An Alternative to High Tech

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In recent years American industry's ability to compete in the international marketplace has appeared to decline. With a decreased world market share\(^1\) and a balance of payments deficit\(^2\) many policymakers have concluded that traditional industry is dying and that it is time to reassess American economic strength in new and more advanced industries, that is, "high-tech" industries. The "failure" of domestic "smokestack" industries producing automobiles, steel, and textiles allegedly supports this view.

However, the problems of these industries are attributable to the current structure and climate of international and domestic trade. To offer any realistic solutions, the following issues must be addressed: industry targeting practices by foreign governments; the lack of adequate intellectual property right protection; and "social policy disadvantages" imposed under United States (U.S.) law.

A high-tech versus smokestack industry analysis does not address these important issues. This article examines the fallacy of the proposed high-tech solution and offers realistic answers to the actual problem.

I. AMERICAN TRADE PROBLEMS AND HIGH-TECH PROPOSALS

American manufacturers face difficulties competing with foreign manufacturers in the domestic and international marketplace. As a result, the U.S. trade pattern represents two ends of a spectrum. On the one hand, it resembles that of a developing country in that imports are manufactured products,\(^3\) while a major portion of exports are extracted commodities.\(^4\) On the other, it resembles that of other highly developed countries, in that non-commodity exports are produced by high technology and service industries.

In part, this problem is caused by the fact that in our market economy, high quality goods at low prices outsell other goods regardless of country of origin. Furthermore, manufactured imports are produced in developing countries such as

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2. Id. at 9–11.
3. Id. at 16, Table 5.
the Republic of China (Taiwan) and Hong Kong,\(^5\) by American corporations with overseas production operations.\(^6\) Thus, another part of the U.S. problem is the export of manufacturing operations.

If quality and price are the benchmarks of successful competition (and the source of U.S. industrial woes), then we must ask how foreign competitors have achieved these attributes. First, many of our trading partners engage in government targeting and subsidization of certain industries. Industrial targeting is generally defined as "coordinated government actions that direct productive resources to give domestic producers in selected industries a competitive advantage."\(^7\) Targeting tools include home-market protection,\(^8\) financial assistance,\(^9\) tax incentives,\(^10\) scientific and technological assistance,\(^11\) and antitrust exemptions.\(^12\)

Second, the inadequacy of U.S. laws protecting intellectual property facilitates product imitation.\(^13\) In many countries patent protection is contingent upon domestic production of a product.\(^14\) Thus the product of an American manufacturer made in the United States may be freely copied abroad. But a foreign manufacturer's product patented in his home or another country is protected by the U.S. patent laws. U.S. manufacturers must compete in the international marketplace with foreign renditions of their own products. The American manufacturer is without legal recourse in his competitor's system.\(^15\) In the U.S. he may bring a section 337\(^16\) or other unfair import practices action.\(^17\)

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7. INT'L TRADE COMM'N, PUB. NO. 1437, FOREIGN INDUSTRIAL TARGETING AND ITS EFFECTS ON U.S. INDUSTRIES, PHASE I: JAPAN 1 (1983). There are four elements to this definition of targeting: it is done by governments; productive resources are directed; practices are applied only to specific industries, and not to industry in general; and domestic producers receive a comparative advantage from these actions. Id.
8. Id. at 5, 19–21. Home-market protection techniques include restraints on foreign investment, tariffs, quotas, discriminatory government procurement, and other nontariff barriers. Id. at 20.
9. Id. at 5, 23–24. Financial assistance may take the form of preferential terms, loan guarantees, export financing, preferential access to investment funds, preferential access to foreign exchange, and nationalization. Id. at 20.
10. Id. at 5, 21. Favorable tax policies include special depreciation rules, exemptions for export earnings, tax deferrals for export earnings, and grants. Id. at 20.
12. Id. at 5, 21–22. Examples of antitrust exemptions are mergers, price fixing cartels, rationalization cartels, joint research and development, and restrictions against competition. Id. at 20.
13. The cost of foreign production is reduced because the time, labor, expense and risk of research and development is borne by American producers.
15. However, the manufacturer may petition the United States to initiate an international claim with the General Agreement on Tariffs and Trade (GATT) panel pursuant to § 301 of the Trade Act of 1974. Trade Act of 1974, § 301, as amended by Trade Agreements Act of 1979, § 901, 19 U.S.C. § 2411 (1982).
Third, production costs within the United States are generally higher because social policy legislation imposes financial burdens on American industries. Only a few other countries subject employers to the degree of minimum wage, overtime payment, maximum hour, health and safety restrictions present in this country. Environmental protection standards directly impose additional costs on industry. Trade regulation laws, such as antitrust laws, indirectly impose costs by prohibiting industrial rationalization and sharing of information and research and development expenses.

Recent proposed solutions to America’s international trade problems promote high-tech industries. Their proponents argue that since imports have narrowed markets for many traditional American products, American industry should redirect its energies into the production of high-tech goods, goods with much of their value derived from research and development. The proposals purportedly would alter the U.S. trade pattern, shifting it toward “sophisticated industrial products,” thereby increasing U.S. exports.

The theory of comparative advantage underlies these proposals. It argues that a country should export those products for which it has an abundance of the crucial factors of production. According to high-tech advocates, the U.S. has a relative abundance of the “human capital” essential to the development of high-tech industries.

Often, deliberate government-abetted development of high-tech industries is the touchstone of national industrial policy proposals. Therefore, in order to discuss whether a high technology strategy makes sense, the concept of a national industrial policy must be considered.

High-tech advocates tend to look to the industrial policy practices of major Western competitors. They credit planned industrial strategies, including government-industry collaboration, with the success of U.S. competitors and the relative decline in performance of U.S. industries. They argue that American industries cannot compete against foreign industries receiving direct government support including, but not limited to, grants, tax breaks, and loans. Robert Reich typifies the high-tech advocates when he says “the real choice facing America is rather between evading the new global context or engaging it—between protecting the American economy from the international market while generating paper profits, or adapting it to meet international competition. Either way, government


18. Examples are Japan, Federal Republic of Germany (West Germany), and Sweden. See R. REICH, supra note 4, at 251–54. It also should be noted that in many of these countries distinctions between labor and management are less clear, since workers participate more in industrial management.


20. See id. at 6 (discussing the proposals of Walter Mondale).


22. See R. MACKENZIE, supra note 19, at 4 (discussing the proposals of Robert Reich).

23. See supra notes 7–12 and accompanying text.
will be actively involved."

Increased government involvement in industry is thus claimed to be inevitable.

Although national industrial policy proposals cannot be neatly categorized, there are recurring themes. These themes are variations of the widely criticized industrial targeting practices of U.S. competitors. High-tech national industrial policy advocates propose that the government restructure the tax system to encourage the development of high-tech industries; establish banks or finance corporations to help companies with capital investment and restructuring and use education, patent laws, and government procurement policies to stimulate research and development in the high-tech area. Implementation of these proposals would amount to a national industrial policy for high-tech industries.

In sum, high-tech national industrial policy proposals involve a government induced and funded shift from traditional, smokestack industries into future-sensitive high-tech industries. These proposals argue for the development of a U.S. policy acknowledging the demise of heavy industry, encouraging "adjustment" away from traditional sectors such as textiles and steel and emphasizing development of industries such as bioengineering, computers, and fiber optics. This program would be multi-faceted, demanding the same sort of national commitment as required by the space race. Allegedly it would re-industrialize America with "industries of the future," while promoting full employment in the traditional sectors in the newly industrialized countries.

II. THE HIGH-TECH APPROACH IS UNTENABLE

High-tech proponents hope to solve the trade problems of the U.S. manufacturers through the development of high-tech industries. However, their proposed solution actually circumvents the core issue. The trade problem of the U.S. is to find a way to improve the competitiveness of existing industries in the domestic and international marketplaces.

A. High-tech Is Undefined

The first problem with the high-tech approach is that the term itself defies definition. Certain industries, such as bioengineering, microelectronics, fiber optics, and sophisticated avionics, are clearly high-tech. However, others cannot be classified as easily. Any attempt to create an objective test to distinguish high-

24. R. Reich, supra note 4, at 232.
26. See supra notes 7-12 and accompanying text.
27. See R. McKenzie, supra note 19, at 3-13, for a discussion of the proposals of Gary Hart, Robert Reich, and Timothy Wirth.
28. Id.
29. Id.
30. R. Reich, supra note 4, at 236.
31. The House Democratic Caucus is in accord with this view. See Nat'l House Democratic Caucus, supra note 25, at 29.
tech from traditional industries defies rational conclusions. Factor analysis examining the sophistication of the technology involved in production or the level of research achieved in product development is unhelpful. Many so-called smokestack industries in the U.S. are as technologically advanced as any in the world. The U.S. textile industry uses state-of-the-art computers, lasers and other sophisticated equipment. American textile manufacturers are the most efficient in the world. Their problems are caused by high domestic interest rates, low foreign wage rates, and the strength of the U.S. dollar—not unsophisticated technology.

Proponents of a high-tech national industrial policy often define high-tech enterprises as those requiring a significant investment in research and development. They argue that because these manufacturers must undertake a substantial financial risk, they will not become competitive until the government assumes a portion of that risk. This argument is fallacious. First, the test is over-inclusive. Under it the pharmaceutical industry, which produces an unsophisticated product—drugs, merits high-tech status because it invests large amounts of money in research and development. Furthermore, product development requiring extensive research and development need not be expensive if one industry can take advantage of the research of another. The American textile industry, for example, has benefited from the research of the textile machine industry. Similarly, the aircraft industry has benefited from military industrial research.

Second, even if extensive research and development is an essential factor in the development of high-tech industries, the assumption of this cost by the federal government is inappropriate. Companies do not engage in research and development for altruistic reasons. They expect to make a fair return on their capital whether they invest it in research and development or new machinery.

In attempting to define high-tech in this manner, proponents of a high-tech national industrial policy may be suggesting that the U.S. Government should "subsidize" U.S. manufacturers to the extent necessary to compensate for the intervention of foreign governments in private enterprise. Thus if country A gives funds to its steel industry, the United States should do the same. In this light it is clear that the issue should be discussed under the general rubric of targeting—not in terms of a high-tech/smokestack distinction.

35. Cf. R. Reich, supra note 4, at 141, 157.
36. The actual production of pharmaceuticals is well within the technological grasp of even the most modestly developed countries. In the pharmaceutical industry research and development costs do not go to development of production methods but to determining which combination of chemicals will achieve a particular result.
38. R. Reich, supra note 4, at 233.
39. See supra notes 7-12 and accompanying text.
B. High-tech Industries Will Not Necessarily Be More Successful

Even if high-tech industries were definable, it is incorrect to assume that they would be more successful than traditional ones. America's relative ability to compete in international markets has little to do with the high-tech character of its industry.

Most traditional industries are either doing quite well or are non-competitive for reasons other than their ability to keep pace technologically. The textile industry, for example faces stiff competition from lesser-developed countries with less sophisticated technological know-how. Their advantage lies in lower labor costs. Some U.S. producers have moved their production operations abroad to take advantage of cheap labor. In the high-tech industry, Microdata and Intel, two electronics and computer firms, established plants in Barbados. Apple, Digital Equipment, and Hewlett-Packard manufacture many of their products in Singapore. Thus, assuming no controls on capital mobility, government aid to high technology industries may create more jobs in newly industrialized countries than in the United States.

Production costs of competitors often are lower because they take advantage of research and innovations developed by U.S. manufacturers. The United States is the world's leading exporter of technology. Many overseas manufacturing plants were established by Americans with American technology, equipment, and managerial skills. Reverse engineering of products and equipment and technology licensing agreements have cut short development time and investment by our trading partners. The Japanese spend comparatively little on research and development but achieve high quality because they concentrate their capital investment in production after taking advantage of the technological advances of others. There is no reason to believe that the high-tech industries will be immune to these trends.

Even if some traditional American industries cannot compete internationally because of a lack of technological sophistication, their competitive position would likely be improved by incorporating and adopting the latest technological advances. Any American industry, traditional or high-tech, must be on the cutting edge of available technology to compete effectively.

40. See Textiles, supra note 33, at 32p.
41. See id.
44. See infra text accompanying notes 63–65.
C. High-Tech Industries Are Not the Wave of the Future

High-tech industries are not the wave of the future for the United States in international trade. Admittedly, high-tech production presents new markets which the United States should enter. But there is a difference between taking advantage of the opportunity to expand production and marketing capacity and creating a national industrial policy to shift production resources from traditional industries to new fields. The latter is speculation at best and dangerous at worst.

The traditional industries are, and have been, the backbone of American economic strength. They are likely to remain so. Political, demographic and even national defense reasons will compel the retention of our heavy industrial sectors.

High-tech industries are presently characterized by double-digit growth. However, such increases cannot continue indefinitely in any industry or in any country. Such rates are, in large part, a mathematical phenomenon of a zero base. This does not suggest that high-tech industries should be abandoned, but rather that traditional industries which have demonstrated an ability to provide jobs and an economic base for the nation should be maintained.

Furthermore, the assumption of the high-tech proposals that the government can predict which industries will be "winners" and which will be "losers" is unfounded. High-tech advocates, pointing to the Japanese example, link the development of high-tech industry to government targeting. Yet, it not clear that such government planning and funding is successful. If Japan is to serve as the archetype for nationally-planned industrial development, then the reality of the Japanese experience must be examined. Government planning is not the sole source of Japanese industrial stability. Other structural and social policies account for Japan's success.

Japan's public expenditures on industrial development are not as large as many Americans believe. In the 1970s the Japanese Government paid for less than 30 percent of Japan's total research and development spending; in contrast, the U.S. Government funded over 50 percent. Many of the most successful Japanese industries were neither targeted nor government-funded. The computer industry, for example, actually received very little financial assistance. Similarly, the automobile and consumer electronics industries enjoyed few government benefits, other than generally available tax treatment and import restrictions. In fact,
in the 1960s the automobile industry rejected the Ministry of International Trade's (MITI) plan to merge automobile firms. Yet, even without large scale assistance, the individual automobile firms have been very successful. As David Henderson points out, "individual initiative, not central planning, is the main source of Japan's growth."

The Japanese Government's selection of "winners" and "losers" is not the sole source of Japan's prosperity. It cannot be assumed that any government can achieve economic prosperity through such predictions. Even the most sophisticated private sector analyses are often quite wrong in their assumptions regarding companies and whole industries. Governments, hampered by the slow, cumbersome bureaucratic decision-making process, are even more likely to make errors which are hard to detect and difficult to correct.

D. Neither American Industry Nor Labor Will Prosper from High-Tech Promotion

Even if substantial benefits were granted to high-tech industries by the government, there is little assurance that American industry and American workers would reap the fruits of government sponsorship. Growth in high-tech industries probably will not affect U.S. domestic employment. High-tech advocates claim that the new industry will create more jobs—that workers dismissed because of plant closures in traditional industries will be absorbed by high-tech companies. However, some experts predict a different scenario, one with high unemployment among the unskilled. There is no consensus regarding the number of jobs that will be created through the development of high-tech industries.

Even if domestic jobs were created, there is no reason to believe that they would remain in the U.S. Despite their advertising campaigns promoting a "buy American" attitude, high-tech firms are not necessarily "buying American" in the labor market. Many of these corporations have gone abroad to take advantage of lower wages and minimal or non-existent corporate taxes. Firms move abroad in one of two ways. Some, like Atari, develop and produce their product overseas. The more prevalent method, however, is to develop the product and manufacturing capacity in the United States, and then move "growing" volume

54. Id.
55. Id.
57. Id.
58. See McCartney, supra note 42, at 114.
59. See id.; UNFAIR FOREIGN TRADE PRACTICES, supra note 43.
60. See McCartney, supra note 42, at 117.
production abroad. Government funding of high-tech research and development will not give rise to American jobs if companies take the results overseas.

Offshore development also imposes large, indirect costs on the domestic economy. Not only are domestic jobs lost, but goods produced abroad compete as imports with domestically manufactured products. These “imports” are produced at a lower cost and can be sold at a lower price than American-made products. American firms forced to compete against these lower priced goods either die or move their production operations abroad. Either way, American industry and workers suffer.

American-developed high technology and jobs will be transferred overseas no matter what the funding source. This is particularly likely to happen if the liberalized technology transfer provisions so fervently advocated by high-tech proponents are put into effect. Shifting “growing” volume production abroad entails transferring technology. Many high technology products originally developed in the United States were quickly imitated by our foreign competitors. Pharmaceuticals, circuit boards, transistors, television sets, radios, consumer electronics, and the like were born in the United States and quickly indentured abroad. Japanese industries are prime examples of research and development pilferers; the Japanese take advantage of the technological developments of others and therefore need spend little time and money on innovation. This perhaps is not altogether bad and might be cited as an example of the way the free market is supposed to work. However, it is another matter to suggest that the American taxpayer underwrite research and development for American producers and thus effectively underwrite research costs for foreign manufacturers and promote foreign employment at the expense of domestic employment.

III. A RATIONAL ALTERNATIVE TO A HIGH-TECH NATIONAL INDUSTRIAL POLICY

A high-tech national industrial policy is not the solution to America’s international trade problems. The proposal is based on false assumptions and its implementation would cost billions of dollars. Moreover, it would acknowledge as fact something that is simply not true. U.S. industries are not structurally incapable of competing in a rational world economy.

61. Id.
62. See id.

For example, three or four years ago Televideo came into the market with an exact copy of the Lear Siegler 80M31 terminal and was using offshore sourcing from Korea and doing the final assembly and testing here. This was the first product that TVI came out with, and it beat Lear Siegler’s price by about 25 to 30 percent. All of a sudden Lear Siegler was faced with a situation where it had to reduce costs if it was going to succeed in the market. The company started to investigate offshore sourcing opportunities.

Id.
63. Id.
64. See, e.g., Hamilton, supra note 32 (discussing Japan’s SONY Corporation).
65. See supra note 45 and accompanying text.
Industrial competitiveness does not depend on the promotion of high-tech industries over traditional smokestack industries. Industrial competitiveness is determined by industry and market structure, labor force costs, characteristics of professional personnel, availability of materials and components, supporting infrastructure, ingenuity, business and economic conditions, government involvement, and international trade relations. Japanese industrial success, for example, can be attributed at least partially to government action, tax


67. Id. "Both labor costs and availability of skilled workers are important: Government support for the training and education of the work force can be critical. The nature of labor-management relations, type of unions, and mechanisms for worker participation also can influence productivity and competitiveness." Id. (emphasis in original).

68. Id. "Quality of management and technical personnel are significant determinants of competitiveness. Import characteristics include: the attitudes and value structure of management; aggressiveness in developing, marketing, and exporting products; and the degree of interaction and cooperation within the firm among R&D, marketing, product planning, manufacturing engineering, and quality control personnel." Id. (emphasis in original).

69. Id. "Assured supplies of the inputs to the manufacturing process (iron ore, petroleum, electronics components) are important for planning and long-term stability. Domestic availability versus dependence on imports can be important." Id. (emphasis in original).

70. Id. "The infrastructure includes the vendors, subcontractors, other suppliers, and services necessary to support complex technologically based industries. Also included are basic research organizations and the level of government support for generic R&D." Id. (emphasis in original).

71. Id.

Factors that more directly affect the ability to innovate and the rate of technology diffusion include: the interactions and synergies among firms within an industry (mobility of personnel, licensing and other interchanges of technology, openness to inward transfers of technology and management know-how); and the existence of clusters of skills as among the semiconductor firms in Silicon Valley.

Id. (emphasis in original).

72. Id.

Included here are indicators of overall economic performance such as GNP or GDP, levels of disposable income, and inflation rates. The nature of capital markets (concentration of banking and credit) affect the ability of firms and industries to expand. Also important are less tangible factors such as consumer confidence, investment expectations, and the general climate of political stability and social welfare.

Id. (emphasis in original).

73. Id.

Government regulations that impinge on factory work, supplies of resources, design and sale of products, tax policies, Government procurement policies, and antitrust policies and their interpretations all affect the attitudes and decisions of business. In addition, more intangible factors which are nevertheless important include the tradition of cooperation or conflict within and among government, business, and labor.

Id. (emphasis in original).

74. Id.

Policies enacted by domestic and foreign governments affecting imports and exports such as taxes on overseas profits, tariffs on imports and reimports after offshore assembly, export credits and subsidies, exchange rates, policies toward technology transfer, and nontariff
and antitrust policies, international trade relations, and import restrictions. It is to these factors that U.S. policy should be addressed.

A. Proposed U.S. Response to Foreign Targeting

High-tech proposals presume some effective U.S. policy to counter industrial targeting practices of foreign governments. While the Japanese are often cited for this practice, particularly in the high technology area, such targeting is not confined to either Japan or to high technology. Although the targeting practices of our trading partners are not the primary reason for American industry's inability to compete, the United States must develop a means of either countering or offsetting its effects. High-tech advocates argue for government subsidization of American research and development. A more appropriate response is outlined below.

First, the United States should attempt through international agreements to assure American access to foreign research and development programs. The recently negotiated Japanese technology sharing agreement is a step in the right direction.

Second, the United States should develop an antitrust policy permitting American companies to take advantage of foreign-subsidized research and development and allowing them to participate in joint research and development with other American companies. Currently, joint activities among American firms are severely restricted by U.S. antitrust law.

Third, the United States should actively oppose foreign research and development subsidization. A code regulating such expenditures should be the ultimate goal. In the meantime, the United States should exercise its existing General

barriers set the environment for international competition. International agreements and organizations often provide the framework for such policies.

Id. (emphasis in original).
75. See INT'L TRADE COMM'N, supra note 7, at 46–49.
76. See supra notes 7–12 and accompanying text.
77. See INT'L TRADE COMM'N, supra note 7, at 141–46.
78. See id. Although the ITC report focuses on Japan's industrial targeting, it is only Part I of a series on targeting. Parts II and III will examine the targeting practices of European Community countries and other selected countries. Id. at 1.
79. See id. The report examines targeting practices in specific industries including the "traditional" industries of aluminum, automobiles, iron and steel. See id. at 128–31, 138–41.
80. The European Community, for example, has "targeted" third country markets for their surplus agricultural production. Obviously, this is not a high-tech question; it is, however, a targeting question to which the United States should respond immediately. One of the more effective ways for the United States to answer this sort of tactic would be to make subsidization too expensive for the Europeans by threatening to engage in this practice itself unless mutually acceptable "reductions in force" were negotiated.
Agreement on Trade and Tariffs (GATT) rights to oppose such policies, through litigation if necessary.

Fourth, the United States should establish a monitoring system to identify targeting practices of foreign countries and to recommend appropriate responses.

In the short run, the injured domestic industries might find temporary relief from unfair foreign competition in countervailing duty, \textsuperscript{83} antidumping, \textsuperscript{84} and unfair import practices laws. \textsuperscript{85}

**B. Proposed U.S. Response to Counterfeiting and Patent Infringement**

For many industries, patent protection is the sine qua non of commercial success. Foreign manufacturers, often with the connivance of their governments, regularly raid American research and development and capture large profits. \textsuperscript{86}

For many countries, especially newly industrialized countries, the phrase "technology transfer" is the polite term for industrial larceny. Similarly, many countries wink at the reproduction of patented goods without a license—counterfeiting is a major industry for many of America’s trading partners. \textsuperscript{87} Unless American industry can enjoy more exclusively the benefits of its own innovations, our costs will be disproportionately high and our competitiveness undermined. \textsuperscript{88}

The United States needs an effective response to these practices. Specifically, it should encourage the adoption of the Counterfeit Code, \textsuperscript{89} amend U.S. law to permit seizure of all counterfeiters’ assets within the reach of our jurisdiction, pursue section 301 of the Trade Act of 1974 remedies against patent violations and counterfeits in third country markets, and consider conditioning the granting of privileges based on the Generalized System of Preferences \textsuperscript{90} on a country’s adherence to the Paris Convention \textsuperscript{91} and the Counterfeit Code. \textsuperscript{92}

\textsuperscript{86} INT’L TRADE COMM’N, supra note 5, at 24–29.
\textsuperscript{87} Id.
\textsuperscript{88} See supra notes 13–17 and accompanying text.
\textsuperscript{89} A draft of Agreement on Measures to Discourage the Importation of Counterfeit Goods is currently being worked on by the United States and several of its trading partners. This proposed Agreement was first developed in 1979 at the end of the Tokyo Round of Multilateral Trade Negotiations.
\textsuperscript{91} The Paris Convention, Stockholm Revision, opened for signature July 14, 1967, 21 U.S.T. 1583, T.I.A.S. No. 6923. The Paris Convention is a multilateral agreement on industrial property, including trademarks. It was originally entered into on March 20, 1883, was revised in 1900, 1911, 1925, 1934, 1958, and 1967. The 1967 revision, (known as the Stockholm revision) entered into force for the United States on September 5, 1970, with exception of Articles I through XII, which entered into force on August 25, 1973 for the United States.
\textsuperscript{92} See supra note 89.
C. The Industrial Costs of Social Policies

The United States needs to adopt economic and social policies which take cognizance of the long-term ability of American industry to compete efficiently both at home and abroad. Such policies should recognize the burdens and costs imposed on American industry by social and economic decisions.

For example, before a decision is made to charge utilities in eastern Ohio hundreds of millions of dollars to reduce sulfur dioxide emissions which might cause acid rain in Canada, a careful analysis should be done of the competitive effects on the region's aluminum industry. Utilities would pass on the increased cost to consumers, thus making American aluminum significantly less competitive both at home and abroad.

This type of subsidy is fair, reasonable, and manageable. Such a program would not violate any international obligations, principles of fairness, or economic good sense and it would enable American industries to compete effectively. Since clean air benefits all citizens as well as conforming with international obligations of the United States, the people (i.e. the government), rather than American industry, should bear the expense. The problem here is not foreign "targeting" but the disproportionate imposition of social costs upon otherwise competitive enterprises.

IV. CONCLUSION

The U.S. Government’s response to other countries’ industrial programs should not be imitation, particularly when it would cause severe injury to our own industries. The U.S. should adopt new and flexible programs responsive to the real causes of American industry's inability to compete. These causes rarely lie in technology but rather in burdens we have imposed upon ourselves.

To adopt a government-controlled industrial policy under the rubric of high-tech is both short-sighted and dangerous.

- It would be expensive.
- It would cost more jobs than it would create.
- It would involve the subsidization of other countries' industries by U.S. taxpayers.
- It would ignore the real problems of our traditional industries which currently provide millions of jobs.
- It would divert resources into questionable and even ridiculous high-tech schemes.
- It would not be guided by the traditional forces which weed bad ideas from the free market.

In short, the high-tech initiative is a bad idea; but to reject it as a solution to our economic problems is not to suggest a "business as usual" approach. The United States should adopt economic and trade policies which would guarantee a "level playing field" for U.S. companies competing in domestic and foreign markets. As part of this program, the government should: (1) vigorously enforce our unfair trade practice laws including antidumping and countervailing duty laws; (2) enact legislation granting greater protection to intellectual property
rights; (3) encourage joint research and development through modifications in our antitrust laws; (4) seek greater discipline in international fora such as the GATT to oppose subsidization of foreign research and development; and (5) carefully examine the competitive impact of our social laws and policies. If the cost of such policies is to make a sector of American industry noncompetitive, serious consideration should be given to public funding of such social objectives.

These measures should correct the U.S. trade deficit and thus provide long term prosperity.