



Staying Atop the Global Competitive Pyramid

Maintaining the record of the United States as a strong manufacturing and services economy won't be easy. Last year, the costs of energy put a significant strain on even the healthiest US manufacturers, and while energy costs have recently eased, the long-term trends indicate that they will be a lasting issue. The extra burdens in the areas of pensions and healthcare carried by US companies are well documented. The need to bolster the education system to maintain US technological superiority is no secret, as is the necessity to strengthen the nation's transportation infrastructure. The incentives for innovation in new and challenging areas are also important for maintaining international leadership.

The future will belong to the country whose companies invent and develop the next great industrial breakthrough.

Where will the great breakthroughs in energy efficiency, safe extraction, and the environment come from?

Who will develop the springboard for nanotechnology?

How can we capitalize and expand upon the US lead in computer technologies and information processing?

These are not *China's* problems, however. They are *America's* problems.

A smart China policy in the coming decade will continue to focus on opening markets, ensuring transparency and building rule of law, while a smart policy for America will focus on getting our own house in order so that US companies can continue to be great.

The best way to achieve US objectives is through a combination of high-level, comprehensive engagement such as the Strategic Economic Dialogue; good faith negotiation on specific issues through existing vehicles like the Joint Commission on Commerce and Trade (JCCT); and, when negotiations fail, the use of rules-based, internationally accepted trade tools such as WTO cases when they are well-defined, supported by industry, and winnable.

But most of the answers to maintaining America's global economic leadership are right here at home.