

The 10 TRAITS of GLOBALLY FLUENT METRO AREAS

GLOBAL CITIES INITIATIVE
A JOINT PROJECT OF BROOKINGS AND JPMORGAN CHASE

LOS ANGELES

GDP (country rank), 2012 ¹	Share National GDP, 2012 ²	GDP/Capita, 2012 ³	Population, 2012 (country rank) ⁴	Share National Pop., 2012 ⁵	GaWC Global City Ranking, 2010 ⁶	# Global 2000 HQs, 2012 ⁷	GDP/c Growth 1993-2012 ⁸
\$786,735,037,880 (2)	5.02%	\$60,406	13,024,207 (2)	4.14%	17	16	2.12%

1) Benchmarks — what is the city's recent ranking performance in terms of global firms, connectivity, diversity, range of cultural assets, immigrants, visitors?

Los Angeles is an extraordinarily global, but highly disaggregated, metro area. The MSA has a population of over 12 million spread throughout Los Angeles and Orange Counties. The broader CSA has a population approaching 18 million and includes much of Southern California, exclusive of San Diego. Even with its reputation for sprawl, and its lack of a commanding downtown inherent in most global cities, the region's endless cities and towns combine to make it one of the most densely populated urban areas in the US. Its global reach relates largely to film, its ports, immigration, links to the Pacific Rim (Asia and Latin America), advanced manufacturing, and trade, and investment.

Positioned among the most powerful global cities in the United States,⁹ Los Angeles leads the country in annual exports (\$79.8 billion, based on goods and services produced in the metro area) and is a leading destination for foreign direct investment, primarily from Asia, Europe, and Canada.¹⁰ The Los Angeles port leads the United States in terms of container volume and is adjacent to the Port of Long Beach, which ranks second in container traffic. Taken as a single unit, the two ports are ranked among the world's top five port complexes.¹¹

Los Angeles is a consistent top 20 performer in major rankings of global cities, placing sixth in A.T. Kearney's Global Cities Index, 19th in the Economist's Hot Spots ranking, and 17th in the GaWC (Global and World Cities Research Network) ranking.¹² It is the only U.S. city to have hosted the Olympic Games twice. It is a leader in

the fashion industry (outstripping New York with about 134,000 fashion jobs), as well as in health sciences and biotechnology (more than 230,000 jobs). It also leads the country in aviation, an industry that employs more than 361,000 people in Los Angeles.¹³ With more than 300 museums—more than any other American city—Los Angeles is also a leader in culture.¹⁴ The city's climate and attractions such as the Hollywood Walk of Fame and Universal Studios Hollywood make it an international entertainment destination. The residents of Los Angeles, of which approximately 35 percent are foreign-born, represent a wide variety of cultures.¹⁵

Undermining Los Angeles' appeal are negative factors such as air pollution (Los Angeles remains the smoggiest city in the United States).¹⁶ Also on the downside, low walkability and integration problems in a city where one third of residents are immigrants (almost half of the workforce is foreign-born and two thirds of residents under age 18 are the children of immigrants).¹⁷

2) Narrative – the city's journey into and through globalization. What kind of economic and development trajectory has it taken? What has changed over time?

Los Angeles emerged as a major U.S. city later than many of its peers. The depression of the late 19th century revealed the weakness of a regional economy based on agriculture, land speculation, specialized health services, and leisure. As a result, the city's economy turned to industrial development. Between 1900 and 1920, rapid economic growth in Los Angeles caused the city's population to quadruple, reaching one million. By 1920, Los Angeles had become a major oil-producing region and a leader in the film industry, and was also home to a fledgling aviation industry. The port complex of San Pedro and Long Beach surpassed its competitors on the Pacific Coast and the completion of the California Aqueduct in 1913 guaranteed enough water to sustain the city's rapid growth. Around that time, Los Angeles not only was home to more vehicles than any other U.S. city but also boasted what was probably the world's largest metropolitan public transport network.

The 1920s and 1930s brought an economic boom to Los Angeles. The city continued to attract new residents, reaching a population of 2.6 million. Although the stock market crash of 1929 put a dent in Los Angeles's economic boom, the city staged a recovery led by a land boom and resurgence in oil production and refining that stimulated the growth of the Los Angeles and Long Beach ports. The movie industry grew faster than ever, making Los Angeles the world's leading filmmaking city. The aviation industry grew during the interwar period; its definitive impetus, however, was the outbreak of World War II, which made Los Angeles the country's unrivalled aviation leader. In the post-war period, between 1940 and 1970, Los Angeles became one of the world's fastest-growing economies. Meanwhile, its population tripled, reaching 10 million. During this period, however, the city's economy was led primarily by Hollywood and the housing market. In the late 1960s, this boom was interrupted by simmering racial and economic tensions, and the city's industries saw lower growth than in previous decades.

During the de-industrialization process that swept the country between the 1970s and the 1990s, Los Angeles, like other U.S. cities, was affected by the decline of manufacturing and cuts in the country's defence budget after the end of the Cold War.¹⁸ Nevertheless, Los Angeles suffered a smaller impact than other cities. Deindustrialization was tempered by the rise of political and economic discourse focused on the need to maintain some continuity with the past while still addressing the new challenges facing the city. By 1990, Los Angeles had developed a fairly diversified economy, with high and low technology industries, and a vibrant business community and a financial sector that was becoming global in scope. Around the same time, a large number of non-U.S. companies began to invest in commercial property, entertainment companies and commercially oriented global operations in Los Angeles. The region's manufacturing sector evolved from heavy industry—characterized by higher-paid union jobs in the automotive and aerospace fields as well as the production of other durable goods—to include more light, low-wage manufacturing industries such as food processing, toys, garments and furniture.¹⁹ Los Angeles continues to be the largest manufacturing center in the United States.²⁰

3) Elements of international and global orientation - In what ways is the city globally connected and relevant?

What sort of trade patterns does it exhibit?

Today, the port of Los Angeles is the main gateway to the U.S. for Asian goods and services, as well as an important center for world trade.²¹ The Los Angeles Customs District (LACD) is responsible for approximately 40% of all U.S. trade (based on goods movement through the district) with China, and the Los Angeles and Long Beach ports together handle nearly 36% of all trade between the two countries.²² In 2011, China (\$208.1 billion) was the LACD's most important trade partner, followed by Japan (\$60.3 billion), South Korea (\$27.7 billion), Taiwan (\$20.2 billion) and Thailand (\$20.2 billion). In all of the aforementioned cases, the value of imports exceeded that of exports.²³

Los Angeles has two international airports: the Los Angeles International Airport (LAX) and the Los Angeles/Ontario International Airport. With nine terminals, LAX is the sixth-busiest airport in the world and third-busiest in the country. It offers more than 600 daily flights to 91 U.S. cities and more than 1,000 weekly non-stop flights to 58 cities in 32 countries on nearly 75 airlines. LAX is ranked 13th in the world in air cargo tonnage processed.²⁴

The Los Angeles film industry continues to grow internationally, with box office receipts for Hollywood movies doubling over the last decade. In Russia, for example, Hollywood films sold 160 million tickets – more than the country's entire population. Growth is even faster in China, where box office receipts totalled \$1.5 billion last year.²⁵ In 2011, with an increase of 23.8% over the previous year, China became one of the top five countries – along with Mexico, Canada, Australia and the United Kingdom – to choose Los Angeles as an international tourism destination. In 2011, the number of international visitors to the city rose by 6.7% from the previous year to reach 5.9 million.²⁶

The city is also home to internationally renowned universities. In 2011, for the tenth consecutive year, the University of Southern California (USC) attracted more international students (8,615) than any other American university, and the University of California, Los Angeles (UCLA) was ranked 16th with 6,249 international students.²⁷

4) To what extent is the city's international dimension inherited or intentional?

The global nature of Los Angeles is undeniable, and while throughout most of the city's history this aspect has been inherited, there are distinct international initiatives that are considered models on a national scale. The city's location is one reason for its inherited international outlook. The completion of the Panama Canal in 1914 gave Los Angeles a strategic advantage over other West Coast cities. The port of Los Angeles became the natural port of entry for most people and goods crossing the Pacific. The 1920s, marked by a boom in the oil, timber and citrus trades, was a decade of dynamic growth for the Los Angeles port and the beginning of large-scale international trade for the city. In 1928, the port handled 26.5 million tons of cargo. When the Great Depression began in 1929, the city's trade figures dropped off. However, through investments and renovations, Los Angeles made the strategic decision to boost the port's role in the city's economic development. In 2002, construction was completed on the long-awaited Alameda Corridor, a 20-mile railroad express line that connects the Long Beach and Los Angeles ports to the transcontinental rail network east of downtown Los Angeles.²⁸ The main objective of this infrastructure was to help the ports become hubs for world trade and imports from China, the city's primary import and export partner.²⁹

Another key factor in the global nature of Los Angeles is its leadership of the film industry. The Academy Awards, now recognised as a world-class event, has enhanced the exposure and resonance of the city of Los Angeles. Last year, this festival had a total television audience – both domestic and international – of more than 41 million viewers and an additional 250 million Internet and print media views.³⁰

Today, the region continues to face challenges following the economic and financial crisis of 2008, including a relatively high unemployment rate, a credit squeeze, and a lower performing (but recovering) housing market. As of March 2013, the Los Angeles metro area ranked 80th in terms of its overall economic recovery post-recession in Brookings' MetroMonitor.³¹ Los Angeles is focusing on the need to develop a comprehensive

strategy – including land use, infrastructure development, strategic investment, business attraction, workforce development, and the promotion of sustainable quality of life – that will transform it into a more global city and revitalise its economy.³² One Los Angeles-based university, USC, has recruiting offices in Shanghai; Seoul; Mumbai, India; Taipei, Taiwan; and Mexico City.³³ The city is also trying to position itself as a main destination for Asians. In 2006, Los Angeles became the first U.S. city to open a tourism office in Beijing. Since then, the number of visits by Chinese tourists has increased by 150%. In 2011, the city added three more flights from China. The city has also invested \$1.5 billion to increase airport capacity and become the first gateway for visitors from Asia.³⁴

The Los Angeles Region is rich with international programs and initiatives related to trade and investment led by the Los Angeles Economic Development Corporation, the Los Angeles Area Chamber, the Ports of Los Angeles and Long Beach, Los Angeles World Airports, USC, UCLA, trade associations, and community colleges, among others. These programs and initiatives include foreign direct investment (FDI) promotion efforts; export promotion and training, the largest U.S. conferences designed to connect businesses with overseas markets and partners (Asia/Pacific Business Outlook Conference and the Americas Business Forum); and overseas trade missions. The city hosts the annual Milken Institute Global Conference, which brings together many of the world's most important global leaders to explore pertinent research and topics. In 2011-12, the metro area developed a metro export plan, designed to make the region more intentional about connecting local companies to global opportunities. A key strategy of this plan was the establishment of the Los Angeles Regional Export Council (LAREx) to coordinate the highly fragmented service delivery system together into one cohesive, effective export effort. This effort involves the Export Champions program, a new effort to engage local MBA students to support the development of exports plans with individuals companies.³⁵ While this is a start in the right direction, the Los Angeles region remains highly fragmented in terms of coordination and branding of its overall global trade and investment programs and identity. The considerable global assets and global efforts in the region are not tied together towards a larger, common globalization agenda.

¹ Brookings analysis of Moody's Analytics and Oxford Economics data.

² Ibid.

³ Ibid.

⁴ Ibid.

⁵ Ibid.

⁶ "The World According to GaWC; Classification of Cities 2010," September, 14, 2011.

⁷ The data were produced by G. Csomós and constitute Data Set 26 of the Globalization and World Cities (GaWC) Research Network (<http://www.lboro.ac.uk/gawc/>) publication of inter-city data.

⁸ Brookings analysis of Moody's Analytics and Oxford Economics data.

⁹ Richard Florida, "America's Most Powerful Global Cities," *The Atlantic Cities*, May 9, 2012.

¹⁰ Emilia Istrate and Nicholas Marchio, "Export Nation 2012: How U.S. Metropolitan Areas are Driving National Growth" (Washington: Brookings Institution, 2012).

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¹² "The World According to GaWC, 2010," Globalisation and World Cities Network, available at www.lboro.ac.uk/gawc/world2010t.html. "Hot Spots: Benchmarking Global City Competitiveness," Economist Intelligence Unit, available at www.citigroup.com/citi/citiforcities/pdfs/hotspots.pdf. "2012 Global Cities Index," A.T. Kearney and Chicago Council on Global Affairs, available at www.atkearney.com/gbpc/global-cities-index/full-report/-/asset_publisher/yAl1OgZpc1DO/content/2012-global-cities-index/10192.

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¹⁴ "L.A. Facts," Discover Los Angeles, LA Tourism & Convention Board (2013), available at www.discoverlosangeles.com/business-services/media/la-statistics/la-facts.html#economy

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¹⁷ Manuel Pastor and Rhonda Ortiz, "Immigrant Integration in Los Angeles" (University of Southern California, 2009).

¹⁸ Allen J. Scott and Edward W. Soja, *The City: Los Angeles and Urban Theory at the End of the Twentieth Century* (University of

California, 1998).

¹⁹ Robert Gottlieb, *Reinventing Los Angeles* (MIT Press, 2007).

²⁰ Susan Helper and others, "Locating American Manufacturing: Trends in the Geography of Production" (Washington: Brookings Institution, 2012).

²¹ Gottlieb, *Reinventing Los Angeles*.

²² "Growing Together: China and Los Angeles County," Los Angeles County Economic Development Corporation, 2012.

²³ "International Trade Outlook: The Southern California Region 2012-2013," Los Angeles County Economic Development Corporation, 2012.

²⁴ "Los Angeles World Airports," Los Angeles World Airports (2013), available at www.lawa.org/welcome_lax.aspx?id=40.

²⁵ "Hollywood Goes Global," *The Economist*, February 17, 2011.

²⁶ "Los Angeles Tourism by Numbers: 2011 Quick Facts," available at [www.discoverlosangeles.com/business-services/research-and-reports/TOURISM%20STATS%202011%20\(Prelim\).pdf](http://www.discoverlosangeles.com/business-services/research-and-reports/TOURISM%20STATS%202011%20(Prelim).pdf).

²⁷ Larry Gordon, "USC enrolls the most international students in the nation," *Los Angeles Times*, November 14, 2011.

²⁸ "Alameda Corridor Transportation Authority," available at www.acta.org.

²⁹ Gottlieb, *Reinventing Los Angeles*.

³⁰ "About: Hollywood Film Awards," Hollywood Network, Inc. (2013), available at www.hollywoodawards.com/about/.

³¹ Alec Friedhoff and Siddharth Kulkarni, "Metro Monitor - March 2013" (Washington: Brookings Institution, 2013).

³² "CRA/LA Strategic Plan 2009-2014," Community Redevelopment of the City of Los Angeles, 2009.

³³ Gordon, "USC enrolls the most international students in the nation."

³⁴ "Los Angeles Sets Record for Total Visitors," *Discover Los Angeles*, September 26, 2012.

³⁵ "Export Champions," UCLA Anderson School of Management, available at www.anderson.ucla.edu/degrees/fully-employed-mba/export-champions (June 2013).