



INVESTING IN GREATER KANSAS CITY'S GLOBAL ECONOMIC FUTURE

FALL 2015 MARKET ASSESSMENT

(Released October 14, 2015)



THE CASE FOR GLOBAL TRADE

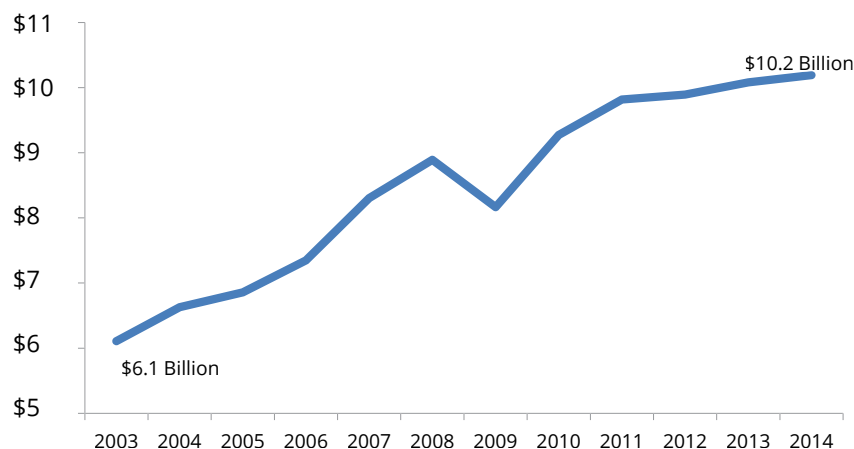
Global trade presents for forward-thinking firms and metropolitan regions significant potential for economic growth. As 95 percent of the world's consumers live outside of the U.S., and with 85 percent of world economic growth projected to occur outside of the U.S.¹, exporting provides a large opportunity for businesses to grow, become more competitive, and diversify their portfolios to weather changes in the U.S. domestic economy.

The Global Cities Initiative (GCI), a joint project of the Brookings Institution and JP Morgan Chase, aims to catalyze a critical shift in local economic growth policies and practices toward a more globally-oriented region. The Kansas City GCI Steering Committee is pleased to present the following Key findings from its Market Assessment of the Greater Kansas City region. This Assessment is a vital first step to developing a strategic Metropolitan Export Plan that will identify opportunities for the Kansas City Metropolitan Statistical Area (KCMSA)² to expand its global outreach and strengthen the area's economy, which has trailed its peers³ in job growth and GDP post-recession.

"[There's] work all over the world. That's why I'm talking export. Either the pie locally has to grow or we have to develop abilities to get hired outside of our regions."

-Architecture, Engineering, Construction Focus Group

Kansas City Exports in Billions



Kansas City's exports have grown steadily since 2003, growing from \$6.1 billion to \$10.2 billion. \$10.2 billion represents 9.6% of the region's GDP.

GCI STEERING COMMITTEE KEY FINDINGS

Working with Brookings' professionals and GCI Exchange metropolitan areas, the Kansas City GCI team developed a process for receiving direct input from the business community through surveys and interviews with companies and service providers in the metropolitan area. Additionally, a focus group was conducted with the service providers to more fully explore issues raised through the surveys and interviews. The research identified seven key findings, which will inform and guide the development of the region's first Export Plan.

1. Robust Transportation and Logistics Provide an Advantage

The region, which is centrally located and serves as a national crossroad, boasts the professional expertise and physical infrastructure necessary to expertly adapt to and adopt innovation in the technology of logistics and transportation.

Action Steps for Export Plan – Understand and identify how technological and geographical trends are going to impact this region's proven strength in logistics and transportation. Discern the logistics needs of regional manufacturers and how these needs affect their export potential.

2. The Majority of Businesses Surveyed Do Not Export

Consistent with what other GCI metropolitan areas have learned, the Kansas City survey revealed 53% of those responding do not export. Additionally, among the non-exporters, a significant majority have little interest in exporting in the future.

Action Steps for Export Plan – Develop a coordinated and focused effort by the region's export service providers to educate the business community about the potential for and value of expanding sales of goods and services outside the U.S., creating a paradigm shift towards a global mindset.

What are the main reasons that your company sells to customers in these countries?



3. Exports Are Not a Priority

Most exporting firms surveyed are passively engaged in international trade, citing how customers sought after their product, versus the firm independently pursuing international business development. Additionally, surveyed companies export to only one or a small number of countries and derive a relatively small share of their annual sales from exports.

Action Steps for Export Plan – Develop strategies or actions — such as identification of new markets and suppliers — for current exporters to grow international sales.

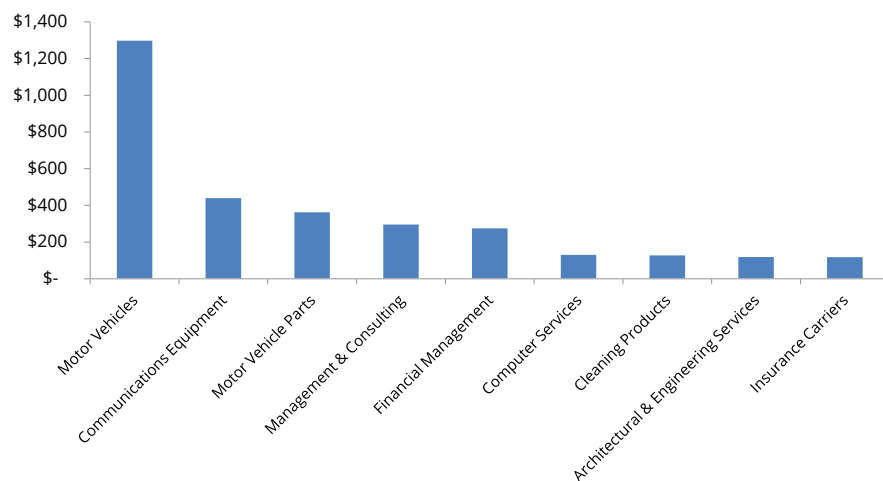
“When we are doing the same things and sometimes offer the same type of resources or training, I think we can confuse [companies] who might need our services ... we don’t make it as easy as we could for [companies] that might need our services.”
-Export Assistance Providers’ discussion

4. Businesses Unaware of Export Services

A significant majority (75%) of companies surveyed or interviewed reported they had not taken advantage of or were unaware of available export support services. It is equally likely non-exporters are unfamiliar with these services.

Action Steps for Export Plan – Identify options and alternatives for collaboration, coordination, and cooperation among the region’s wealth of local, state and federal resources. Create a strategy around increased awareness of service providers among potential exporters.

Key Exporting Industries (in Millions)



Kansas City exported over \$1.2 billion in motor vehicles in 2014 (12.7% or our regional total). Other, diverse industries were also key exporters with over \$100 million in exports.

5. Small and Mid-sized Enterprises (SME) Ripe for Export Expansion

SMEs present the best opportunity to benefit from a full-scale export plan. Specifically, medium sized enterprises are untapped potential as Kansas City reorients itself in the global marketplace. Mid-sized companies have a differentiated product, are capable and ready to commit resources, thus possessing a high threshold for expansion. While targeting mid-sized firms, additional strategies can alert and guide the smaller, high-export potential businesses to take advantage of these programs as well, resulting in expanded export markets for all SMEs.

Action Steps for Export Plan – Identify high-potential industry sectors and corresponding firms with each sector that represent the best opportunity for increased exports.

6. Local Economic Development Agencies (EDA) have great potential to be partners.

The region’s EDAs provide an interesting perspective and opportunity for a cooperative approach to growing exports. The EDAs typically have a specific mission and expectations around firm recruitment and employment growth. A focus on exports, where and when appropriate, would align with these objectives and could provide a meaningful push to job and income growth at the local level.

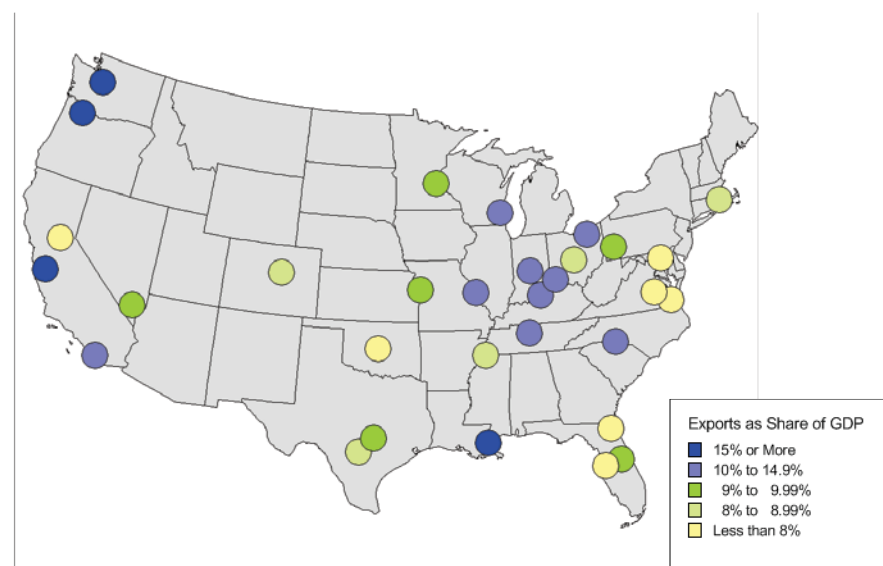
Action Steps for Export Plan – Working with willing EDAs, develop an information and education strategy to advise local businesses, both established and new, about the options and opportunities for growing exports. Develop a region-wide sense that sales growth can have comparable positive outcomes to both firm and job creation.

7. Exports are Growing Nationally, which Presents Great Opportunity Locally

Kansas City’s economic recovery has been slower than the growth of its peers and the nation when measured in terms of the region’s Gross Domestic Product (GDP). Using comparably sized metropolitan areas⁴, KC Rising has identified peers for comparing and measuring the performance of the KCMSA. Evidence suggests that an enhanced and growing export base can make significant contributions to the overall economic well-being of a region.

Action Steps for Export Plan – Identify strategies to exceed U.S. average exports as share of GDP rate in five years.

Exports Play a Smaller Role in KC’s Economy



¹ World Economic Outlook, International Monetary Fund, 2013

² KCMSA is defined by the US Office of Management and the Budget as a 14 -county region: Johnson, Leavenworth, Linn, Miami and Wyandotte counties in Kansas; and Bates, Caldwell, Cass, Clay, Clinton, Jackson, Lafayette, Platte, and Ray counties in Missouri.

³ Peer MSAs based on population include the 15 MSAs immediately larger than KC – Seattle, Minneapolis, San Diego, Tampa, St. Louis, Baltimore, Denver, Pittsburgh, Charlotte, NC, Portland, OR, San Antonio, Orlando, Sacramento, Cincinnati, Cleveland, and the 15 MSAs immediately smaller than KC – Las Vegas, Columbus, OH, Indianapolis, San Jose, Austin, Nashville, Virginia Beach, Providence, Milwaukee, Jacksonville, Memphis, Oklahoma City, Louisville, Richmond and New Orleans.

⁴ Annual revenues between 10 Million and 1 Billion USD, Brookings Institution

GREATER KANSAS CITY'S GCI STORY

A partnership between the Brookings Institution and JP Morgan Chase led to creation of the Global Cities Initiative (GCI) Exchange in 2012. The third and final invitation to metropolitan areas to become participants in the GCI Exchange was issued in December of 2014 and the KC-MSA was selected as part of the final group. The Brookings team has assisted the KCMSA in identifying processes and analyzing outcomes for this Market Assessment and, along with professionals from JP Morgan Chase, will be invaluable in assisting with the formation of a KCMSA Export Plan. The plan and its successful implementation will be vital to ensuring the KCMSA takes advantage of all the potential that exports provide

Brookings has developed a model based on a metropolitan area's industry mix estimating the value of the metropolitan area's exports. This model's data has informed and guided the GCI Steering Committee. The information gathered through surveys, interviews and discussions have been critical to this Market Assessment.

Task forces comprised of professionals with skills specific to the seven key findings will craft the strategies, action agenda, and evaluation criteria that will be used to advance exports.

A LOOK AHEAD: THE BIGGER PICTURE

Creation of a regional export plan is the first step in developing a broader plan to increase the region's participation in global trade. The next step is to formulate similar strategies to attract foreign direct investment, an equally critical source of future economic growth. The fully integrated export / foreign direct investment plan combined with Kansas City's participation in the GCI network of peer cities and shared best practices will facilitate the region's ability to develop global relationships and seed long term sustainability.

The GCI Steering Committee was established to oversee the Market Assessment and Export Plan. This Committee is comprised of leaders from companies that currently

export and organizations and agencies that provide services to exporters. The Export Plan and subsequent strategies on foreign direct investment are a critical component of a larger region-wide, business-led economic development effort called KC Rising. This economic development plan, under the leadership of representatives of the larger business community, is coming together to "create a sustainable, strategic vision for the economic future" of the KCMSA.

The GCI Export Plan is an important step in positioning the KCMSA economy to be:

- fast-growing
- attractive to workers in a variety of professions
- an innovation and business incubator
- a driver of global business in the U.S.

As Kansas City companies consider doing international business or expanding current international operations, several markets have large opportunities for trade. Kansas City regional companies trade the most with Canada and Mexico; NAFTA plays a key role in our trade relationship with these nations and will continue to strengthen North American trading partnerships.

Also of influence, many substantial consumer markets are located in the Asia-Pacific region. In *The New Global Middle Class* the Brookings Institution reports that by 2030, less than 15 years in the future, two-thirds of the global middle class will reside in that region.

In addition, Sub-Saharan Africa is an emerging market. The White House, in 2014, established a Doing Business in Africa campaign with significant financing and other assistance available to businesses in the U.S. with a focus on energy, aviation, banking and construction sectors. These are all among the key traded sectors in the KCMSA.

With the help of local partners and the Kansas City business community, the GCI Steering Committee looks forward to building the first ever strategic metropolitan export plan and a competitive global economic future for Greater Kansas City.



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*Core Team