

NOVEMBER 1, 1989

TO: SENATOR DOLE
FROM: CAROLYN SEELY
SUBJECT: SPEECH TO NATIONAL FORUM FOUNDATION CONFERENCE

ZE.
Set up
for
meeting

At the request of former-Senator Denton, you have agreed to speak at a Capitol Hill Conference sponsored by the National Forum Foundation whose President is James S. Denton (?). The topic of the Conference is: "The Decline of the U.S. Industrial Base: Implications and Remedies". Senator Denton is the host, and the luncheon speaker is Clyde Prestowitz, author of Trading Places.

The audience will consist of approximately 100 Hill staff and representatives from defense technology industries. You have been scheduled to speak for only 10 minutes although you may be asked to respond to questions for several more minutes. You will be the first speaker after lunch (Mr. Prestowitz). Senators Dixon and McCain will speak in the morning, followed by Thomas Murrin, deputy Secretary of Commerce, Donald Atwood, Deputy of Secretary of Defense and a panel of industry, labor and Defense Department representatives. Following you, are Senator Bingaman, Samuel Harrell, President of SEMATECH (the U.S. semiconductor consortium financed jointly by the Defense Department and 13 high tech companies), and a closing panel.

Denton
Dixon
Chafee
Kasten
McCain
Boschwitz
Puckwood
Thurmond

Monday - Nov. 6

NATIONAL FORUM FOUNDATION

214 Massachusetts Avenue, NE, Suite 220, Washington, DC 20002
(202) 543-3515

James S. Denton
President

Juliana Geran Pilon
Executive Director

Second Thoughts Project

Peter Collier
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Daniel Pipes
Prof. Richard Pipes
Amb. Jose Sorzano
Cong. Sam Stratton

October 11, 1989

Jayce

The Honorable Bob Dole
SH-141
Washington, DC 20510

Bob
Dear ~~Senator Dole~~:

This is a cordial invitation for you or your staff representative to attend a conference entitled, "Our Declining Industrial Base: Implications and Remedies", sponsored by the National Forum Foundation (NFF). This day long conference will be held on November 6, 1989 at the Senate Appropriations Committee, Dirksen Building, Room 138.

I am enclosing the draft agenda. Among those who have confirmed their participation are the following: Senators Dixon and Bingaman; Deputy Secretary of Commerce Tom Murrin; Deputy Secretary of Defense Donald Atwood; and Messrs. Prestowitz and Choate.

I am inviting members of Congress and expect our principal audience to be key staff members from both sides of the Hill, officials from the administration and industry (including labor), as well as members of academe and the media.

This conference is intended to be the first of a series and your participation will help us get off to a good start.

Please respond to the above address, attention Teresa Miller. Advance notice by telephone to her would be greatly appreciated at (202) 543-3515.

Sincerely,

Jeremiah A. Denton
Jeremiah A. Denton

P.S. I am looking forward to you speaking. See your name in attached brochure.

"THE DECLINE OF THE US INDUSTRIAL BASE: IMPLICATIONS & REMEDIES"

MONDAY,
NOVEMBER 6, 1989

SPONSORED BY
THE NATIONAL FORUM FOUNDATION

Conference:

Senate Committee On Appropriations
Dirksen Senate Office Building, Room 138
9:00 - 5:30

Luncheon Speaker:

Author of *Trading Places*
Clyde Prestowitz
Hart Senate Office Building, Room 708
12:30 - 2:00

Reception:

Hugh Scott Room
The Capitol, Room S-120
6:00-7:30

For more information, please contact
Teresa Miller
The National Forum Foundation
(202) 543-3515

10-27-89 FRI 15:22 WEB

P. 92

POINT PAPER

ON

THE DECLINE OF THE U.S. INDUSTRIAL BASE:

IMPLICATIONS AND REMEDIES

- The First Jeremiah A. Denton, Jr. and National Forum Foundation U.S. Industrial Base Conference scheduled November 6, 1989.
- The site is the Senate Dirksen Office Building, Room 138.
- Lunch, by invitation, will be served at the Senate Hart Building, Room 708, with an end-of-day reception in the Capitol Building, Room S120, Hugh Scott Room.
- U.S. Senators Bingaman, Dixon, Dole and McCain will make appearances.
- The agenda is included as attachment one.
- Background question: What are some of the issues affecting the U.S. industrial base?
 - Should we promote free trade or a protectionist policy for the U.S.?
 - What is the relationship between the U.S. Government and industry?
 - What is the state of America's industrial infrastructure?
 - What are the trends in international trade developments?
 - What is the credibility of the U.S. deterrent?
- Items of the U.S. National Interest can usually be placed within one or more of these categories:
 - Political
 - Economic
 - National security or defense
 - Psycho-social

10-27-89 FRI 15:22 WEBB

P. 03

- National Security Concerns include

-- The Nation's capacity to deter, mobilize, and fight a global conventional war.

-- The foreign sourcing of critical raw materials, systems and subsystem components.

-- Our World economic interdependence, and

-- The adequacy of U.S. research and development.

- How can the U.S.

-- Link National defense strategy with a National policy which ensures the availability of the industrial and technological resources on which operations plans rely?

-- Stimulate long-term investment by industry?

--- Reduce pressure on industry to provide short-term returns and high risk investments.

--- Better coordinate National economic and Federal acquisition policies to increase resources available for investment.

--- Remove uncertainties in Federal Budget and acquisition process.

--- Reverse capital markets' perception of an imbalance between risks taken and possible rewards in Federal acquisition business.

- The expected results from the Industrial Base Conference include:

-- Definition, if only partial, of the state of the U.S. industrial base.

-- Specific definition and a prioritizing of those problems which are hindering the industrial base.

-- Furthering the education of Congressional members and staff, as well as people of the Executive Branch, to the state of the U.S. industrial base.

-- Recommendations to study potential solutions to specific problems in succeeding industrial base conferences, and

-- Commitment of industry to support and help promote successive industrial base conferences through participation and donation.

- The expected audience includes:
 - Congressional members and staff.
 - Selected members of the Administration and their staff
(Commerce, Treasury, Defense, and Transportation).
 - Other proponents in the industrial, Government, and
academic communities.

Nov. 6

A CONFERENCE ON
THE DECLINE OF THE U.S. INDUSTRIAL BASE:
IMPLICATIONS AND REMEDIES

AMENDED AGENDA FOR NOVEMBER 6, 1989
AT THE
SENATE DIRKSEN BUILDING, ROOM 138

<u>Time</u>	<u>Event</u>
9:00 am	Convening remarks by Mr. James S. Denton, President, The National Forum Foundation, and The Honorable Jeremiah A. Denton, Jr.
9:15-9:25	Congressional Perspective: United States Senator Alan J. Dixon
9:25-9:35	United States Senator John McCain
9:40-10:00*	Presentation One: "AN ECONOMIC PERSPECTIVE" Thomas J. Murrin Deputy Secretary of Commerce Chairman, Defense Manufacturing Board
10:05-10:25*	Presentation Two: "A NATIONAL SECURITY PERSPECTIVE" Donald J. Atwood, Jr. Deputy Secretary of Defense
10:30-10:45	Question and Answer Session with Messrs. Murrin and Atwood
10:45-10:55	Break
11:00-12:30	Panel: "INDUSTRIAL BASE PERSPECTIVE" John A. Betti, Panel Chairman, Undersecretary of Defense (Acquisition) Howard D. Samuel, President, Industrial Union Department, AFL-CIO, and Vice Chairman, Council on Competitiveness Vaughn L. Beals, Chairman of the Board, Harley-Davidson, Inc. Jacques S. Gansler, Senior Vice President, TASC, The Analytic Sciences Corporation

* Availability of Senators would cause these and subsequent
times to be advanced.

12:40-2:10 pm Luncheon (by invitation)
Luncheon Speaker: Mr. Clyde V. Prestowitz,
President, Economic Strategy Institute and
author of Trading Places
Location: Senate Hart Building, Room 708.

Congressional Perspective:
2:20-2:30 United States Senator Robert Dole
2:30-2:40 United States Senator Jeff Bingaman

2:45-3:05* Presentation Three: "THE COOPERATIVE
SEMICONDUCTOR INITIATIVE"
Samuel A. Harrell, President, SEMI/SEMATECH

* Availability of Senators would cause these and subsequent
times to be advanced.

3:05-3:20 Question and Answer Session with Mr. Harrell

3:20-3:30 Break

3:35-5:05 Panel: "SUMMARY AND FUTURE DIRECTIONS"
Jacques S. Gansler, Panel Chairman, and
Senior Vice President, TASC, The
Analytic Sciences Corporation
Adm Isaac C. Kidd, Jr. (USN, Ret.)
Joji Arai, Secretary General, International
Productivity Service
Wolfgang Demisch, Managing Director, UBS
Securities, Inc.

5:05-5:20 Closing Remarks from The Honorable Jeremiah
Denton, adjourn.

5:30-7:00 Reception at The Capitol Building (by invitation)
Location: Room S120, Hugh Scott Room.

NATIONAL FORUM FOUNDATION

214 Massachusetts Avenue, NE, Suite 220, Washington, DC 20002
(202) 543-3515

November 6
Monday

James S. Denton
President
Juliana Geran Pilon
Executive Director



Second Thoughts Project

Peter Collier
Co-Director
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Board of Advisors

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John F. Nash, Jr.
Irene Nunn
P.J. O'Rourke
Richard Perle
Daniel Pipes
Prof. Richard Pipes
Amb. Jose Sorzano
Cong. Sam Stratton

September 18, 1989

The Honorable Robert Dole
141 Hart Senate Office Building
Washington, D.C. 20510

Dear Bob,

Per our conversation of September 13, this is to thank you for agreeing to address a symposium hosted by the National Forum Foundation in the Senate Dirksen Building on November 6, 1989. As we discussed, the subject will be the national economic and security implications of the decline of our industrial base. You will soon receive an agenda and other details.

SD-138

In recognition of your scheduling complexities we will introduce you upon your arrival. However, in some hope that you can make the appointed hour, the agenda sent to you next week will include a specific time slot of ten minutes.

Thanks for your help. I'll call at your office personally in mid-October to touch base. Bob, per our conversation, I'll also draft some proposed remarks for you.

Sincerely,


Jeremiah A. Denton

P.S. My staff contact: Teresa Miller. I can be reached through the National Forum Foundation or at home (205) 973-1080.

Speak

NATIONAL FORUM FOUNDATION

214 Massachusetts Avenue, NE, Suite 220, Washington, DC 20002
(202) 543-3515

*Nov. 6
Monday*

SD-138

1:35-1:45

James S. Denton
President
Juliana Geran Pilon
Executive Director

September 22, 1989

Second Thoughts Project

Peter Collier
Co-Director
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P.J. O'Rourke
Richard Perle
Daniel Pipes
Prof. Richard Pipes
Amb. Jose Sorzano
Cong. Sam Stratton

Betty Meyer
Office of
Minority Leader
Robert Dole
Senate Hart 141
Washington, D.C. 20520-
1601

Dear Betty:

Thank you for helping Senator Denton secure Senator Dole as a speaker for the conference "The Decline of the U.S. Industrial Base: Implications and Remedies" to be held in Dirksen 138 on November 6, 1989. The attached schedule has Senator Dole speaking from 1:35-1:45 p.m. that day. If this time is agreeable to you and your planning purposes please let me know.

Sincerely,

Teresa Miller
Teresa Miller
Program Director

STATEMENT OF SENATOR BOB DOLE
NATIONAL FORUM FOUNDATION CONFERENCE

NOVEMBER 6, 1989

O GOOD AFTERNOON. I AM DELIGHTED TO BE HERE
TODAY AND TO SEE MY GOOD FRIEND AND FORMER
COLLEAGUE, SENATOR DENTON.

-2-

O SINCE I AM FOLLOWING CLYDE PRESTOWITZ, I KNOW
THAT YOU ALL UNDERSTAND WHAT WE'RE UP
AGAINST. FOR ME AND FOR MANY OTHER MEMBERS
OF CONGRESS, TRADING PLACES PROVIDED AN
INCISIVE CATALOG OF THE CHALLENGES FACING
AMERICAN BUSINESS IN ITS DEALINGS WITH THE
JAPANESE. WE SEE THE IMPACT OF OUR PERSISTENT
TRADE IMBALANCE NOT ONLY IN OUR JAPANESE
TELEVISIONS, BUT ALSO IN THE ALL TOO FREQUENT
SALES OF AMERICAN ASSETS, SUCH AS COLUMBIA
PICTURES AND ROCKEFELLER CENTER.

-3-

STRUCTURAL IMPEDIMENTS INITIATIVE

- O LAST YEAR, IN THE OMNIBUS TRADE LEGISLATION, CONGRESS STRENGTHENED THE ADMINISTRATION'S HAND IN DEALING WITH BOTH OVERT AND HIDDEN TRADE BARRIERS THROUGH THE SUPER 301 PROCESS. THE RESULT HAS BEEN NOT ONLY NEGOTIATIONS AIMED AT SPECIFIC PRODUCTS, SUCH AS SATELLITES AND SUPERCOMPUTERS, BUT ALSO

-4-

THE START OF UNPRECEDENTED, BROAD DISCUSSIONS
WITH THE JAPANESE WHICH ARE DIRECTED AT ECONOMIC
BARRIERS -- SO-CALLED STRUCTURAL IMPEDIMENTS -- TO
TRADE AND INVESTMENT GENERALLY. THE SECOND
SESSION OF THESE TALKS IS OCCURRING TODAY.

-5-

- O AT THE INITIAL MEETING IN SEPTEMBER, THE U.S. NEGOTIATING TEAM (COMPOSED OF REPRESENTATIVES FROM USTR, THE STATE DEPARTMENT AND THE TREASURY DEPARTMENT), IDENTIFIED SIX CONCERNS : JAPAN'S HIGH RATE OF SAVINGS AND INVESTMENT RELATIVE TO CONSUMPTION, ITS LAND UTILIZATION, DISTRIBUTION SYSTEM, PRICING MECHANISMS, EXCLUSIONARY BUSINESS RELATIONSHIPS (SO-CALLED KEIRETSU) AND EXCLUSIONARY PRACTICES -- FOR EXAMPLE, PATENT PROCESSING DELAYS.

-6-

- O JAPAN HAS TARGETED INSUFFICIENT PRIVATE SAVINGS AND BUSINESS INVESTMENT IN THE U.S., OUR SHORT-TERM PROFIT ORIENTATION, ANTI-COMPETITIVE GOVERNMENT REGULATION, INSUFFICIENT R&D SPENDING, LACK OF EXPORT PROMOTION AND INADEQUATE EDUCATION AND TRAINING. •

-7-

THE REPUBLICAN COMPETITIVENESS TASK FORCE

O HOWEVER, ALTHOUGH WE ARE MONITORING THESE

NEGOTIATIONS WITH GREAT INTEREST, CONGRESS IS

NOT WAITING FOR THE ADMINISTRATION TO SOLVE

THESE PROBLEMS ALONE. LAST MAY, AT

SUGGESTION OF SENATOR DANFORTH, I CONVENED

A TASK FORCE OF REPUBLICAN SENATORS TO

ADDRESS THOSE BARRIERS TO COMPETITIVENESS

WHICH ARE WITHIN THE CONTROL OF THE FEDERAL

GOVERNMENT.

-8-

O WE WERE NOT LOOKING TO ESTABLISH AN
INDUSTRIAL POLICY. LIKE MOST OF YOU, WE BELIEVE
THAT PROTECTIONISM AND GOVERNMENT
INTERVENTION IN THE MARKETPLACE CREATE
OBSTACLES TO COMPETITIVENESS BY RAISING THE
COST OF CAPITAL AND MATERIALS FOR U.S.
MANUFACTURERS.

-9-

- O NEVERTHELESS, WE RECOGNIZE THAT AMERICA

NEEDS LEADERSHIP AND COORDINATION IN ITS

TRADE AND ECONOMIC POLICIES. OUR TASK FORCE

AIMS TO ESTABLISH THOSE PRIORITIES.
- O OUR INITIAL FOCUS HAS BEEN ON THE WAYS IN

WHICH GOVERNMENT IMPEDES COMPETITIVENESS --

WHETHER THROUGH ANTI-TRUST LAWS, TAX POLICY,

OR EXCESSIVE REGULATION. IN ADDITION, WE WILL

SEARCH FOR WAYS TO ASSIST PRIVATE SECTOR

-10-

INITIATIVES -- FOR EXAMPLE, THROUGH REASONABLE
PRODUCT LIABILITY STANDARDS, PATENT
PROTECTION AND BETTER TRANSFORMATION OF
FEDERAL RESEARCH ADVANCES INTO PRODUCTIVE
USES BY AMERICAN BUSINESS.

- O AS CURRENTLY ENVISIONED, THIS TASK FORCE WILL
RECOMMEND TAX INCENTIVES FOR RESEARCH,
EDUCATION, SAVINGS AND INVESTMENT, PRODUCT
LIABILITY REFORM, ANTI-TRUST REFORM, FEDERAL

-11-

CO-ORDINATION OF THE DEVELOPMENT OF
STRATEGIC TECHNOLOGIES AND STREAMLINED
PUBLIC/PRIVATE PARTNERSHIPS TO TRANSFORM
FEDERAL RESEARCH DISCOVERIES INTO NEW
PRODUCTS AND SERVICES.

CAPITAL GAINS

- O ONE INITIATIVE WHICH PRESIDENT BUSH AND A
MAJORITY OF THE MEMBERS OF CONGRESS BELIEVE
IS ESSENTIAL TO PRODUCTIVITY AND INVESTMENT IN
AMERICA IS A REDUCTION IN CAPITAL GAINS TAX
RATES.

-12-

- O THE UNITED STATES IMPOSES THE HIGHEST TAX ON
LONG-TERM CAPITAL GAINS OF ANY OF ITS TRADING
PARTNERS. AND IT IS ALMOST ALONE IN IMPOSING A
DOUBLE TAX ON THE EARNINGS FROM EQUITY.

JAPAN, WEST GERMANY, FRANCE AND THE UNITED
KINGDOM ALL INTEGRATE THEIR CORPORATE AND
INDIVIDUAL TAX REGIMES, TREATING EQUITY
INVESTORS AS FAVORABLY AS WE TREAT CREDITORS.

-13-

O WITHOUT SOME LESSENING OF THE TAX
DISINCENTIVES FOR EQUITY INVESTMENT, U.S.
COMPANIES WILL CONTINUE TO FIND IT DIFFICULT TO
RAISE THE PERMANENT, "PATIENT" EQUITY CAPITAL
NEEDED FOR LONG-TERM INVESTMENTS IN PLANT,
EQUIPMENT AND RESEARCH. IN FACT, SINCE WE
ELIMINATED THE DIFFERENTIAL RATE FOR
LONG-TERM CAPITAL GAINS, NEW EQUITY CAPITAL
RAISED IN THE UNITED STATES FELL FROM A HIGH OF
\$68 BILLION IN 1986 -- MORE THAN TWICE THE
AMOUNT RAISED IN JAPAN -- TO \$20 BILLION -- LESS
THAN ONE-FIFTH THE AMOUNT RAISED IN JAPAN.

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INDUSTRIAL PREPAREDNESS

- O FOR OUR DEFENSE SECTOR, THE CHALLENGE OF

THE 80s WAS A STRONGER AMERICA. NOW THAT

OUR NATIONAL DEFENSE HAS BEEN REVITALIZED,

ATTENTION IS TURNING TO OUR INDUSTRIAL

SUPPORT BASE.

- O THE PENDING DEFENSE AUTHORIZATION

LEGISLATION INCLUDES \$3.51 BILLION FOR DEFENSE

SCIENCE AND TECHNOLOGY BASE PROGRAMS,

VIRTUALLY THE SAME AMOUNT AUTHORIZED FOR

SDI. THIS INCLUDES

-15-

FUNDING FOR CRITICAL INDUSTRIAL PREPAREDNESS
PROGRAMS DESIGNED TO STRENGTHEN THE
COMPETITIVENESS OF OUR TECHNOLOGY BASE.

- O HENCEFORTH, U.S. ECONOMIC INTERESTS ARE
CLEARLY TO BE CONSIDERED IN CONNECTION WITH
DEFENSE TRADE AND COOPERATION WITH OUR
ALLIES. THE FIRST CONCRETE EXAMPLE OF THIS
NEW EMPHASIS WAS APPARENT IN THE REVIEW AND
RESTRUCTURING OF THE FSX CO-PRODUCTION
AGREEMENT WITH JAPAN TO ACCOMMODATE TRADE
CONCERNS.

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CONCLUSION

- O CLEARLY, TO SUCCEED IN MAINTAINING A

COMPETITIVE INDUSTRIAL BASE, WE WILL NEED THE

SUPPORT OF THE BUSINESS COMMUNITY, OR NEW

YORK'S MITSUBISHI CENTER WILL BE ONLY THE

BEGINNING.
- O THANK YOU.

NEWS



NATIONAL FORUM FOUNDATION

214 Massachusetts Avenue, N.E., Suite 220
Washington, D.C. 20002 (202) 543-3515

James S. Denton
President

FOR IMMEDIATE RELEASE
contact: Teresa Miller
(202) 543-3515

Capitol Hill Conference To Address The Decline Of The U.S. Industrial Base On November 6, 1989

CONGRESSIONAL, INDUSTRY, ADMINISTRATION, AND LABOR LEADERS
TO PARTICIPATE

Washington, D.C. -On November 6, 1989 in the Senate
Committee on Appropriations, Dirksen Room 138, the National
Forum Foundation will host leaders of Congress, Executive
Branch, academe, including industry and labor, in a
conference entitled "The Decline of the U.S. Industrial
Base: Implications and Remedies".

Speakers will include Senators Dole(R/KA),
Dixon(D/IL), Bingaman(D/NM) and McCain(R/AR); Deputy
Secretary of Commerce, Thomas J. Murrin; Deputy Secretary of
Defense, Donald J. Atwood; Undersecretary of Defense
(Aquisition), John A. Betti; President of the Industrial
Union Department, AFL-CIO; Howard D. Samuel; and others.
The luncheon speaker is Clyde V. Prestowitz, author of
Trading Places and President of the Economic Strategy
Institute.

Former United States Senator Jeremiah Denton who
chaired the Presidential Commission On Merchant Marine and
Defense, will host the conference.

* * * * *

Alarms are being sounded in some quarters of
government, industry and academe about the erosion of
America's industrial infrastructure. Some contend that
current trends will be so severe as to diminish
significantly U.S. political and economic clout in the world
and bring about domestic sociological strains. Others
contend that there is virtually no problem, certainly no
cause for alarm or for major change in U.S. policy.

The Council On Competitiveness, Defense Science Board,
Defense Manufacturing Board, and other cognizant
organizations have contributed immensely to this issue.
Administration, Congressional leaders and members of private
industry will participate in future conferences of this
series.

The conference will begin at 9:00 and continue to
5:30 PM in the Dirksen Senate Committee on Appropriations
Hearing Room 138. The luncheon will be held from 12:00-1:30
in Hart 708. The reception following the conference will be
held S-120 of the Capitol. All events are open to the
press. For further information call Teresa Miller at
1-800-622-3388.