

Wichita Regional Export Planning Initiative

Global Cities Initiative: A Joint Project of Brookings - JPMorgan Chase

“Global markets hold the key to the future success of our local, state, and national economies.”

-Wichita Mayor Carl Brewer

By 2018, 83 percent of global GDP growth will occur outside the U.S.¹

Ten-county Export Market Assessment Report
July 2014

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Introduction

The Wichita region of South Central Kansas was selected to participate in the Global Cities Initiative (GCI). The 10-county region includes Butler, Cowley, Harper, Harvey, Kingman, Marion, McPherson, Reno, Sedgwick and Sumner counties. The Global Cities Initiative is a joint project of the Brookings Institution and JPMorgan Chase, helping U.S. metro areas strengthen their international economic connections and competitiveness. As part of GCI, Brookings selects metro areas to participate in the GCI Exchange, a peer learning network of regional business, government, and civic leaders. Through the Exchange, Brookings helps metro areas to create data-driven trade, investment, and global engagement strategies, tailored to their local needs and assets. As part of the Exchange, the Wichita region will produce a data-driven Export Plan, Trade Policy memo, and Foreign Direct Investment Strategy. Participation in the GCI allowed the Wichita region access to current data at a level never before available, offering an opportunity to examine the impact of exports on the regional economy.

A comprehensive market assessment was conducted as the first step towards building the export plan for the 10-county region. Data analysis on the regional and MSA economy without regard to exports was first examined. Then the effect of exports on the MSA and region was reviewed. Surveys, interviews and group discussions supplemented data analysis. A collaborative approach with leaders from the ten-county region was used to inform the assessment by providing periodic updates and receiving feedback. In summary, four input methods were employed in this market assessment: data analysis, online survey, executive interviews, and small group discussions during three meetings over the assessment period.

For consistency, Brookings data and data analysis (most current available) was used throughout this report. In some cases current data for the MSA and level was not available from Brookings. For example, when examining the export destinations (countries) of the top industry export categories, limited data is available. Thus, national level industry data was examined as well as MSA data available from Brookings (2008-1010). When data at the county level was not available, MSA level data was used. Note that Brookings data is considered the most accurate, comprehensive and granular data currently available.

The collaborative effort was led by the Core Team alongside nearly 100 volunteers from all ten counties who make up the Regional Export Planning Team. Core Team and Regional Export Planning Team members are listed at the end of this report.

Stakeholders provided financial resources and guidance for this project and are listed at the end of this report along with their implicit role in the export system. Their commitment and dedication to understanding the impact and opportunity of exports in our region is the cornerstone of this project.

This report documents the market assessment and key findings and is the first step in a process to address the well-being and role of exports in the regional economy. The learnings highlighted in this assessment are a description of current conditions, not a plan to address those conditions. The next step in this process is a regional export plan, developed collaboratively by the stakeholders, Core Team and Regional Export Planning Team named in this document. The export plan will be our call to action, and will include the following essential elements: succinct goal(s) and objectives with strategies to

address key findings noted in this report; specific tactics for implementation, including additional analysis required, marketing plans needed and systems designed; key players in the export system; performance metrics; budget considerations and funding mechanisms, and time frames for completion.

Executive Summary

Economic Growth is Outside the U.S.

- ❖ By 2030, more than 90% of global middle-class spending will happen outside North America.²

Exports Support Jobs

- ❖ Every \$1 billion dollars of exports supports 5,590 U.S. jobs.³

We Can Do Better

- ❖ Only four percent of U.S. employers export and 58 percent of exporters only sell to one foreign market.⁴

Why does the Wichita region need an export plan? The Wichita MSA lost 31,000 jobs from the pre-recession peak to the trough, representing about 10 percent of its total workforce. This is well over twice the amount lost by many Midwestern peer cities. Even worse, the Wichita MSA is not participating in the rebound trend experienced by its regional peers.

The Wichita region is highly dependent on exports, dominated by the aviation industry. This dominance is both a benefit and a challenge. While the aviation industry provides a huge financial and employment influx to the Wichita region, the dominance of one industry puts the entire regional economy at the mercy of the wide fluctuations commonplace in the aviation industry. Of greater interest, the aviation industry is at the mercy of the *global* economy. According to the FAA, “fundamentally, demand for aviation is driven by economic activity”, the most likely reason why key emerging markets like Brazil and China, “have been shaping recent (general aviation) industry growth” while the U.S. and European markets have faced economic challenges and uncertainty.”^{5,6} According to General Aviation News, post-recession economic indicators reflect that U.S. aviation manufacturing is nearing recovery. However, “this industry faces a number of challenges in an increasingly competitive *global* market.”⁷

Given the complexity and global challenges in the Wichita region’s dominant industry, it was determined that the opportunity is to increase exports by helping non-aerospace high value industries grow, increasing the number of small companies who export and by providing support to the aviation industry.

While these may seem to be daunting tasks, the systematic analysis and collaborative approach the 100-member Regional Export Planning Team employed in the development of the Market Assessment lays the foundation for future success.

The analysis indicates that exports can be increased by three vital activities: **1) promotion** of exports; **2) education** on export processes; and **3) development** of an **efficient service provider network**. In all input methods reviewed, the absence of these activities, or the need for more efficient and effective implementation, was evident. For example, despite the region’s dependence on exports there is a pervasive lack of knowledge of the impact of exports on the economy in the general population and with many area leaders. As well, financial support for export service providers is insignificant, making it extremely difficult to encourage and assist more companies to increase exports. In addition, during the survey and interview process, companies cited the need for more education about exporting and indicated a lack of knowledge of exporter services available. The analysis also shows the potential to

increase regional exports and thereby grow our existing businesses and economy, *if* we improve support of export companies and activities.

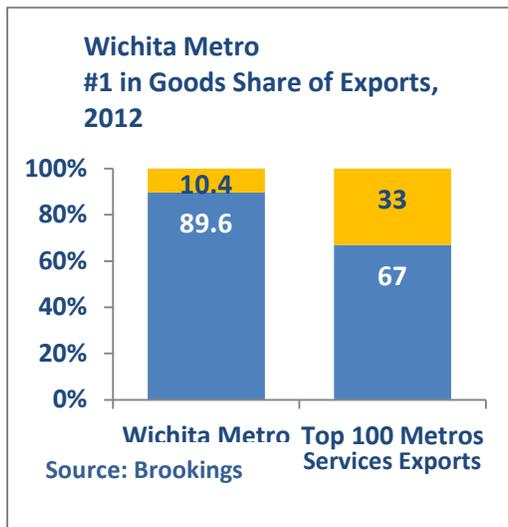
Key Findings

Wichita is export dependent. In 2012, 27.7 percent of the Wichita economy was dependent on exports, ranking #3 of the top 100 metros. (Baton Rouge, LA and Ogden, UT were #1 and #2 at 30.5 percent and 29.2 percent respectively.) Wichita’s export intensity, which is the share of exports to total production of goods and services, has been greater than 20 percent since 2003.⁸

The primary driver for the high intensity was from the transportation equipment (aviation) manufacturing sector. The other export industries contributing to the region’s export dependence include farm and turf equipment, chemicals and food products.



Export growth has fallen post-recession. The post-recession (2009-2012) real export growth rate was 5.1 percent annually compared to pre-recession (2003-2008) rate of 22.3 percent.⁹



90 percent of the exports in the region are goods. The high concentration of goods exports earned a #1 ranking of the Top 100 metros in the nation in 2012. Of the goods production, over half is attributed to aerospace manufacturing. Machinery, petroleum and coal products, computers and electronics, chemicals, fabricated metal products, and food products make up the rest.¹⁰

Service industry exports account for approximately 10 percent of exports, with the majority of those exports attributed to the travel and tourism industry. Travel and tourism exports have grown at an average annual rate of five percent. Financial Services, which account for 1.1 percent of exports, have grown at an average annual rate of 6.3 percent.¹¹

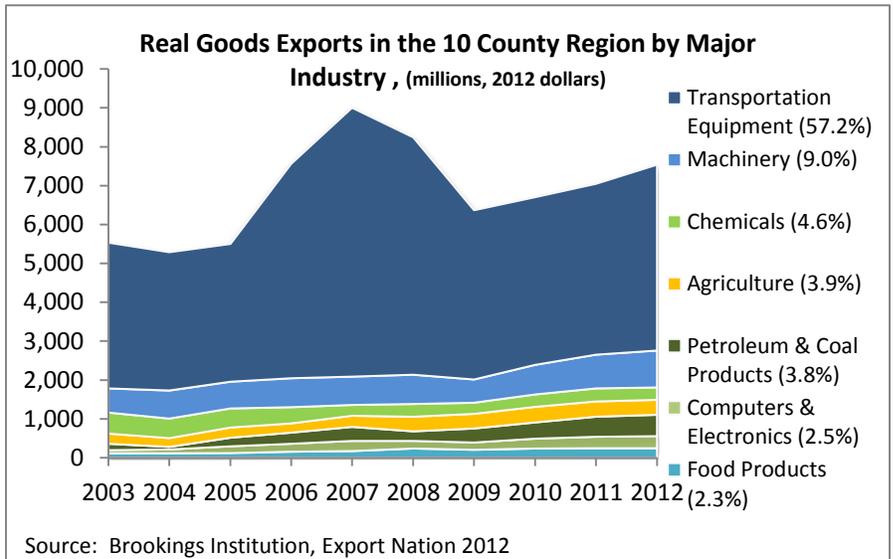
Aviation exports are volatile and dominant. The chart titled Real Goods Exports on the following page shows that aviation exports have a history of volatility. Looking back further, transportation exports were in a decline from 1999 to 2003. In addition, analyses revealed that the slow growth of aviation exports, averaging 2.8 percent, masks stronger export growth in other high value industries. Averaging

57.2 percent of total exports over the past decade, aviation exports overshadow the overall trend of exporting in the region.¹²

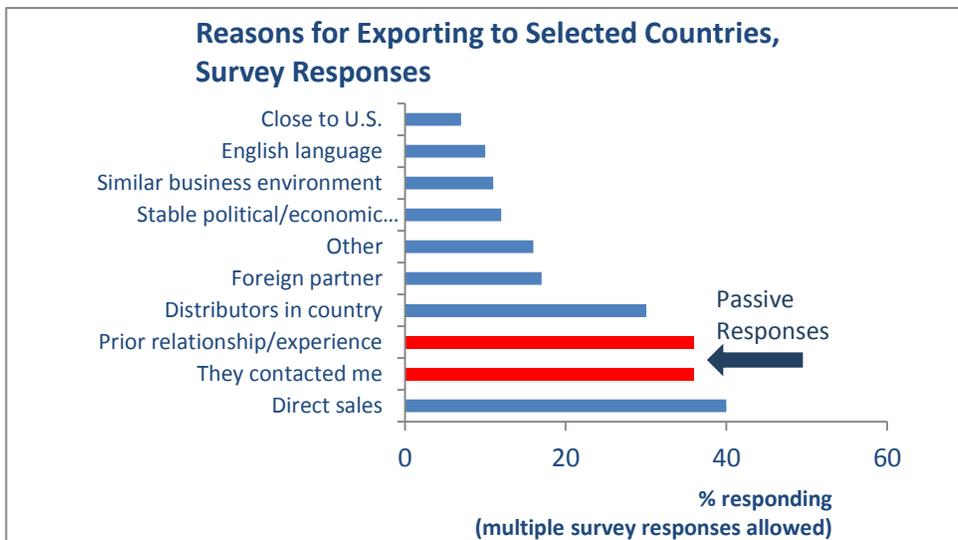
Machinery manufacturing, which accounts for 9 percent of total exports, was up 51 percent, growing at an average annual rate of 4.7 percent. Petroleum and Coal Products and Computers and Electronics grew at average annual rates of 14.1 percent and 16.3 percent, respectively, although proportionately they account for only a small amount of exports.¹³

A few companies dominate in almost every exporting industry.

There are a small number of companies in each industry doing very well exporting their goods to the world. However, the majority of companies in each major industry are not strong exporters. The data shows us there is global demand for these products. The success of the few very experienced exporters in each sector tells us companies from the region can be globally competitive. Overall, the



indication is that smaller companies in these globally relevant industries are not exporting enough, and have an opportunity to increase exports. There is an additional opportunity to position the leading companies as mentors to smaller, new to export firms.



Many current exporting companies were passive in their selection of export markets. Of the survey respondents who exported, a large portion (36 percent) passively selected their export markets and/or used a prior relationship/ experience (36 percent) to select a market possibly indicating a less than pro-active entry strategy. The interview process revealed that passive

exporters have not grown, while active exporters indicated an average of 12 percent growth in exports, in recent years.

Wichita Regional Export Planning Initiative

Potential for increased exports lies in helping passive exporters understand their unique global opportunity for growth in new export markets, by providing training on how to overcome obstacles to global market-entry, and by helping active exporters export more efficiently by connecting them to resources, including experienced exporters.

Unresolved Issues Are Amplified Without Assistance

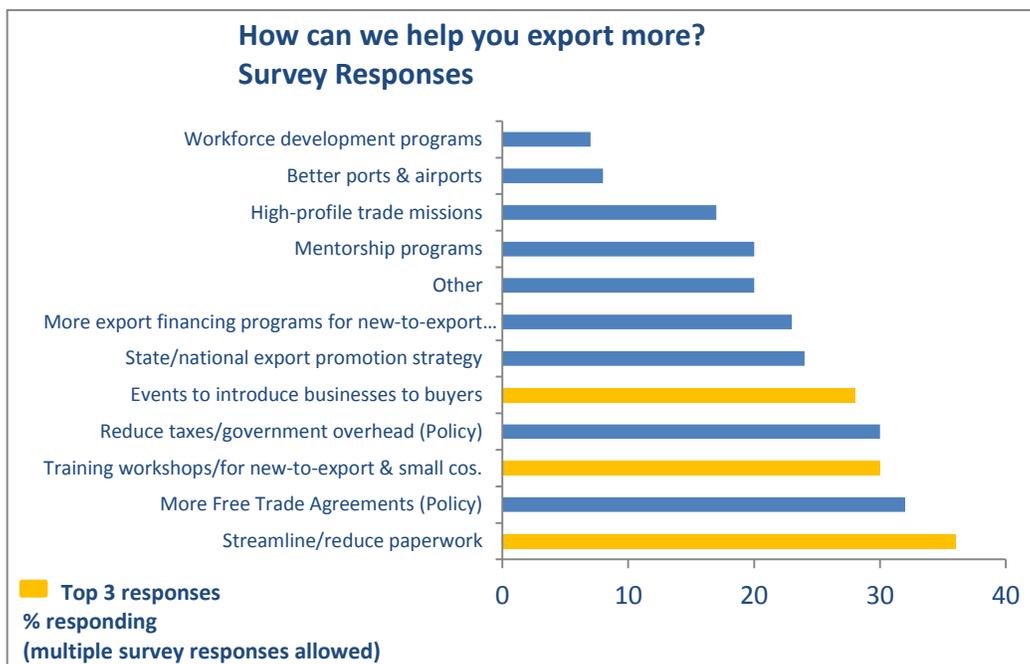


Most companies don't use export assistance often or at all. When they do, they use the U.S Department of Commerce, Kansas Department of Commerce or Kansas Global Trade Services, according to survey respondents and executive interviews, and they are mostly satisfied or very satisfied, with a few exceptions. The problem is not a service gap or the quality of assistance being provided. Instead, the companies that need assistance are not aware of export service providers. Service Provider Interview Key Findings include a belief that the regional culture is not open to exporting; demand for services is not expected to increase; funding is an issue for state government

and half of the non-profit providers; and most do *not* have a formalized marketing program or budget to promote their services.

Obstacles to exporting are paperwork, lack of education and finding potential buyers.

Survey responses indicated that potential exports are hindered by the burden of documentation, the need for more training on regulations, the knowledge of how to export, and the ability to connect to potential buyers – the top three responses after removing policy related



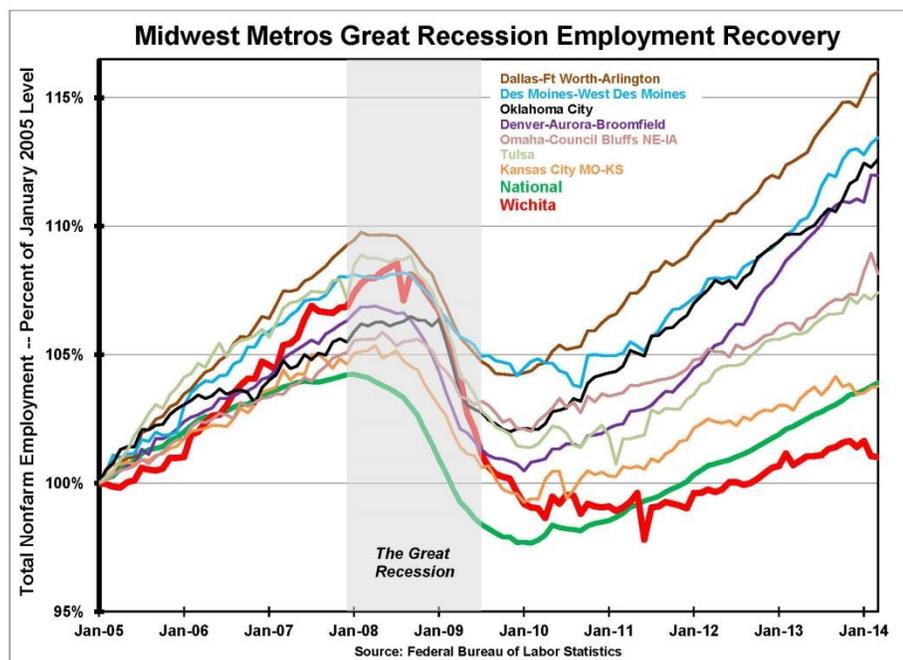
issues. Shipping costs, export regulations and access to export finance programs were also cited.

Rationale for Exports

Exports generate revenue. From 2005-2009, U.S. manufacturers that exported saw revenues grow by 37 percent, while those that did not export saw revenues fall by 7 percent.¹⁴

The area lost 31,000 jobs from its prerecession peak to the trough, representing about 10 percent of the total workforce. The region has regained about one-third of jobs lost, well below the Midwest and National performance.

Wichita's aviation exports declined \$2.5 billion between 2008 and 2012 translating to an estimated 15,000 jobs lost.¹⁵ At the peak in 2008, transportation equipment exports equaled 64 percent or \$4.73 billion of the area's total of \$7.43 billion.¹⁶ In 2012, aircraft products and parts had not regained pre-recession totals. More significant is that export driven jobs pay 18 percent more than non-exporting firms, according to a 2013 Business Roundtable Report.¹⁷



Despite jobs lost, the region has had great success in exports and its economy continues to benefit. The success of current small exporters demonstrates the potential for others to be successful. Positive export performance in non-aerospace sectors indicates the potential to increase exports by helping more firms in these sectors export.

Given the regional economy's reliance on exports, it is clear that an increase in exports would be beneficial. However, a different approach is needed from the current export service provider network and regional leaders. Attention to the needs of exporters and a focused effort to efficiently assist and

support their ambition to increase exports is required. In addition there is a need to educate the community and companies about exports as economic opportunity.

The export plan will address these issues and more and is a major component of the Greater Wichita Economic Development Coalition's (GWEDC) integrated strategy. GWEDC is the largest economic development organization in the region; its strategy was developed with significant guidance from the Greater Wichita Metro Chamber's Leadership Council, a group of 100 business and government leaders. The export plan and this initiative are specifically outlined in GWEDC's integrated strategy as a key deliverable.

This project was also incorporated in the region's Investing in Manufacturing Communities Partnership (IMCP). The IMCP is a grant program funded by the U.S. Department of Commerce Economic Development Administration and is locally administered by Wichita State University (WSU). With regional input, collaboration and WSU leadership, Wichita was named one of 12 Manufacturing Communities by the U.S. Department of Commerce Economic Development Administration. This designation provides the region elevated consideration for a portion of \$1.3 billion in federal funding over the next two years. This market assessment and the export plan, when completed, will be directly incorporated into the IMCP efforts.

Exports, while not the entire answer to regaining jobs lost, are a key element in a globally competitive regional economy. Future generations will benefit from our ability to compete globally. A strong well-supported export ecosystem integrated within the region's economic development initiatives is an important step. It must be executed in concert with other regional initiatives to maintain a modern freight and infrastructure network, sound government policy, skilled workforce, and companies producing innovative products and services.

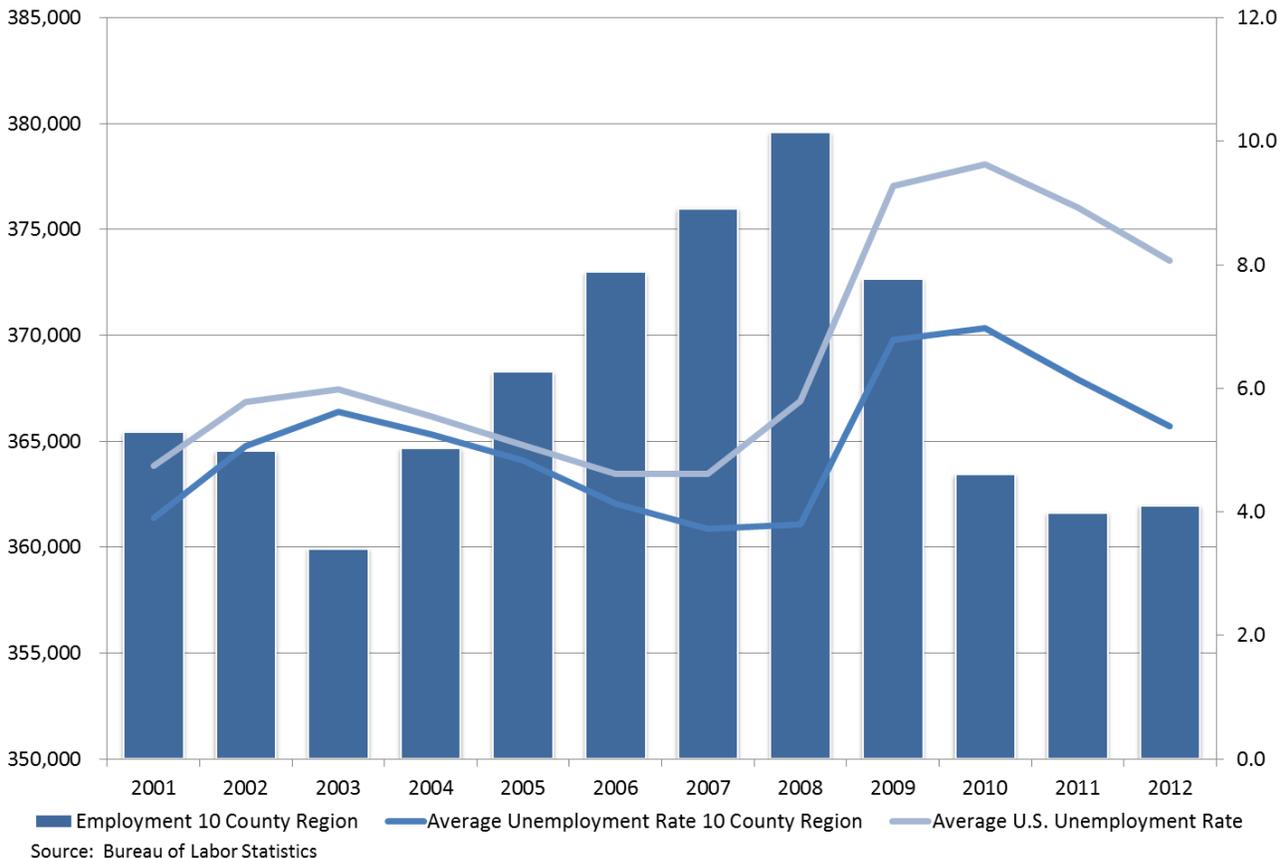
Overview of the Regional Economy and its Performance

This section examines the composition of the regional economy and its performance. The analysis begins with employment, moves to GDP and finally reviews industry concentrations and specializations (“clusters”). Comparison is made to the top 100 metros in the nation as well as national performance to better understand our competitive position. Review in this section is conducted without consideration of exports to obtain a clear view of the region’s economic strengths and vulnerabilities.

Although output in the region continued to grow during the recession, employment levels have yet to return to pre-recession levels. This is most evident in the goods producing sectors, which were the hardest hit during the recession.

The average size of the labor force in the 10-county area between 2001 and 2012 was 367,600 persons. Employment in the region hit a high of 379,599 workers in 2008. Although regional unemployment remains below national unemployment, employment was still 4.6 percent below pre-recession levels at the end of 2012, and preliminary data through the first quarter of 2014 did not point to much improvement.

Employment and Unemployment in the 10 County Region



Real output (“GDP”) in the region

Average real output across the 10 county region continued to grow through the recovery, although at a slower rate than the pre-recession years. However, the real output of counties within the region has varied. Butler and McPherson counties continued to grow output during the recession and have had higher post-recession growth rates than in the years from 2003 to 2008. Harper, Harvey, Sedgwick and Sumner Counties have not yet regained their pre-recession output growth rates.

Real Output Annualized Growth Rates for the Region

County	2003-2008 (Pre-Recession)	2008-2012 (Recovery)	2009-2012 (Post-Recession)	2003-2012
Butler	1.1%	3.0%	4.4%	2.0%
Cowley	-0.1%	1.6%	2.9%	0.7%
Harper	2.6%	0.7%	2.5%	1.7%
Harvey	2.4%	1.1%	1.7%	1.8%
Kingman	4.4%	0.9%	2.4%	2.8%
Marion	1.8%	1.7%	2.4%	1.8%
McPherson	0.6%	4.0%	5.1%	2.1%
Reno	1.3%	2.0%	1.6%	1.6%
Sedgwick	2.6%	-0.5%	1.9%	1.2%
Sumner	2.5%	0.6%	2.2%	1.7%
10 County Average	1.9%	1.5%	2.7%	1.7%

Source: The Brookings Institution

Compared to the top 100 metros in the nation, the Wichita metro is one of the smallest in terms of population and employment numbers, ranking 86 in terms of population, 82 in economic output and 81 in employment.

Wichita Metro Comparison

	United States	Top 100 Metros	Wichita
Population, 2011	311,591,919	204,047,837	625,039
Rank *			86
Output, 2011 (in millions)	\$13,108,469	\$9,361,293	\$23,160
Rank *			82
Employment, 2011 (in thousands)	137,317	91,787	293
Rank *			81

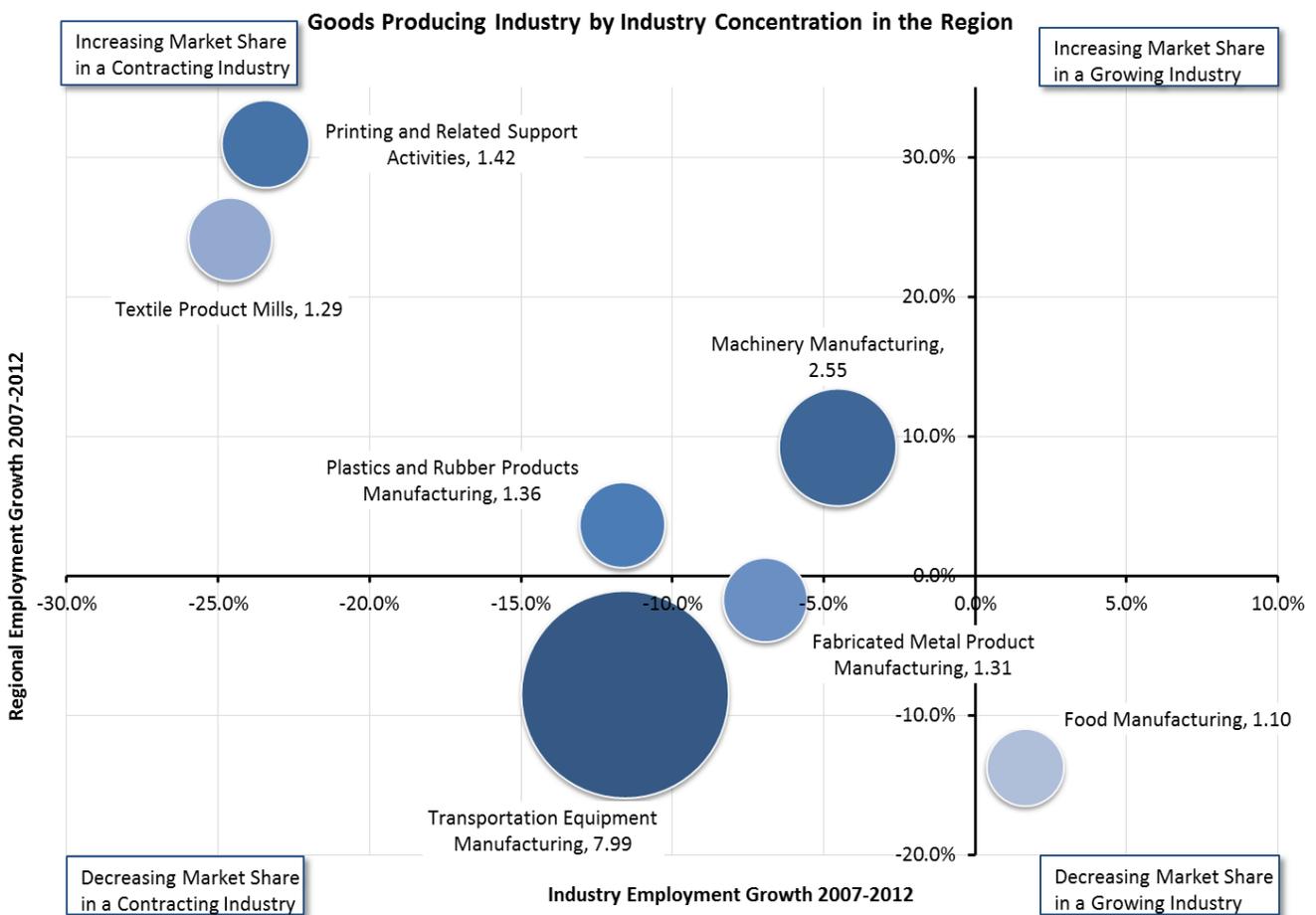
* among 100 largest U.S. Metros

Source: Brookings analysis of Moody’s Analytics data

The region's goods producing industry concentrations and specializations

An examination to determine regional industry “clusters” was conducted. Location Quotient (LQ) was used to quantify the concentration of an industry as compared to the nation; LQ indicates the degree to which a metro area specializes in an industry relative to the national average. The higher the LQ, the greater the industry specialization.

We also measured market share to determine whether the industry was growing or contracting. For example, in the ‘Goods Producing Industry by Industry Concentration in the Region’ chart below the largest “bubble” is labeled ‘Transportation Equipment Manufacturing, 7.99’. The size of the bubble shows industry concentration or LQ (7.00); its location in the lower left quadrant shows a Decreasing Market Share in a Contracting Industry. The same analysis was used to examine services producing industries later in this section.



Source: Bureau of Labor Statistics, 10 County Area

The chart above shows that transportation equipment and machinery manufacturing are the highest concentrations of goods producing industries (the two largest bubbles). Textron Aviation (Beechcraft and Cessna) and Spirit Aerosystems are two of the largest private sector employers in the area; both are in the aerospace industry.

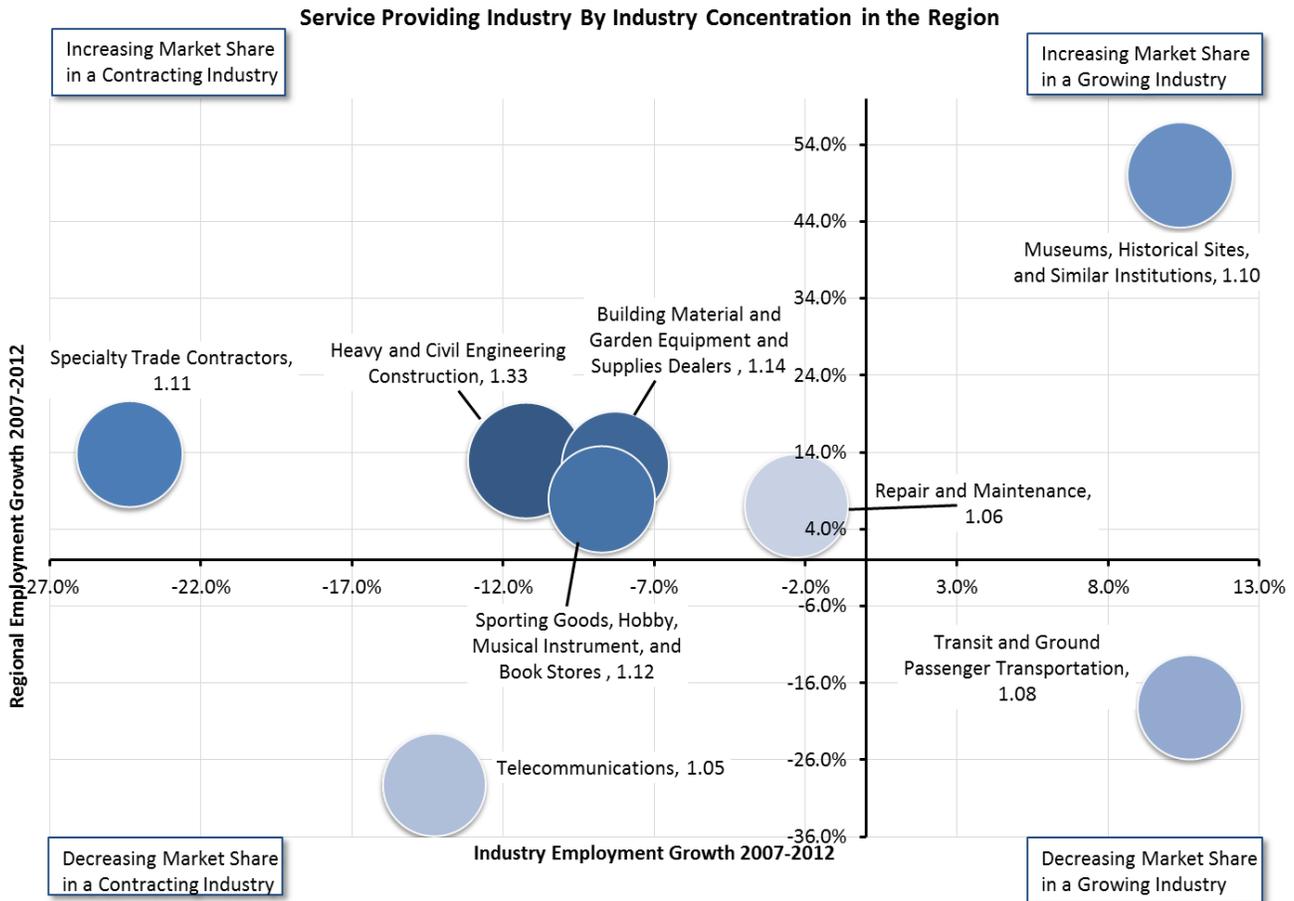
The food manufacturing industry has grown by 1.7 percent between 2007 and 2012, even taking into account the slow economy (note its “bubble” in the lower right quadrant). The three largest employers in the region in the food manufacturing industry are Cargill Meat Solutions Corp., Creekstone Farms Premium Beef and Farmland Foods, Inc.

In addition to transportation equipment and food manufacturing, there are a variety of goods producing industries that provide above average wages and have a local presence, although these industries have not exhibited strong growth over the past five years.

- ❖ Machinery manufacturers in the area include CNH Industrial, a construction equipment manufacturer; AgCo, a farm equipment manufacturer; and The Bradbury Group, a steel roll forming equipment manufacturer. Johnson Controls, Inc. and York Unitary Products Group are two local large employers in the ventilation, heating, air-conditioning and commercial refrigeration equipment manufacturing industry.
- ❖ Fabricated metal product manufacturers tend to be smaller establishments, and there are over 300 in the region. A few of the larger fabricated metal product employers are Metal-Fab Inc., Takako America Co., Inc., Central Steel Inc. and Perfekta Inc.
- ❖ One of the area’s largest employers in the computer and electronic product manufacturing sector is NetApp, a global data storage company. Many of the other large local employers in this sector are related to aerospace manufacturing producing navigational, measuring and control instruments. These companies include Aeroflex Wichita, Bombardier Aerospace and Crane Aerospace and Electronics.
- ❖ Miscellaneous manufacturing is a broad category which includes: Chance Morgan, Inc., amusement park rides; Graphics Systems, Inc., medical equipment; Husky Liners, automobile parts; Lowen Sign Company, signs; and Viega LLC, plastics and plastic products.
- ❖ Chemical manufacturing companies in the area include Koch Industries, Inc. and INVISTA, a subsidiary of Koch Industries. Other chemical manufacturers in the area include National Plastics Color Inc., Occidental Chemical Corp. and Sherwin-Williams Manufacturing.
- ❖ There are not a large number of electrical equipment manufacturers in the area. Electromech Technologies manufactures a variety of electrical parts, including valves, generators and motors, some for the aerospace industry. Shelley Electric Inc. produces fiber optics equipment and systems. Wescon Controls LLC produces relay and industrial controls.

The region's services producing industry concentrations and specializations

Service providing industries also provide above average employment in the local area. The chart below shows museums, historical sites, and similar institutions have experienced strong growth. The area also has a higher than average concentration in the construction services industries of specialty trade contractors, heavy and civil engineering and building materials dealers. There may be potential growth in these industries as construction recovers.



The industrial mix in the South Central region is highly influenced by manufacturing. The Wichita area is one of the most highly concentrated manufacturing areas in the nation, and the only metropolitan area of its size to be so highly concentrated in aerospace manufacturing. While the area hosts ample services, especially as a regional hub for outlying communities, the concentration of employment in manufacturing is most significant.

Export Economy and Performance

In this section we examine the export economy and its performance. We begin at the national level to review current export trends, including top 100 metros performance, export destinations (countries), and top exporting industries. We then move to the “local” level. When possible the ten-county region’s data is used; when not, metro level data is used to compare “local” performance to that of our neighbors and the top 100 metros. We also review export volume history and industries with export potential indicated by those with an employment concentration and strong national exports. Finally, we identify the top export destinations (countries) to which companies in the region sell their products and services.

U.S. and Top 100 Metro Export Trends

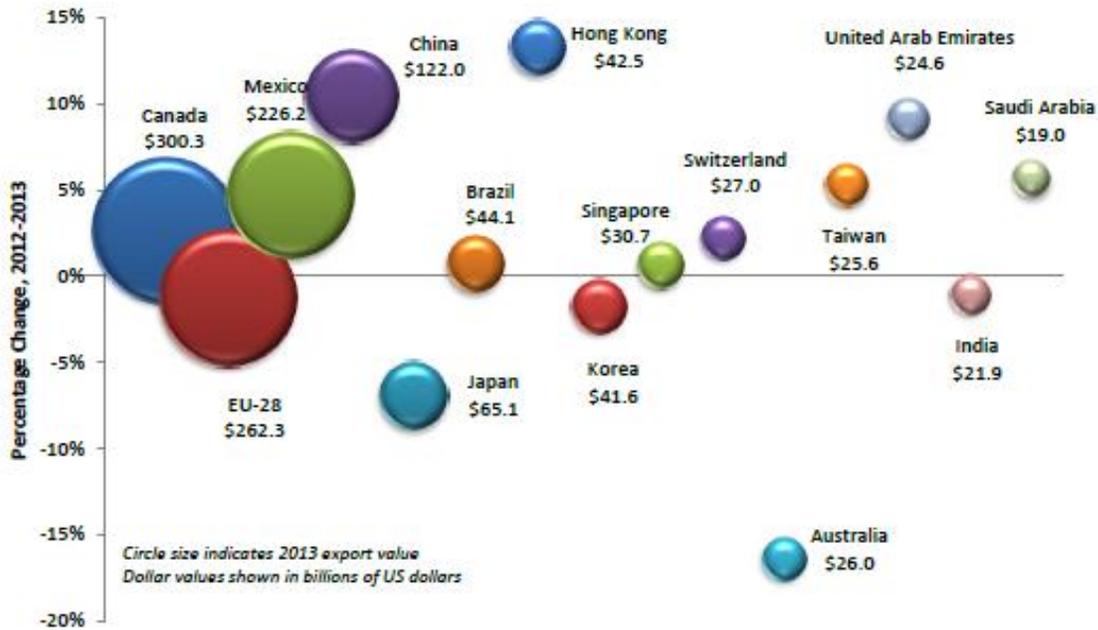
Exports have played a key role in economic recovery in the United States. The largest metro areas contributed the majority of the nation’s total exports, accounting for 64 percent.¹⁸ Despite this positive trend, according to the Brookings Institution, “Only 12 of the top 100 metro areas have maintained the 15 percent annual growth rate required to double exports, suggesting that there is significant potential for the expansion of exports at the metro level.”¹⁹

U.S. exports reached a record high in 2013 at nearly \$2.3 trillion, logging a 44 percent increase in the dollar value of exports post-recession. “Export growth since the end of the most recent recession has averaged close to 10 percent, with growth in the exports of goods averaging 10.4 percent over the last four years and the growth in the export of services averaging 7.6 percent.”²⁰ In contrast, U.S. GDP growth averaged only 1.08 percent for the same period.²¹

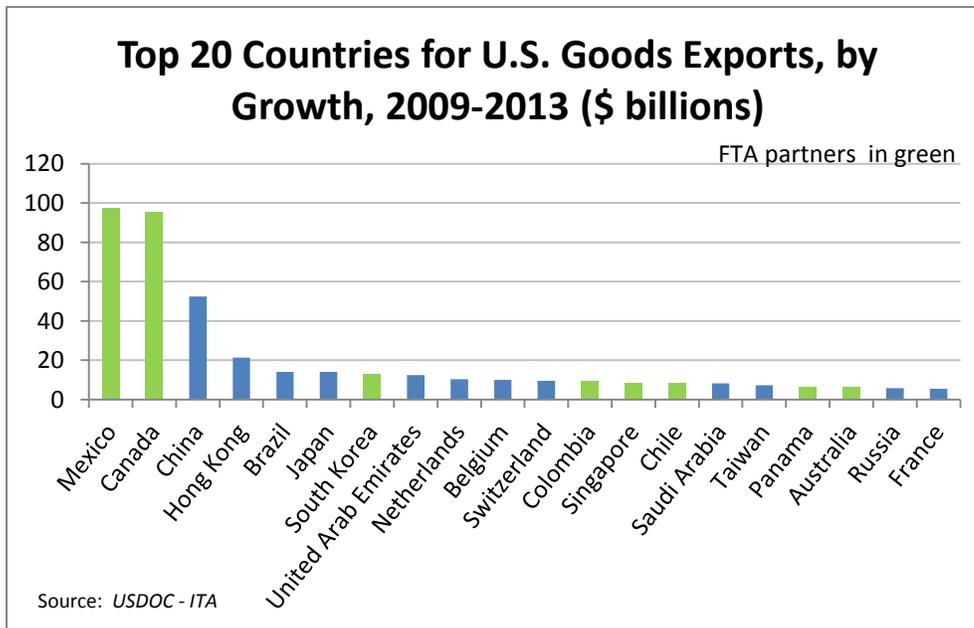
According to the U.S. Department of Commerce, jobs supported by total exports were 11.3 million in 2013, an increase of 1.6 million since 2009, with goods exports accounting for 64 percent of jobs and services exports accounting for 36 percent.²² This is important because it shows the contribution of exports to the economy and jobs as the nation recovers from the recession.

In the figure from the U.S. Department of Commerce titled ‘Figure 2: Top Export Markets and Growth, 2013’, Canada and Mexico were the largest markets for U.S. exports by volume in 2013, accounting for more than one third of total goods exports. China, Japan, and Germany (included in the EU-28) round out the top 5 U.S. goods export destinations.²³ According to the same report, “... China showed the highest dollar growth compared to 2012, up nearly \$12 billion.”²⁴

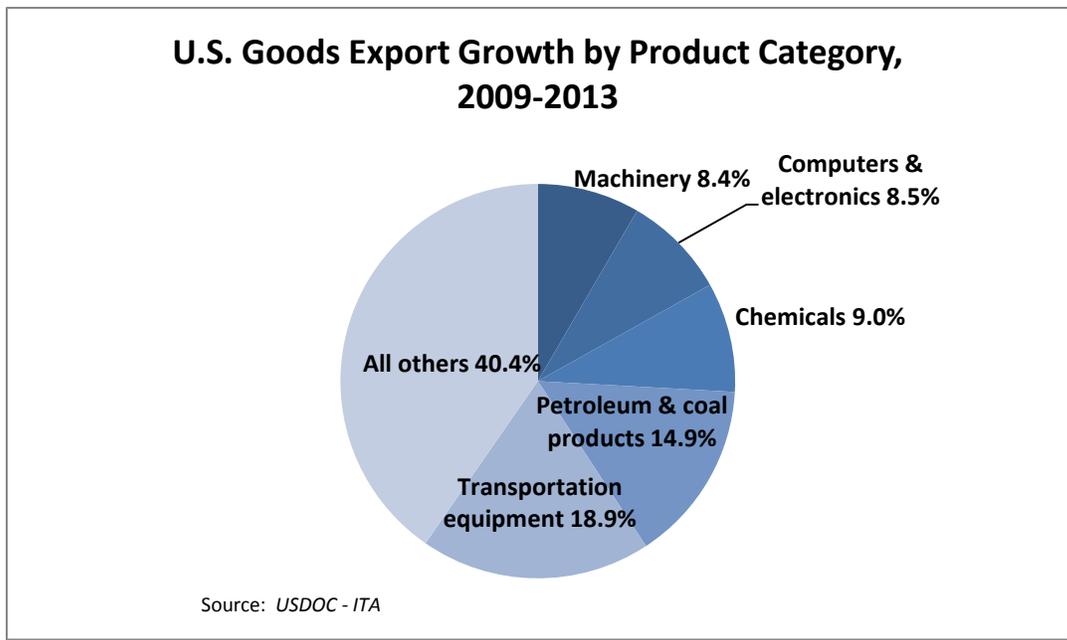
Figure 2: Top Export Markets and Growth, 2013



Referring to the figure titled ‘Top 20 countries for U.S. Goods Exports’, Mexico, Canada and China contributed the most to U.S. export growth since 2009. Central and South America have shown the most rapid growth over the same period, although accounting for a smaller share of overall exports. Additionally, U.S. goods exports to Free Trade Agreement partners (FTA) increased by 57 percent since 2009.²⁵

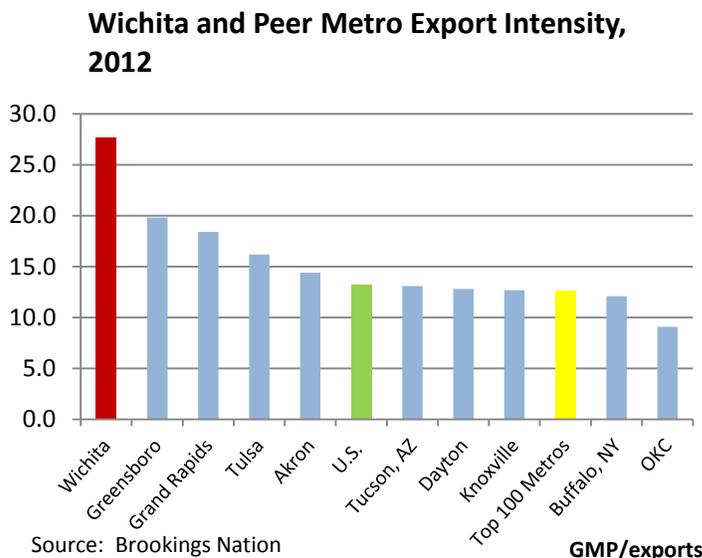


As shown in the chart below, transportation equipment exports increased by \$98.6 billion, or just less than 19 percent of total U.S. export growth. Petroleum products, chemicals, computer and electronic products saw a 14.9 percent, 9 percent, and 8.5 percent respectively increase during this same period.²⁶



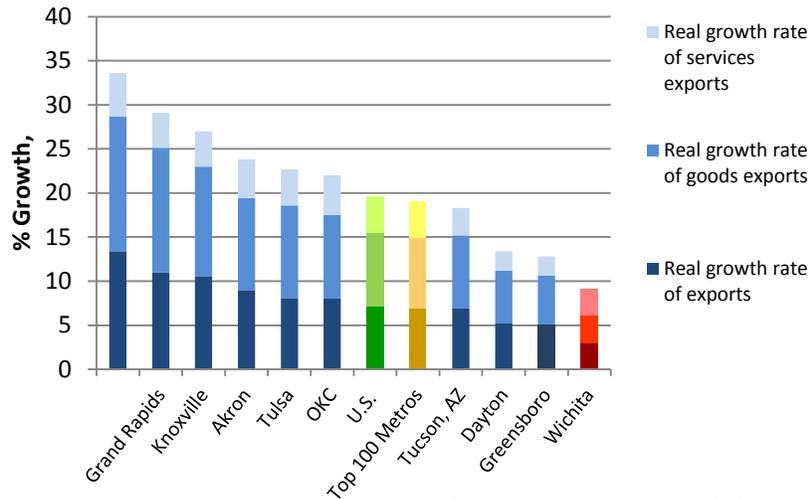
“Local” Area Export Economy and Performance

Wichita’s export intensity earns a high ranking among the Top 100 metros and outperforms the U.S. However, its recent export growth performance lags behind its peers and the U.S. as a whole. Approximately 90 percent of the exports in the region are goods produced. Total exports in 2012 were \$7.673 billion, adding only \$1.069 billion (16.19 percent) from 2009 to 2012.²⁷



Comparing Wichita MSA to peer metros using data from the Brookings Institution, Wichita wins in export intensity **but comes in last in export growth in post-recession years**. Pre-recession growth rates combined with export intensity placed the Wichita metro as one of the top exporters in the nation. It was one of only four metros in the nation to double exports in the years preceding the recession.

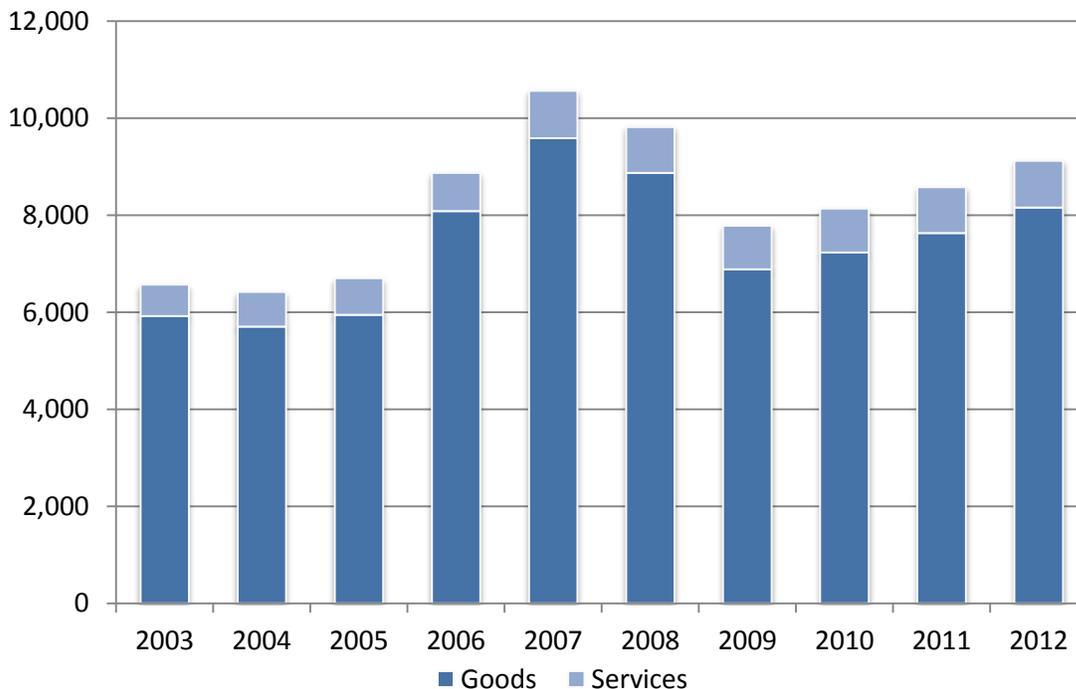
Wichita and Peer Metro Export Growth, 2009-2012



Source: Brookings Nation 2013

Of the goods exports, nearly 60 percent is attributed to aerospace manufacturing. It follows that the overall real export trend over the past decade has followed the decline and slow recovery of the aircraft industry caused by the 2008 recession.

Real Exports in the 10 County Region (millions, 2012 dollars)



Source: The Brookings Institution

Wichita Regional Export Planning Initiative

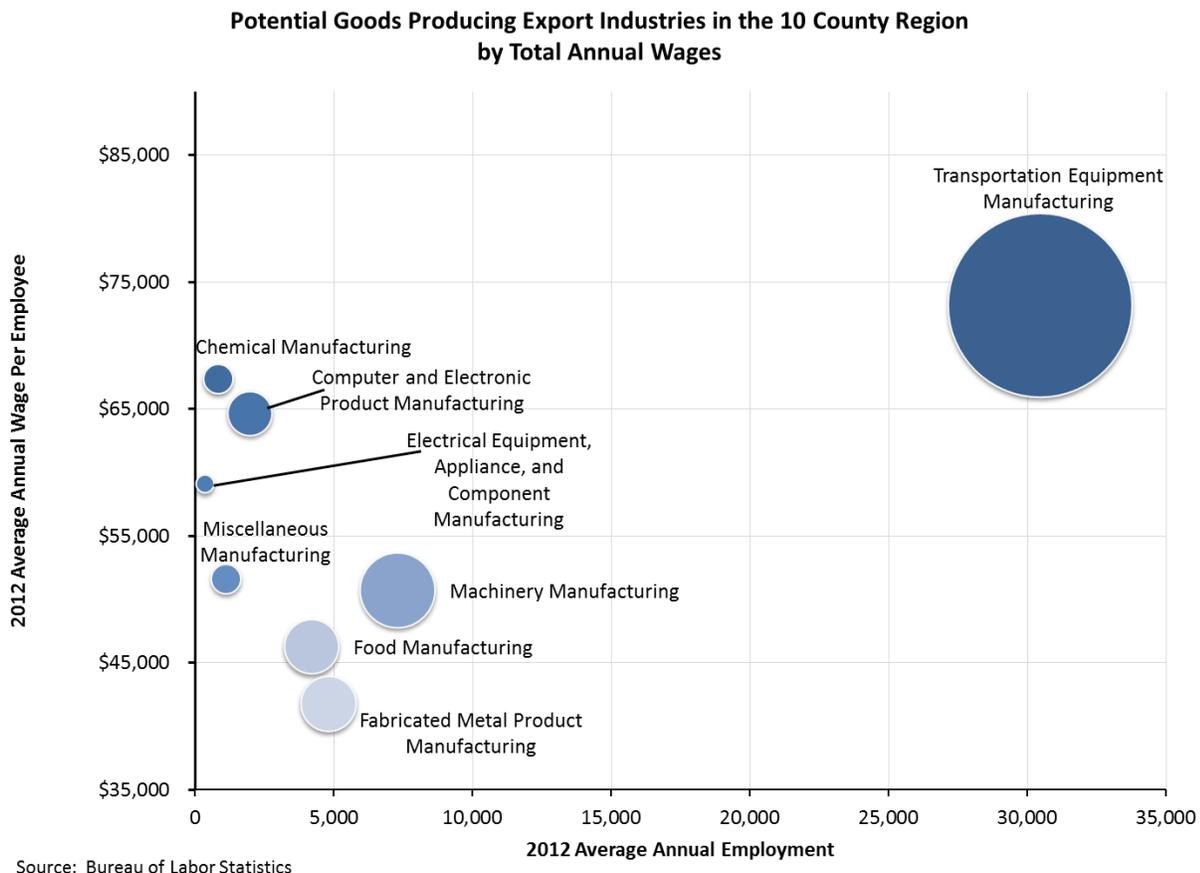
The Region's Top Exporting Industries

In a previous section we examined the top industries in the region in the context of employment and compared to the nation. In this section, we consider the top *exporting* industries in the region. To understand the economic impact, we consider location quotient (LQ) and wage value.

Top Exporting Goods Industries in the Ten County Area

There are many industries in the area with the potential to have a positive economic impact through increased exports. Potential target export industries would be those with an above average local wage and a high level of national exports. Industries which have positive growth trends between 2007 and 2012 are also considered good target markets.

The chart below shows transportation equipment and machinery manufacturing goods have the highest employment concentrations; they also have strong national exports as identified in the previous section. There are other industries with strong national exports and employment concentrations such as food manufacturing and fabricated metal manufacturing.



The table below shows the goods producing industry that best meets these requirements is food manufacturing. Nationally, food manufacturing accounts for 2.8 percent of exports. The industry has grown by 1.7 percent between 2007 and 2012, even taking into account the slow economy.

10 County Area Potential Goods Producing Export Industries
(2012 Annual Averages)

Industry	Establishments	Employment	Wage Per Job	L.Q.
Food Mfg.	67	4,199	46,265	1.10
Transportation Equipment Mfg.	152	30,454	73,182	7.99
Machinery Mfg.	105	7,303	50,715	2.55
Fabricated Metal Product Mfg.	205	4,809	41,786	1.31
Computer and Electronic Product Mfg.	35	1,993	64,705	0.70
Miscellaneous Mfg.	61	1,124	51,602	0.75
Chemical Mfg.	30	851	67,369	0.42
Electrical Equipment, Appliance, and Component Mfg.	9	358	59,060	0.37

Source: The Bureau of Labor Statistics

There are numerous food manufacturing companies of various sizes in the region with export potential. In addition to food manufacturing, a variety of goods producing industries account for a portion of national exports, provide above average wages, and have a local presence, although these industries have not exhibited strong growth over the past five years.

Transportation equipment manufacturing currently accounts for the largest share of the local economy and have the greatest potential to increase exports. This is due to both the number of workers and the average wage of aerospace workers. Machinery manufacturing, food manufacturing and fabricated metal product manufacturing all also make significant contributions to the local economy.

The large companies and original equipment manufacturers in the transportation equipment category historically have done exceedingly well with exports. In this increasingly competitive global environment, these companies will need more support in trade policy and workforce development. However, given this same global environment, smaller companies in the transportation equipment category have unrealized export potential. Connecting with these companies to determine their appetite for export expansion and specific needs is an important step. Additionally, consideration of the overall aviation supply chain may be even more important as the region considers how it will support its aviation cluster.

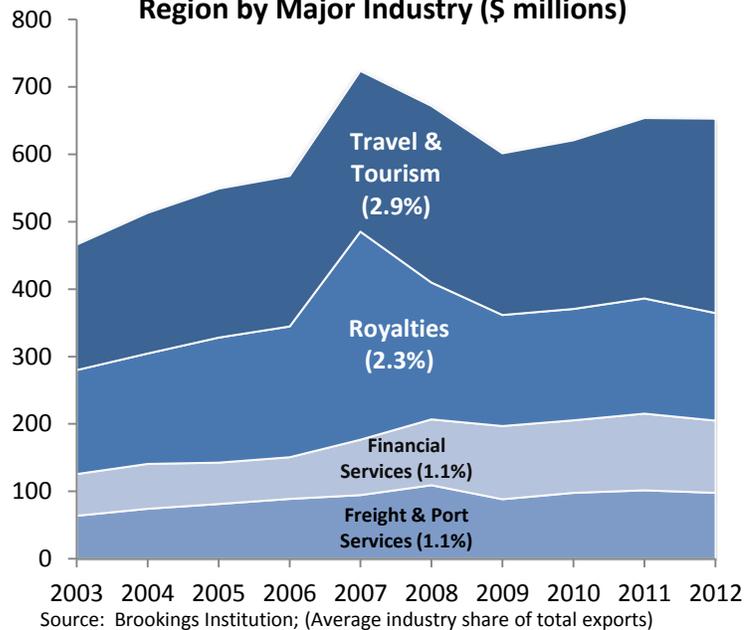
Top Exporting Services Industries in the Ten County Area

Museums, historical sites, and similar institutions have experienced strong growth and may account for the growth seen in travel and tourism exports in the area.

The area has a higher than average concentration in the construction services industries of specialty trade contractors, heavy and civil engineering and building materials dealers. There may be potential growth in these industries as construction continues to recover.

Area service industries account for approximately 10 percent of exports, with the majority of those exports attributed to the travel and tourism industry. Travel and tourism exports have grown at an average annual rate of five percent. Financial Services, which account for 1.1 percent of exports, have grown at an average annual rate of 6.3 percent.

2012 Real Services Exports in the 10 County Region by Major Industry (\$ millions)



As shown in the 10-county chart below, five service providing industries have higher than average local wage, strong national exports and industry growth. These industries are medical services, professional, scientific and technical services, and support activities for transportation and mining (drilling).

10 County Area Potential Service Providing Export Industries
(2012 Annual Averages)

Industry	Establishments	Employment	Wage Per Job	L.Q.
Ambulatory Health Care Services	1,223	16,332	56,348	1.00
Professional, Scientific, and Technical Services	1,838	10,417	53,623	0.51
Hospitals	24	8,829	45,949	0.72
Support Activities for Transportation	109	1,301	47,189	0.87
Support Activities for Mining	100	911	54,625	0.89
Specialty Trade Contractors	1,278	10,182	41,142	1.11
Credit Intermediation and Related Activities	492	5,669	45,366	0.84
Motor Vehicle and Parts Dealers	348	5,287	41,695	1.17
Construction of Buildings	465	3,080	43,513	0.96
Heavy and Civil Engineering Construction	118	2,939	48,214	1.33
Telecommunications	102	2,335	60,907	1.05
Securities, Commodity Contracts, and Other Financial Investments and Related Activities	216	676	89,346	0.32
Broadcasting (except Internet)	26	560	49,481	0.75
Air Transportation	17	356	45,757	0.30
Data Processing, Hosting, and Related Services	33	176	44,411	0.27

Source: The Bureau of Labor Statistics

The medical service industry, which includes ambulatory health care and hospitals, has experienced strong employment growth nationally between 2007 and 2012, 17.9 percent and 8.8 percent, respectively. These industries include the private offices of physicians, dentists and other health practitioners; as well as outpatient care centers, medical and diagnostic laboratories, home health services, general hospitals, psychiatric and substance abuse hospitals and specialty hospitals.

Professional, scientific and technical services employment grew at a national rate of 6.1 percent between 2007 and 2012. This industry includes the offices of attorneys, accountants and tax preparers. Also included are architectural and engineering services, and advertising and public relations. Scientific and technical consulting and research and development are also included. Examples of companies in this category include Airbus North America Engineering, a provider of aviation engineering, and Foulston Siefkin LLP and Allen Gibbs and Houlik LC, the largest legal and CPA firms in the area, respectively.

Support activities for transportation employment grew at a national rate of 1.7 percent between 2007 and 2012. Local large employers in this industry are Mid-Continent Airport and First Group America, which provides support activities for rail transportation.

Support activities for mining have seen the largest national employment growth at 35.9 percent between 2007 and 2012. The largest local employers in this industry are oil well drilling companies, for example Berexco Inc., Murfin Drilling Co Inc. and VAL Energy, Inc.

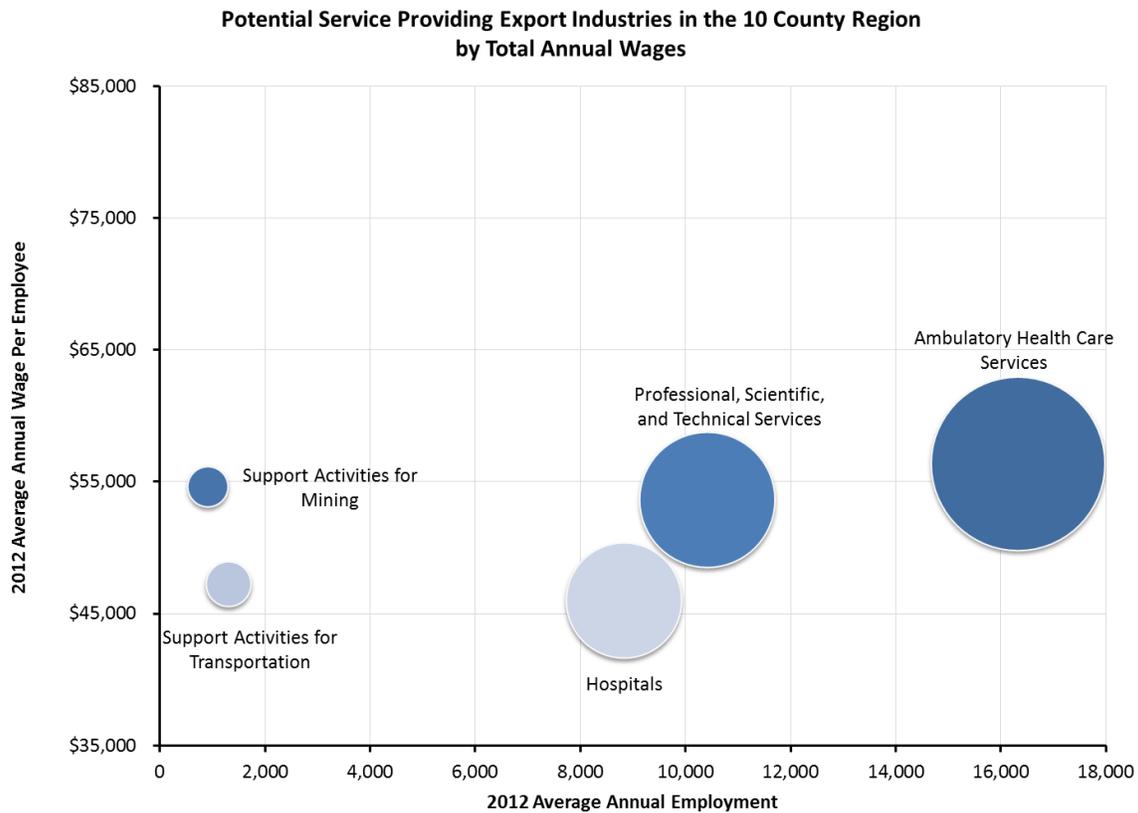
In addition to these industries, a variety of services providing industries account for a portion of national exports, provide above average wages, and have a local presence, although these industries have not exhibited strong growth over the past five years.

Referring to the chart on the next page, the service providing industries with the potential to have a significant impact on the local economy through an increase in export activity, medical services currently accounts for the largest share of the local economy. This is due to the number of workers employed in the health care industry. Professional, scientific and technical services also make a significant contribution to the local economy.

Although not a significant contribution to the economy, education services have export potential and are in a position to support companies as they seek to expand exports. For example, Wichita Area Technical College has potential to export its services and Wichita State University position's itself as a key supporter for companies in the region who want to grow.

Many industries in the area have the potential to increase exports and register a positive economic impact. Food manufacturing has a large local presence, strong growth, and above average wages. Aerospace manufacturing, machinery manufacturing and fabricated metal products manufacturing are all produced locally, provide above average wages, and have a high level of national exports. Medical

services, professional, scientific and technical services, and support services for transportation and mining activities also have the potential to have a positive economic impact through increased exports.



The Region’s Top Export Markets (Countries) for its Goods

In the previous section, food manufacturing, aerospace manufacturing, machinery manufacturing and fabricated metal products manufacturing were identified as industries with the potential to have a positive economic impact through increased exports. Because of the dominant impact on the regional economy, we also examined aerospace products and parts. Using U.S. Census data from USA Trade Online, the countries U.S. companies export to in each of these sectors are examined, by current value and growth over the period 2003-2013.

The focus is on national level data because reliable data at the MSA or regional level is not available after 2010 to determine export destinations (countries) at the industry level. For reference only, Brookings export markets data for the Wichita MSA during the period 2008-2010 is included. Data is not available for service industry categories.

Top Export Markets for Food Manufacturing

Canada and Mexico are the two largest markets for food manufacturing, matching the largest markets for U.S. exports overall, and make up more than one-third of total U.S. exports of food and kindred products. Growth rates are relatively modest yet healthy.

Top Export Markets for Food & Kindred Products* from the U.S. by Value and Growth				
Country	Value (2013)	Value Change (2003-2013)	Annual Growth (2012-2013)	Share of U.S. Total
Canada	\$14,943,444,740	\$9,097,146,700	7.0%	21.8%
Mexico	\$10,310,237,306	\$6,165,237,414	6.8%	15.0%
China	\$6,253,297,931	\$3,497,848,800	6.4%	6.7%
Japan	\$4,623,346,014	\$2,024,249,238	6.0%	9.1%
Philippines	\$2,923,314,564	\$1,350,713,785	5.8%	2.4%

*NAICS 311 Food and Kindred Products

Top Export Markets for Food & Kindred Products* from the Wichita MSA by Value (2010)					
Country	Real Exports (2010 dollars)			Real Export Growth Rates	
	2008	2009	2010	2008-2009	2009-2010
Canada	\$20,300,000	\$17,900,000	\$17,000,000	-11.7%	-4.9%
Mexico	\$15,200,000	\$11,700,000	\$11,700,000	-22.7%	-0.1%
Japan	\$9,000,000	\$8,400,000	\$7,800,000	-6.9%	-7.4%
China	\$5,100,000	\$3,800,000	\$4,400,000	-26.6%	16.2%
Korea	\$3,800,000	\$2,800,000	\$3,500,000	-27.1%	25.5%

*NAICS 311 Food and Kindred Products

Top Export Markets for Fabricated Metal Products

Canada and Mexico are the two largest markets for fabricated metal manufacturing, but do not account for a large portion of U.S. total exports of this industry sector, whose products are quite evenly exported throughout the world. In review of data not included in these tables, over the past decade, many African nations emerged as fast-growing markets for fabricated metal manufacturing, but still represent a very small portion of global market share.

Top U.S. Markets for Fabricated Metal Products* by Value (2013)			
Country	Value	Annual Growth	Share of U.S. Total
Canada	\$12,668,052,523	-0.2%	6.2%
Mexico	\$9,095,150,664	10.7%	4.5%
China	\$2,040,862,211	13.6%	1.0%
United Arab Emirates	\$1,579,378,720	32.0%	0.8%
Korea, South	\$1,546,187,710	39.4%	0.8%

* NAICS 332 Fabricated Metal Products

Top Export Markets for Fabricated Metal Products* from the Wichita MSA by Value (2010)					
Country	Real Exports (2010 dollars)			Real Export Growth Rates	
	2008	2009	2010	2008-2009	2009-2010
Canada	\$34,700,000	\$21,900,000	\$24,900,000	-37.0%	14.0%
Mexico	\$19,800,000	\$12,700,000	\$15,000,000	-35.7%	18.2%
China	\$4,900,000	\$3,500,000	\$4,200,000	-28.2%	21.0%
Korea	\$3,100,000	\$2,200,000	\$3,900,000	-28.3%	75.1%
United Kingdom	\$5,400,000	\$3,600,000	\$3,600,000	-32.5%	0.5%

* NAICS 332 Fabricated Metal Products

Top Export Markets for Machinery Manufacturing

Canada and Mexico are the two largest markets for machinery manufacturing, matching the largest markets for U.S. exports overall, and make up about one-third of total U.S. exports of this product category. However, growth was negative in three of the top five markets. In review of data not shown in these tables, growth over the past decade reveals the top five fastest growing markets are small nations in the Pacific and Africa, accounting for negligible percentage of total U.S. exports of machinery.

Top U.S. Markets for Machinery Manufacturing* by Value (2013)			
Country	Value	Annual Growth	Share of U.S. Total
Canada	\$32,378,296,019	-5.1%	20.5%
Mexico	\$20,271,908,054	7.3%	12.9%
China	\$10,118,239,703	2.3%	6.4%
South Korea	\$5,995,096,001	-2.3%	3.8%
Brazil	\$5,729,014,853	-1.6%	3.6%
*NAICS 333 Machinery Manufacturing			

Top Export Markets for Machinery Manufacturing* from the Wichita MSA by Value (2010)					
Country	Real Exports (2010 dollars)			Real Export Growth Rates	
	2008	2009	2010	2008-2009	2009-2010
Canada	\$79,400,000	\$66,200,000	\$75,100,000	-16.7%	13.5%
Mexico	\$39,600,000	\$36,800,000	\$38,700,000	-7.1%	5.1%
China	\$24,000,000	\$22,200,000	\$30,100,000	-7.3%	35.4%
Korea	\$13,700,000	\$13,600,000	\$21,000,000	-0.6%	54.1%
Taiwan	\$11,700,000	\$11,400,000	\$19,600,000	-2.8%	72.0%
*NAICS 333 Machinery Manufacturing					

Top Export Markets for Aerospace Products and Parts

China is the largest market for U.S. aerospace products and parts, with \$12.6 billion in purchases – the first time it has held this spot. The top five markets account for more than one-third of total U.S. exports for this segment. In review of data not included in these tables, emerging nations in Asia have shown the fastest growth, although these markets constitute insignificant total market share.

Top U.S. Markets for Aerospace Products & Parts* by Value (2013)			
Country	Value	Annual Growth	Share of U.S. Total
China	\$12,590,965,868	50.5%	10.8%
France	\$8,581,650,196	6.9%	7.4%
United Kingdom	\$8,548,635,907	25.5%	7.4%
Japan	\$7,233,848,539	-14.6%	6.2%
Canada	\$6,684,420,704	15.9%	5.8%
*NAICS 3364 Aerospace Products and Parts			

Top Export Markets for Transportation Equipment* from the Wichita MSA by Value (2010)

Country	Real Exports (2010 dollars)			Real Export Growth Rates	
	2008	2009	2010	2008-2009	2009-2010
Canada	\$1,381,200,000	\$702,300,000	\$837,300,000	-49.2%	19.2%
Mexico	\$429,700,000	\$241,000,000	\$306,200,000	-43.9%	27.1%
Germany	\$382,900,000	\$204,100,000	\$177,000,000	-46.7%	-13.3%
China	\$193,200,000	\$137,400,000	\$176,000,000	-28.9%	28.0%
France	\$190,100,000	\$158,000,000	\$121,900,000	-16.9%	-22.9%
*NAICS 336 Transportation Equipment (4 digit NAICS data not available)					

In summary, Canada and Mexico are the most popular export destinations for products in these industries. China is the third destination for exports of products in these industries; from historical data not shown here we also know that China has risen to this position in the last five to ten years.

To ensure greater success in helping companies increase exports in target markets, further examination is needed. As a first step the fastest growing markets, opportunities for companies to participate in Free Trade Agreements and ease of market entry is recommended to better prioritize target markets. In addition, a more in-depth analysis for each of the key industries, including services sectors, is needed and should include understanding target market needs, competitive analysis, product differentiation or modification requirements, sales channels and market entry methods. The need for this analysis will be addressed in the export plan.

Local Export Players

Export services are provided by a number of organizations from the public and private sectors, with the majority of export-related services being provided by the government and one or two non-profit organizations on a daily basis. To better understand the local export services available, the Center for Economic Development and Business Research at Wichita State University conducted interviews with 15 export service providers. Private services providers included a freight forwarder, customs broker, regional bank, and law firm. Public service providers included the federal government, state government, nonprofit, and university.

Of key interest was the discovery that both the public and private service providing sectors did not have budgets to promote the products and services they provide. Further, the majority indicated they did not have a formalized marketing program (beyond phone calls and network referrals) and allowed that their efforts were insufficient to maximize potential.

From the exporting company view, only one-fifth of survey respondents indicated use of export-related government assistance, while only 13 percent indicated use of non-profit assistance. For those that have used export-related services, most were satisfied with the assistance received.

Service provider and exporter views indicate that export services are available from both the public and private sectors. However, the majority of exporting companies have not used the services. The absence of formalized marketing plans and budgets for marketing activities in export service provider operations begins to explain why exporters are unaware of export services in the region.

In addition, most companies have not included export plans, activities or budgets in their company business plan. In other cases, the challenge is the perception by many companies that export assistance should be available at little or no charge. Direct outreach and education about the export opportunity are needed to resolve these issues.

Further, there is not a coordinated or visible export service provider *network*. Export service providers sometimes work together but disjointedly. The most active providers know the specific services provided by those in their network and try to refer companies appropriately. However, those not working directly as export service providers find it very difficult to navigate the fragmented system and make appropriate referrals to companies. The result is that too few companies know who to call for export assistance, and community leaders and economic development professionals find it difficult, if not impossible, to assist in this area.

This examination shows a need for an export service provider system to connect and coordinate service providers and companies; at a minimum an export services directory is needed. With a system in place, an opportunity for current regional economic development organization leaders to play a role as conveners and promoters of export service providers is presented – adding value by connecting companies to needed services and being actively involved in the export support process.

Conclusion

After a thorough examination of the region's export and economic performance, the Market Assessment identified key findings that support the need to promote exporting and support current exporters for the future health of the economy. Exports per Gross Metro Product have exceeded 20 percent since 2003, while growth has declined post-recession and has not yet recovered.

The dominance of the aircraft industry in export performance overshadows growth potential in other industries, namely food manufacturing, machinery manufacturing and fabricated metal products. In addition, the dominance of one industry puts the entire regional economy at the mercy of the wide fluctuations commonplace in the aviation industry and at the mercy of the *global* economy. In the services sectors, medical, professional, scientific and technical services, and support services for transportation and mining activities have potential for increased exports.

Analysis of data from the Brookings Institution, the U.S. Department of Labor, the International Trade Administration and the Bureau of Economic Analysis was supplemented by survey, local interviews and group discussion, providing keen insight into the challenges and potential for local companies to increase revenue through exports. More extensive research to help companies increase exports is needed; specifically, industry analysis for target markets is strongly recommended.

Access to exporter assistance will help overcome challenges such as the documentation process and the identification of potential customers. Further insight was gained by interviewing export service providers, revealing the availability of ample export services in the region, but the need for a more centralized export assistance network and promotion of export assistance. U.S. Department of Commerce, Kansas Department of Commerce and Kansas Global Trade Services were the service organizations most used by survey respondents.

This Market Assessment, guided by the 100-member Regional Export Planning Team representing government, economic development, and business leaders from the ten-county region, provides a foundation for the region's customized export plan. The Core Team, representing state, city, county, non-profit and private sector leadership, is committed to the completion and implementation of this project, with support from its stakeholders from the City of Wichita, Sedgwick County, Greater Wichita Economic Development Coalition, the Regional Economic Area Partnership, Workforce Alliance of South Central Kansas, Kansas Global and WSU Center for Economic Development and Business Research (CEDBR).

The team worked together on the Wichita Regional Export Planning Initiative, creating additional value through its collaboration. In addition, Core Team leaders worked with leadership from other regional projects to include emphasize on exports and data from this assessment in their respective reporting.

Of note, this project was incorporated in the region's Investing in Manufacturing Communities Partnership (IMCP) and is a key deliverable in GWEDC's strategic plan. The relationships built, lessons

learned, and community accomplishments achieved to date (like the Manufacturing Community designation) are the foundation for the export plan and its successful implementation.

Bleak economic growth expectations remain. The most populous counties of Harper, Harvey, Sedgwick and Sumner have not regained pre-recession output growth rates. The region can no longer solely rely on the U.S. domestic market for the well-being and future prosperity of its companies and economy.

To help the region increase exports and reap positive economic impact, we must focus on three critical activities exposed in this analysis: 1) promotion of exports as opportunity; 2) education on export processes; and 3) development of an efficient service provider network. The export plan will recommend solutions and an implementation framework which respond to the key findings in this report, including easily understood goals and objectives; strategies and tactics; performance metrics and expected outcomes; budget with funding mechanism(s) or organization(s) identified; and timeframe for completion. The table below summarizes the challenges and opportunities uncovered in the market assessment.

The Region’s Export Challenges and Opportunities	
Challenges	Opportunities
Economy is highly dependent on exports; goods make up 90% of total, but not proactive	Integrate support for exports into mainstream economic development programs; work with communities in the region to promote exports as opportunity
Aviation industry dominates; is volatile	Growth potential in non-aerospace, e.g. specialty farm equipment, chemical by-products, and customized machinery manufacturing, and services industries, e.g. medical services, professional, scientific and technical services, and support services for transportation and mining activities
Export growth down post-recession; lags most major metros	Work with companies to increase exports in non-aerospace and services industries; introduce exporting opportunity & connect export services to companies
Export services available with no marketing resources; companies largely unaware of export service providers	Develop export service provider network to connect services to companies; promote export assistance to communities and companies
Exporters experience many trade barriers	Increase export education; connect exporters to assistance; develop trade policy memo and identify advocacy opportunities
Most companies in each exporting industry are under-exporters or do not export at all	Develop mentor program: A few companies are experienced exporters in each exporting industry

Our choices are few. Continue to utilize old methods and activities to support companies and stimulate the economy, or choose a new path. A regional effort like the collaboration employed to produce this report shows the capability and will of our communities to forge a proactive way forward together.

The export plan will be our call to action, and will provide a detailed map to accomplish significant improvement in the three critical activity areas – creating an export support “ecosystem” with the singular goal of increasing jobs through exports.

Stakeholders and Financial Contributors

- ❖ City of Wichita
- ❖ Sedgwick County
- ❖ Greater Wichita Economic Development Coalition
 - ❖ Regional Economic Area Partnership
- ❖ Workforce Alliance of South Central Kansas
 - ❖ Kansas Global Trade Services, Inc.
 - ❖ WSU IMCP Grant Phase 1

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- ❖ Ted J. Vlamis, Pioneer Balloon Company
- ❖ Steve White, CELCO
- ❖ Donna Wright, MidAmerica Minority Supplier Development Council

Observer/Guest

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- ❖ Dharma deSilva, Wichita State University/World Trade Council of Wichita

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