

| CALL TO ACTION  | GRADE<br>(2015)           | JUSTIFICATION   |
|---|---------------------------|---|
| <b>TALENT</b>   |                           |   |
| <p>Reform immigration rules to ensure that the world's best talent innovates and creates opportunities in the United States. Staple a green card to the diplomas of highly skilled immigrants who acquire an advanced degree in the United States.</p>  | <p><b>F</b><br/>(D)</p>   | <p>Despite continued broad support for high-skill immigration reform, disagreement on other immigration issues blocked progress in 2016. Highly charged campaign rhetoric on the issue makes the outlook for 2017 appear equally difficult.</p>   |
| <p>Expand degree earners in science, technology, engineering and math (STEM) and encourage the diversity of this population.</p>  | <p><b>B</b><br/>(B)</p>   | <p>The number of STEM degrees awarded each year continues to rise. Women earn more STEM degrees than men, but men account for 81 percent of bachelor's degrees in engineering.<sup>44</sup> Overall, 38 percent of bachelor's degrees earned by men and 29 percent earned by women are in STEM fields. Hispanic students are earning an increasing share of bachelor's degrees in STEM fields, rising from 7 to 11 percent since 2000.<sup>45</sup></p>   |
| <p>Strengthen career and technical education (CTE) and training programs through partnerships with business or labor that prepare students and workers for good jobs that fill labor market needs. Issue H-1B training grants to train Americans in fields for which companies now rely on foreign nationals.</p> | <p><b>B</b><br/>(B)</p>   | <p>The Workforce Investment and Opportunity Act went into effect in July 2015. Five implementing regulations took effect in September and October of 2016. The law streamlines coordination between major programs; establishes common performance measures; and works to align adult education, postsecondary education and employer programs. The Labor Department in June 2016 called for proposals under the America's Promise Job Driven Grant Program to train in H-1B fields. \$1 billion is available under the program.<sup>46</sup></p> |
| <p>Enable greater lifelong learning opportunities by allowing workers to make tax-exempt contributions to a savings account for that purpose. Offer tax credits to employers who match contributions.</p>   | <p><b>C</b><br/>(N/A)</p> | <p>This is a new Council recommendation. Legislation for this purpose was introduced in 2011, but no action was taken. Current law permits a non-refundable tax credit for lifelong learning up to \$2,000 annually. Non-refundable means that the credit can zero out a person's tax liability but no payment in excess of the liability is paid.</p>  |

44. National Science Board. Science and Engineering Indicators 2016, National Science Foundation.

45. Ibid.

46. Employment and Training administration. *Notice of Availability of Funds and Funding Opportunity Announcement for America's Promise Job Driven Grant Program*, U.S. Department of Labor, June 6, 2016.

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| <b>TECHNOLOGY</b>   |                   |   |
| Continue expanding the National Network of Manufacturing Innovation Institutes (now Manufacturing USA Institutes).  | <b>A</b><br>(A)   | Two more institutes were launched in 2016, raising the total number of hubs to nine. In June, the President announced five new manufacturing hub competitions, which will invest nearly \$800 million in federal and non-federal resources to support manufacturing technologies including robotics, biofabrication and new ways to reuse and recycle materials. <sup>47</sup> The Obama administration aims to launch 15 hubs.   |
| Launch an initiative on technology commercialization that examines local, state, federal and global efforts. Propose new actions to incentivize entrepreneurship, facilitate startups to scale up, improve access to capital and encourage partnerships between industry, academia and national laboratories. | <b>C</b><br>(N/A) | This is a new Council recommendation. The incoming administration should pursue an innovation and commercialization initiative as part of its economic strategy to increase productivity and economic growth.   |
| Develop and implement a “whole of nation” President-led strategy for a large sustainable public-private partnership to support America’s ecosystem for global leadership in the research, design and protection of trusted semiconductors and microelectronics.   | <b>C</b><br>(N/A) | This is a new Council recommendation. The incoming administration should support a public-private partnership network for trusted semiconductors and microelectronics as part of the trusted source strategy mandated by Congress.  |
| Lead in High Performance Computing (HPC) by committing to exascale computing; addressing issues of software, skills and industry access; and launch pilots that enable U.S. small- and medium-sized businesses to leverage modeling and simulation tools.   | <b>B</b><br>(A)   | In 2015, President Obama established the National Strategic Computing Initiative (NSCI). It is important to sustain this effort in the new administration and increase private sector engagement. Part of the NSCI is the Exascale Computing Project that aims to build “capable exascale systems” that have all the components to solve complex problems. The competition is intense with rapid investment and progress being made in China.   |
| Promote best practices in the protection of intellectual property rights around the world and secure critical infrastructure against cyber-attacks.   | <b>C</b><br>(C)   | Piracy of data and intellectual property remains a significant concern. The number of U.S. data breaches plateaued in 2015 with 781 breaches. Most attacks were on private sector entities, including firms, health organizations and financial institutions. <sup>48</sup> Congress is considering cyber security measures to promote best practices in government agencies and to secure critical non-government infrastructure. In addition, up to 25 states enacted or have pending cybersecurity measures in 2016. <sup>49</sup> |

47. The White House. *Fact Sheet on Winner of New Smart Manufacturing Innovation Institute and New Manufacturing Hub Competitions*, June 20, 2016.

49. National Conference of State Legislatures. *Cybersecurity Legislation 2016*, April 11, 2016.

48. Identity Theft Resource Center. *Data Breach Report*, December 29, 2015.

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| <b>INVESTMENT</b>  |                 |   |
| Double the investment in federal research and development and encourage cross disciplinary partnerships to commercialize results.  | <b>F</b><br>(F) | Despite urgent calls to increase federal R&D investment, basic research has largely been flat since 2002, and total federal research and development as a share of GDP dropped to 0.77 percent in 2015, the lowest level in at least 40 years. <sup>50</sup>  |
| Work across party lines to compromise on spending and revenue measures that will bring the nation's debt down to historical norms. | <b>D</b><br>(C) | The federal debt as a share of GDP rose in 2016 to 77 percent, its highest level since 1950 in the wake of WWII. Under current law, that ratio is projected to rise to 86 percent in 10 years—driven by an aging population, growing health costs, and rising interest payments. <sup>51</sup> Congress and the administration did not enact structural reforms to begin addressing these issues. |
| Lower the corporate tax rate to 23 percent, in line with the upper quartile of OECD economies.                                     | <b>D</b><br>(D) | The United States has the third highest general top marginal corporate income tax rate in the world, at 38.9 percent, trailing only the United Arab Emirates and Puerto Rico. <sup>52</sup> The worldwide average across 188 countries and tax jurisdictions is 22.5 percent. <sup>53</sup>   |
| Reduce taxes on repatriated earnings to less than 5 percent, in line with other OECD economies.                                    | <b>D</b><br>(D) | Corporate tax reform remains elusive while \$2.6 trillion <sup>54</sup> is held overseas due to tax rules that discourage companies from repatriating foreign earnings back to the United States.   |

50. American Association for the Advancement of Science. *Historical Trends in Federal R&D*, June 2016.

51. Congressional Budget Office. *Update to the Budget and Economic Outlook: 2016 to 2026*, August 23, 2016.

52. Pomerleau, Kyle and Potosky, Emily. *Corporate Income Tax Rates Across the World*, The Tax Foundation, August 18, 2016.

53. *Ibid.*

54. Lawler, Joseph. *Untaxed Offshore Earnings of US Companies Rises to \$2.6 Trillion*, Washington Examiner, September 29, 2016.

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| <b>INFRASTRUCTURE</b>  |                   |   |
| Deploy modern and resilient energy, transportation, and cyber infrastructures to encourage investment and production in the United States. Energy investments should include renewables and energy efficiency technologies.                  | <b>F</b><br>(F)   | The United States continues to have significant infrastructure issues, but it appears that progress is being made. The President and Congress agreed to a 5-year, \$300 billion highway bill at the end of 2015. In addition, state and local governments are taking advantage of low interest rates to finance infrastructure at its highest level since 2010. <sup>55</sup> |
| Re-assert leadership in global trade, expanding access to markets and ensuring fair enforcement of trade rules. The United States should forge strategic agreements with Brazil, China, India, Japan, the EU and other major trade partners. | <b>C</b><br>(B)   | The United States and 11 other nations signed the Trans Pacific Partnership Agreement (TPP) in February, 2016. Significant opposition from both parties in Congress and the President-elect effectively block this pact. The future of new and existing agreements also are in flux as the incoming administration has pledged to renegotiate America's trade relationships.  |
| Re-authorize the Export-Import Bank and expand its mission to fund domestic infrastructure projects.   | <b>B</b><br>(C)   | The Export-Import Bank was reauthorized through September 30, 2019.   |
| Review regulatory burdens that deter or inhibit infrastructure investment in the United States and streamline or eliminate rules that add cost or delay to such investments without a clear benefit to consumers.                            | <b>C</b><br>(N/A) | This is a new Council recommendation that should be pursued by the incoming administration.   |

55. Varghese, Romy. *Long-Awaited U.S. Infrastructure Spending Comes to Fruition*, Bloomberg, August 26, 2016.

# The Competitiveness Report Card

The U.S. Council on Competitiveness grades policymakers on their progress, or lack thereof, addressing several key competitiveness policy recommendations. The Council recommendations are informed by over a decade of research and the insights of the nation's leading corporate executives, academic and labor leaders and national lab directors. The 2016 Competitiveness Report Card assesses policymakers' actions over the course of the past year. For comparison, the 2015 grade is shown in parentheses. Only the Council recommendations specific to policymakers are contained in the Competitiveness Report Card.