



REMARKS AS PREPARED FOR DELIVERY

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Introduction by Mr. Scott Andrews, Chair, Regional Business Planning Steering Committee, and President, Melvin Mark Properties

Thank you, Scott, for that kind introduction. It's great to be back in Portland, a city that I still call home. Scott and Doug, I appreciate your invitation to be here today.

Doug Badger is responsible – or to blame – as the case may be, for arranging my appearance here today. As you all know, Doug is an alumnus of the Bush Administration and Capitol Hill in Washington. Doug's work for President Bush focused on the development of free trade agreements, which are good for America and particularly good for Oregon.

As interesting as Washington can be, I know Doug is happy to be back home in Portland – and I'm more than just a bit envious.

I would also like to thank Anne Berblinger, who serves as the Economic Development Representative for Oregon and Northern California, for being here today. The work of our EDRs gets a bit more difficult every year and I appreciate the effort she has put forth to in working with all of you to help shape the economic future of Oregon. As I've said to groups in Oregon before, while I may be the head of EDA, Anne and her colleagues in our Seattle Regional Office are a lot more important to you than I am.

Our agenda today is the future – and what does Portland's look like. I've been in Washington five years now and my current knowledge of the state of play in Oregon, is well, not. However, like any good Federal official, my lack of knowledge will not prevent me from sharing my thoughts.

Before I do that, I think it is important to set the stage with a little context – what is the environment that the Portland region, and other economic regions across the country, face when confronted with developing their economic development plan?

At the National level, I'm pleased to report that the economic outlook is very positive. On Friday, the Federal Government announced that the U.S. economy created over 120,000 new jobs last month and about 2 million new jobs in the last year. For those of you keeping score at home, that's about 5.5 million new jobs created since August 2003.

Our unemployment rate is 4.6%, which my economics professors told me was essentially full employment and is lower than where we were at the time of the 2001 terror attacks.

U.S. GDP growth was 5.6% last quarter, which represents exceptionally robust growth – and this follows 18 straight quarters of solid economic growth. Our growth rate is almost twice that of any E.U. nation and private sector forecasters expect solid levels of growth to continue for the rest of this year and into 2007.¹

Real, inflation adjusted after tax incomes, have increased about 13% since January 2001.

¹ The Blue Chip Census Outlook

More Americans own their own their own home than ever before -- about 70% -- which is a key economic driver.

And despite returning \$880 billion to American taxpayers as part of President Bush's tax cuts, tax revenues are up 11% in 2006 over last year and the Federal Government is collecting taxes at the highest level in history.

Inflation and interest rates remain in check and near historic lows.

So, despite how some in the national media may try to spin it, the fundamentals of our National economy are solid and the outlook continues to be quite positive.

I'd like to add to this context by summarizing what I have learned traveling the country the past few years, which I have condensed into what I *call the new realities of our new economy*.

New Reality #1: While perhaps the most obvious, it's the most important, which is that we are **truly in a Global Economy**, or as *New York Times* columnist Tom Friedman says, the world is...**flat**.

In the new *flat, global* economy, competition is not just from the firm down the road, our competition comes from any person in any corner of the globe with a good education, a good idea, and a good Internet connection.

But with global competition, comes opportunities for global partnerships – opportunities to expand our markets and increase our competitiveness. And, with 95% of potential customers for American products outside the United States, this reality becomes more important every passing day.

Thanks to Oregon's governor in the 1980's, Vic Atiyeh – and those who followed him like Neil Goldschmidt, Oregon has grown into one of the top 10 States in the nation in terms of foreign exports as measured by gross state product. This is a critical competitive advantage for the State. And Oregon's continued leadership in international trade will be one of the keys to ensuring its prosperity in the new flat global economy.

New Reality #2: Competition is intense, and the **pace of change will continue to accelerate**. It took 55 years for the automobile to spread to one-quarter of the U.S. population. It took 35 years for the telephone to do the same thing. The personal computer accomplished the same level of market penetration in 16 years, 13 years for the cell phone and only 7 years for the Internet.

There are good jobs that exist today that we couldn't even dream up two years ago: Podcast manager...Blog writer...I-Pod accessory manufacturer...Satellite radio host.

Even the nature of innovation itself is changing: Innovation is becoming multidisciplinary as different technologies converge to create new fields that didn't even exist a few decades ago. Many economists now believe that fields like bioinformatics or nanotechnology will become major drivers of the future U.S. economy.

This new reality where cycle times for products and ideas continue to shrink will require all institutions – public, private, educational, and non-profit – to continually adapt and change. Those that don't are at risk. Those that do have the opportunity for reward.

Time is a master with no mercy. As leaders, we are all responsible for adapting and evolving our organizations to meet the challenges that time will bring. This is difficult, because with today's rapid pace of change, change is often necessary before people are ready to embrace it.

New Reality #3: Yes, the world becomes a bit more complicated every day. In order to respond to this increased complexity, we must realize that we have reached a point where the **components of competitiveness can no longer be pursued separately**. Just as technologies are converging to create new fields of innovation, so are the components of competitiveness merging to shape economic growth in the 21st Century. This reality holds two important lessons for the local and regional level:

First, the idea of workforce development, community development, economic development, and educational programs occurring in separate silos can no longer be tolerated.

The interconnected challenges of workforce, education, community and economic development must be tackled in concert – with each element leveraging the other. The resources available for each competitiveness component are important and precious, and we must use them to their full advantage.

Second, in our new 21st Century, Tom Friedman-the World is Flat reality, we must acknowledge what we all learned on the elementary school playground, that we are stronger when we stand together than when we stand alone.

We need to look beyond traditional political jurisdictions – the city boundary, the county line, even the division between States – and work together. Because the competitiveness of America's companies is in large part tied to the competitiveness of the economic regions in which they do business.

During the years I lived in Portland this was a continuing problem. The political will – or the perceived necessity – to coordinate on a regional basis – Multnomah, Washington, Clackamas, and yes, even Clark County – appeared to be missing in action. In my visits back home since leaving town to work for President Bush, I sense a change in the air on this point and I'm hopeful that your efforts will finally be the push that breaks this long standing impasse.

New Reality #4: Collaboration with the private sector becomes more critical every day. While governments at all levels and non-profit institutions can be important players, let's not forget that the private sector is the most important element of any successful economic development strategy. Unless the private sector is *ready, willing and able to invest* in a community, economic growth simply will not occur, regardless of how much government spends. The private sector should have not just a seat at the table, but should be actively engaged as full partners in strategies for economic growth.

The private sector should be helping to shape – within the parameters of public accountability, of course – the development strategies that will lead to more higher-skill, higher-wage jobs.

Of course, this is an area that Portland has long struggled. During my years in Portland, the attitude of the political leadership seemed to be that, *“we are such a great place to live, that no matter what we did – or didn’t – do, somehow, magically businesses would come and stay in Portland.”*

Of course, we know that’s not true. During one of my trips to Portland, I had the opportunity to visit with Mayor Tom Potter, and while I’m not up-to-speed on his Administration’s economic development strategy, I was encouraged by the positive discussion we had.

The 5th Reality is that America is positioned to win in the 21st Century.

This nation has never encountered a challenge it has not met. We are the most competitive, productive, and innovative country the world has ever known:

- The U.S. has just 5% of the world’s population, but 40% of global wealth;
- The U.S. employs fully one-third of the world’s scientists and engineers and accounts for 40% of global R&D spending;
- America continues to be the country of choice for millions across the globe who are seeking learning and economic opportunity. And we are the most important market on the planet.

- And as I started my remarks, the fundamentals of our economy are sound.

This positive outlook extends to Oregon as well. The State has tremendous assets, certainly including Oregon Health Sciences University, and the presence of leading companies such as Nike, Intel, FLIR Systems, Freightliner, and others. We have a reputation for integrity, clean politics, decent education, and a concerned, involved public.

Of course, on the education front, Oregon has a bit of catching up to do, and I am very excited by the work that Oregon's foundation community have put forth in their Chalkboard Project and I urge you all to support this important and comprehensive examination of Oregon's education challenges.

And of course, natural beauty and quality of life will continue to be central to Oregon and Portland's appeal. But in addition to being a great place to live, it also must be a good place to do business – and frankly, this is not part of Oregon's reputation. I have met more than my fair share of former Oregon residents in my travels, and almost to a person they say, *"I'd love to move back to Oregon, but there are just not enough good jobs to be had."* Certainly, those are words that I too have spoken.

Oregon, and the Portland region need to fully realize that being business friendly does not mean that you going to recruit nuclear-powered shower cap manufacturers and strip-mining companies to set-up shop on Tom McCall Waterfront Park. But certainly, there can be a better balance than the anti-business, anti-growth attitude that was prevalent when I was here.

While entrepreneurship is part of Oregon's culture, Oregon's leaders need to understand that while the "mom and pop" sole proprietor is an important part of our culture and economy – the real economic benefit comes from those entrepreneurial efforts that focus on innovation and that are likely to grow into medium-size businesses, because these are the type of entrepreneurs that create good jobs at good wages for substantial numbers of people. The lone proprietor working out of their home is a good thing, but certainly the economic ripple effects are much more modest.

There also must be a realization that a growing population is part and parcel of a growing, dynamic economy – just as it is at the National level. Cities and nations with stagnant populations also have stagnate economies. So this region needs to find a way to balance the important quality of life issues with issues such as land use planning and housing affordability.

In President Bush's Department of Commerce, we are focused on the following equation:

Entrepreneurship drives innovation...

Innovation drives productivity...*and*

Productivity drives higher wages and higher standards of living.

And a higher standard of living for more of our citizens is a goal that we all share, because having a good job is the first and most important step in creating healthy and sustainable communities.

I wish Oregon and Portland every success in achieving this goal – a goal that I have more than a passing interest.

I applaud your efforts to build a better economic future for Oregon, and it has been my pleasure to be here on behalf of President Bush. I thank you for your invitation to be here today. I look forward to our discussion to follow.