

## Sandy K. Baruah

### *Introduction by Cynthia H. Wilbanks*

At this time it is a great pleasure to welcome Sandy Baruah, Assistant U.S. Secretary of Commerce, who makes a return visit to Michigan. He was with many of us at the University of Michigan in September. He was here with a specific purpose of learning more about a number of programs that are supported by the Federal Economic Development Administration. We're delighted that he was able to return to Michigan for this conference. Sandy has an extensive background in government and the private sector, and again many of the details are included in your program. As the leader of the Department of Commerce, he is directly charged with helping to lead the economic development agenda at the federal level. Indeed, his portfolio is focused like a laser on promoting, stimulating innovation and competitiveness, and we are delighted to welcome Sandy Baruah to our podium for his remarks.

### **Baruah**

Do not adjust your sets, I am from the federal government and I am here to help. Cynthia, thank you very much for that kind introduction and the invitation to be here in Ann Arbor again today. It is my pleasure to be here on behalf of President Bush to discuss how the federal government is promoting the role of universities as a key component of our national competitiveness. And it is a great honor for me to be here today and share a podium with people like Chairman John Dingell, and Dr. Vest, and others. This morning I want to share three things with you all. First, how the federal government is responding to the challenge set forth in the *Rising Above the Gathering Storm* report. Two, how the economic development administration is supporting university-led economic development. And third, some thoughts on the broader competitive context in which we all operate.

The *Rising Above the Gathering Storm* report is an important clarion call that highlighted a need for action now on the issue of American competitiveness. The Bush administration supports the broad findings of the *Rising Above the Gathering Storm* report, and I am pleased that in Washington D.C. we have taken decisive and proactive action to focus on the issue of competitiveness. President Bush was the first President to put the issue of competitiveness on the national agenda. He's actually the first President to discuss the issue of competitiveness in the State of the Union address.

More importantly, however, we announced the American Competitive Initiative, the ACI. The ACI called for the doubling of the federal commitment to basic research in the physical sciences, the type of high-end, leading-edge research that the private sector cannot, and frankly should not, be expected to perform. The commitment of the ACI would put the federal commitment to leading-edge research at the same level on a percentage basis of our federal budget as it was during the 1960s Apollo space program. This August, due to the leadership in Congress of some folks that we heard from earlier today, Congressman Ehlers and Congressman Dingell, the President was able to sign the America COMPETES Act. The America COMPETES Act significantly bolsters funding for the National Science Foundation, the office of Science at the Department of Energy and the National Institute of Science and Technology at our Department of Commerce. With this funding, with significant proportions would go to leading academic institutions, the U.S. government would support research in critical areas such as nanotechnology, supercomputing, and ultimate energy research.

The implications of the *Rising Above the Gathering Storm* report go beyond the ACI and the America COMPETES Act. Numerous federal programs have recast themselves to tackle the pressing issue of American competitiveness. For example, we have transformed the economic development administration into a market-facing, forward-leaning entity focused on answering the "what's next?" question for our economy and for regional innovation.

We have developed and communicated clear policy priorities. One, we are focused on supporting collaborative, regional economic development approaches, taking economic development away from a county versus county, city versus city, or even state versus state activity. Two, we are focused on supporting entrepreneurship, and I'm talking about high-potential growth entrepreneurs. Entrepreneurs that may be five people today, but would have the opportunity to be fifty people tomorrow and five hundred people a few short years from now. And third, we are focused on answering the "what's next?" question by focusing on innovation and competitiveness.

Those are our three fundamental policy priorities. And now in addition to this new investment policy focus, we have revamped some of our long-standing programs. For example, we have transformed our university center program into a competitive format to ensure that we are supporting leading-edge thinking, and we're constantly infused with new ideas and new universities, and new ways of looking at things. This program provides the support needed to make the incredible resources at America's premiere education institutions available to the public and private entities interested in advancing the art and science of innovation-led economic development. One such example is right here at the University of Michigan. The Center for Economic Diversification here at the University of Michigan, led by Larry Molnar, is partnering with organizations such as the Center for Automotive Research to work with both the auto industry and auto-dependent communities to make them more competitive. Last month I was able to visit first-hand what the University of Michigan and the Economic Development Administration are doing together, and I'm very gratified at our shared results. Our work with universities is not limited to this one single program. As the federal government's venture capitalist for innovative economic development, some of our best developments support university-led initiatives.

Example, under the leadership of John Hoeven in North Dakota, that state has partnered with universities and the private sectors and has completely, in my opinion, turned the economic fortunes of that state around. Through the Governor Hoeven's efforts, North Dakota has reversed a long trend of out migration, now has an unemployment rate well below the national average, is outpacing the nation in both jobs created and per capita income gains. An example of how we are partnering with North Dakota is our efforts with the University of North Dakota Center for Excellence for Life Science and Advanced Technologies. This campus research park leverages research in viral diseases and high-tech engineering, encompassing a regional industry cluster that stretches from the Great Plains up to Winnipeg. This center is just one of a state-wide network of centers of excellence in North Dakota, creating new economy jobs in North Dakota. This state, in my opinion, is an excellent example of good state leadership, successfully utilizing the university assets, partnering with the private sector, leveraging federal programs and focusing on key challenges that have yielded specific, tangible and impressive results. That is one model to look at for the engaged university.

The broader context of our discussion today is how to better utilize universities to advance innovation. The Organization for Economic Cooperation and Development, the OECD, based in Paris, recently reported that there are four key roles for universities: anchors of regional innovation systems, providers of life-long learning opportunities, partners in regional governance, and promoters of sustainable development strategies. The OECD concluded that there was no one model for the successful, engaged university. And I think that's a good thing, because as we have learned and heard today, most things are local and location matters. The role of the engaged university is going to depend on the region, its resources, and the business environment.

The OECD also concluded that universities are an underutilized resource across the globe. In most parts of the world, the division between the world of ivory tower academia and the world of commerce are indeed worlds apart. While universities across the globe may be untapped resources, universities in the United States are far more engaged with the private sector, and that is a competitive advantage for this country that we must nurture and bolster. The link between universities and the private sector is critical and is especially critical in this critically important region of the United States. No one here needs to be told that the automobile industry is changing. While this region has suffered from closures and layoffs,

the market for automobiles in this country and across the world is robust. In this country alone we're going to sell 16 million of these four-wheeled wonders. This region does not lack for expertise in a critical market segment. The world is demanding the product in which you have world-class expertise. We owe it to each other to ensure that universities are simultaneously working to increase the competitiveness of our auto industry here in America and at the same time diversifying the economic base of auto-dependent communities, because the simple fact is it is going to take fewer people to make more automobiles.

This is dynamic and not dissimilar to what we saw in the agriculture economy of a few generations ago. Now, of course, we live in a new reality. Our new reality is that Tom Friedman has it right, the world is flat. Our competition today comes not from the company next door, the city next door, the county next door or even the state next door. Our competition today comes from any person on any point on this globe with a good idea, a good education and a good internet connection. Sounds a little scary, but the new global market offers tremendous opportunities. For U.S. business that reality is that 95 plus percent of my potential customers don't call America home. There's a whole global marketplace out there for us to tap into with the right products. And universities can play an important role, as Derrick Kuzak, just outlined in terms of creating those products and addressing the skills gap that this country's going to face.

There is a skills gap. When I hear corporate leaders and university leaders speak, one of the common themes is that people misunderstand when we set up shop to do business outside America. Most people think it's because of the cost issue. And sometimes that is a factor, especially for low skill levels. But one of the primary reasons that we talk to corporate CEOs in terms of why they are looking to other parts of the world to set up their operations, it's because of lack of skills. Even in manufacturing. Manufacturing today is high skill, workers need a good education, need to be able to think. That's why the new plants that are being built here, like I just heard about one from David Cole this morning in Lansing, the minimum educational requirement is a two-year degree to get in. And that is a challenge for a state that recently polled parents and found that only 30-some-odd percent of the parents thought that their children needed to go to college in order to create a robust, sustainable career and livelihood for them.

This global marketplace that creates a challenge also is paying off for the American consumer. According to the research by the respected Financial Services Forum, the average American family income is roughly \$10,000 a year higher because of our engagement in the global marketplace. And the advantages of the global marketplace are evident in the auto industry. Products by Ford, GM, and Chrysler have been made better as a result of global partnerships. And the American people, whether you live in Michigan, California, Texas or Wyoming, understand this. When it comes to complex products like computers, aircrafts, automobiles, the days when American meant one thing and foreign meant another thing are largely dated notions. The American people are hip to the fact that it is hard to determine if a U.S.-built Toyota Camry is more or less American than a Mexican-built Ford Fusion. The folks that I know who drive the Chrysler 300C actually brag about the fact that their car shares key components with a Mercedes E class. General Motors is about to relaunch rear-wheel drive performance cars in the mid-price range using engineering from their Australian subsidiary, Holden.

These are competitive advantages for the big three. We must learn to master, not hide from, our global marketplace. Every time Americans try to curtail our engagement and our commerce with the outside world, this country loses. And today our export performance is booming. U.S. exports are up 11 percent this year over last, and for the first time in recent memory, exports are rising at a faster clip than our imports are and that is narrowing our trade deficit. When we first came to office in 2001 we had free trade agreements with three countries, Canada, Mexico and Israel. Today we have sixteen, and we are promoting four more, Columbia, Panama, Peru, and South Korea. These four robust and emerging markets are the consumer base of 126 million customers in a combined GDP of \$1.1 trillion. Taken together these FTAs would represent the United State's sixth largest trading partner.

Now, as Governor Hailey Barber says, "I may have been born at night, but I wasn't born last night." I know that FTAs are controversial in some parts of the country. The fact is that FTAs do reduce barriers to U.S. goods and services, which is critical. They ensure better intellectual property protection, also critical. Promote fair and more transparent trading practices, government processes, and they do level the playing field. The evidence shows that free trade agreements work. Our trade deficit with countries in which we have FTAs is significantly lower than it is with countries where we don't have an FTA in place. Since NAFTA was implemented, the economies of the U.S., Canada and Mexico have increased significantly. The U.S. has grown 48 percent, Canada has grown 49 percent and Mexico has grown 40 percent. And exports between all three countries has increased substantially.

The role of universities is with their cutting edge research, certified smart people, status as an honest broker, ability to think outside the box, able bring new ideas -- they [universities] must and can play an ever increasing role in making our companies and our communities more competitive in this global marketplace. Universities help us to adapt, and that's important because the pace of change in the 21st century will only continue to accelerate. Think of this. It took 55 years for the automobile to reach one quarter of the American populous. The internet did it in seven. Imagine how quickly we will adopt the next big thing. And what a potentially wonderful role for universities to help the world adapt.

Let me conclude with a personal assurance, that I understand that it is a lot easier to highlight a challenge than it is to actually do something about it. Even with the resources I have as the head of a federal agency, I don't have the brainpower nor the financial resources to solve the problem on my own. But you have my assurance that we at the U.S. Department of Commerce are ready, willing and able to roll up our sleeves to work with the universities and the economic regions of the Great Lakes to work on collaborative solutions that help us define a clear path forward. As Cynthia [Wilbanks] mentioned, this is my second trip to Michigan in as many months. I'm here with our regional director for this portion of the country, Robert Sawyer, and we are committed to serving in whatever role is needed to help this region ask and answer their "what next?" question. And this is above and beyond our agency's \$56 million in economic development investments that we have in Michigan since 2001. I've recently met with senior officials from GM and Chrysler, and I'm looking forward to my meetings at the Ford Motor Company tomorrow as well as my discussions with economic development officials from Michigan later on today to help formulate the role that the Department of Commerce can and should be playing in a perhaps more proactive way than we are today. Because I am convinced together we can help answer the pressing question we all ask, "what's next?" Thank you.