



# Rebuilding the Global Economy

*A series outlining policy priorities and solutions*

MEMORANDUM ON

## US AND GLOBAL COMPETITIVENESS

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To: US Secretary of Commerce

From: Evan G. Greenberg

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**PRIORITY 1: Reopen the economy by putting in place and enforcing national standards to control the COVID-19 virus; lead an effort to secure global cooperation to control the virus including health protocols, surveillance, and research**

This requires:

- Develop national standards and enforcement for: COVID-19 testing, digital tracing, masking, and social distancing.
- Establish global surveillance and forensic capability standards and protocols with Europe and China to control the virus and restart travel. These three regions have the influence, size, and resources to lead that effort. In spite of the anger and sensitivity surrounding China's behavior, it is in the US interest to get past the politicization of the issue and agree upon a forward-looking plan. To facilitate this effort, Chinese leaders should admit the virus outbreak began in China.

**PRIORITY 2: Reestablish the rules of engagement in global commerce and the confidence in the system that comes from leadership**

Market-oriented global commerce and investment—conducted according to rules that all parties have adopted—rely on the predictability and confidence that comes from leadership. Commit to upholding and advancing multilateral trade and investment agreements—a market-oriented rules-based order based on accepted norms of conduct—by adopting a two-pronged approach: advance multilateral agreements focused upon Asia and Europe and digital technology and support the long-term process to reform the World Trade Organization (WTO) by working with a coalition of the willing.

Specifically:

- Rejoin the Trans-Pacific Partnership, now reorganized and renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This will help advance US interests and vision of more open trade in Asia.
- Longer-term effort: Support WTO reform by working with allies—Europe, the United Kingdom, Japan, Canada, Australia, etc.
- Negotiate with trading partners on rules of engagement for technology and data flows, including intellectual property protections, technology standards, national

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security protections, and privacy. These rules should address unreasonable levels of state-supported predatory practices. Establish the predictability and rules of competition while protecting national security interests that are vital to business and investment. Mutual agreement that allows access and technology development among Europe, Japan, Korea, the United States, and others may encourage China to conform.

**PRIORITY 3: Reinvigorate American competitiveness and break the tactical pattern of tit-for-tat behavior with China**

- Defend US interests against predatory behavior while advancing its view of a global trading system and offering China an opportunity to join. Washington should respond to China without making it all about China. The United States doesn't need either to emulate or attack China. We need to advance and defend our interests.
- This is not to insulate US companies from competition. Rather, the US system will either include or exclude Chinese firms naturally, depending upon Beijing's desire to participate in a rules-based multilateral trading regime. As long as the United States is strong, competitive, appropriately open to competition, and willing to lead with natural confidence, others will be encouraged to follow.

**PRIORITY 4: Improving labor capability through immigration and skill enhancement is a crucial part of a government industrial policy that does not pick winners and losers**

- Before the pandemic, there were 10 million US jobs that the American labor market could not fill. Raising the skills of the current workforce and encouraging skill-based immigration will fill those jobs and accelerate economic growth.
- Raising labor quality requires a focused private and government partnership in educating and training workers. Instead of simply emphasizing college for everyone, which won't benefit many and doesn't produce workers with practical skills that industry needs, policymakers should support and encourage training for people with high school degrees. Take advantage of existing infrastructure—the community college system paired with local employers. Retool when necessary so that community colleges continue to be able to deliver practical career-based technical skills training.
- Large-scale immigration of both skilled and low-skilled workers is a major part of enhancing the quality as well as quantity of US labor while reducing the average age of the US working population. With expanded immigration the economy will grow faster. While immigration policy reform cannot be prioritized during the pandemic, it should be at the top of the Commerce Secretary's list when equilibrium returns.

**PRIORITY 5: Invest in digital and physical infrastructure—rails, ports, and 5G digital communication**

- The United States is woefully underinvested, and this inhibits productivity and growth. To incentivize capital investment by the private sector, particularly in 5G, requires a large customer, and government must be the customer. The country needs a national champion in this area of fundamental technology. The US government should work with a country like Korea to encourage a partnership between a US provider(s) and Samsung that possesses the technology the United States needs.

**PRIORITY 6: Improving US competitiveness is about strengthening North America**

- Supply chains are not moving to North America, and the United States needs more to move to Mexico. A meaningful portion of supply chains that are currently moving to the Asia Pacific (from China and elsewhere) could move to a solid low-cost base in North America, which is Mexico.
- And yet Mexico is going in the wrong direction politically, economically, and socially. The rule of law and institutions to administer are weak, as are the policies and personnel capabilities of the current government. North America and in turn US competitiveness would improve if Mexico reversed its policy direction and strengthened government institutions. The United States is the only country that can influence the direction of the country, and it requires a whole of government approach. The Commerce Secretary is well positioned to influence this issue.

**PRIORITY 7: Promote innovation through government and private sector partnership**

- The US government has a role to play in helping to finance and develop innovations in the *foundational technologies*, especially quantum, biotech, smart batteries, and others vital to US economic future.
- To be sure, this is not government funding in the *application* of technology, which should be left 100 percent to the private sector. This can be done without picking winners and losers.
- The United States is well behind in the amount it spends on research and development (R&D) and how it spends it; having the Defense Advanced Research Projects Agency (DARPA) is clearly not enough. The United States needs to return to the level of federal support for technology that the Eisenhower and Kennedy administrations successfully provided.

**PRIORITY 8: Encourage businesses to decarbonize to mitigate climate change**

The economy is as susceptible to climate issues as the natural world is. Putting in place policies that promote faster conversion to more carbon-neutral natural gas in the sectors of energy, utilities, and transportation, and investing in more efficient transmission capability is a key area where the Commerce Secretary can show multilateral and American leadership. Simultaneously raising the cost of carbon through cap-and-trade and fuel taxes is smart policy.

**ACTIONABLE TO-DO LIST:**

- Develop a national approach to containing the COVID-19 pandemic and establish global surveillance with Europe and China to control the virus and restart travel.
- Join the Comprehensive and Progressive Agreement for Trans-Pacific Partnership and support WTO reforms.
- Prioritize rules of engagement and protocols for technology and data flows in trade or other forms of binding agreement.
- Defend against predatory or aberrant behavior by China while finding places where the two countries can cooperate to their mutual benefit.
- Run a better race.

- Improve the labor force by focusing on the community college system that is already equipped to train high school graduates for practical skills that industry needs.
- Invest in digital and physical infrastructure.
- Press Mexico to “clean up its house,” thereby encouraging multinational companies to view the country as a favorable low-cost link in their supply chains and do more business with North America and the United States.
- Provide federal support for technology research and development.
- Raise the cost of carbon through cap-and-trade and fuel taxes.