

# American Competitiveness & National Security

Wes Reichart

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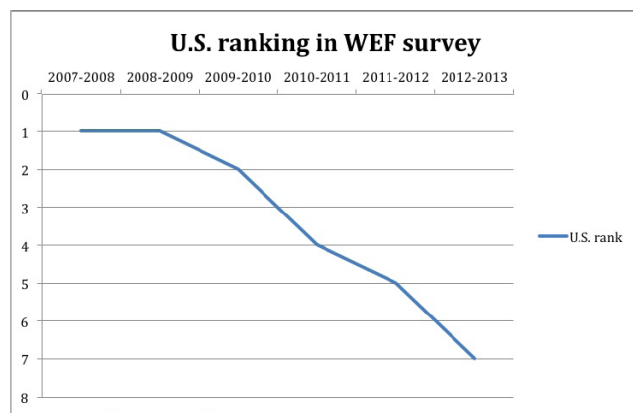
American Competitiveness represents an array of interconnected issues that constitute our ability to compete in the global market place and secure our nation.

Our “competitiveness” is defined by the degree to which companies operating within the United States can be competitive in the global economy while simultaneously raising the living standards of people at home.

Both companies and citizens must be better off for true, sustainable “competitiveness” to exist.<sup>1</sup>

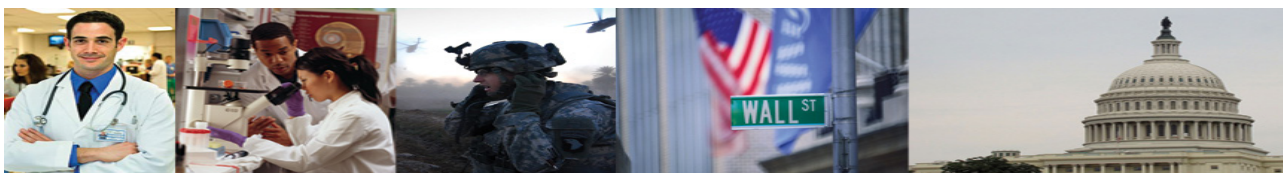
But, our competitiveness is slipping—and it is slipping fast. The U.S. recently fell to 7<sup>th</sup> in the World Economic Forum’s 2012-2013 publication of The Global Competitiveness Report, just four years removed from being ranked first.<sup>2</sup>

Failure to correct the fundamental problems in our economy, policies, and political climate will lead to great degradation of both our economic prosperity and national security.



## American Competitiveness

The American Security Project and the Harvard Business School recently conducted completely independent studies and simultaneously published reports that came to nearly identical conclusions on the state of our competitiveness, the implications of the current situation, and suggested areas for reform.



In their report, *Competitiveness at a Crossroads*, HBS professors Dr. Michael E. Porter, Dr. Jan W. Rivkin, and Dr. Rosabeth Moss Kanter surveyed over 7,000 alumni and business leaders across America. Upon compiling the results and including additional research, they found remarkable consensus about the areas most in need of reform to improve our competitiveness.<sup>3</sup>

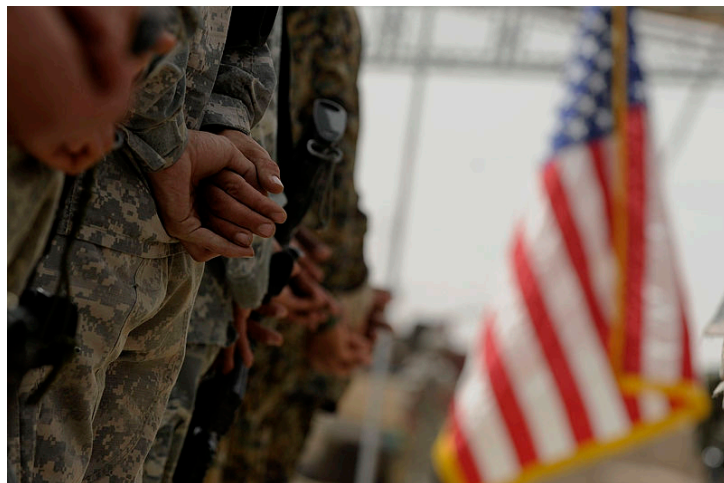
The American Security Project, completed in-depth research and security analysis in American Competitiveness: A Matter of National Security. ASP found that slipping American Competitiveness presents a host of national security challenges.<sup>4</sup>

## American Competitiveness and U.S. National Security

Our security is not merely defined by the size of our armament. Rather, our ability to provide for the security of our homeland and interests is inherently related to our competitiveness.

Like Lt. General John Castellaw USMC (Ret) poignantly said:

*“As the United States, our influence and ‘power’ is derived from the strength of our economy, our technology, our resources, our people.”<sup>5</sup>*



## Competitiveness Factors

ASP has identified 6 areas or “competitiveness factors” that are in need of reform to improve our overall competitiveness and thus provide for greater security.

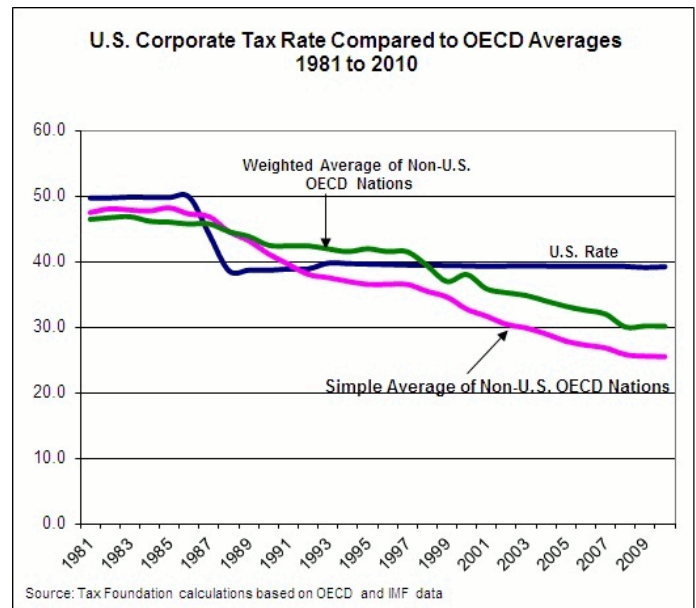
These areas include our business climate, infrastructure, national debt, high skilled immigration status, defense industrial base, and education system.

The following sections briefly describe the impact each factor has on competitiveness and security and offers suggested reforms.

### Business Climate

The capacity of American firms and workers to compete successfully in the global economy directly correlates to the amount of influence the U.S. can exert around the world. The financial health of the private sector is paramount to a thriving U.S. economy and thus greatly important for American Competitiveness.

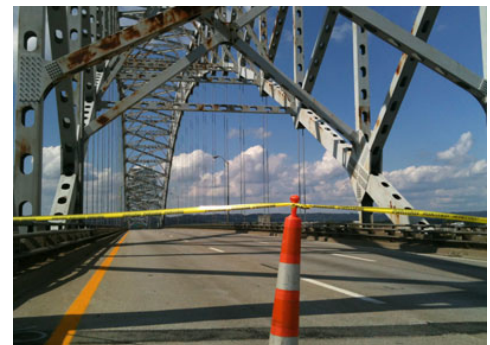
- Some estimate untaxed offshore income by originally U.S. based firms to be as much as \$1.7 trillion.<sup>6</sup>
- In order for the U.S. to regain a vibrant domestic economy, we must be an attractive place for firms to conduct business
- The U.S. should work to make American soil more beneficial to businesses by reducing the cost of doing business via elimination of overbearing regulations and reforming the corporate tax rate to a more competitive level.
- As seen throughout sequestration, a hand-cuffed government budget leads to diminished security as strategic programs are not always funded adequately or efficiently.



## Infrastructure

America's critical infrastructure is very important to ensuring both competitiveness and security. The movement of goods, people, energy, and information is vital to a strong economy and defense. In order for such transit to take place efficiently, effectively, and safely strong infrastructure systems and networks must be in place and maintained.

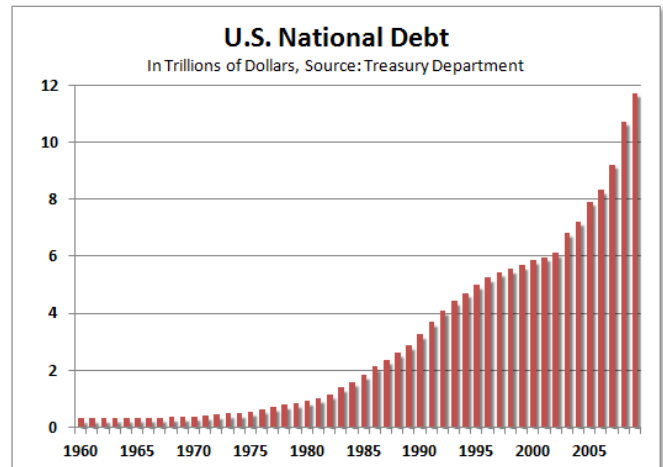
- An American Society of Civil Engineers (ASCE) report claims that businesses could face up to \$1.2 Trillion in extra costs due to deteriorating infrastructure systems.<sup>7</sup> Furthermore, the report card issued by the ASCE assigned America's infrastructure a D+ grade, citing major deficiencies in the following areas: energy, transit, roads, and levees.<sup>8</sup>
- The quality and efficiency of infrastructure is crucial for the transport of troops, supplies, and equipment for deployment and transit between homeland bases. Response to threats, attacks, and natural disasters require the ability to quickly mobilize and maneuver forces throughout the nation.
- Allocation reform and overhaul should lead to a new policy of allocation based on hard-nosed judgments about which projects are most important to our security and which will boost economic growth the most
- A "National Infrastructure Bank" should be established to provide returns to private capital for investment in the most needed and beneficial projects.



## National Debt

The United States' national debt also invites a variety of national security challenges. A lack of political cooperation on issues such as appropriate budget reductions and debt ceiling limits has damaged the credibility of American leaders on the global stage. Furthermore, a large national debt must be financed by way of international creditors. A complex situation arises as a result; the U.S. must appeal to creditors yet it cannot cede its influence as a result.

- The United States must take a comprehensive and strategic approach to putting the federal budget and deficit on a sustainable path.
- We must reach a compromise on a long-term agreement to balance the federal budget, accomplished through a series of negotiations and graduated steps.
- U.S. government spending must become both leaner and more efficient while not creating threats to national security that come with the “meat-axe” approach of sequestration.



## High Skilled Immigration

The United States must aim to attract and retain the “best and brightest” in order to ensure greater security through economic and research and development advancements. The current system for immigration greatly hinders the state’s ability to keep high skilled foreigners in the United States upon graduation as well as attract the best.

- Due to a flawed immigration system in which only 85,000 H-1B high-skilled and 140,000 work visas (of which one country cannot make up more than 7%) are issued, the U.S. is losing many of the top foreign-born students to other nations such as Russia and China.<sup>9</sup>
- In 2011, an estimated 40% of the approximately 25,000 students in the United States receiving Ph.Ds in STEM programs were foreign born. However, as a result of the extreme lack of appropriate visas, only 30% of these graduates were able to stay in the U.S. and work in public or private enterprise.<sup>10</sup>
- Without very skilled and intelligent students entering both the public and private sectors of our economic sectors, including the defense industry, the U.S. will suffer from a lack of superior research and development and thus innovation and productivity will fall.<sup>11</sup>
- Congress must overhaul the system to include a greater availability of long-term visas and citizenship for highly skilled foreign-born students whom were educated in the United States.





## Defense Industrial Base

A financially sound and responsive defense industry is needed to supply the government with the necessary equipment, weapons, technology, etc. to provide for the strategic, operational, and tactical security of our nation.

- The “meat-axe” approach of sequestration and large defense spending cuts have greatly hurt the defense industry as many firms have begun large lay-offs and industry as a whole suffers from a large loss of skilled workers.
- Blindly decreasing defense spending will also lead contractors and firms to cut costs in areas such as research and development. The industry will suffer a loss of innovative spirit and skills as firms seek to save on these costly projects. As a result, there will be a lack of critical technological advancement in weapons systems, defense capabilities, etc. that are vital for the security of our nation in a world of ever changing emerging threats.
- The Pentagon must establish a long-term acquisition strategy and use this approach to make well-planned 20 year investments. A complete overhaul of current acquisition practices is necessary to prevent excess, inefficient, and unnecessary spending.
- The Dept. of Defense should prioritize spending on weapons and research that offer a significant and lasting edge in key areas of emerging threats such as cybersecurity.



## Education

The ability of American firms and workers to compete successfully in a globalized economy is directly dependent upon the quality of education our students receive. American Competitiveness is therefore linked with the success of the U.S. primary, secondary, and higher education systems. Smarter and more skilled students on the whole will drive a strong economy and defense industrial base through higher productivity and innovation.

- The root of America’s “education problem” lies within the standard K-12 school system. The decreasing quality of schools, teachers, and curricula has led to a lack of skilled laborers.
- In order to develop the large number of skilled students demanded by private firms such as defense contractors, all children in the United States need universal access to high quality K-12 education and curricula that prepares them for productive work upon graduation.<sup>12</sup>



- Public-private cooperative partnerships must be fostered to aid in education reform. Effective forms of private participation in public education include formal apprenticeships, partnerships with local community colleges and technical schools, and investment in local, regional, and national education initiatives that promote excellence and growth via scholarships, competitions, and school grants.
- Additionally, investment in Science Technology Engineering and Math (STEM) education curricula is very important for advancements in technology and innovation in all areas of our security.

## Conclusion

American competitiveness will determine the strength and influence that the U.S. has in the future.

The state of our economy, political climate, and technological advancements are deeply connected to national security and will define how the United States can operate in the international system for the remainder of our nation's history.

We must take these issues to heart and act in a bipartisan, bicameral, enjoined effort to ensure future American prosperity and security.

*Wes Reichart is Junior at the College of William and Mary and currently serves as the Government Relations Intern at the American Security Project. He is double majoring in Government and Economics and has expertise in the union of American Competitiveness issues with national security imperatives.*



## Endnotes

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## BOARD OF DIRECTORS



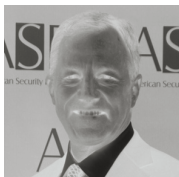
### **The Honorable Gary Hart, Chairman**

Senator Hart served the State of Colorado in the U.S. Senate and was a member of the Committee on Armed Services during his tenure.



### **Raj Fernando**

Raj Fernando is CEO and founder of Chopper Trading, a technology based trading firm headquartered in Chicago.



### **Brigadier General Stephen A. Cheney, USMC (Ret.)**

Brigadier General Cheney is the Chief Executive Officer of ASP.



### **Vice Admiral Lee Gunn, USN (Ret.)**

Vice Admiral Gunn is the President of the Institute of Public Research at the CNA Corporation, a non-profit corporation in Virginia.



### **Norman R. Augustine**

Mr. Augustine was Chairman and Principal Officer of the American Red Cross for nine years and Chairman of the Council of the National Academy of Engineering.



### **Lieutenant General Claudia Kennedy, USA (Ret.)**

Lieutenant General Kennedy was the first woman to achieve the rank of three-star general in the United States Army.



### **Lieutenant General Daniel Christman, USA (Ret.)**

Lieutenant General Christman is Senior Vice President for International Affairs at the United States Chamber of Commerce.



### **General Lester L. Lyles, USAF (Ret.)**

General Lyles retired from the United States Air Force after a distinguished 35 year career. He is presently Chairman of USAA, a member of the Defense Science Board, and a member of the President's Intelligence Advisory Board.



### **Nelson W. Cunningham**

Nelson Cunningham is President of McLarty Associates.



### **Dennis Mehiel**

Dennis Mehiel is the Principal Shareholder and Chairman of U.S. Corrugated, Inc.



### **Lieutenant General John Castellaw, USMC (Ret.)**

John Castellaw is President of the Crockett Policy Institute (CPI), a non-partisan policy and research organization headquartered in Tennessee.



### **Ed Reilly**

Edward Reilly is CEO of Americas of FD International Limited, a leading global communications consultancy that is part of FTI Consulting, Inc.



### **Lee Cullum**

Lee Cullum, at one time a commentator on the PBS NewsHour and "All Things Considered" on NPR, currently contributes to the Dallas Morning News and hosts "CEO."



### **Governor Christine Todd Whitman**

Christine Todd Whitman is the President of the Whitman Strategy Group, a consulting firm that specializes in energy and environmental issues.



### **Admiral William Fallon, USN (Ret.)**

Admiral Fallon has led U.S. and Allied forces and played a leadership role in military and diplomatic matters at the highest levels of the U.S. government.



## Building a New American Arsenal

The American Security Project (ASP) is a nonpartisan initiative to educate the American public about the changing nature of national security in the 21st century.

Gone are the days when a nation's strength could be measured by bombers and battleships. Security in this new era requires a New American Arsenal harnessing all of America's strengths: the force of our diplomacy; the might of our military; the vigor of our economy; and the power of our ideals.

We believe that America must lead other nations in the pursuit of our common goals and shared security. We must confront international challenges with all the tools at our disposal. We must address emerging problems before they become security crises. And to do this, we must forge a new bipartisan consensus at home.

ASP brings together prominent American leaders, current and former members of Congress, retired military officers, and former government officials. Staff direct research on a broad range of issues and engages and empowers the American public by taking its findings directly to them.

We live in a time when the threats to our security are as complex and diverse as terrorism, the spread of weapons of mass destruction, climate change, failed and failing states, disease, and pandemics. The same-old solutions and partisan bickering won't do. America needs an honest dialogue about security that is as robust as it is realistic.

ASP exists to promote that dialogue, to forge consensus, and to spur constructive action so that America meets the challenges to its security while seizing the opportunities the new century offers.



American Security Project

[www.americansecurityproject.org](http://www.americansecurityproject.org)