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INTRODUCTION

Thank you. Thank you so much for this award and for the honor of speaking with you tonight. Thank you especially to my good friend, Terry McGraw, and to all of you for the incredibly important work you do here at the United States Council for International Business.

This is a fascinating time in the history of our nation – and of all nations. Economies have never been more dynamic – or more fragile. Opportunities in many parts of the world have never been more plentiful – or more perilous. Uncertainty reigns, from Europe to the Pacific Rim, and certainly here in the United States. The very social systems that have been built over centuries of hard work are under threat. The disappearance of the great middle class is underway.

So we have choices to make. Critical choices that must be made by governments and by businesses – about the future as we see it, and the path we must take to get there. Perhaps none of those choices are more important than how we engage in the global economy, and how we position ourselves in an economic order where we no longer control all aspects of our destiny.

That is what I would like to speak about this evening. About the choices that are still ours to make; about the path I believe we must take.

THE MYTH OF THE GLOBAL FREE MARKET

That begins with the recognition of an essential fact: We do not live in a global free market.

We live in a global economy where countries are acting more and more like companies: competing aggressively against one another for business and progress and wealth.

They are not simply sitting back and letting market forces dictate their future. Instead, they are taking that future into their own hands. They are identifying their comparative advantages and defining them on the world stage, then making strategic choices to leverage them.

Governments are boosting business, creating a climate that attracts and rewards investment, spurs innovation and job creation, and appeals to companies that are less bound by national borders than ever before.

In an era of such extraordinary volatility and uncertainty, they are creating "investment rules" for companies.



They are mitigating our risk.

Now, do not get me wrong. I am not one to shy away from risk. Risk is inherent in business. I do not merely accept that; I embrace it. I know full well that there is no upside without a downside.

But any smart company anywhere in the world will do what it can to reduce the uncertainties of doing business, just as individuals do what they can to reduce risk in their lives. The nations that really get this are working closely with companies to reduce risks, create predictability, and provide a measure of certainty, so that businesses can plan and invest for the long term.

Together the public and private sectors set goals, and create mechanisms to ensure those goals can be reached.

These countries see what the United States must realize sooner or later: that it is a false choice to say that you can be either pro-business or pro-government. The old ways of thinking simply do not apply in a global economy.

Today, more than ever, you cannot be pro-business while being, automatically and in every instance, anti-government. This is true for our elected leaders and business leaders both. We must work in concert – just as they do everywhere that is experiencing economic success – if we want to create jobs, if we want to attract the industries of the future, especially those in advanced manufacturing.

One of the most common solutions these countries provide is, of course, subsidies, as well as tariffs. Build here, they say, and we will give you free land. Build here, they say, and we will cover the cost of building your first plant. We may even protect you from foreign competition.

There are many people who criticize this way of doing things. They say that subsidies and tariffs are short-term in nature. That they are unsustainable.

I do not disagree.

I do not think any business or industry will succeed anywhere in the world if it depends too heavily or too long on government for support. It is not the role of government to prop up industries and sectors that cannot, over the long term, stand on their own.

So that is not the point of the kind of strategies I am describing. The aim is not to pick winners and losers, then tip the scales permanently so that a certain company always comes in first place. The goal, instead, is to identify that sectors that are critical to a nation's future, and then support them just long enough that they can take off on their own.

That is how we made microprocessors scalable, and affordable on the mass market.

It is how we invented the Internet, which now represents an \$8 trillion dollar global enterprise.



It is how we saved the U.S. auto industry from bankruptcy.

This is how we have always done business in America. It is how we built the greatest economy in the world. Now – in the midst of the greatest global struggle our economy has ever faced – is not the time to abandon those first principles. Especially not at a time of such extraordinary opportunity.

Look across the ocean to China, and you will see just how massive that opportunity is. The Chinese government has just declared that they will make a major push over the next several years to increase domestic consumption. They anticipate that, by 2015, trade between our countries will reach half a trillion dollars. The Chinese government has singled out “strategic emerging industries” – from biotechnology to high-end equipment manufacturing to clean energy – that they intend to triple in size as a percentage of their GDP. These are next-generation industries. And by investing in them – by building them – China is pushing its economy to the cutting-edge, designing it to be hi-tech.

So the stakes could not be higher. It is essential that we, in America, hold fast to our principles so we can seize that opportunity, and reassert our role as the world’s greatest exporter.

If we commit ourselves to that future, then just one question remains:

How do we get there?

PILLARS OF GOVERNMENT POLICIES

History shows that the playing field does not simply level itself. Smart and strategic policies are always needed, especially at inflection points – at times of economic transition.

So I think every nation that wants to succeed today, in this new environment, has to think deeply about the pillars of government policies, and how to direct them to promote business investment and economic growth.

There is the pillar of regulations – balancing the need to protect its citizens against the need to give businesses the space to thrive.

There is the pillar of tax – balancing the collection of revenue and the distribution of wealth against the need to attract businesses, and all the value they drive.

There is the pillar of trade – the lifeblood of 21st century economies.

The U.S. built its economy largely on trade. On exports. On the wealth of the world. And today, our growth depends on the same. Our economic strength cannot come solely from within our own borders. Not when 95 percent of the world’s consumers live outside of them. No country our size will succeed in the global economy without constantly opening new markets, and new channels for the things we produce.



No nation can succeed in a global economy by resisting it.

Then there is the pillar of energy – how to allocate inputs intelligently, how to manage demand, how to confront the drastic need for sustainable solutions.

And finally, there is the pillar of education – the kernel of ultimate competitive advantage. The fuel that feeds innovation.

Countries must look at all of these pillars as they relate to new global challenges. How do we address complexity? Or reduce uncertainty? Or increase transparency? If a nation is not grappling with those questions on a daily basis, it is falling behind.

EMBRACING THE CHALLENGE

It is essential for businesses, government, and the entire nation to embrace this new reality. We have to make choices – strategic choices about our future and how we want it to unfold. We have to identify changes that need to be made, and then, without hesitation, lead the transformation.

For that to happen, we have to first stop throwing stones at each other. Democrats and Republicans. Business and government. We can – and will-have disagreements. But as long as the business community reflexively views government as the enemy, and as long as government views business the same way, we will never overcome our national challenges. The time for being divisive is over. The time for being inclusive is upon us.

Because the truth is, we are all in this together – for the very simple reason that none of us can do it alone.

And when we do work together, we can achieve meaningful progress – progress that is essential for business. Again, look to China.

As many of you know, China last week announced a major crackdown on IP infringement, one that is crucial for businesses like Dow as we continue to expand our presence there. That announcement was the result of a concerted effort and partnership between governments and the business community.

I believe it cements the critical role that companies play in impacting large and consequential decisions like these, and it helps underscore the value of a new model of dialogue – sustained and strategic.

It is proof of mutual benefit that we can create when business and government listen to each other and work together. It is proof of what we can achieve together.

But only if we choose to stand together.



So let us venture, then, to build bold partnerships. Let us venture to educate our community, and our political leaders, about the importance of the actions we take. Let us not be fooled by the notion that past greatness entitles us to future success. And let us not forget that we live in an era where public-private partnerships are more essential than ever.

CONCLUSION

That is our challenge. That is our choice. The U.S. can embrace the realities of the global economy and seize its opportunities. Or we can resist it, and in doing so, become its greatest bystander.

To my mind, at least, that is not a choice at all.

That is why the work of the USCIB continues to be so vitally important. Because the issues you promote, the global advocacy you undertake, all centers around this same basic tenet: that the United States can thrive in the era of globalization.

But only if we decide to do so. None of this will be easy. But neither is it optional.

And so we must move forward, in partnership, committed to the cause.

Thank you so much for this award. And thank you, again, for your essential work.

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