



THE CONNECTION

Economic Development and Our Community

Trade and Cities

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Introduction

In this edition of 'The Connection' the basics of international trade will be summarized, and its relationship to the economic health of major metropolitan areas will be reviewed.

Understanding the trade structure that provisions much of the modern world's goods and services benefits anybody who would wish to understand such an indispensable facet of our globalized world – to which we are all connected and dependent.*

At the end of this guide, a brief listing of some relevant sources of information will be provided as a starting point for further research for anyone interested in learning more.

** Historically, cities have always been significant centers of commerce. However, the volume and complexity of phenomena such as supply chains have economically connected most cities in the world to the larger economy more tightly than ever before.*

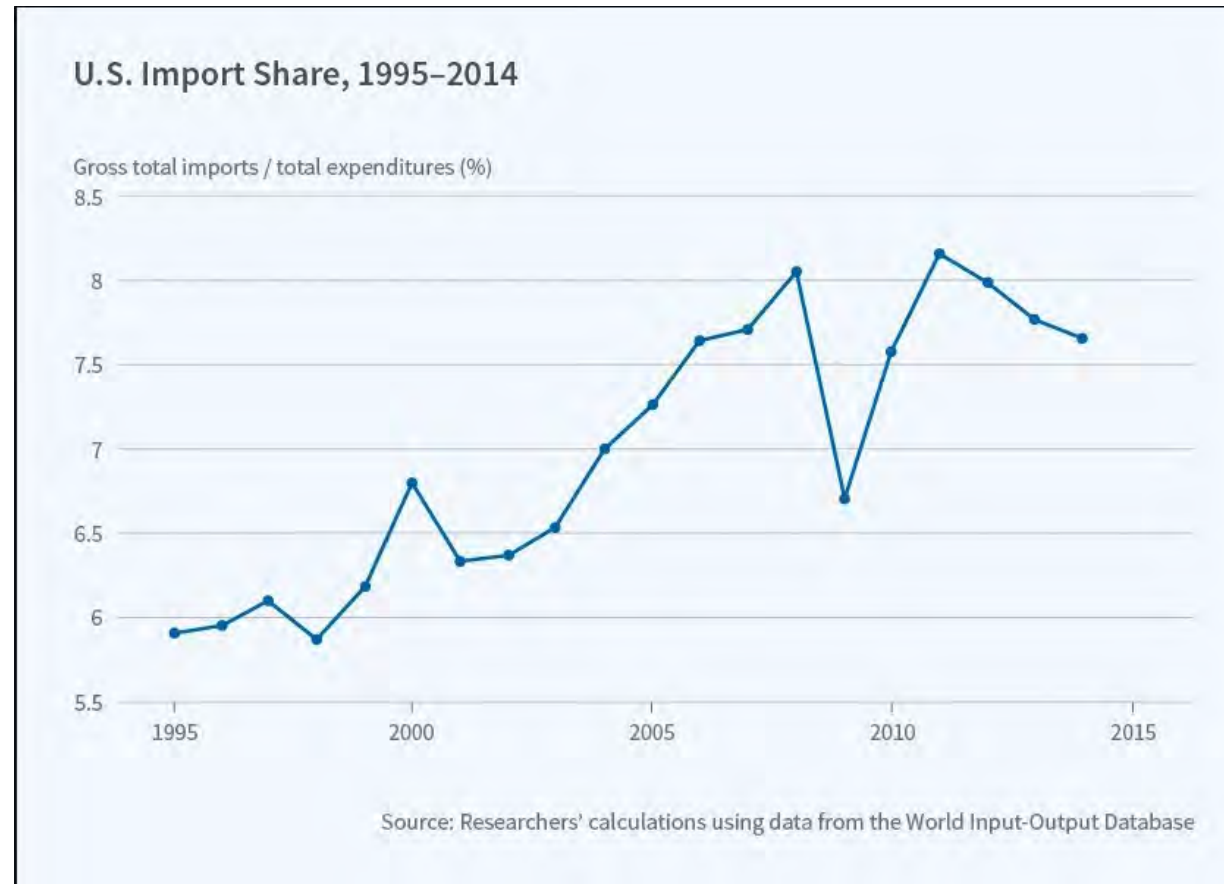
Why Trade?

Cities trade goods for the same reasons that people do. Because they value what they receive more than what they must give up in exchange for it. Of course, it might be more helpful to 'disaggregate' and think of 'cities' as composed of groups of people engaged in trade as either producers (working for a firm) or simply consumers (buying what firms make). However, the conclusion remains intact regardless: Cities trade to make their communities better off.

Indeed, major metropolitan areas, such as DFW, depend on the ability to trade globally for their prosperity. In the interconnected economy in which we live, cities both facilitate and grow due to the commerce that now flows across more borders than ever before. Trade-based income flowing in from outside the local economy represents a natural 'multiplier effect' of exchange. Such earnings are a net benefit that can increase local employment and spending power. Such gains can then lead to a cycle of prosperity, as higher employment leads to more production, which then leads to more trade, etc.

The overall net benefits of international trade for the U.S. have been estimated to amount to up to 8% of GDP. To focus more specifically on the city level, metro areas exported about \$1.7 trillion worth of products in 2023 alone. For DFW, the dollar value of all trade is estimated to have been \$84 billion in 2021. As sources of such potential for growth and development, it is important that cities seek to maintain sustainable ties to trade networks.

Estimate of U.S. Gains From Trade



Above: NBER 2018


Characteristics of Top Exporters

The top exporting metro areas in the U.S. tend to be large hubs of concentrated economic activity. They also often host more productive firms than relatively minor areas.

Larger cities play a crucial role in contributing to and benefiting from the broader state-wide economies, of which they are an essential part. This is evident in the case of business-centric Texas, which hosts five of the top fifteen exporting Metropolitan Statistical Areas (MSAs) in the U.S. as of 2022.

In addition, major trading cities possess infrastructure that eases and cheapens the cost of business activities. Part of this capability of density comes from the spatial arraignments of a dense population core. Usually, with immediate access to peripheral centers of production and commerce (such as suburbs) to complement and enhance operations ongoing in the 'center.'

Top Exporting Metros in U.S. (2022)

 INTERNATIONAL TRADE ADMINISTRATION			U.S. Metropolitan Statistical Areas (MSA) Ranked by 2022 Exports		
MSA Full Name	2022 Ranking	Export Value (Millions of ..			
Houston-The Woodlands-Sugar Land, TX	1	\$191,846.9			
New York-Newark-Jersey City, NY-NJ-PA	2	\$120,643.7			
Corpus Christi, TX	3	\$79,643.0			
Chicago-Naperville-Elgin, IL-IN-WI	4	\$63,374.6			
Los Angeles-Long Beach-Anaheim, CA	5	\$60,979.7			
New Orleans-Metairie, LA	6	\$52,912.9			
Dallas-Fort Worth-Arlington, TX	7	\$50,632.9			
Miami-Fort Lauderdale-Pompano Beach, FL	8	\$41,517.8			
Lake Charles, LA	9	\$41,097.9			
Detroit-Warren-Dearborn, MI	10	\$40,395.3			
El Paso, TX	11	\$36,488.3			
Beaumont-Port Arthur, TX	12	\$36,415.2			
Portland-Vancouver-Hillsboro, OR-WA	13	\$34,368.0			
Seattle-Tacoma-Bellevue, WA	14	\$34,159.9			
Boston-Cambridge-Newton, MA-NH	15	\$33,101.8			

DFW International – A Case Study in Infrastructure

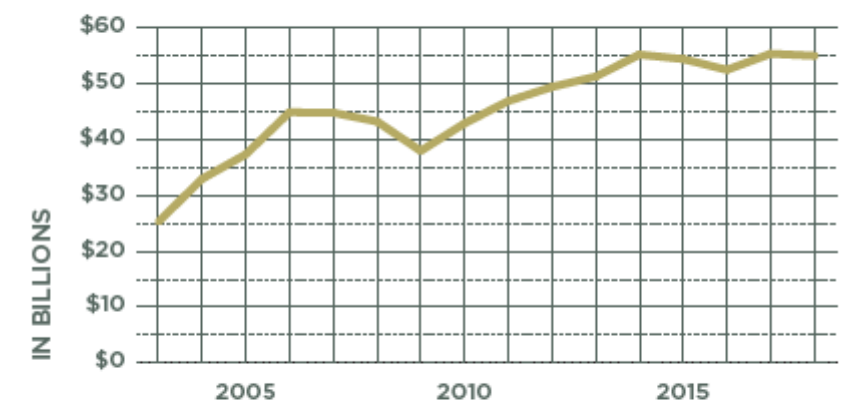
DFW International Airport is a remarkable piece of infrastructure that has fueled the metroplex's growth since its construction. For example, in 2018, the 832,913 metric tons of trade it facilitated was valued at \$55 trillion.

Overall, the airport brings in at least \$16 billion in activity to the metroplex annually. It is also responsible for supporting over 160,000 jobs worth over \$9 billion a year created via ripple effects throughout the Texan economy.

Export sales are most concentrated in electronics, aviation, and machinery goods. China, Japan, Vietnam, and South Korea are the top destinations for most exports.

DFW International Stats

DALLAS-FORT WORTH INTERNATIONAL AIRPORT:
ALL TRADE, 2003-2018



Shipping activity through this airport accounted for **\$55.0 BILLION** in trade in 2018, 118 percent more than in 2003 (\$25.2 billion).

DFW Airport Port of Entry Trade Value (2014 to 2018)							
Year	Overall Trade (billions)			Trade with China and South Korea (billions)			
	Total Trade	Exports	Imports	Trade	% of Total	Exports	Imports
2018	\$55.0	\$23.7	\$31.4	\$20.2	36.8%	\$6.4	\$13.9
2017	\$55.4	\$23.3	\$32.1	\$22.1	39.9%	\$6.3	\$15.8
2016	\$52.5	\$21.8	\$30.7	\$19.8	37.8%	\$5.0	\$14.9
2015	\$54.4	\$20.9	\$33.6	\$24.3	44.7%	\$5.3	\$19.1
2014	\$55.2	\$19.6	\$35.6	\$27.1	49.1%	\$5.0	\$22.1

Sources: U.S. Census Bureau: Economic Indicators Division, USA Trade Online

How Cities Can Help Boost Trade

Attracting and maintaining industrial sectors that generate revenue and employment is one of the most salient features of economic planning at both regional and local levels. Navigating the challenges and opportunities in policy mixes this engenders may be considered the defining function of cities in our interconnected world.

There are many approaches cities can take to boost trade volumes. The most ubiquitous involve tax incentives. Strategically attracting new or keeping existing firms that complement the labor base of a local area is a standard tool cities can use to boost economic activity. The underlying goal of this strategy is to incentivize businesses that bring in outside money and employ an acceptable number of locals so that the revenue the business earns directly benefits the local community.

The most fundamental reform localities can undertake is increasing educational attainment in its broadest sense. This attainment should encompass both academic and technical/skills-oriented training. It is well established that a more educated workforce will attract more productive enterprises that will pay relatively more to employ them than a less educated one. Cities can undertake various measures to increase access to educational opportunities, such as subsidization, public-private partnerships, or other methods. See sources for more suggestions.

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