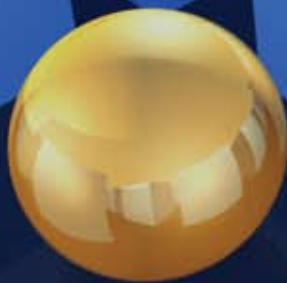




# CPPPI

Center for Public Policy Innovation

## **Restoring U.S. Competitiveness: The Impact of Policy on Strategic Business Planning & Global Investment**



**SPECIAL REPORT**  
**May 23, 2012**

## Introduction

**O**n March 21, 2012, the Center for Public Policy Innovation (CPPI) and the Digital Dialogue Forum (DDF) hosted *Restoring U.S. Competitiveness: The Impact of Public Policy on Strategic Business Planning & Global Investment*. The event featured an informed policy discussion on how tax and trade policy affects business decisions; how companies plan for new investments in factories, workforce, and research and development (R&D); leveraging the global economic landscape to support growth; and other decisions related to the success of their companies.

One highlight of the event was an insightful panel discussion with chief financial officers (CFOs) from three of America's leading technology companies: **Brian Gladden**, who serves as Senior Vice President and CFO at Dell, Inc.; **Bob Fishman**, the Senior Vice President, CFO and Chief Ac-

counting Officer for NCR; and **William Keitel**, the Executive Vice President and CFO for Qualcomm.

Few people understand how decisions made in Washington affect the business community better than corporate CFOs. CFOs are integrally involved in every major company decision, from employment to the planning and execution of large corporate investments, mergers and acquisitions. Not only are CFOs responsible for overseeing a company's budget and tax compliance, but they are also on the front line of strategic decision-making as it pertains to global and domestic growth, the timing and location of new factories, and other issues related to supply chain and production capabilities.

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**The distinguished speakers touched on an array of topics, including the difficulties American companies face when competing in the global marketplace, workforce issues and labor costs, and suggestions for policy reforms...**

**I**n addition to the enlightened discussion by CFOs, **Ohio Congressman Pat Tiberi**, Chair of the House Ways and Means Subcommittee on Select Revenue Measures, delivered keynote remarks in which he addressed the need for comprehensive tax reform; and **Dr. John Mayo**, Executive Director of the Georgetown Center on Business and Public Policy and Professor at the Georgetown University McDonough School of Business, acted as the panel's moderator.

The distinguished speakers touched on an array of topics, including the difficulties American companies face when competing in the global marketplace, workforce issues and labor costs, and suggestions for policy reforms to bolster investment both here and abroad.



CPPI President Chris Long convenes the forum

# DISCUSSION HIGHLIGHTS

## **Comprehensive Tax Reform is Needed to Help American Companies Compete Globally**

- Since Japan lowered its corporate income tax rate in April of this year, the United States now holds the onerous distinction of having the highest corporate tax rate in the world among developed nations (federal/state integrated rate of 39.2 percent).
- Panelists suggested the U.S. corporate tax rate should be reduced closer to 25.4 percent, the average rate for developed countries according to the Organization for Economic Cooperation and Development (OECD).
- Panelists agreed that moving to a territorial tax system will strengthen American companies' ability to compete in the global marketplace.

## **Incentives Attract Corporate Investment**

- Competitive tax rates and incentives offered by foreign governments attract American corporate investment while in many cases U.S. policies and regulations deter investment at home.
- Research & Development tax credits in countries like China and India provide extended periods of certainty for companies, allowing CFOs to better plan for the future.
- According to the CFO of NCR, states like Georgia are doing a good job of aggressively court-

ing corporate investment through targeted tax credits, infrastructure improvements and ready access to skilled labor.

## **The Availability of a Highly Skilled Workforce Factors into Corporate Planning**

- Historically, the United States' education system attracted the best and brightest students in the world. Today, however, due in part to outdated immigration policies, foreign-born students are finding it increasingly difficult to remain here after graduation.
- The United States is falling behind other countries in graduating students with advanced degrees in Science, Technology, Engineering and Mathematics (STEM). The U.S. ranks 27th among developed nations in the proportion of college students receiving undergraduate degrees in science and engineering and 49th in the quality of math and science education.

## **Global Expansion Boosts Corporate Growth in America**

- The success of American companies overseas benefits their U.S. operations as well.
- Forming strategic global partnerships in emerging markets helps diversify the risk for multinational U.S. companies.
- Trade agreements provide a useful framework for how American and foreign businesses interact.

## Comprehensive Tax Reform is Needed to Help American Companies Compete Globally

**A** unanimous priority for the panelists was the imperative necessity of corporate tax reform. The current tax code hinders businesses in many ways, and, as a consequence, the United States is missing out on potential revenue.

Keitel explained how the current tax system affects Qualcomm, a company that reported \$15 billion in revenue last year. Approximately 95 percent of the company's revenue is earned overseas, despite the fact that 70 percent of Qualcomm's employees are based in the United States.

"When you earn revenue outside the United States, a lot of that cash is trapped in the sense that if we bring it back to the United States, there's a very high tax rate to be paid on it, whereas if we invest it elsewhere around the world, in most cases, that tax rate can be very low," Keitel said.

Gladden agreed with Keitel's point, saying, "If you think about it, it becomes relevant to any given investment decision. So, if you have a choice between Singapore, Taiwan, Ireland, or the U.S. for an investment, it comes down to what your statutory tax rate [will be]."

Japan recently lowered its corporate tax rate from 39.5 percent to 38.01 percent, a move that earned the United States the onerous distinction of having the highest corporate income tax rate in the developed world at a federal/state integrated rate of

39.2 percent. Most of America's major trading partners – including Canada, Mexico, the United Kingdom, Japan, Germany and France – have a lower corporate income tax rate than the United States. The average rate among developed nations is 25.4 percent.

Rep. Tiberi, a senior member of the House tax writing committee, clearly understands the economic drag created by America's high corporate tax rate. In his opening remarks, the congressman spoke at length about the need for comprehensive tax reform, saying, "One thing both Democrats and Republicans believe and can agree on is that our tax code creates disincentives, and quite frankly penalizes many United States businesses who do business overseas."

Rep. Tiberi assured the standing room only crowd that the Ways and Means Committee is working towards corporate tax reform and that Committee Chairman David Camp of Michigan convened over a dozen hearings on the matter.

According to Rep. Tiberi, Chairman Camp's plan addresses an aspect of the tax code that weakens the ability of American companies to remain competitive. The United States currently uses a worldwide tax system, while most other developed nations operate under a territorial tax system. Countries that obey a territorial system only levy taxes on income earned in that country, whereas the worldwide system taxes income gen-



[Congressman Pat Tiberi stresses the importance of tax reform](#)

erated by American companies overseas and again when brought back to the United States.

"Your engagement is critical to this process," stressed Rep. Tiberi. "We have our work cut out for us... we need the private sector to be fully engaged. CFOs, chief executive officers (CEOs), and job creators must work together to achieve a more competitive, pro-growth tax code."

Fishman encouraged our leaders to start thinking about tax as a strategic competitive advantage tool for the country; however, he cautioned that lowering the corporate tax rate should not be the only focus of policymakers. "Like any good company, the country should want to sell its best overall offering. This means focusing on improving U.S. performance on critical factors that influence corporate decisions (competitive tax laws, strong workforce, solid infrastructure, and good education)," he remarked.



## Incentives Attract Corporate Investment

**A**ccording to Gladden, the current uncertainty surrounding public policy in the United States negatively impacts a corporation's ability to plan for the future. "The reality for CFOs is that we're making decisions today that will affect our business in five or ten years, and one of the elements that drives decision making is certainty," noted Gladden, who explained that one of the primary responsibilities of a CFO is determining where to allocate capital to create the greatest return for the company's shareholders.

Gladden then pointed to the R&D tax credit as an example of how United States policy is lagging in comparison to other countries like India and China. To a certain extent, companies have come to depend on the



Bob Fishman of NCR touts tax reform as part of overall competitiveness strategy

R&D tax credit, even though it regularly expires and must be renewed by Congress. The uncertainty of such tax credits cause CFOs to act more conservatively when making decisions. In contrast, both India and China provide greater certainty around tax credits.

As the United States becomes a less attractive destination for investment, other countries are aggressively courting U.S. companies, according to the panelists. "It's likely that we'll get a phone call from any number of the country's economic development boards trying to convince us to invest in their country," Keitel noted. "They have my phone number and they're calling on a regular basis. They're also empowered to negotiate and cut a deal. We don't have that same phenomenon in the United States, which I think we really need."

**A**lthough the United States government faces challenges competing against foreign governments, some states have positioned themselves in a way that makes corporate investment more attractive. Fishman recounted NCR's decision to relocate its headquarters to Duluth, Georgia. Georgia affords access to a talented workforce, a well-developed infrastructure, including Hartsfield-Jackson Atlanta International Airport, and offered financial incentives such as the [Mega Job Tax Credit](#).



Brian Gladden of Dell knows the value of corporate incentives



### CPPI CFO Event- March 21, 2012 Tweets captured using event hashtag #CPPIcfo

@cdolce

Attended the @CPPIOnline #CPPIcfo discussion on restoring US Competitiveness. Panelists from #Dell #NCR & San Diego's own @Qualcomm

@CPPIOnline

Thank you to our sponsors @Dell @Qualcomm @NCRcorporation! We had a great discussion with your CFOs on how policy impacts business #CPPIcfo

@ChrisTechPol

Thanks to our #CFO panelists from @Dell @NCRcorporation @Qualcomm - Great insights today about business decision-making! #CPPIcfo

## The Availability of a Highly Skilled Workforce Factors into Corporate Planning

**H**istorically, the U.S. educational system has produced some of the best and brightest students in the world. Currently, however, the United States is not producing an adequate supply of students with advanced degrees in the so-called “STEM” areas of Science, Tech-

nology, Engineering, and Mathematics. The U.S. ranks 27th among developed nations in the proportion of college students receiving undergraduate degrees in science and engineering and 49th in the quality of math and science education. According to the panelists, this shortage, along with outdated fed-

eral immigration policies and attractive incentives for skilled workers to settle in other parts of the world have further impacted U.S. competitiveness.

Keitel ranked immigration as one of the top public policy issues affecting U.S. competitiveness. “We really need to attract the best and brightest to our shores, not only to Qualcomm, but to the [United States]. Instead we’re putting these caps that prevent them from staying here after they get an education,” commented Qualcomm’s CFO.

**“We really need to attract the best and brightest to our shores, not only to Qualcomm, but to the [United States],” said Keitel.**



Qualcomm CFO William Keitel discusses workforce issues

**T**he global demand for highly skilled workers is growing and the United States is falling behind, according to Gladden. “I think we’re at the edge, in some parts of our businesses, of maxing out when it comes to finding and accessing talent here in the U.S. and that’s forcing us to go look in other parts of the world,” he noted.

“Our primary concern and our primary focus is where do we get the best engineering talent in the world, and where is that talent going to be best located for the highest level of productivity. I’m constantly looking at what the cost of an engineer in the United States is compared to other locales,” said Keitel who expressed optimism that the cost of hiring workers in the United States will eventually come to parity if it controls its inflation rates to the low single digits.

## Global Expansion Boosts Corporate Growth in America

Competitiveness is often discussed in zero-sum terms, but the panel discussion took a different approach.

“What I hear from each of you is the notion that we’re going to be global companies. We’re going to have jobs abroad, but we’re also going to have jobs in the United States,” observed Dr. Mayo, who has published numerous scholarly works in economics, law and public policy journals.

“It is critically important for us to win in places like India and China. Every time we win in those markets and grow our global business, it helps us become a much better and bigger company here,” opined Gladden.

Forming strategic global partnerships in emerging markets such as Brazil or India is crucial, noted NCR’s Fishman, who added, “Building a diverse strategy around having your key



Executive Director of the Georgetown Center on Business and Public Policy and Professor at the Georgetown University McDonough School of Business, Dr. John Mayo

competencies in a number of different regions is the best way to diversify the risk of a multinational company.”

In order to boost American competitiveness, it is also important that trade policy be reflective of the global marketplace. Rep. Tiberi, who sits on President Barack Obama’s Export Council, hailed the passage of trade agreements with South Korea, Colombia and Panama. “That’s how you’re going to double exports, that’s how you’re going to create growth [in the United States],” said Rep. Tiberi.

China is a prime example of how markets are interconnected, according to Dell’s Gladden. “In the fourth quarter we sold more personal computers in China than the U.S. China has become the largest market in the world for us on the [personal computer] side and there are clearly cases where we are not allowed to engage in competitive dynamics in the Chinese market. It’s critically important for us to have a balanced trade view and help from governments on both sides of the equation,” explained Gladden.

Keitel added that he understands trade agreements are a framework for how American and foreign businesses can interact. The Qualcomm CFO commented, “Without that framework, a company such as Qualcomm, Dell or NCR, can be whipsawed by the local authorities. That framework provides an opportunity for the United States to help American businesses when operating on foreign soil.”



@AmandaBroadnax  
L-R Dr. John Mayo- Executive Director, Georgetown Center on Business and Public Policy #CPPIcfo <http://yfrog.com/klzdaqwj>

@mrspoliticsdc  
Bill Keitel- Executive Vice President and Chief Financial Officer #CPPIcfo <http://yfrog.com/ody94ynj>

@AmandaBroadnax  
#CPPIcfo What type of professional development/mentoring programs do the companies offer to recruit and retain U.S. workers?

@Qualcomm\_GA  
Bill Keitel: We need to attract the best and the brightest not only to Qualcomm but to the U.S. We can’t put caps on immigration. #CPPIcfo

@CPPIOnline  
U.S. companies need more talent in the areas of R&D and technology development to remain competitive globally #CPPIcfo

@Qualcomm\_GA  
Bob Fishman, CFO of NCR at #CPPIcfo panel: we don’t want to overcomplicate the U.S. tax code and discourage investment here.

@CPPIOnline  
Uncertainty in #tax policy is one issue that negatively impacts U.S. businesses #CPPIcfo

@Qualcomm\_GA  
Bill Keitel @CPPIOnline panel: the CFO can bring a unique voice and perspective to the table. #CPPIcfo

## Conclusion



CFOs offer a unique insight into what drives investment in the United States and abroad: Dr. John Mayo, Brian Gladden, William Keitel, and Bob Fishman

**B**usinesses across the United States should not be burdened by government policies and regulations, but strengthened by them. The American economy triumphs when United States-based multinational corporations are better able to compete on a global scale.

CFOs offer a unique insight into investment decisions of a company, and what drives investment in the United States and abroad. CPPI's recent panel discussion shed new light on how public policy debates surrounding tax reform, education, immigration, and other topics can significantly impact corporate planning

and investment in the United States. CPPI is dedicated to fostering increased collaboration between industry and government in order to advance public policies needed to restore American competitiveness for generations to come.



### About the Center for Public Policy Innovation

The Center for Public Policy Innovation (CPPI) is a 501(c)(3) not for profit educational think tank whose mission is to assist government officials in addressing the many challenging issues brought on by the rapid advancement of Information Technology.

CPPI provides policymakers with thought leadership, informed policy analysis, and innovative strategies to help ensure American competitiveness in the global economy and comprehensive security on the homefront. CPPI convenes educational symposiums, site visits, and other forums that bring together stakeholders from government, industry, academia, and the civic sector to discuss policy issues in a collaborative environment.

For more information, visit CPPI at [www.cppionline.org](http://www.cppionline.org).

### Digital Dialogue Forum

Founded in 1998, the Digital Dialogue Forum (DDF) is a non-partisan public policy coalition comprised of world-leading technology companies. Its mission is to enhance U.S. competitiveness through high level dialogue between business and government. For more information, visit DDF at [www.digitaldialogueforum.com](http://www.digitaldialogueforum.com).





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