

71th Student Conference on U.S. Affairs West Point, New York

November 02, 2019

FOR SECRETARY OF STATE

FROM: SCUSA 71 Roundtable on Trade, Jobs, and Globalization

SUBJECT: A Blueprint for American-led Sustainable Growth in the 21st Century

Executive Summary

Globalization has radically changed the nuances of 21st century global trade and economics. The United States faces the challenges of a rising and confrontational China, the development of emerging markets, and economic interdependence which hopelessly intertwine each actor's fate. The creation of a global cooperative to establish economic values such as market reciprocity, global innovation, and clean energy should incentivize countries to be willing to reform their economic structure in order to gain accession into the proposed group. By creating an institutional framework to mobilize resources and encourage innovation to resolve pressing issues, the United States hopes to lead by example in key industries by catalyzing sustainable and effective growth in the 21st century.

Background

The ongoing U.S.-China trade war highlights the rifts in our global trading system, accelerating trends of nationalism and tit-for-tat protectionism. In the race for economic and political dominance, the U.S. has started to lose its lead on the technological frontier as well as its position of leadership in the world economy. This is due to two interrelated factors: the rise of China as a strategic competitor and a lack of infrastructure supporting jobs that incentivize domestic innovation. China's relentless pursuit of innovation has involved instances of "forced technology transfer", a practice that has been detrimental to U.S. national interests in protecting intellectual property. This unfavorable outcome demands a reevaluation of both our domestic policies and external trade practices.

Recent economic history has been riddled with failed attempts to set global norms on trade, exemplified by the rise of global populism and the failure of the US to join the TPP. China's rapid economic success calls for new ideas to ensure American leadership and set the global economic standards for the next century. This initiative begins with approaches that can assert U.S. leadership in the renewable energy market, an area of increasing global interest given the changing environment.

Issues

The United States since 2016 has significantly redefined the role of the United States in the context of global trade and foreign policy. In an era of expanding globalization and increasing interdependence, the United States role as a global leader continues to diminish in the international market. Through the imposition of trade barriers against allies and competitors such as China, the European Union, and Canada, there has been a consistent regression in global economic cooperation and innovation. As a result, the mutually beneficial economic system once embraced by the neoliberal international order has become threatened by populist and nationalist economic and political ideologies. The dichotomy between cooperation and fragmentation in the context of economic production and advancement poses a threat to the continued development of domestic and international economies.

Internationally, the consequences of this economic fragmentation have led to the isolation of the United States in the global economic system, a deteriorating relationship with China, and a potentially detrimental trade war. Correspondingly, the domestic implications present themselves as: increased costs of living due to the declination of imports from China, a struggling agricultural sector due to rising

71th Student Conference on U.S. Affairs

West Point, New York

Chinese tariffs, and, as CBS journalist Rachel Layne asserts, American companies are being forced to pay tariffs on imported Chinese goods at the expense of creating new jobs for American citizens. Thus, the zero-sum ideology adopted by current American foreign policy will fail to mitigate the consequences of a polarized global economic order.

Options

Status Quo: The status quo represents the current economic order, focusing on aggressive trade practices, rising tariffs and the escalation of trade tensions between the United States and China. This option relies on the idea of a zero-sum game in which winners and losers are vying for scarce resources and economic power. In the future, allowing tensions to escalate may threaten the national security of the United States and the future economic interests of the state.

Proactive-reactive: This option involves strategic engagement with China through a refocus of American interests from aggressive trade policies to re-establishing open trade relations with our current partners. This option takes a proactive approach to domestic priorities, focusing on key investments in infrastructure, vocational training, and high-tech R&D. On the other hand, the U.S. will adopt a reactive approach to foreign policy that will lead to the expansion of the function of CFIUS to involve evaluating U.S. investments abroad.

Set the norms: This option focuses on building an international institution that encourages the sharing of innovative technology as it pertains to sustainable energy. This international agreement will propel positive economic change through cooperation with like-minded foreign allies and the improvement of education (vocational, and STEM), infrastructure, jobs, research and development.

Recommendations:

1. Creation of a Sustainable Innovation Alliance (S.I.A.)

- Create an international institution of the recommended sovereign nations: The U.S., Norway, Japan, Republic of Korea, Australia, Canada, and Chile. **Potentially:** EU, Israel, Post Brexit UK, India, New Zealand, Mexico.
 - Membership is based on desire to innovate and develop sustainable energy
 - Adequately abide by agreed shared values, such as protection of labor rights
- Enforce a closed network of shared innovative technological knowledge as it relates to sustainable energy.
- Establish a disciplinary mechanism to ensure that all member states abide by the rules of the shared knowledge system. Such disciplinary action could be suspension or expulsion.

3. Reshape American Foreign Policy

- Expand the Committee on Foreign Investment in the US (CFIUS) legislation to include a mechanism of evaluating domestic technology transfer to foreign entities
- Encourage further advancement in sustainable energy including but not limited to the automobile, agriculture, coal and oil industries
- Respond in defense of US economic interests but do not pursue a policy of active aggression
- Popularizing values of the shared human experience such as labor laws that level the playing field for competitive advantage

4. Domestic Considerations

- Increased investment in public infrastructure and research and development to spur greater innovation and advancement to develop the American workforce to become

71th Student Conference on U.S. Affairs West Point, New York

- competitive in an increasingly diversified economic structure
- Continue prioritizing Perkins Funding for state emphasis on community college, vocational training, and STEM programs to become competitive as technology takes a center role in global economic development
- Incentivize the private sector to mobilize resources in order to gain a competitive advantage in increasingly innovative and modern economic industries
- Leading the global economy towards a more privately-controlled economic framework in order to better allow market forces to develop a more sustainable and predictable growth

Acknowledgements

Special thanks to Dr Dean Dudley and Mr Mark Linscott who, through verbal discussion, helped us greatly to understand the complexity and difficulties associated with global trade. Their expertise on the subject was instrumental in guiding us to many of our conclusions and the successful preparation of this proposal. In addition, we would like to thank MAJ Sean McMahon from the USMA Social Sciences department for writing the Trade, Jobs, and Globalization Table Paper. His work set the bedrock for our groups discussion and allowed our group to effectively begin our policy discussions.