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U.S. Competitiveness: Challenges and Opportunities

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Peter Baker

All right, everybody. Thank you very much. I think we're the last thing standing between you and lunch maybe so we'll try to be efficient our discussion. We've got a lot to talk about today's very timely topic. US competitiveness challenges and opportunities that comes out. We're having this hot topic at the same time that the Aspen Strategy group has just issued this important report talking about how to improve American competitiveness talking about education, ideas education, rethinking how we teach our young people and getting ourselves into a position where we can tackle the future challenges that we have here. It's a really fascinating subject. My colleague, Alex Palmer, at the New York Times Magazine wrote this Sunday about the semiconductor war between the United States and China. And he quoted a semiconductor analyst as saying about some export controls the Biden administration; just put on no setting boundaries saying if you had told me that these rules about the rules five years ago, I would have told you, that's an act of war. We'd have had been at war. So that's the first question I guess the only view I suppose is, are we at war, in effect over semiconductors and US competitive right now with China or other other competitors across the world?

Ylli Bajraktari

Thanks, Peter. And it's an honor to be here on the panel with Zoe thanks to Aspen for inviting me. So I think what what we've seen couple couple of last years is really basically two trends happening at the same time. When you look at what has happened since 2015 16. It was realization that the China we have hope for is not the China we got. And I think when you look at this pieces from the Secretary Carter and DOD, and everything in the late Obama administration, you see that shift in this realization that we are in geopolitical competition with China. So that is one trend that was happening since 15 and 16. Obviously accelerated under the President Trump when national security strategy called know, called out as a competitor. And now we're seeing the policies that the President Biden in the administration has really been taking on the economic space for last couple of years. So that is one trend. The other I think other piece that we have today, financial times this technology is the center of this competition. When you look at what China has been doing since 15 16, and 17. They've been doubling down on critical technologies, investing in critical areas, coming out with the list of technologies they want to dominate and really going after the three organizational resources perspective. So I think what we have been doing, I think we've been on one side, tried to bring back some of these critical manufacturing capabilities, and I think chips act is one of those, I think, moves that our country has made in the last three years to really bring back some critical components that we need to rebuild the United States. And I think on the other side, I think these export controls through the Department of Commerce released

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on October 7, really are part of the Protect side, some of the things that we need to protect, to really stay ahead in this technology space. So I think you got to look at it from a more broader perspective of how both things really has happened, or how both trends really evolved in the last couple of years to understand why are we in the position we are today

Peter Baker

So talk a little bit about that. We are investing billions now from the bipartisan chips and science act from the infrastructure bill from the inflation Reduction Act. What would that money be used for will be enough? And is it doing the right kinds of things we need to do to get the country to where I mean?

Zoë Baird

Well, I think some of the panels earlier today helped make clear if it wasn't clear to you before that technology is really what's driving our economic growth and it's going to be critical to our economic growth. So these investments reflect a new way of thinking about the government role with the private sector. I think there is some overemphasis just on the government spending the government investments are really intended to trigger private sector investments at the same time and they won't succeed and they wouldn't have passed if there wasn't very substantial private sector support and indications of commitment to invest. So I think what you're seeing is this administration, the Biden administration has really taken a new approach that the passive fully market oriented approach to the growth of our economy and our competitiveness globally, really needs to be supported by government investments. And these have been bipartisan laws with a lot of leadership from the President to get them passed. So we now have if you take the chips and science Act, which you've been hearing about today and the great panel Penny and was on it earlier today and I won't spend too much time on that, but we now have an awareness that we have dropped the ball the pandemic really revealed that the central role of chips and absolutely everything has been left the US shores and we need to bring that back. And part of the reason you need to bring it back is if you look at where innovation takes place and takes place where manufacturing happens. There's not enough emphasis on the fact that innovation doesn't happen. If you're not connected into the supply chain, it doesn't happen if you're not part of where manufacturing is taking place. It can't just happen in university lab. It's part of the process of production. And I think TSMC would tell you that their greatest innovations come from the people working on the factory floor. So we need to have that happening in the US not just in the semiconductor industry, but these other investments that you referenced will cause that to happen with public and private investment in green technology and biotech and AI a whole range of technologies that are really going to be critical to our future.

Peter Baker

Part of what's critical is of course is the workforce. That's something you guys think about a lot. I think, at the Chamber, I've covered 100 events where President saying we're going to really make the workforce training better and we're going to update it for the modern world what we really need to do to make that a reality. What are two or three specific things we ought to do to get this workforce in line for the competition we have ahead of us?

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Zoë Baird

Well we are doing it and these laws include funding for workforce and what we need is the STEM education we've talked about for a long time that younger people, including young girls, seeing themselves in these jobs, understanding they need to learn about technology, but we also need a system we have never had and no country in the world has which is a system of rapidly and affordably updating the skills of our workforce once during the labor market. And we're working very hard against that. Now I'm happy to expand on that. But this is really going to be a critical component of competition these investments won't succeed for us or really any other country if we can't develop the workforce we need and something like 60% of those jobs don't require a four year college degree. There are technicians jobs in a semi conductor facility. They're highly skilled plumbers or electricians there's a whole range of really important work that's central to our competition in every technology. And that requires constantly renewed skills.

Peter Baker

We're gonna we're gonna open up for questions in a few minutes. Ely, what about AI? You've heard a lot about AI today, a lot of AI at this conference because it's so it's so much on everybody's mind. What role does that play right now in terms of our competition about why we should be thinking about?

Ylli Bajraktari

So I think as a as mentioned, I think technology is really the dominant feature of the competition. And so we mentioned that of how we get ourselves organized, the investments we make, but when you look particularly which technology is really that technology, I think AI is that technology. I think now we've all seen what has happened since the last, you know, November release of these powerful words. language models. I think we're at the beginning of seeing the implications both for good and bad of these models that have for our society. Obviously, like any other technological transformational movements we've seen in our history, this is probably that moment that will have an impact on education on workforce, and ultimately in our society and ultimately in our national security. So the way we train and equip our military and the way use these capabilities, I think will matter for for the future of war. So I really believe this is a critical moment that we need to move forward. I think there are four things that we got to do like in the next 18 months. Number one is you need to be better organized for this for this era, because I think traditionally, we've been organized anytime we've had challenges like that after World War Two, we created a National Security Council because the security was the predominant feature in our competition against Soviet Union after the Cold War. We created the national economic concept because the economy is the post cold war. It's like domain of competition. After 90 labor retreated the Homeland Security and the White House. I think right now we need to be better organized. I think something like technology Competitiveness Council, and I know every department needs to seize their islands of hope on getting out of this organization, but really a top down driven organization. This is required for this age. The second piece are really the people and as I mentioned, I think there are three aspects to the people piece number one is increasing the number of STEM students that we have, we're still lagging behind. In many other advanced nations that include China. The second piece of immigration

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reform that I think we touched upon a lot today that each one be really critical you saw yesterday. 10,000 people from United States apply to the Canadian opportunity as an immigrant myself, I think America still remains the world. magnet for the talented individuals. I think we need to unlock that magic. The third piece is really the hardware piece that I think so. And you touched upon how we implement the chipset. And I think Pat Gelsinger talked about this really is critical as we head towards the latter part of this decade. And then the last piece is the how do we make the the innovation ecosystem. And I think this is what's always talking about like, you know, the partnership between universities, government and academia is critical. This is how this country leaves remain number one innovator and so we have to nurture that ecosystem. So I think these four moves are really critical in the next 18 months. Before we head into like the most dangerous period for our country, probably in the latter part of this decade, you know, in terms of China.

Peter Baker

Zoe you spent a lot of years thinking and studying government. I mean, that's a good question. Are we antiquated at this point, should we How should we restructure government at this point to meet the challenge?

Zoë Baird

I think there's so much going on now that excuse me moving so fast. And there are a lot of people in government who have been unleashed to really work out these hard problems. And a lot of people from the private sector who've come into government you heard Doug, I came in from the private sector. I mean, there are a lot of people who are coming in because of their commitment to this moment and the importance of this moment. So I'm thinking less about structure and more about how do we really implement the chips act very fast. How do we address the challenges of AI? How do we ramp up our green energy investments? And that certainly the Commerce Department, we are completely focused on execution against these investments that Congress is putting our hands,

Peter Baker

Right. And how about how about our allies working with our allies in Europe and Asia, they're both competitors and friends at the same time. I mean, how do we balance that?

Zoë Baird

It's a really important moment with our allies for the reasons Eli referred to, but just as importantly, we need the strength of our collaborative efforts. In order to compete. And so we're working. The president at the beginning of the administration, where the first thing he did was create the trade and Technology Council with the European Union, and that's a place where we're working on supply chains together. It's a place where we're working on investments that are mutually supportive, rather than competing with each other over investments and things like semiconductors and clean energy. And it's also a place where we've now created an effort to build our workforce together. So we have a component of the trade and Technology Council where we are actively with labor business and educators actively

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developing the programs and the investments to train the workforce so that we are collaborating in that as well.

Peter Baker

How do you feel about that it's working or not with these European countries.

Ylli Bajraktari

Just to build on that. So saying, I think we see a new momentum really, in the space. When you look at, you know, the structures that the administration has built on or created in Asia Pacific with orcas quad and the TTC that Zoe mentioned, technology really is the key topic probably in all these conversations. And I think the AI is that technology that has been discussed in all these forums. I think how we unlock that collaborative approach really will matter for the years to come. I think whether or not we have a joint vision for how we're going to build and use these technologies, how we're going to have joint r&d between our countries to include people exchanges, etc. And the last thing I think what is really critical is how we as democracy is going to go around the world and offer listening to the global South, these kind of technologies. What we have seen is that in our absence, China has really fill this vacuum in the last couple of years when you look at the world 5g Man is primarily read because what a heavily subsidized by the CCP has gone on and off to these countries, their model of technology. So I think this is a momentum which together with our allies and partners, we can complement each other's comparative advantages and really go around the world and offer our ability to use these technologies, you know, in a way that is, you know, favorable to our norms and laws and ethical values and to be we've shared in this country.

Peter Baker

I was fashioned I'm sure everybody in this room probably already knew about us fascinated by this statistic and New York Times magazine piece on somebody conductors. And Taiwan produces two thirds of the semiconductors and 90% of the advanced ones, which really changes the complexion when you think about the China Taiwan geopolitical situation because it's not just a matter of strategic, you know, issues that we think about follies years military and politics. It's actually also you know, an island that is indispensable to the world economy right now because of its unique status. And in that sense, we should open up for some questions here. I think that there's a microphone maybe going to want to run somebody have a smart question right there.

Audience question

Thanks very much. My name is Pete Curry. I'm the ambassador of New Zealand. Thanks very much to the panel to broaden the conversation away a little bit beyond technology and one, one pathway to competitiveness is to ensure that your exporters are on a level playing field when it comes to the app when it comes to the markets to which they're exporting. And one classic way of achieving that is by pursuing market opening free trade agreements. And I just wondered whether the panel would comment on how they see that featuring into into the US policy prescription. Thanks.

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Peter Baker

Zoe You want to take that?

Zoë Baird

I think it's always important to put that on the table. That is not the purview of the department in which I served so I would be reluctant to speak for the US trade rep. But if you know if you have things that you think would be complementary to what we're saying that you want to expand on I would welcome that.

Audience question

Sorry, for getting a second go well, I mean, I guess you know, if you look at the way the Indo Pacific operates, as an economic ecosystem is increasingly concluded deals with itself. And the two big kahuna is their CP TPP, which the UK just joined this weekend, and the RCEP now the United States is not a member of either of those agreements, which means that the preferential arrangements that are agreed as part of them are not something that your exporters get to access. So it's really just a reflection of, of how that plays out in the policy process and ricette commerce isn't necessarily directly I believe, that I was trying to expand on why I why I see it as an issue. And there is of course, a very direct read across to the to the theme of national security because of the nature of the countries who are members of those agreements or who wants to become members.

Peter Baker

Okay, right here, we're here, and we'll come to you.

Audience question

Good morning. Patrick Wilson from MediaTek. We're one of the largest semiconductor manufacturers in the world happened to be based in Taiwan and I'm actually curious about the global Jump ball for getting companies like ours to decide until was here today to decide where in the world to do innovation. Obviously, the chipset gets to some of that on the manufacturing side, but I'm curious about, you know, the design side and what we should be doing to attract investment from international companies to choose the US as the place to innovate and when obviously, every other jurisdiction is in the game.

Zoë Baird

I would just comment that we're looking at every aspect of the production lifecycle design the supply chain, and looking at investments in that full range and there's an enormous interest from business that's being expressed in response to the chips act so I think that you'll find that it's going to be addressing the full range of of challenges and and elements of the whole production process.

Ylli Bajraktari

Back to what Zoe was saying I still think we do look at the last three or four years. I think this is meant to hear. Personal favorite number one is the codec vaccine, look about how fast we were able to come up

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with that public private partnership. When you look at these last language models that have emerged in the last 16 months. I think most of the companies or USPS I think between universities, people and the innovation ecosystem. I think that will be more attractive the investments coming from Congress and the administration really to jumpstart a lot of these manufacturing capabilities. I think if the momentum is building here, I think we need to move fast in terms of utilization, the joy was of the zoe he was talking about. But I think momentum is really here. I think we need to continue in this path. But I'm not going to say like

Zoë Baird

let me also comment that we annually hold an event at the Commerce Department called Select USA which is an event to bring companies from all over the world to us shores. And this year, there were an extraordinary number of companies from all over the world who came to select USA looking at how they could expand their operations in the US or bring their operations to the US in order to be part of these technology sectors that are going to be growing through the investments. Again, the chips and science, which has r&d investments in this attracting r&d from all over the world as well as manufacturing and clean energy and biotech and and the full range of investments. So there really is a vibrancy that has been developed by these investments.

Peter Baker

And right here.

Audience question

Hi, Michael Greenwald and Amazon as we continue to expand this multipolar world, how do you see the US negotiating differently from an economic competitiveness perspective, especially as the dollar continues to drop? mean what points of leverage do you think we have with allies and adversaries on board?

Zoë Baird

I think we still have tremendous leadership and in fact, renewed leadership globally. And we've created a number of enterprises where that's playing out the Indo Pacific economic framework for example, is one August was mentioned. And certainly the trade and Technology Council with the Europeans. I think that US leadership is still enormously important on the world stage and that this is very much in partnership with the private sector and iPads are what we've done in Africa. These are moves that we're making with the private sector, so when Secretary rimando travels, she often travels with large numbers of us executives, who are going to these regions winter in order to show their commitment to investments and collaboration. So I think that the special magic of the way we work with the private sector in the US is recognized around the world. Certainly I see this in the trade and Technology Council where the Europeans are trying to understand how we, for example, brought skills based hiring into businesses in the US, where educators have been working with businesses to try to be much more focused on what actual skills they need, as opposed to just graduating people from traditional institutions with traditional degrees. And that kind of collaboration with the private sector just hasn't

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happened in Europe and so they're very anxious to learn from us about that. So I think really the special sauce, the US springs that is that is recognized around the world and has helped us maintain our place in those dialogue since the collaboration with the private sector.

Audience question

Thank you so much. I'm Brittany Maury. I'm one of the rising leaders. I wanted to ask a little bit more about the global south and we touched on it briefly. But I was wondering what aspects of our strategy are targeting people to people engagement and technology transfer in the global south and and how much we're thinking about building a technology fluent, young population from from Africa, for example, that's also fluent in American values and, and understands our nation?

Ylli Bajraktari

That's a great question. I think with all the development of these technologies, I think we have a momentum here that together with our partners because in some cases our allies and partners will have a much more insight into how we reach out to these countries. I just met with the Korean delegation there during the semester with Indonesia. India is a tremendous partner for us when you try to reach certain countries in Africa so I think it partnership around technologies and enabling these countries really do become a smart nation, that they utilize technologies for the educational purposes, health care and all these I think that is the angle that I think we approach these countries in on top of the formal channels we have right now with our allies and partners, but I think that would be my story, but this is after the end of the Cold War. We've partnered with a lot of countries around the world to go and offer building institutions for countries that came out of the communism. You know, now if technology is the secret sauce, I think we can go and offer, you know, kind of advantages that we have in that space in helping these coaches. really build the capabilities to become smart nation.

Peter Baker

All right, I think our time unfortunately is up. But what a great panel. Thank you guys very much for taking the time. It was terrific to have this discussion. Thank you all for participating. We'll see you soon.