then we then crossed the markets we identified with the sectors that show the best promise in those particular markets and we developed plans. We developed plans that have two focuses. One is export promotion. And we tend to identify those sectors which -- some that fall into multiple markets include aerospace, chemicals, high technology, health care, medical devices, infrastructure generally, energy, both traditional oil and gas, as well as alternative energy. So, we've continued this.

Now, as we look ahead to make sure we're working closely with our local partners, a lot of these markets are going to make a lot of sense, and we will work with our partners to help them get into these markets. But a lot of our local partners will also want to go into mature markets, markets that are not necessarily targeted but are still huge opportunities, like Mexico and Canada. So, while we may not identify those as the sexy emerging markets, they still provide huge potential, particularly for small- and medium-size companies.

We're also working on the trade policy front. So, short-term export promotion gets us a big bang for our buck. So, we'll do a lot of trade missions. I think something that's important to point out here is the kind of collaboration that we're doing now at the federal level as never before with Fred and Ex-Im. Before we go on any trade mission now -- and I have to give credit to Fred; this was his idea and we executed on it -- we do a webinar so that every member of that trade mission can know what Ex-Im Bank can do for them. It may not seem like a big deal, but you'd be amazed how we really haven't over the years done as good a job as we should in getting the information out that's available. We do that now.

Dario talked about empowering his team, network, of business experts, small business experts. We've partnered with the SBA in a very important way. Instead of trying to be all things to all people, the International Trade Administration is going to focus on those companies that are export ready. But we don't want to lose those companies that have never exported but want to, because we need to increase that number. Only 1 percent of American companies export. One percent. So, the work that SBA is doing is critical.

What we have done now is when we get companies that are completely new to export, we turn them over to SBA. SBA works with them through their local business associates, and when they become export ready they come to us. They may use one of our personalized services. They may take a trade mission. They may simply just get market information and go forward. So, I've kind of gone beyond the question, but I wanted to tie in I think that we're targeting markets, targeting sectors and working much closer together than ever before.

MS. LIU: That's great. And I know that, Chairman Hochberg, you also talk about these priority markets. Can you -- I do think it's real important for us to hear about the alignment. Do you share the same priority targets and industries? Are they the same?

MR. HOCHBERG: No. (Laughter) But for good reason. For good reason. Let me --

MS. LIU: Really.

MR. HOCHBERG: We're not just being different. We really -- when it comes to countries, we target those countries where our financing can make a real difference.

MS. LIU: I see.

MR. HOCHBERG: So, that may not always be the same countries that are targeted for exports.

Secondly, we also, in a product category --

MS. LIU: Can you elaborate on that one? It may be different?

MR. HOCHBERG: Well, for example, China is a large market, but, frankly, our financing doesn't make a big difference there. Canada is our largest trading partner, but our financing is not generally that essential to making a transaction on a sale in Canada. So, we've focused -- we've created about nine countries that we've identified that are growing rapidly, have a large need for infrastructure and where our financing makes a difference. And part of the reason for infrastructure is -- also at Ex-Im Bank it does differ from SBA, and it's why the President's plan about having a more integrated agency will make sense. It'll do a better job of integrating these different proposals. But we're focused on high U.S. content, because we're really about creating jobs. So, 85 percent of the content of an export, for us to finance it, needs to be American made.

So, we looked at those product categories that have a high U.S. content and those countries that are looking to buy those products. So, when you do that matrix, that creates somewhat different -- there's a lot of overlap, but there are a few that we don't overlap as well.

And then, on the other hand, Franciso -- Undersecretary Sanchez -- has identified Saudi Arabia, the Mideast, as a strong market. We originally had not focused on that. We are now refocusing on that, because the work he's been doing there is actually -- we've seen it to be a very fruitful market.

MS. LIU: So, why don't you elaborate? What are the nine countries and the industries --

MR. HOCHBERG: Nine countries. I think we did pass out some cards.

MS. LIU: -- in the U.S., the ones with the high U.S. content?

MR. HOCHBERG: Let me do that. The nine countries, I'll start in this hemisphere: Mexico, Colombia, and Brazil. Moving around the world: Turkey, Nigeria, South Africa. And continuing again: India, Vietnam, and Indonesia.

MS. LIU: Okay.

MR. HOCHBERG: I would say if we were going to add a tenth we might -- we're looking at Saudi Arabia and the Emirates have been very strong, particularly for power equipment, which we are one of the world leaders in. And we have actually seen a surprising, actually, uptick in financing to China in the last six months where, oddly, China was the largest area of our portfolio in 1998 to 2000/2001, and now it's not even in the top 10. So, we're just going to -- sometimes we have to see different markets where our financing is more essential than in others.

And product categories, quickly, are avionics, airplanes, airplane equipment, farm equipment, construction equipment, medical, power equipment; renewable, conventional are very strong; and satellites have turned out to be a very strong category.

MS. LIU: Oh, interesting, great.

Let me ask you one more question on the global playing field, and then we're going to switch over to just direct alignment to metro exports, and then we're going to open up to questions in about seven minutes, so start thinking about them now.

I think one of the rare moments of administration and congressional alignment this year was on the free trade agreements and then the passage of the free trade agreement on Panama, Colombia, and Korea. And, in fact, I believe the Korean free trade agreement goes into effect next week.

MR. HOCHBERG: Yes.

MS. LIU: So, why don't you explain to this group, then, how will the regional leaders, leaders in metro areas who are interested in undertaking export strategies, the companies in them, how will they begin to see the benefit of that free trade agreement?

We'll start with Sanchez.

MR. SANCHEZ: Well, let me just say at the outset you're right, this is one area where there has been almost complete agreement with the administration and Congress, and for good reason. Next week when the Korean free trade agreement takes effect, it will start a process that we will see upwards to 11 billion in new exports go to Korea. And some things, for me, are somewhat surprising. For example, Toyota, Japanese manufacturer, this year will export from the United States from plants where they manufacture in the United States 125,000 units. And a bunch of those will go to Korea, which I just -- every time I say that it puts a smile on my face.

But beyond automobiles, next week, March 15th, 80 percent of all exportable goods will see duties go to zero. So, a whole range of products, and the remaining will -- almost all will go to zero within five years. There are a few exceptions that may take a little longer, but 80 percent go down immediately, and then another 20 percent will take several years to go. So, this is a huge opportunity in a wide range of sectors.

ITA, as well as through our interagency process, is putting together a coordinated plan to really help businesses take full advantage of this. One of the things we're doing is we have a website set up that provides information on all those products that go duty free immediately, those that may take some time, but it sees how it impacts particular sectors. We're planning trade missions. We're planning webinars. We're looking at ways to get information out there and coordinating with SBA and Ex-Im, among other agencies.

MS. LIU: Great. Do you want to add to that or --

MR. HOCHBERG: I was going to add one other thing. Francisco mentioned webinars, and Carlos mentioned about people going overseas. We also try and do that to make sure that they understand the financing tools that are part of it. We also have 65 city-state partners around the country, and I'm actually actively recruiting more, because it's in those city-state partners, and sometimes it's at the municipal level and sometimes it might be at the state level and it varies around the country, but that becomes a very important tool to execute on the free trade agreements.

Of the three countries, we have the greatest focus actually on Colombia just in terms of what they are purchasing on our financing. We've been active in Korea but at a much lower level. Our activities so far in Panama have been really in Boeing Aircraft, though I was just down in Panama over the summer and talking about a number of projects actually in the downtown Panama City, one being metro and some new power plants. So, those are -- but infrastructure tends to be a large area. We do a lot of that work, and Colombia is prime for that.

MR. HOCHBERG: Great.

MS. LIU: Great.

MR. GOMEZ: And on that note, I just want to say that having lived in Los Angeles for a number of years, which has the largest Korean population, I think we can see a lot of synergy there, not only in exports and in our trade but in investment as well. I know that the Select USA program is really looking at inbound investment. So, I think that's a good sign that the FTA provides.

From the SBA point of view, we look to take advantage of a lot of the number of Korean-American small businesses that are out there, not only in the counseling but in our loan program. Just from firsthand experience in Los Angeles, there was a number of Korean-American banks that are also our preferred lender program. So, we look to do more recruitment there. And about 15 percent of our export working capital loans currently go to Korea nationwide. So, we look to that volume to go up considerably as well. But I think that's a great thing, though, because this is a good partnership between both countries, and I think that we'll see it in both trade and in investment as well.

MS. LIU: Great. Let me ask you one final question before we go to Q&A about supporting metro export strategies in particular. Each of the four plans that were featured today or the four metros that were featured today have -- and, by the way, if you haven't -- for those in the audience there are summaries of each of those plans out in the back if you have not picked up those up yet. But each of the plans has goals of doubling exports in the next five years. I think one of their major contributions to that is the desire to increase the pipeline of quality, small and midsize exporters, into exporting and not only -- in addition to these four, there is potential increase activity in other cities in metropolitan areas.

Bruce talked about, this morning, the fact that the U.S. Conference of Mayors has issued a challenge to up to 25 other metropolitan areas to adopt similar proactive, intentional metropolitan export strategies to, again, help connect, help more and more U.S. companies take advantage of increased global demand. If all of these markets are successful, which I think we all want that, we will see enormous demand for public/private finance program services to support all these companies that are interested.

The biggest concern, I think, a common concern across all these sites is that the level of capacity from the existing federally funded service providers will not be in place because of the fiscal constraints our country is in. We are all trying to do more with less. But I think between support for SBA funding; support; reauthorization, if you will, of the Ex-Im Bank; staffing; support for the domestic commercial services and the foreign commercial services because the Census, all of them are understaffed at this moment to meet demand. Even support for the universities who support international trade, like the cyber programs, those are all being cut.

So, while we have a national goal -- the irony is we have a goal of doubling exports, but we have an infrastructure that may not be ready to deal with that inflow. What do you say to all the folks outside the Beltway about the extent to which the federal infrastructure for support of exports will be there to support this increased demand?

MR. HOCHBERG: As Amy mentioned, we are still working to be reauthorized. Our authorization to operate as an agency sunsets -- it sunset last September. It's been moved down the road and now will sunset May 31st. So, we obviously need to get that done in order to be able to continue operating, but we're making progress and got a vocal minority that's opposed to us, but we're going to work to find some compromise.

But because Ex-Im Bank is self-funding, the fact is that we operate at no subsidy from the taxpayer. We actually collect a fee for our work. It pays for all of our administrative costs, pays for all of our loan loss reserves, and on top of that generates an odd word for Washington but actually a profit. We have generated $2 billion to the taxpayer in the last 5 years above and beyond the loans you make.

So, assuming we're reauthorized and our budget is intact, those two, but in terms of the loan volume we actually -- we're on a self-funding basis. So, we can continue, and Congress rightly has a large -- we have a 20 percent targeted mandate on small business loans. We actually fell short last year. A loan buy-in for small business grew 70 percent in three years. Very good. The problem is our large volume grew over a hundred percent. So, we're self-funding. So, the self-funding does help that quotient that we're out there when (inaudible).

MS. LIU: That's true. Well said.

We'll just go down the line. Dario.

MR. GOMEZ: Sure. I would say the following, actually, is that -- and I'm glad you mentioned the mayors -- it's absolutely crucial you have mayors involved and have buy-in to the Metropolitan Export Initiative. You know, Mayor Adams has been doing a tremendous job in Portland on this effort as well. Having worked for a mayor before, I mean these are really the chief executives of the regional economies, and it takes that leadership.

The SBA chairs the Small Business Working Group of the Trade Promotion Coordinating Committee, and we have essentially four pillars of operation: identify, prepare, connect, and support. That piece about identifying is a really key area that metropolitan economies can really help. They're the ones who know the businesses, who are aligned with the Chambers, who really can find those manufacturers or those new companies that have yet to consider exporting but that could them into the pipeline of both the Commerce Department, Ex-Im Bank, and the SBA as well.

The SBA has worked with our partners here and in a number of different cities around the country on what we call export outreach teams. This is a kernel of basically alignment with our priorities and the priorities on the ground as well to ensure that there is a good complementary relationship and is a good referral network as well. And I think that as the NEIs grow with the mayors and their leadership, and the more that we do that, I think we'll find that even if we do have scarce resources in the next few years we'll be able to use those multipliers to make the National Export Initiative a complete success.

MS. LIU: That's great.

MR. SANCHEZ: Before I talk about what the International Trade Administration is doing to make sure we are still doing everything we're supposed to do to help small businesses and communities, I just have to put in a plug for Ex-Im Bank and underscore how important this tool is. Now, neither Fred nor I can tell you to lobby the Congress. We're prohibited by law from doing that.

MR. HOCHBERG: So, you're not doing that. (Laughter)

MR. SANCHEZ: So, I'm not doing that. I'm not asking you to do that. But I will tell you this. If you really care about increasing exports in your community, you need this tool. Your community needs this tool, your businesses need this tool. I can't, for the life of me, understand why this has been such a long-ranging debate. But I would encourage all of you who care about this to communicate this broadly, and that's all I'll say.

With regard to resources, once again President Obama has put money where he has publicly stated his priorities are. He's been very clear about the importance of promoting exports as a critical part of the economic recovery and the ongoing economic growth of the United States. So, again, in this year's budget he increases the International Trade Administration's budget by $68+ million. Included in that budget is increasing the number of trade specialists that we have in our international network by 90. So, it's not an insignificant amount. So, that's one thing that we're doing.

Second thing we're doing is we are taking technology to the levels it should be. We have a website, Export.gov, which is a state-of-the-art circa 2003 website. (Laughter) But come July 1, it's going to be a state-of-the-art 2013 website. (Laughter) And it's going to be very important that we work closely with the communities to make sure this is being responsive to you and your constituents, so much so that I asked the guy who's really making sure this happens -- and I say this in front of him every time to make sure we make our date -- Rand, would you stand up, because I want everybody to know you. (Laughter)

Rand is doing an unbelievable job to make sure that we have technology that helps small businesses and also helps us do our job. If our technology can provide information that frees us up to do other things to help small businesses, it goes a long way.

And finally, the third thing I'll mention -- and, really, what we're doing here today underscores that -- is embedded in our long-term strategy at the International Trade Administration is partnerships but, really, institutionalizing partnerships and doing that in particular with local communities.

Amy mentioned in her opening remarks that our national export strategy includes localizing the National Export Initiative. That is not just a sentence in some document that we send to Congress once a year. That is absolutely critical to our strategy. And we're very proud of this relationship we have with Brookings, and we look forward to working with you this year to take this to 25 more communities and beyond.

MS. LIU: Great, thank you.

Why don't we open up the floor to questions for our guests?

And please introduce yourself when you --

MS. OLSON: Hi, I'm Natalia Olson. I'm a small business owner, and I also serve on the U.S. Innovation Advisory Board. My question here is we had INFICON, the company on the panel that was there before, and he really talked about the fact that he and other companies would be willing to bring on board and show other SMEs the international markets and help them export. But, you know, at the same time they would like to see more tax credits or some kind of regulatory process to, you know, just get a lot better. Where do you see that happening? I mean, what type of tax credits do you foresee that could actually help this type of public/private partnership? Because then we wouldn't have to use resources. We'd actually have to depend on the larger corporations to go ahead and help us, I mean, be more capable for exporting, which I haven't seen very much at the local level, which we have to really, you know, improve. So, that's my question.

MR. HOCHBERG: I'm not touching tax policy at all. (Laughter) That's outside of my lane.

MR. SANCHEZ: It's outside of my lane as well. I'll touch it a little bit. I'll only say that the President's been very clear in supporting innovation through tax policy. For us to be globally competitive, we have to be focused on that. I should say that we already do rely on the private sector for advice, a fair amount of advice. In some communities, it's stronger than others who are district export councils. District export councils are volunteer groups mostly made up of the private sector but includes some economic development organizations, academic professionals but that are expert in international trade. And they're there to help small businesses that are either new to market, they've only exported a little bit, or are completely new to exporting. And -- that's number one.

Number two, we have a very vigorous partnership program at the International Trade Administration with corporate partners, and we rely on them to promote financing. For example, we have a couple of financial services. We have express delivery partners who do a whole range of education and support. So, we're not starting with a blank slate, but clearly there are things that we could do more of. I'm not sure and I'm going to stick with Fred here. I'm not going to go into tax policy on how we could incent having large corporations help small businesses exporting, but just to say we are already doing a fair amount and looking to do more.

MR. HOCHBERG: Let me just say, you know, the best incentive -- I ran a company for 20 years -- the best incentive I needed as a small business owner was to increase sales and increase profits. And if you do that -- my grandfather always said if I'm paying tax I must be making money. (Laughter)

I talked to a small business owner, because I read a quote in the newspaper, and I just called him up. His name is Drew Greenblatt and he has a company in Baltimore named Marvelle (phonetic) [*sic*]. Twenty-five percent of their sales -- total company is $4.2 million. Exports are 25 percent of his sales, manufactured in downtown Baltimore. Sells steel shelving, racks. Average transaction 8- to $12,000. That's where all of his sales growth has come. I mean, he's expecting to go from 4.2- to $6 million this year. So, it may not be tax incentive, but the fact is our economy is growing at 2 percent, 3 percent. If you're happy with 2 or 3 percent, don't export. If you'd like to grow a little bit faster, you need to look at outside markets.

MR. GOMEZ: I'm just going to make a plug real quick. On that side, you know, we do have a small business advocate in the Small Business Administration that is independent of our body to learn more from where small businesses are facing issues, and tax policy is probably one area that they welcome some input.

The other thing I was going to say is, you know, let's also not forget about indirect exporting as well, and there are opportunities for small businesses to get into the supply chain of larger businesses like Caterpillar and the other ones. And, you know, Ex-Im does a great job of this as well. And we have a working capital loan that is also for indirect exporting, and that's an area that I think we should touch a lot more on just to get more of those companies into the exporting chain as well.

MS. LIU: And just to say that that is one of the things that this report does is try to count the benefits of exporting to those supply chain participants.

Other questions. The gentleman with the pink tie.

MR. LEWIS: Thank you. David Lewis of Manchester Trade here in Washington, and congrats both to Brookings and this panel particularly for bringing this to Washington. I'm a New Yorker and a Floridian on both extremes. I think that covers a good portion and of course --

MR. GOMEZ: Southern California.

MR. LEWIS: And California. There you go.

One question. 2010, our number one -- our second trade partner in the Americas, Mexico, became a net importer of energy. We now have a very robust debate in this country on exporting energy: coal, liquid natural gas, oil, and so on. Is there any initiative going on within the discussion of NEI to sort of close the circle on that debate within Congress, administration, private sector so we have a clear-cut policy as to where we're going to go and how that's going to be done, particularly given the fact we now have 100, 200, 50 years if you don't count that reserves on various energy products that we can take internationally? Thank you.

MR. HOCHBERG: Somewhat related to -- I mean, we've exported a number of wind turbines to Wahaca, Mexico; to Honduras. Interestingly, the Honduras project was commissioned last month. When we got that transaction -- normally for renewable energy we look at is there a feed-in tariff or some kind of local subsidy? I couldn't find it in that transaction, and it turns out that in Honduras wind power was actually the least cost source of energy -- cheaper than the diesel, cheaper than any other source. So, certainly renewable energy is going to be key there. Walmart in Mexico wants to be entirely on renewable energy and off the grid by 2020. So, those are some efforts that we're doing in terms of renewable energy.

In terms of the larger issue about exporting coal at LMG, I think that's still bubbling up there. I'm unaware of any particular formal policy on that at this point.

MR. GOMEZ: No, I would just say I think that's still -- I think that's a perfect description, it's still bubbling up. Having said that, though, as Fred pointed out, this is one of our -- energy is one of our targeted sectors, and I say it in the broadest sense, whether it's alternative energy, wind, and solar or whether it's traditional oil and gas services. I was in Israel last month supporting a trade mission from New Orleans. It was largely focused on oil and gas services. I was in India recently in a port facilities trade mission, and related to that were companies that provide services to the energy business. So, it's a great opportunity, and I think we're still -- I think there's still a lot of debate, as you well pointed out, on the export of -- whether it's natural gas or coal.

MS. LIU: Great. Why don't we take two more questions? Take these two. And then why don't we ask them at the same time, and we'll address them both?

MR. RUDD: My name is Tim Rudd. I work in Congressman Rangel's office up on the Hill, and I just wanted to get your thoughts on the impact that Russia joining the WTO might have over the next several years.

MS. LIU: Great, and let's take the other question here.

MR. BURGER: Yeah, thank you. Jim Burger from *Washington Trade Daily*. Apologies in advance. A question for Mr. Sanchez. But you mentioned -- it's a question about the fight for limited resources. The President just recently made a big deal out of enforcing overseas enforcement of U.S. rights overseas, unfair trade practices, and then he attached some money to that. First of all, is that extra, I think it's $24 million, is that part of the $68 million increase for ITA?

And also, I guess more psychologically, is it going to have an impact on your foreign commercial people, and particularly the State Department and people overseas, that they now have to turn their attention to investigating unfair trade practices rather than helping U.S. companies export?

MR. SANCHEZ: Well, let me answer the first question. No, it will not impact our trade specialists, because they have not been -- they're not expert in investigating unfair trade practices. So, they're going to continue to focus on helping businesses export. So, no, it will not impact that ES.

Part of the 68 million goes to trade enforcement. The President's been very clear. He is a strong, strong proponent of making sure that U.S. businesses are participating in the global economy. The NEI is a big part of that. Select USA, which we really haven't had a chance to talk about here, which is a program that includes in part attracting foreign direct investment in the United States. He's also been very clear that we're going to be vigorous enforcers of our trade laws, that we're going to make sure we do everything to have a level playing field within the United States. And so when a company doesn't play by the rules, when they dump, when a company is enjoying subsidies that put our companies at an unfair advantage within our own domestic market, we're going to vigorously enforce those laws. We're going to vigorously enforce our trade agreements.

One of the great advantages of a rules-based trading system and free-trade agreements is that it sets the rules so that everybody has a fair shot. And when we don't play by those rules, we're going to put a spotlight on it and we're going to enforce those agreements as well, and that's what's behind the President's both resources and focus on trade law enforcement.

MS. LIU: Do you want to answer the question about Russia?

MR. SANCHEZ: Oh, sure, happy --

MS. LIU: While you have the mic, and then I'll --

MR. HOCHBERG: I believe that it will have a positive impact for U.S. businesses. Right now Russia isn't subject to WTO rules, and I would say that we need to do everything we can to promote PNTR with Russia, as well as the removal of Jackson-Vanik. And if we don't do that, what will happen is Russia will accede to the WTO, countries around the world will be able to take full advantages of Russia's having to play by the WTO rules, and we won't. So, I think it will be positive for U.S. business, but we have to act as well.

MS. LIU: Any other comments?

MR. GOMEZ: I just want to say I've worked with Congressman Rangel before in his office in the Ways and Means Committee 12 years ago, working on getting China into the WTO, and from a small business perspective it's absolutely crucial for exporters, especially small businesses, if they're going to do business with Russia that they are part of the WTO. It's precisely because of what Undersecretary Sanchez mentioned on the protection, whether it's ID protection or the rule of law enforcement as well.

MS. LIU: Do each of you want to offer some closing thoughts before we wrap up?

MR. SANCHEZ: Why don't I just very quickly reiterate partnerships with local communities are central to our strategy. The International Trade Administration through the Department of Commerce looks forward to working with communities around the country to localizing the National Export Initiative and not only doubling exports by 2014, but looking beyond to make this a critical component of your local economies and certainly a critical component of our national economy.

MS. LIU: Great. Well said.

MR. GOMEZ: From the SBA point of view, you know, as we work with the STEP grant and their recipients and the small businesses, I mean, we look forward to in the next round of STEP 2 having them partner more with communities as well and to see the output and the increase of the multipliers as well.

MS. LIU: Great.

MR. HOCHBERG: I would just add that I think in this environment I see very intense competition globally, intense, and American companies are increasingly competing against other countries, not only other companies, and I'm hopeful we are reauthorized, because the efforts the President has put here are to try to level that playing field. I said to Bruce this morning some of our foreign governments give their companies a giant bear hug in helping them and we give them a mother-in-law's kiss. (Laughter)

MS. LIU: I'm going to close by taking a line out of the greater MSP Export Plan, which is one of their strategies is that they want to solidify their export team to unify all the fragmented programs that are out there in support of companies. Well, I think that this administration has put together a really solid export team. So please thank Chairman Hochberg, Dario, and Undersecretary Sanchez for their time, and thank all of you for being part of our program this morning.

* * * * *

CERTIFICATE OF NOTARY PUBLIC

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.

Carleton J. Anderson, III

(Signature and Seal on File)

Notary Public in and for the Commonwealth of Virginia

Commission No. 351998

Expires: November 30, 2012