

Silicon Valley's Foreign Policy:

**An Assessment of America's Foreign
Policy Making in the Digital Age**

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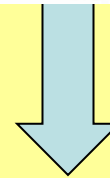
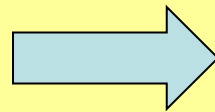
The Challenge

The U.S. economy is making a transition from an industrial to a post-industrial, knowledge based economy.

Is our foreign policy keeping pace with our economy to provide the support it needs to continue to expand globally?



The Challenge

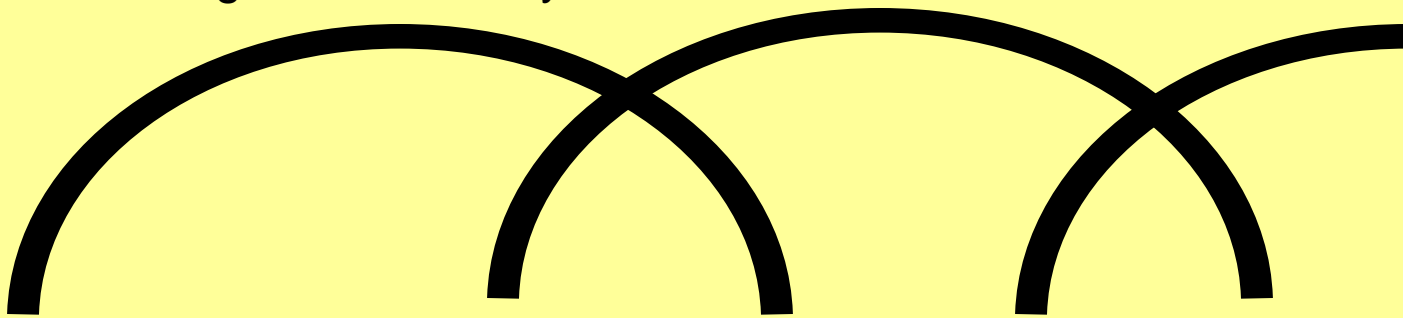


The Challenge

Agricultural Policy

Industrial Policy

Knowledge Policy



Key Questions

- Is there a recognizable new kind of “Foreign Policy for the Digital Age” emerging in the U.S.?
- How do “New Economy” based companies currently define their own international priorities?
- How do they act on their own and in concert with other firms to advance those priorities?
- What do they think U.S. international policy should be, and how do they act on government to pursue their objectives?
- How do government agencies define and act on America’s digital foreign policy?
- How well do the main stakeholders communicate and cooperate to advance an American ‘digital foreign policy?’



Why Now?

#1 U.S. Political Cycle:

- A new administration is coming to Washington. Will it be supportive of 'new economy' needs?
- What will be public perceptions of 'new economy' throughout elections?
- Will the new Congress be supportive of 'new economy' priorities after the elections?



Why Now?

#2 Economic Cycle:

- The U.S. economic downturn is impacting 'new economy' industries
- The share of international markets for U.S. based 'new economy' industries is growing
- Global 'new economy' competitors are on the rise



Why Now?

#3 Technology Cycle:

- Micro-chips, computer hardware, software, search engines...transition to bio/nano-tech.
- Declining trends in Federal and State support for R&D



Why Now?

#4 Global Power Cycle:

- New States
 - China's 'peaceful rise'
 - India's rise
- EU trade growth
- Terrorism
- Global Warming



Bottom Line

The Valley has arrived at an important inflection point in the transition to a global knowledge society where foreign policy, and its domestic counterparts will be increasingly important for its future.



Definition

‘New Economy’ includes:

- Hardware (Telecom, routers, computers)
- Content (software, movies, music, publishing)
- Search (search engine firms)
- Other (nano/bio-tech, pharma)?



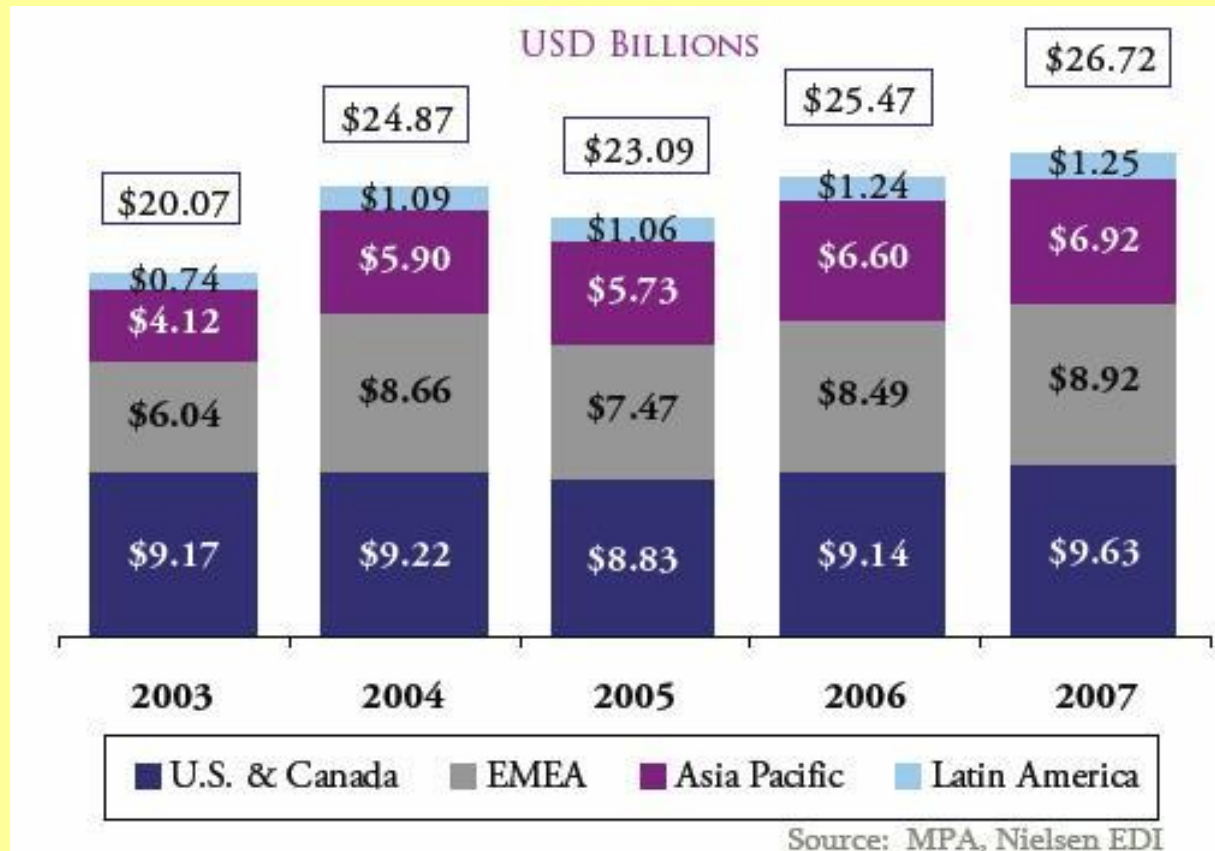
Indicators of New Economy: Hardware

- High tech was the nation's **largest export industry** in 2006 comprising 21% of U.S. goods exports.
 - 10% growth from 2005.
 - **second largest import** behind energy.



Indicators of New Economy: Content

- The MPAA reported 64% of movie ticket sales for Hollywood movies in 2007 came from overseas.

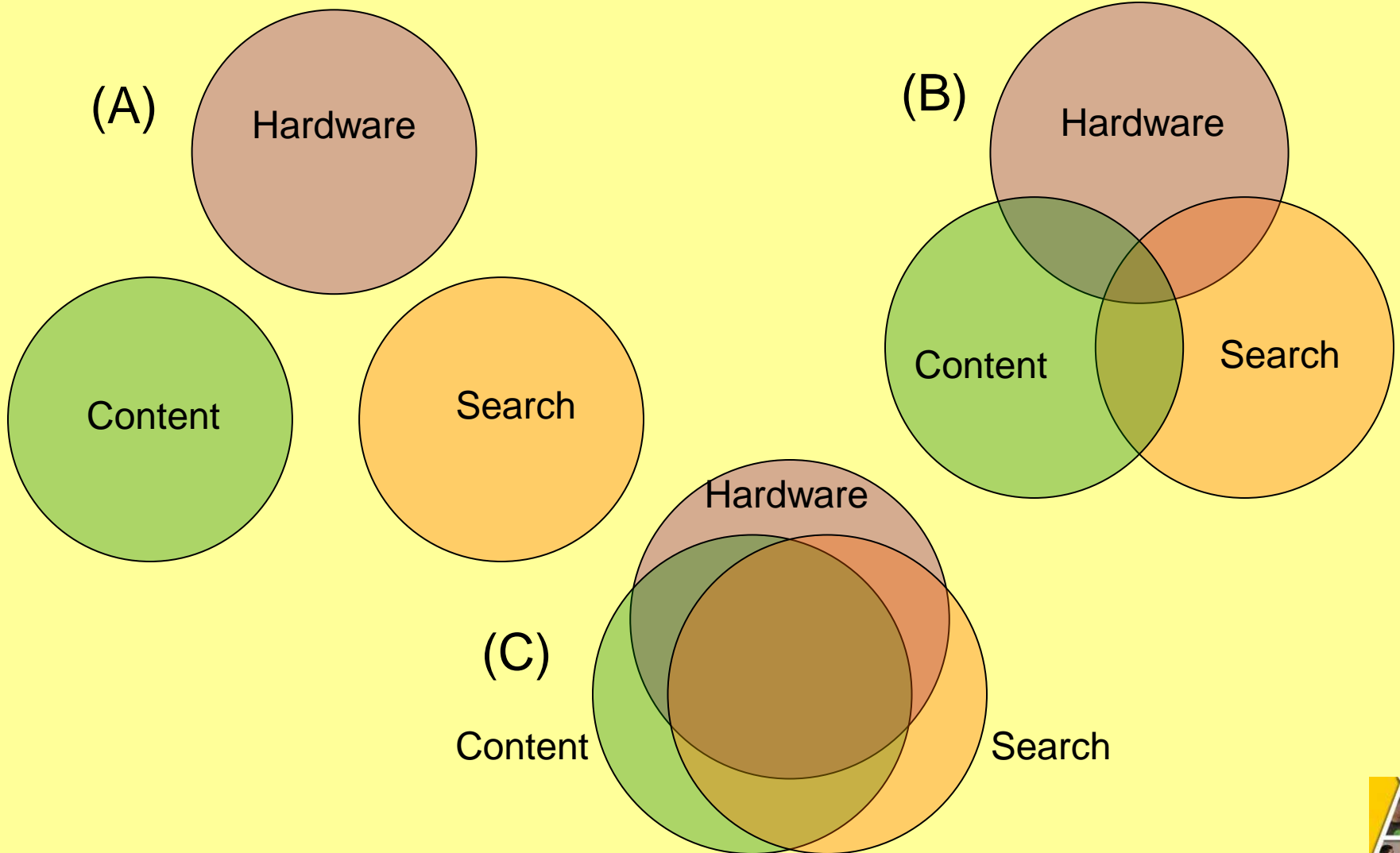


Indicators of New Economy: Search

- **Google's International Revenues (Q2-'08)**
 - Revenues from outside of the United States totaled \$2.80 billion, representing 52% of total revenues in the second quarter of 2008, compared to 48% in the second quarter of 2007



Sector Policy Priority Overlap



Sector Policy Priorities

Policy	Hardware	Content	Search
IPR			
Investment			
Net Neutrality			
<i>Immigration</i>			
<i>Education</i>			
<i>Broadband</i>			
<i>Standards</i>			



“Foreign Policy” Actors in Silicon Valley

- Individual firms
- Trade associations
- Multi-stakeholder initiatives

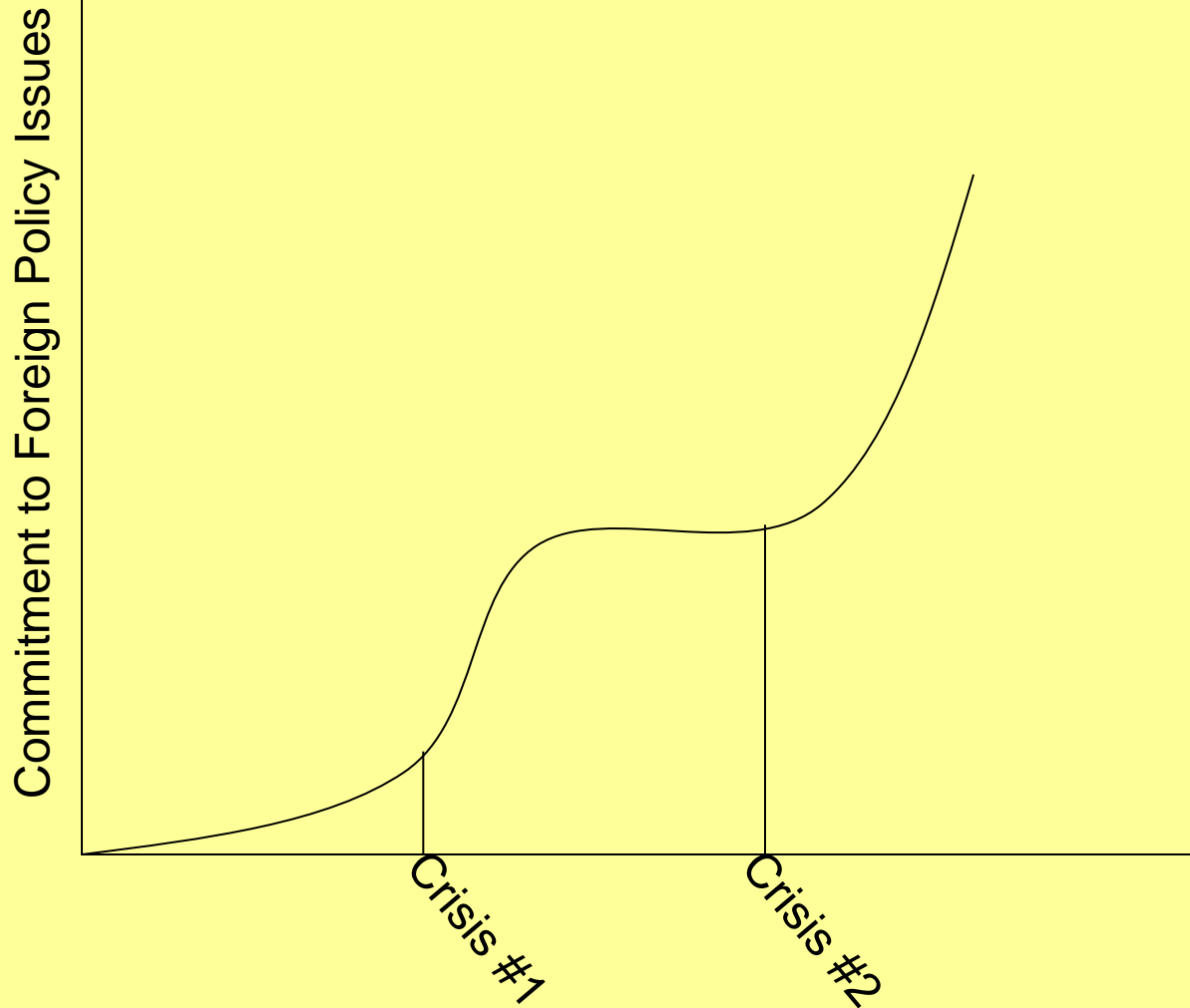


Examples of Silicon Valley's Foreign Policy in Action

- Bilateral: China; Canada (restriction on foreign ownership of content)
- Regional: EU “Safe Harbor”; Africa IT
- Global: ITA; LDC “capacity building”
- Industry Associations: WITSA standards
- Multi-stakeholder initiative: Principles Group
- Iraq?



Company Learning Curve



Report Card

- Individual companies seem to be ‘playing below their weight’
- Trade associations seem to be performing adequately
- U.S. Government performance isn’t providing leadership in ‘new economy’ foreign policy matters



A Final Question

Can U.S. foreign and economic policy do much to advance U.S. interests in a global economy? Or are we in a post policy world?





Thank You!

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Expert Questionnaire: “Google’s Foreign Policy”

1. The U.S. economy has decisively shifted from an industrial age economy to a knowledge age economy.

(a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree

2. US foreign policy has shifted from an industrial age foreign policy to a knowledge-oriented foreign policy.

(a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree

3. If your answer is different for #1 and #2, what do you view as the cause? Please rank the following factors order impact. 1= most impact, 6= least impact.

government's failure to make the transition with the right regulations

politicians failure to guide the transition with the right laws

company's failure to make their case effectively

failure of think tanks, universities, and non-governmental groups to provide sufficient analysis

inertia

other _____

4. The shift toward more knowledge-based policies is the result of: (pick one)

Lobbying by 'new economy' firms

Government policy makers reaching conclusions based on their own analyses.

Other _____

5. The major 'new economy' companies are effectively articulating their interests to government/'playing up to their weight.'

(a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree



6. The most useful grouping of 'new economy' firms, to understand their foreign policy interests, is as: (pick one)

New economy firms

Knowledge-based firms

Digital economy firms

High technology firms

Industry-specific naming (IT, bio-tech, nano, etc)

7. The national and global economies have changed so much that high technology companies need government support or industrial policies less today than they did in the past.

(a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree

8. Government has the capacity to understand, articulate and act on the evolving 'new economy' national interest in international affairs.

(a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree

9. Within the broad heading of 'new economy', where do the biggest foreign policy divisions across the industries? (pick one/two)

a. Software

b. Hardware

c. Telecoms services

d. Telecoms manufacturers

e. Search companies

f. Applications

g. Bio Technology

h. Nano-technology

i. Other _____



10. What are currently the top 3 foreign policy priorities for each of the industries cited above?
11. Is there sufficient overlap among new economy industries needs for them to create a common cohesive "foreign policy for a new economy"? Why/Why not?
12. What do you believe are the top three most important international policy issues that key stakeholders should be paying attention to: (please place a 1, 2, 3 next to your top three)
- Trade
 - Defense
 - National security
 - Immigration
 - Intelligence
 - Foreign aid/assistance
13. Domestic policies now have as much impact on our international relations in these sectors as our 'foreign' policies. (i.e. education, health, etc.)
- (a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree
14. What are the current administration's the four top policy initiatives that have advanced 'new economy' interests globally ?
15. Have any of the current administration's policy initiatives undercut 'new economy' interests?
(list no more than top 4)
16. The U.S. new economy is becoming more competitive globally.
- (a)Strongly Agree (b)Agree (c)Disagree (d)Strongly Disagree

