

COMMENTS AND OBJECTIONS  
OF  
THE AMERICAN ENGINEERING ASSOCIATION  
TO  
COMDEF '87

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CRYSTAL CITY, VIRGINIA

## INTRODUCTION

"Competitiveness" has become the buzzword in Washington and around the nation. "Why isn't America competitive?" seems to be the question of the day.

It is clear that we are losing hundreds of thousands of manufacturing jobs overseas each year. Fewer and fewer jobs created in the U.S. are in the manufacturing sector. Nearly every segment of the U.S. population is becoming poorer.

Virtually every segment of "smokestack" America, our manufacturing sector, has been decimated. Ball bearings, electronics, heavy equipment, textiles, fasteners, and steel; the list seems endless.

We are led to believe that services and high-tech are the wave of the future and that they will provide the base for our new economic future.

One thing seems clear from all of the rhetoric, we do have a problem and we need immediate relief or we will soon become a second rate nation.

## WEALTH

The wealth of a nation is gained, not with service or high-tech, but through manufacturing. Taking materials and transforming them into useful products.

For the purposes of discussion, it matters little whether you are making chemicals, plastics, lubricants or gasoline from crude oil or taking iron ore and making steel, sheet metal, automobiles or ships. You are adding value through processing or manufacturing. That value becomes the wealth of the nation.

Technology may give us a better and perhaps more competitive product; services will sell, finance or repair that product. While services and technology are a necessary part of the process, neither can survive without manufacturing. We cannot give away our manufacturing base and survive on services and technology alone.

Someone once accurately described this phenomena as the "hollowing" of American industry. We see the fluff of service and technology but below the surface there is little of substance. There is no real foundation on which to build our economic house without manufacturing. Both service and technology must ultimately follow the manufacturing (wealth) overseas.

## GOVERNMENT ROLL

ComDef '87 is, in the view of the American Engineering Association, symbolic of many of the policies of the federal government which puts our nation at risk. They are the policies of the deindustrialization of America.

Earlier this year the Commerce Department was sponsoring "Expo-Maquila" in Acapulco, Mexico. The purpose of the exposition was to help American industry to "discover" the advantages of manufacturing their products in Mexico. The obvious advantages are of course lower wage rates, less stringent environmental controls, less restrictive labor laws etc..

At least one proposal has been introduced which would create a "free trade zone" along the entire U.S./Mexican border of some 200 miles on each side of the border. In spite of the best of intentions, this zone would almost certainly turn into over three quarters of a million square miles of virtual slave labor. Slave labor doing the work that had been done in Cleveland, Newark and Dallas.

Legislation which has been passed over the years has had equally deleterious affects on our ability to compete. The Trade Agreements Act of 1979 specifically states that American manufacturers will be shown no favoritism in government purchases. The NATO Act of 1982 requires interchangeability of weapons systems with Nato countries.

American corporations are given tax write-offs regardless of plant locations. Plants built in Sri Lanka are given equal tax status to those built Rolla, Missouri. Writeoffs are also given for the purchase of foreign business equipment. Previous to 1972 there was a requirement to buy American for the write-off.

## CURRENT AGREEMENTS

The United States maintains Memorandum of Understanding with many nations. Each exhibiting nation at ComDef '87 has a MOU with the U.S..

One such agreement with Egypt provides for the transfer of Technical Data Packages (TDP's), exchange of scientists and engineers on projects under the agreement and retention of patent rights by the sending government.

Products produced by each country under this agreement will be sold to the other "without applying price differentials resulting from buy national laws and regulations."

The Congressional Research Service determined that under the terms of a MOU for SDI research with West Germany that "...retention of (patent) title is specifically permitted in the memorandum; it is therefore arguable that a West German contractor would possess all commercial rights for any patented invention resulting from research funded by United States government money....".

One only has to review the spinoff products from our space program technology to begin to understand the potential magnitude of this "foreign aid". We should also keep in mind that West Germany can hardly be considered a "lesser developed country".

A Memorandum of Understanding for SDI research with Japan was announced within a matter of days of the overwhelming Senate vote of sanctions against Toshiba for selling our submarine propeller technology to Russia.

## UNIDO

The United Nations Industrial Development Organization constitution (Treaty Document No. 97-19) was signed by the United States on January 17, 1980 and went into force June 21, 1985.

Two of the functions of UNIDO as stated in its constitution is the "...transfer of technology from the industrialized to the developing countries..." and the "...exchange of experience and technological achievements of the industrially developed and the developing countries with different social and economic systems;"

The accompanying Report from the Senate (Executive 98-2) dated February 2, 1983 speaks of documents approved over the objections of the United States. From the text of the report: "The thrust of these political documents is that industrial country governments should work toward a goal of ensuring that 25 percent of the worlds industrial plant is located in the developing world by the year 2000...."

"The documents imply that not only should developed countries provide aid to help to meet these goals, but should also adopt trade and internal industrial policies which insure that the goal will be reached, even if it means shutting down their own industries which are identified as being more suitably located in the Third World."

## GENERAL ROGERS

On November 8, 1985 the Wall Street Journal carried a quote by NATO Commander General Bernard Rogers concerning the roll of the Independent European Program Group, an organization which works on joint European weapons development. General Rogers is quoted as having said the group "....had done more than any other organization in moving down the road toward what we must have---which is a West European defense industrial base which can compete with the United States."

CONGRESSWOMAN HELEN DELICH BENTLEY

Various speeches of Mrs. Bentley yield the following quotes which are applicable to the discussion at hand. "There have been deliberate laws put into place starting in the 1970's to ship the manufacturing of defense weapons abroad and to open up the purchasing of government civilian supplies overseas."

"Under the guise of "free trade" we have lost our ability to unilaterally defend ourselves. We have lost our wealth and are now a net-debtor nation to the world we have been "free trading" with."

"Japanese interests purchased 47% of our last Treasury issue of to pay the debts of the United States. How much can we push Japan when she has the power to "stay home" at the next "T" Bill auction? How tough can we get with them over the Toshiba incident when they have the power to cut off sales to us of strategic component parts of the Sparrow missile and a thousand other necessary parts of which they have become the sole source?"

"The basis of freedom has always been economic. Poor people do not have choices. Poor nations do not have choices and a nation which cannot supply its people with the goods which they need and purchases necessities on credit classified on all points as being poor."

"The basis of freedom is economic. Enslavement of a country is for the economic gain of the invading nation."

"In the next war, we will have to protect German and Japanese and French and Belgium machinists or we will not field an army armed with anything more than pitchforks and hoes."

SUMMARY AND COMMENTARY

Not only is there federal participation in the destruction of the U.S. Defense/Industrial base and the accompanying decline in the standard of living for all American citizens, but one can reasonably argue that their participation is very deliberate in nature. Taxpayers are being required to fund their own economic downfall.

To get a more complete picture of the destructive forces in action, you would also have to consider the immigration laws and regulations which, among other things, allows the direct replacement of American engineers with foreigners in jobs in this country.

One would also have to look at some of our university research centers who are largely staffed with foreign nationals. Much of our sensitive research is not classified until it reaches the development stage. Foreign students from countries termed the "Designated Countries" study engineering, science, computer science or mathematics at about twice the frequency of all foreign students. Approximately every fourth foreign student in one of the above disciplines is a citizen of one of the designated countries.

It is imperative that we begin to reverse the trends of the past few years. We should immediately overturn the Trade Agreements Act of 1979 and enact "Buy American" legislation. We should remove tax incentives for American companies to build their facilities overseas and to purchase equipment overseas.

American companies operating overseas and importing their products should be subject to the same regulations as any other foreign producer.

Products and technologies necessary to our defense which are not available from sources in this country should have immediate and extensive research and development programs established to gain that technology and establish that product line here. These research efforts should be established in the private sector rather than at universities when possible. Universities for the most part do not generate jobs at the level the private sector does with the same resources.

Under no circumstances should taxpayer money be used to fund foreign research and development on defense items. Under no circumstance should we be dependent on any foreign nation, friend or foe, for any item critical to our defense.

No further contracts should be issued under MOU's until we firmly have both the technology and the product established in this country. Any such contracts must retain all intellectual rights.

We must never become reliant on overseas "single source" vendors. Overseas vendors should only be used in a "second source" role.

If some of these proposals had been in effect, we would have likely never had the Toshiba/Kongsberg problem or the disaster with the purchase of the fraudulent fasteners. Estimates of the Toshiba episode indicate it may cost as much as \$60 billion to overcome the damage and no one has been able to even estimate the damage done by the fastener problem. One Congressman questioned whether even the federal government could afford to replace all of the suspect fasteners.

DR. JOHN CULBERTSON

"We don't really want to compete with people working for \$1 per hour. The only way to compete with them is to work for \$1 per hour yourself."

"There are over 100 million jobs in the U.S., and a lot of them are filled by ordinary people working in small towns. The intellectuals who talk about the information age, where everyone will be sitting behind a computer and doing exotic things are pipedreaming. This country is made up of very ordinary people, doing very ordinary jobs."

"The task here is to create a kind of society in which people can earn a living."

It's time for our elected officials to ensure that their first order of business is to place the wellbeing of U.S. citizens before that of other nations.