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**Export Nation: How U.S. Metros Lead National Export Growth**
**Brookings Institution**
**July 27, 2010**

## Introduction

Thank you Jamie, for that introduction and for your leadership and guidance throughout this effort.

Before proceeding, I want to first thank my colleagues, Emilia Istrate and Jonathan Rothwell, for tackling this critical but unexplored topic with intellectual rigor, dogged persistence, and good humor.

The report we feature today describes how America's metropolitan areas can lead the nation to a different kind of economy, an economy that creates quality jobs with good wages by exporting more goods and services abroad.

In a global economy exports begin at home, with private sector firms seizing market opportunities beyond our borders.

Thus, it is best to begin with a story that takes us to Atlanta, Georgia and a small company with large export ambitions.

The company is Suniva, the products they make and sell are high efficiency silicon solar cells and high power solar modules. Between their founding in 2007 and the end of 2009 they have racked up nearly $1 billion in orders from India and Europe.

The company is the brainchild of Dr. Ajeet Rohatgi, an Indian born scientist educated in the United States. Like inventors before, Dr. Rohatgi was able to commercialize advanced research he conducted in the academy, in his case, the Georgia Institute of Technology.

Ninety percent of Suniva's sales in 2009 were exports; 85 percent of the content of their products is U.S. made. The company is now working to build a second plant in Saginaw, Michigan… a symbol of economic renewal for that troubled industrial state.

Suniva represents how the U.S. builds, firm by firm, the Next American Economy and, in the process, creates millions of private sector jobs.

The Suniva economy is one that we at Brookings describe as export oriented, low carbon, innovation fueled, and opportunity rich. In other words, an economy where we export more and waste less, innovate in what matters, produce and deploy more of what we invent and make economic growth work for the many rather than the few.

The report we release today focuses on exports and makes three critical points.

First, the U.S. must and can become an Export Nation. This is a recipe for a job filled rather than jobless recovery and a vehicle for raising our standards of living, tapping new sources of global demand and bringing balance back to our economy.

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

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

I've already used the word "export" 14 times in the last two minutes …which leads to an initial question, "What is an Export?"

People typically think of exports as goods that are manufactured here, put in a box and placed on a ship that takes them to foreign markets. That is only part of the story and overlooks the growing importance of service exports.

When a U.S. firm designs a building in Shanghai, that's a service export

When a foreign student pays tuition at an American university, that is also a service export.

A service export can include a tourist from abroad paying to see the sights in New York.

And it can include royalties for American movies and music that are consumed abroad.

**Given that broad definition, let me begin by offering a vision for an Export Nation.**

This is a vision where more firms in more sectors trade more goods and services seamlessly with the world, particularly with the rising nations that are rapidly urbanizing and industrializing.

President Obama embraced this vision in his State of the Union when he called for a doubling of exports in five years.

The departure from the current order of business could not be starker. The American economy has become dominated by imports rather than driven by exports.

In 2008, according to the Economist Intelligence Unit, total exports made up only 13 percent of the GDP of the U.S. compared to 36 percent in China, 35 percent in Canada, 24 percent in India, and higher levels in Japan and Europe.

Exporting has become almost an unnatural act in the U.S. Incredibly, according to the Department of Commerce, less than 1 percent of American companies export. And of those that do, less than half exported to more than one country.

The movement of freight in the United States is compromised, undermined by an infrastructure that is third class and transport networks that are clogged and congested.

All of this is true…and sobering. But there is a cultural dimension to exports which often gets overlooked.

Americans don’t get out much. We are remarkably insular despite being a demographically blessed nation with a growing and diversifying population. Half the population thinks the U.S. should mind its own business. Remarkably, seventy two percent of U.S. citizens don’t have a passport.

Can we get back into the export game? We think the answer is decidedly “yes.”

**The U.S. still manufactures** a range of advanced goods that the rest of the world wants including aircraft, space craft, electrical machinery, precision surgical instruments, and high quality pharmaceutical products.

The U.S. is also the world’s largest exporter of services. We already have a trade surplus in commercial services—$152 billion in 2008—and are poised for a quantum leap in exports in sectors such as education, health care, business and management consulting and architecture and engineering.

The consequences of shifting to an export oriented economy are profound.

In a jobless recovery, growing exports means more jobs.

The administration has estimated that doubling exports will generate 2 million new jobs. We think that estimate is exceedingly conservative and that the real impact could be much higher…3, 4, even 5 million more jobs.

In an economy polarized by income, growing exports means higher wages for more workers.

Research shows that exporting firms pay workers more and export intense industries are more likely to provide health and retirement benefits.

In 2008, for example, the top five exporting industries—advanced machinery, business services, transportation, chemicals, computer and electronic products—delivered almost half the value of national exports.

Each of these industries pays workers with wages that are higher than the national average wage. Computer and electronics paid the most among the top US exporting industries, 85 percent more than the national average wage.

In an economy crippled by ruined credit, growing exports means taking full advantage of the growth in Brazil, India, China and other rising nations.

We are about to cross an economic Rubicon. Brazil, India and China … the BICs … are expected to account for about a fifth of the global gross domestic product in 2010, surpassing the United States for the first time. This will grow to more than 25 percent by 2015.

The rise of the BICs reflects the rise of metros. For the first time in recorded history, more than half of the world's population lives in urban and metropolitan areas. By 2030, the metro share will surpass 60 percent. Across the globe, metro economies are driving demand for increased trade and commerce, only temporarily abated by this downturn.

The rise of the BICs also reflects the emergence of a global middle class. According to a recent Brookings study, the middle class spending of the Asia Pacific region alone will increase from 28 percent of the world total in 2009 to 54 percent in 2020. Consumers in rising nations will have the power to purchase the products and services we export in an unprecedented way.

Final point. In a nation saddled with debt and deficit, growing exports means a return to economic sanity and balance.

Americans have been consuming too much, and exporting too little. Over the last 30 years the U.S. share of domestic GDP attributable to consumption has risen by 7 percentage points; in other G7 countries (Canada, France, Germany, Italy, Japan and the United Kingdom) private consumption has stayed at a constant share of GDP.

Exports pose a different, disturbing picture. Exports as a share of GDP rose by almost 7 percentage points in other G7 nations while barely budging in the U.S.

This pattern of failing to exploit market opportunities abroad while living beyond our means at home is simply unsustainable. It contributed in no small measure to the bubble bursting economy of the past decade as foreign resources helped over stimulate the US housing market.

It is time to change. It is time to make exporting a central narrative of America's economic renewal.

**So here is our second proposition: metros will be the vanguard of national export growth.**

Any growth in exports, doubling or not, will begin with our major metropolitan areas.

Here is the real heart of the American economy …100 metropolitan areas that after decades of growth take up only 12 percent of our land mass, but harbor 2/3 of our population and generate 75 percent… 75 percent … of our gross domestic product.

These communities form a new economic geography –enveloping cities and suburbs, exurbs and rural towns.

Our report shows the extent to which these top 100 metros, in the aggregate, drive U.S. exports.

In 2008, they produced an estimated 64 percent of U.S. exports, including 75 percent of service exports, and 62.3 percent of manufactured goods that are sold abroad. Incredibly, the top 100 metros even produce 25 percent of America's agricultural exports and almost a third of oil, gas and mining exports.

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

Here we're talking about goods and services produced within the top 100 metros. But these places also play another critical role in trade they are the nation's logistical hubs, concentrating the movement of people and goods by air, rail and sea.

Metro economies, of course, do not exist in the aggregate; they have distinctive starting points and vary considerably in their export prowess and intensity.

Our research digs deep to profile the export potential of each of the top 100 metro areas.

Here is what we find:

The nation's four largest exporting metros, New York, L.A., Chicago, and Houston, are supersized performers, exporting more than $50 billion apiece in 2008.

Other major metros … Dallas, San Francisco, Boston, Philadelphia, Detroit, and Seattle … are also global players**,** exporting more than $24 billion apiece that year.

Incredibly, these 10 large metros generated 43 percent of the exports of the top 100 metros and 28 percent of national exports in 2008.

Yet this is not just about the largest metros. As we see here, a different group of smaller and medium sized metros are dependent on exports in ways that larger metros are not. Exports contribute more than 15 percent of gross metropolitan product in these ten U.S. metros.

The power of these places is the power of agglomeration and the power of networks.

Take Wichita for example. Wichita is the nation's most export intense metropolis, with 28 percent of its metropolitan output emanating from exports.

Transportation equipment drives the lion's share of Wichita exports, with more than 65 percent of the metro's exports coming from the sales of air craft and aircraft parts.

Jobs in the transportation equipment sector pay well, more than $61,500 on average, significantly higher than the average national wage of $45,500 and change.

In total, exports are responsible for 22 percent of total employment in the area and 71,000 jobs.

The Wichita export sector represents a well tuned network of public, private and nonprofit firms and institutions.

Firms like Cessna and Hawker Beechcraft are global players in aviation, servicing demand in countries ranging from Germany and Japan to the U.K.

These firms compete but also collaborate, sharing a thick labor market of skilled workers and benefitting from a wide range of supporting firms and institutions like parts suppliers Cox Machine and Perfekta, the National Institute for Aviation Research, the Wichita Technology Corporation and Wichita State University.

The Wichita story is repeated over and over in the top 100 metros. We have prepared export profiles for each of these places, which are available on our website.

These specific profiles illustrate the general proposition that metros are the vanguard of national growth.

**That leads to my final proposition: the US must connect its macro export vision to metro export reality, the macro to the metro.**

For decades, trade and export policy has only been about getting the big stuff right.

Working to compel a revaluation of foreign currencies, so that U.S. goods are accurately priced.

Working to open foreign markets, so U.S. firms can compete fairly with foreign competitors.

Working aggressively on the next generation of bilateral and multilateral trade agreements.

All this is fundamental and must continue.

But we compete in a fiercely competitive world where established nations like Germany and rising nations like China, India and Brazil are growing exports purposefully through multiple channels: transformative investments in innovation institutes, modern ports, freight rail, and export promotion.

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

This is a playbook where the federal and state governments *should lead where they must* given the need to level the global playing field and buttress a large national market.

At the same time, networks of metropolitan leaders and firms *must innovate where they should* given their distinct export clusters and special responsibilities for educating the workforce that serves these clusters.

For our federal and state leaders, it is time to invest … and reform.

We know that innovation is the historic catalyst and fuel for economic growth.
To compete abroad, we must boost innovation at home, so that our goods and services are of the highest quality.

Yet federal and state innovation efforts are still scattered, fundamentally divorced from manufacturing and ill resourced by a tax code that is heavily tilted towards real estate and consumption. We call for a National Innovation Foundation**,** modeled on successful efforts in Korea and Finland, to bring under one roof and ramp up the government's fragmented efforts to boost commercial innovations in fields such as precision manufacturing, information technology, and clean energy.

Beyond innovation, we must focus on connectivity, linking firms and metros to markets around the world.

Global connectivity requires a national freight strategy. Yet in the face of rising imports and exports, the feds and states often disperse scarce infrastructure dollars based on political reward rather than market returns. We call for a new National Infrastructure Bank to invest, with evidence and through public private partnerships, for the future: inter-modal facilities at our congested ports, high speed passenger and freight rail as in Germany and France, modern transmission lines to carry renewable energy seamlessly across state lines.

Connectivity also requires smart and strategic export promotion. Yet while our foreign competitors promote exports in deliberate ways, through sophisticated networks of outreach, facilitation and support, our federal and state efforts tend to be timid and fragmented.

We applaud the president's National Export Initiative, but there is much work to do in coordinating export promotion and assistance across all levels of government.

The work of coordination can start with expanding the president's export advisory council to include state and local leaders such as governors, mayors, county executives, and heads of metro business chambers, universities and economic development corporations. We need a fundamental overhaul of our federalist approach to export promotion, requiring state and local players to be at the federal table.

A national competitiveness strategy also requires metropolitan areas to innovate. There is much work to do.

For most cities and metropolitan areas today, economic development focuses either on "Starbucks and Stadia" real estate plays or on old style tax abatements to lure firms, generally from one municipality to another.

This economic development strategy resembles the prior economy, overly consumption oriented and excessively wasteful.

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

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

In the South, for instance, Charlotte has a different export profile than nearby Greensboro; Austin is distinct from San Antonio. Likewise, the notion of a unified “Rust Belt” stretching across large portions of the Northeast and Midwest overlooks the factors that distinguish export economies in Rochester, Cleveland, Indianapolis, and Chicago from one another.

Export initiatives must be cluster led to reflect the way metro economies actually function ….by clustering in close proximity networks of for profit firms and the institutions, companies and associations that support them.

Cluster led strategies might include tailored interventions on land, labor and capital as well as marketing and promotion.

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

Finally, metros export initiatives must be truly metropolitan in scope. Currently, there is a mismatch between the fragmented geography of government on one hand and the integrated geography of the economy on the other.

Stuttgart, Germany—an export powerhouse—has one economic development entity despite having 169 separate municipalities.

American metros must do the same. Rather than compete against each other with scarce resources, U.S. metros must collaborate to compete.

**Conclusion**

Let me end where I began.

The Great Recession forces us to think differently about the shape of the economy and to purposefully lay the foundation for a radically different kind of growth.

We need to get about the business of restructuring our economy, towards exports and low carbon, in favor of innovation, fuelled by education and skills, so we can compete globally and place the U.S. back on the path to prosperity. This path runs directly through our metropolitan areas.

If the United States is to become an Export Nation, major metros will be the vanguard of national export growth.

These are the places that concentrate the firms, entrepreneurs, and workers at the cutting edge of innovation.

These are the places that have the infrastructure to connect to growing metropolitan markets abroad.

These are the places that have the talent and energy and dynamism to push our economy forward to a prosperity that is real and sustainable.

In a global economy, exports begin at home … the major metropolitan areas that are on the front lines of global exchange.

We are a Metro Nation, and if we finally start to act like one, we can become a powerful Export Nation.