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## Conference Opening

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## Conference Opening

*Henry T. King, Jr.\**

**W**e live in a time of great change. Many feel that it is important for us to anticipate and control events rather than be controlled by external forces. They see in the world examples of other countries, such as Japan, which seem to have had some success in controlling their destinies through the establishment of industrial policies. They feel that we have lost ground to these countries because we have had no clearly defined industrial policy.

Others feel that, in this era of privatization, having an industrial policy would mean more government intervention and would, therefore, be a step backward. They feel that we are holding our own against the competition in the total trade context and that an industrial policy is synonymous with protectionism. They feel that protectionism is not consumer friendly and that it promotes divisiveness between nations. Finally, they see as one element of an industrial policy the picking of certain industries for government backing which they fear of necessity involves a political element and they point out that the track record of governments in picking industry winners has not been good.

There are also those who feel that regardless of whether we have adopted an industrial policy consciously or by design that our actions to date have constituted an industrial policy and that we have backed into an industrial policy so to speak by default. They feel that we should in the future take planning steps to shape our destiny rather than go blindly into the future at random.

Finally, some feel that the matter of an industrial policy is not an all or nothing proposition. They feel that some elements of an industrial policy may be worth adopting while other issues may be left to pragmatic solutions without forward planning.

Now a word about the structure of our Conference. In our first session which has been styled, *Responding to Competition: Do We Need a More Focused Industrial Policy?*, we will be drawing the broad strokes on the question of whether the time has come for us to institute an industrial policy which deals with the new competitive pressures in the world. Robert Cohen, Jr., of the Economic Strategy Institute of Washington, D.C., and Michael Hart of the Department of External Affairs and International Trade of Canada will be our speakers for this

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session.

In the area of trade policy, the U.S. and Canada are faced with some very difficult questions. For example, if we find that certain countries are subsidizing producers, thereby enhancing their competitiveness, and that others are restricting their markets or refusing to comply with commitments to open them up to our goods, do we respond in kind? And if we do so, are we to be faced with an escalating protectionism in the world which could adversely affect consumers in all major countries. Robert Cassidy of the U.S. and Simon Potter of Canada will be our guides in exploring these complex questions.

At our luncheon session on our first day, we will be examining Japan's industrial policy in terms of what it is and whether it has worked. S. Linn Williams, former Deputy U.S. Trade Representative, who was charged with handling our trade negotiations with Japan during the Bush administration, will be our speaker for this session. Linn, who has intermittently lived and worked in Japan for several years, is well qualified to discuss this subject.

The implementation of an industrial policy may involve collective corporate effort which may or may not be government supported. Moreover, the pace of industrial development is such that the dimensions of projects seem to become larger and larger with greater resultant demands on our industry resources. Industrial development may involve heavy risk taking and large projects which may require greater collaboration between North American companies and between them and their counterparts overseas. This could have antitrust implications and impact for consumers in both the U.S. and Canada. Do our anti-trust laws have to be amended to accommodate this new situation and is this desirable? The antitrust aspects of an industrial policy raise many questions. Douglas Rosenthal of the U.S. and Calvin Goldman of Canada will be our speakers when these questions will be examined.

Certainly in everybody's book a key area affecting our competitiveness is people. It is no secret that a factor enhancing both Germany's and Japan's competitiveness is their use of people. The German apprenticeship and training system is the envy of the world today and the Japanese quality circles program is a model which many leading North American companies have taken steps to follow. Moreover, modern industrial operations are complex and they require more and better skills to function effectively. Do we need an industrial policy on the development and use of people, and if so, what should be the elements of that policy? What should the government's role be in the implementation of such a policy? Is it true, as Robert Reich contends, that a national industrial policy that focuses on home based industry is outmoded since business is totally international and that the only true resources a nation has are its people and that is where the money should be spent? Kent Hughes, President of the U.S. Council on Competitive-

ness, and J. Laurent Thibault of the Canadian Labour Force Development Board will address these issues here with us today.

Both Canada and the United States operate under federal systems with powers divided between states and provinces on the one hand and the federal governments on the other. Certainly each of our states and provinces can play a role in the development and execution of an industrial policy, particularly insofar as it affects its area. Here, Professor Joel Rogers and Carl Grenier will be our guides. Professor Rogers has played a notable role in the development of Wisconsin's successful industrial policy, and Carl Grenier occupies a key position in Quebec's activities in the industrial policy sphere.

Our world today, which is becoming more and more integrated marketwise, places an increasing premium on innovation. This means that a critical determinant of industrial success is our ability to innovate. Thus far, our success in this area has been the prime factor in our ability to hold our own in an increasingly competitive world. But can we continue to be similarly successful in the future? This requires a close examination of the context for innovation and the interplay of the incentives for and protection of innovation. Our speakers in this session, namely Deborah Wince-Smith, formerly U.S. Assistant Secretary of Commerce for Technology Policy, and Dr. Stuart Smith, formerly Chairman of the Science Council of Canada, are well qualified to lead us through the thicket in attempting to find the ideal context for the promotion of innovation growth.

In promoting innovation we deal with the unknown rather than the known. Probing the unknown means risks for those involved and these risks are, to a considerable extent, financial. In a changing world we must assume these risks to maintain our competitive position. For innovation is the yeast that creates the world of the future and, above all, is usually job creating. The stakes are very high in innovation and we need to create the best financial context to support it. Our speakers for this session are Robert Pavey of Morgenthaler Ventures, and former President and Chairman of the National Venture Capital Association, and Bob Hamilton of Canada. Both have worked extensively in the vineyards in this critical area and we want to benefit from their observations.

When we deal with the question of industrial policy we inevitably look not only to the experiences of Japan, but also to the experiences of Europe as points of reference. Our luncheon speaker on Saturday, Hans Smit, has both a European and American background. He is a recognized authority on the European Community and teaches at the University of Leiden, but his base of operation is the Parker School of Foreign and Comparative Law at Columbia. We can look forward with great anticipation to what he has to say on this vital topic.

Most, if not all, commentators on the subject would agree that our

tax posture affects our competitiveness in today's world. Some feel that the role taxes play is critical while others, although conceding its importance, maintain that it is not one of the decisive factors in our competitiveness. The important issues in this area are the point at which tax costs can be so debilitating as to have a significant adverse affect cost-wise on our ability to compete and also the role which tax incentives can play in incentivizing innovation with its resultant job growth creation. Deficit reduction is the name of the game in the U.S. today and to most it is a necessity. However, deficit reduction means higher taxes. Can we reconcile such extra costs with a competitive industrial policy? In many instances in the past, new taxes have been incurred by industry as a result of a crazy-quilt of legislative jockeying. These taxes have had adverse competitive effects. Can we afford this in the future in an increasingly integrated and more competitive world? Is less reliance on corporate income taxes and more on a broadly based consumption tax an answer? We shall be very much interested in what Norman Ture of the U.S. and Robert Couzin of Canada have to say on this vital topic.

We all want a better world in which to live and work. We know that this means that environmental regulations are inevitable and we recognize that this is particularly onerous for new and small businesses. While we recognize environmental demands, we want to promote entrepreneurship and economic growth for job creation and we know we must be internationally competitive. We also know that in the world today there are wide variations between nations in the laws they have on their books designed to protect the environment and the manner and degree to which these laws are enforced. How do we reconcile these twin objectives of an environmentally sound and safe North America with our target of promoting greater job growth through entrepreneurship and innovation? Can the fulfillment of environmental concerns be equated with a policy of international competitiveness? Our session which has been styled *Industrial Policy and Environmental Regulation*, will address these concerns. Professor Donald Elliott of Yale, a former General Counsel of the EPA, and John Howard of MacMillan Bloedel will be our speakers. Our discussion should be provocative.

At our dinner session on our second day, we shall be looking at the *Implementation of an Industrial Policy*. This is a complex question because of the Federal systems which divide power between States and provinces on the one hand, and the Federal Governments on the other under which both Canada and the U.S. operate and also in the U.S. because of the division of power between the executive and legislative branches. Here, David Crane of the *Toronto Star*, who has addressed the subject of industrial policy in his recent book, *The New Canadian Century*, and Richard Thomas, who writes extensively for *Newsweek* on economic matters, will be our speakers.

As I said at the outset of these remarks, we live in a changing world. What is true today may not be true tomorrow. Appropriately, with the dawn of a new day we shall address the future and its tomorrows. Howard Rosen, Executive Director of the Competitiveness Policy Council, will be our speaker. His remarks will be focussed on *What About the Future - Will Our Needs and Objectives Change with the Passage of Time?*. This session should, indeed, break some new ground.

This Conference owes much to many. In the planning of this Conference, Tim Stock of Ford, Jon Fried of the Trade Negotiations Staff of Canada, and Clive Allen and Rob Timberg of Northern Telecom all played major roles. The originator of the idea for a Conference on Industrial Policy was Mosby Harvey, formerly Bridgestone-Firestone's General Counsel, and now President of World's Best Lawyers, Ltd. He has also been most helpful in seeing his idea brought to fruition.

In the implementation of this Conference and its many-faceted logistics, Adria Sankovic, the *Canada-U.S. Law Institute's* Coordinator, has played a critically important role. The assembly of the materials for the Conference document book has been the work of Saleh Awadallah. We are indeed deeply indebted to Adria and Saleh for their efforts which went far beyond the call of duty.

