

THE NEXT GREAT EMERGING MARKET?

CAPITALIZING ON NORTH AMERICA'S FOUR INTERLOCKING REVOLUTIONS

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In "The Next Great Emerging Market? Capitalizing on North America's Four Interlocking Revolutions," Gen. (Ret.) David H. Petraeus and Paras D. Bhayani explain why North American market integration and leadership in energy, manufacturing, life sciences, and information technology could drive substantial economic growth. But they warn that Washington must turn today's policy headwinds into policy tailwinds to capitalize fully on these trends. These are their Top 10 highest-impact policy recommendations:

- 1. Reform public education** to ensure the U.S. develops the best human capital by encouraging state policymakers to adopt rigorous educational standards, particularly for math, science, and reading. Encourage greater competition and choice, such as through high-quality charter and other specialized schools, which can generate innovations that are later adopted and scaled by traditional public schools.
- 2. Pass comprehensive immigration reform** to dramatically boost the number of H1B visas, particularly for foreign technical graduates of American universities; use a point system to prioritize for entry those with advanced degrees and the ability to contribute to the economy; and create a path to permanent residency and citizenship for low-skilled workers.
- 3. Invest intelligently to improve America's deteriorating physical infrastructure.** Create a National Infrastructure Bank to promote more-rigorous project selection, and increase the motor-fuels tax and index it to inflation to rejuvenate and sustain the highway trust fund.
- 4. Tackle the two largest drivers of spending**—Social Security and Medicare—and replace the blunt cuts in the "sequester" with targeted cuts in order to reduce the long-term debt-to-GDP ratio from 74 percent to 72 percent by 2024.
- 5. Pursue comprehensive reform of the U.S. tax code.** Reduce the corporate tax code's complexity by stripping out deductions and loopholes and using the savings to lower the overall rate from 35 percent to 26 percent.
- 6. Increase funding for both defense and non-defense scientific research** across the range of relevant agencies, including DARPA, the NIH, the NSF, and the Department of Energy's Office of Science. Make the research and development tax credit permanent to support continued corporate investment in applied research.
- 7. Encourage the continued development of domestic and North American energy sources** and the integration of the North American energy market. Approve the Keystone XL pipeline to carry oil extracted from Canadian tar sands to refineries and other production facilities in the U.S. Lift the ban on U.S. exports of oil. Give the EPA the authority to issue and enforce high-quality, uniform standards on hydraulic fracturing nationwide to replace the current state-by-state patchwork of regulation.
- 8. Accelerate renewable energy development** by building a robust, high-voltage transmission infrastructure to transport electricity nationwide, and, in conjunction with Canada and Mexico, across borders.
- 9. Reverse the nation's slipping rank in Internet speed and affordability** by promoting affordable broadband connections across the U.S. through changes to federal regulation and the introduction of limited tax credits.
- 10. Pass strong cybersecurity legislation** to allow companies to share information with DHS and allow DHS to share information with other federal agencies, which is essential to safeguard American leadership in the IT sector.

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