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## Introduction

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## Introduction

*Henry T. King, Jr.\**

**“All is flux, nothing stays still. Nothing endures but change.”** This observation written in the fifth century B.C. by Heraclitus is as true today as it was in the early days of civilization. Writers, philosophers and business executives have recognized the phenomenon of change throughout the ages. Edmund Spenser wrote of the ever whirling wheel of change. John Milton noted the fear of change that perplexes monarchs. Sir Laurens Van der Post admonished that one tries to arrest change at one’s eternal peril. Change as a phenomenon has been a natural companion of man.

Yet, dealing with change, understanding its weight, its impact and its consequences is the *sine qua non* of success. Understanding change and dealing with it should be the twin goals that guide our business people in an ever changing world. Laws change. Markets change. Mores change. People’s attitudes change. People change in the way they approach issues, structure their lives and in the way they react to Edmund Spenser’s ever whirling wheel of change.<sup>1</sup>

Whether we like it or not, our days of economic isolation and independence are over. We now live in a world which is highly interrelated and very competitive — particularly so in the age of television which has taught us and the world to seek the same objectives in terms of standard of living and material goods. We live in a world of rising expectations and the expectations are becoming much the same for all the world.

The last two decades have witnessed the entry of some new and mighty competitive players on the field. These are the Asian players from the developing world of the Far East and they include Taiwan, South Korea, Singapore and Hong Kong. The players from Latin America, Brazil and Mexico are also playing an increasingly important role. We must not forget that all these countries start with important wage rate advantages.

In the developed world the primary players outside the Canada-U.S. context are becoming more competitive. The quality thrust of Japan and West Germany has continued and is intensified. This is facilitated by relatively well-educated and well-trained work forces. And in both countries there continues always, and quite emphatically, the drive to move

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<sup>1</sup> NORTHEAST BANCORP, INC., ANNUAL REP. (1987).

the frontiers of technology forward — always with an eye to the world competitive context.

Our ability to compete in ours and other markets ultimately will determine the level of our living standard. There are many factors which affect our competitiveness. Among these are costs, quality and, of course, exchange rates. But there are also other factors which will be a primary area of focus at this conference. These are laws and regulations and practices, both foreign and domestic, which impact on our competitiveness. It is these limitations which will be the focus of this year's conference program.

Some of the elements which we will be examining in these next few days are almost totally within our control, and we can, if we are so minded, do something about them. Perhaps they are a luxury we cannot afford. Others are not because they are based not on what we do but on what others do. But we need at all times to be aware of them because they affect the competitive context in which we operate.

This is indeed a time for stock-taking. We have in this golden moment of time an exchange rate advantage which has given us opportunities which are unparalleled in the last two or more decades. If we are realists we know that this advantage will be diminished or possibly eliminated over the long pull because as we become more competitive our exchange rate posture will become less favorable. So now is an appropriate time for self assessment, for us to see how we stack up against the world around us in terms of the rules which govern us in the conduct of our businesses.

Now a word about the substance of the program for the next three days. First of all, to get our bearings on where we stand, we'll be looking at our current position in the world economic context through the eyes of two top officials from the United States and Canada — namely Ambassador Michael Smith of the United States and Mr. Percy Eastham of Canada. Ambassador Smith has played a key role in U.S. trade negotiations and Mr. Eastham is a top official in Canada's Department of External Affairs, so their perspective will indeed be an important one.

In the competitive world of the present and of the future, labor costs and practices will be of critical importance, competitively speaking, for most industries. We will be looking at the legal aspects of this issue through the eyes of Richard Lyon of the United States and George Adams of Canada.

After lunch, we turn to a subject of considerable political and economic significance to the United States and Canada, namely U.S. and Canadian export control restrictions. Many feel that U.S. export controls cast a veil of uncertainty over U.S. exporters as international suppliers of goods and services. They would argue that recent history in the application of U.S. export controls supports this sentiment and that it has

damaged us competitively. We shall be looking at this question with John Ellicott of the United States and Jon Fried of Canada as our guides.

The real birth of antitrust was right here in the United States with Senator John Sherman of Mansfield, Ohio, as its father. Many feel that antitrust concepts have been an important U.S. export. Articles 85 and 86 of the Rome Treaty which firmly implanted U.S. antitrust concepts on European soil indeed bear, in many respects, a striking similarity to sections 1 and 2 of the Sherman Antitrust Act. But all the world has not followed us in the antitrust sphere. In fact, much of the world has not and this may have adverse competitive effects on us. Here we'll be looking at what impact U.S. and Canadian antitrust laws have on our ability to compete in foreign markets with Joseph Griffin of the United States and Warren Grover of Canada. In this session we are privileged to have as a commentator David Gill, who played such a key role in the development of the UN Restrictive Business Practices Code.

After dinner we will be looking at the current and possible future international rules regarding trade adjustment policies: subsidies, safeguards and trade adjustment assistance. In our own markets these rules will play a critical role in giving us breathing room to adjust to sudden and damaging invasions of our markets by foreign producers and also in determining our response to subsidized foreign suppliers. Here Richard Cunningham of the United States and Richard Gottlieb of Canada will be our guides.

On Saturday we will open with a subject which all of us have to deal with whether we like it or not. We are just beginning to feel the effects of a major tax reform in the United States. Optically, this means a downward adjustment in corporate rates which should have beneficial effects for our industries. But, is this in fact the case and what is the position taxwise of Canada after its own reform and also with its treaty structure in the international context? Here we have two very experienced international tax hands as our guides: George Goodrich of the United States and Robert Brown of Canada.

In our consumer oriented society the customer is the king. Our consumer protection laws and concepts of product liability are a reflection of this philosophy. But has our handling of product liability cases had adverse effects on our international competitive position? Are, in fact, our insurance costs too high and has the threat of product liability suits deterred industrial innovation? In this area Randolph Stayin, who did an important study for several important trade groups on the international competitive effects of U.S. product liability practices, and Grant Murray of Canada will be leading us through the thicket of this complex subject.

At noon and at our luncheon session we will be looking at how others look at us. Specifically, Tetsuo Kasuya of Sumitomo, one of Japan's largest companies, will be addressing the question of how the Japanese view Canada and the United States as a situs for sourcing. It is a matter of record that during the last few years the Japanese have looked

to the United States and Canada as a source of production. This trend has been accentuated recently with the fall of the dollar and its favorable competitive effects.

Financial incentives for exports are a compelling reality in the world in which we live. However, there have been attempts under the Organization for Economic Cooperation and Development ("OECD") auspices to level these incentives among nations of the developed world. The nature of these incentives and their competitive effects and the question of whether we do in fact have a level playing field as between the OECD countries are subjects which will be addressed by James Sharpe of the Export-Import Bank of the United States and John Coleman, Canada's Assistant Deputy Minister of Finance. Our commentator for this session, James McNiven of the Nova Scotia government will discuss state and provincial incentives to exports and their competitive effects internationally.

This is indeed a technologically-oriented world. Technological improvements make for increased competitiveness, but they need to be legally protected to preserve the international competitive edge they may give. During recent times there has been an increasing tendency among the less developed countries ("LDCs") to take our technology and use it competitively against us in third world markets. The United States Trade Representative has been pushing several LDCs to revise their intellectual property laws in order to give our technology the legal protection it requires. These efforts have met with some success in terms of statutory changes in certain countries, but there still appears to be a considerable way to go in this regard and we also have to see whether the statutory changes which were enacted in several key countries will be enforced objectively. Richard Brennan, President of the International Anticounterfeiting Coalition and Chairman of the Industry Functional Advisory Committee ("IFAC") on Intellectual Property, will update us on this critical competitive context, with William Duffey as commentator.

After dinner we will examine public policies in Canada and the United States which affect our competitiveness with Peter Morici of the United States and Lawrence Thibault of Canada as our speakers. In dealing with this subject, we are reminded of the fact that we do not operate in a vacuum and that what we do here in Canada and the United States in terms of legislation clearly impacts on our ability to compete in international markets. In fact some in the United States have proposed that we uniformly have an international competitiveness impact statement when considering new policies which may affect our competitiveness.

Finally, on Sunday morning, we will be taking a look into the future with Gedas Sakus, the CEO of Canada's largest research organization, as our speaker. We do, after all, live in a fast changing world and the fact of change is with us whether we like it or not. Given the inevitability of

change, it always helps to plan ahead to try to control events and shape the manner of change so that it is most competitively beneficial to us. This is the charter we have given Gedas Sakus for his remarks on Sunday morning. Based on his own track record to date, I believe it will be both enlightening and challenging.

This conference owes much to several key individuals. Jon Fried has been helpful every step of the way in translating our vision of the conference into reality. Dan Roseman and Clive Allen were most helpful in commenting on our program during its developmental stage. Marie Wheeler has been my right hand in developing our conference materials. Larry Lederman and Odyl Wittman of the Canadian Consulate in Cleveland have provided good support as needed. Finally and particularly, Patti Hujarski, our conference secretary has seen the conference through from start to finish and has rendered invaluable assistance far beyond the call of duty.

