

The Global Interaction Findings **September 2004**

eNotus executive chairman Reymond Voutier was closely associated with the group that prepared the global interaction findings in 1987, and the subsequent submission to the US Senate on US competitiveness. For different reasons, 17 years on, the message contained in these findings has a striking similarity to issues of today. Perhaps of relevance to the new circumstances of 2004.

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Global Interaction finds that –

1. For over 200 years the USA has defined open markets for its manufactured and farm products, and raw materials, as “free trade,” “fair trade,” and “open world economy,” and “a level playing field”. From the end of World War II to the middle of the 1970s, companies comfortably competed between themselves in the domestic marketplace. From the Great Depression through the Kennedy years, pride of unique design belonged to Americans who believed in their own visions and corporate executives who cared enough about quality to manufacture what was designed. Manufacturers listened to consumers and were guided by them in what was produced. The people of the world, fascinated by American technology and design, couldn’t buy enough of what we had to sell.

They were therefore astounded in the late 1960s and early 1970s to see conglomerates proliferate and product become lost in numbers and statistics. No longer did manufacturers heed their market research departments. No longer did they care about well-designed products that were easy to use, easy to care for, easy to service, easy to manufacture, and appealing to customers. Since consumers only complained, continuing to gobble up whatever was produced, it was easy for producers to ignore complaints and forget that ‘the product is the thing’; consumers had no alternatives.

Despite mounting evidence, our trading partners and new potential competitors couldn’t believe that American companies were no longer listening to consumers, for that was tantamount to throwing the US domestic marketplace open to their own totally committed, customer and product-oriented firms. Our competitors watched as consumer R&D budgets fell by the wayside, and MBA’s trained in cost-efficiency ousted quality control and design engineers from manufacturing plants.

They watched American manufacturers forget that design uniqueness, quality and cost were strategic weapons for business success. Alert competitors

watched US companies become vulnerable, secure in a US trade hegemony we believed would last forever; we were in the cat bird's seat.

Protected by vast oceans and enriched by natural resources, we lost our risk-taking spirit. We became complacent, a nation of consumers ignoring new road signs pointing to our losing it all.

2. Not surprisingly, alert foreign manufacturers began giving American consumers choices and we voted overwhelmingly with our wallets for those high-quality foreign imports which were lower priced than the shoddily-made, over-priced domestic goods.

The 1970s didn't do much for the American ego. Vietnam became our Dien Bien Phu, driving home the fact that we were no longer a military hegemonic power. The takeover of the US Embassy in Teheran, showed us we were losing the world's respect. The decade's oil shocks told us that our resources were insufficient to insulate us from economic calamity.

In losing our remoteness from international econopolitical forces, America was becoming an unprofitable proposition in a well-armed multipolar world. What happened in other nations had a profound impact on us, our oceans no longer insulating us from foreign competition, financial transactions, or the aspirations of other nations.

3. Deep and on-going changes affected us, causing turmoils and problems still unresolved in either the public or private sectors. Technology, information, computers and communications were creating a world composed of joined economies rather than individual national economic entities. We encountered growing dislocations, instabilities, paralysis of action, and perverse responses to challenges. With global interdependence upon us, largely national efforts to adapt no longer worked. Since we didn't believe the evidence, conventional thinking for a purely national range of interests was counterproductive.

4. Still failing to see an econopolitical approach interrelating national and international interests, we seemed unaware that we need an educated, globally aware cadre of men and women able to deal intelligently, knowledgeably and effectively with other nations and peoples, and work comfortably in a world of different cultures and languages. In 1986, only 23,000 American college students studied Japanese according to the Modern Language Association; 20 million Japanese were studying English. In the USSR, English is taught in elementary schools.

5. Yet we Americans don't speak the most important language of all, or know the most important culture of all – that of the potential customer. In a global economy and marketplace, successful business, trade and politics depends, in large part, upon one's ability to deal country-specifically with other peoples languages, cultures, customs, traditions, economic systems, viewpoints, monetary situations, and global financial linkages.

Cultural differences contribute as much to trade imbalances as econopolitical differences. Long-term improvement and sustained trade growth will come when we learn more about the cultures of the Asian and Third world nations to which we must sell.

6. Unprepared for the new mercantilism dominating the global marketplace, we face factors and forces we won't understand. We can't make predictions because we won't accept the concept of America being only one nation in an interdependent world, a nation whose business practices are not followed by most of the rest of the world.

7. We won't admit that other nations compete more effectively than we do. We find it difficult to accept that others (i) develop superior production equipment and systems, (ii) are more innovative and show more ingenuity, (iii) as a matter of policy, adapt sales, service techniques, pricing and products to individual nations and outsell us, (iv) stress producing rather than consuming, (v) re-invest instead of raise prices, (vi) focus on long-term economic strategies and outcomes. We know what we should be doing but the necessary steps are in direct opposition to the way we view our global position, believe international affairs should be conducted, and how America does business.

8. It isn't surprising then, that US productivity performance has been last among the major industrial nations for many years, far below that of the leaders and only ahead of Canada. Lack of competitive ability is now a chronic problem, a malady so widespread and far-reaching it will exist even if the trade and federal budget deficits are eliminated, and if the dollar remains at an all time low.

Getting other nations to lower tariffs and/or open their markets will not solve our problems because if every nation removed every barrier, it would only make a 10%~15% difference in the trade deficit. If we count on that, we'll be badly disappointed. Instead, we must understand the term "competitiveness."

9. Competitiveness is neither a brief nor a euphemism for protectionism.

Nations are competitive if, under free, non-protectionist conditions, they produce goods and services meeting the test of the global marketplace while expanding the real income of their citizens. If America is to be competitive, we must export more and our people must receive a globally-oriented education. We must be more aware of technological, economic, financial and other changes/actions around the world because they all impact on us.

Firms are competitive when they produce innovative products or services of superior quality at globally competitive prices or prices lower than domestic and international competitors. They are competitive when they re-invest and when they seek increased market share instead of raising prices. Competitiveness is synonymous with a long-range profit performance based on strategic thinking and a global perspective.

10. Newly emerging systems of business and economics represent both a challenge and a fundamental change in our approach to goods and services, technology, smart growth, and wealth itself. The economy of goods and services and the economy of money, credit and capital, now move in different directions at different speeds. We have to think globally, act locally, and forget total reliance on the myth of a secure national market. The primary products economy is no longer connected to the industrial economy, having become marginal to it; production is no longer linked to employment.

11. We slipped from a 45% control of the world economy in 1945 to 20% today because neither our government nor US companies adjusted to new global realities. Companies failed to improve country-specific marketing and sales techniques, often lacking the necessary understanding of global economies, cultures, politics, languages, viewpoints and monetary matters. And, to add to our misfortune, 80% of all exporting is done by only one percent of US industry.

12. Insular thinking and planning is neither logical nor feasible in a global marketplace with an ever-increasing number of competitors. Therefore, the underlying goal of any and all competitive policies must be to bolster America's ability to compete in the global marketplace. Outdated government and private sector policies, plus short-term interests over long-term strategic and critical thinking, has turned the USA into a debtor nation owing more than \$1.3 trillion to the rest of the world.

13. As a debtor nation, we must have an annually high productivity performance of 4%~5% to underpin a strong, domestic economic base. Industrial productivity must be at the 10% level; we must export more and pay more attention to foreign technologies. Japan now leads the world in the

design, manufacture and application of state-of-the-art flexible manufacturing and robotic assembly systems. Innovation, the converting of technology and new ideas into viable products, is done faster by Japanese companies, and at least 10%~20% less expensively than US companies refining existing technologies.

14. Political decisions often weaken US strength in the global economy and marketplace instead of bolstering our ability to compete. It weakens our global position when industries know they can count on political influence to avoid making necessary adjustments. American consumers pay the price of protectionism.

15. Trade is business, not a political or military tool and should be used to develop policies geared toward econopolitical objectives. We require ongoing comprehensive analysis, with the econopolitical impact of any decision carefully considered. Descriptions must be provided to government and business of the trade/diplomatic consequences of any proposed legislation, especially that influenced by lobbyists and/or hysteria. A global perspective would help ensure that future US competitiveness was not damaged by default.

16. National rules and regulations are ineffective because regulatory policies are geared to the domestic market in order to maintain domestic competitiveness. Now that US companies regularly compete at home with the rest of the world, we need producer-driven policies and laws, and a regulatory system that is a friend to entrepreneurs, new products, start-ups, and innovative processes.

We must better manage the new economic environment affecting global trade, econopolitical and financial interrelationships. We must take the aspirations and problems of other nations into consideration in order to create effective policies which succeed in international commercial, political and economic negotiations.

We must cease blaming other nations for our problems, expecting them to do as we want them to do in order to forward our domestic aspirations and resolve our problems. We must take an interest in their aspirations and problems because they affect us. A global perspective would help ensure that our future is not sacrificed by default.

17. Evidence (including subtitle B of the Trade and Technology Bill) demonstrated that the public and private sectors lack the data needed to competently analyze the substantial changes required to make the USA a truly effective global competitor. Instant access to a wide variety of

accurate and timely global data, and knowing how and what is available to use, is integral to a successful process. Sharing knowledge is more productive than fearing each other's insights; a free flow of information is essential to economic prosperity.

18. superpower hegemony has been replaced by a multipolar world in which the USA has an opportunity to guide with wisdom. It weakens our global position to believe that what happens in the rest of the world doesn't affect us or apply to us, or that we can be released from foreign involvements.

We cannot afford damaging economic warfare caused by economic nationalism: putting one nation's interests ahead of others in short-sighted ways that hurt all involved, or closing borders to imports and foreign investment. Ad hoc protectionism abandons the positive role government must play, ignores governmental responsibility to support America's competitive ability, and fails to equip workers, companies, government employees and elected officials for America's reversed role in the world. Americans must be knowledgeable about the changes we are undergoing, for only then will our nation adjust to new global realities.

19. We Americans must stop being "Johnny-out-of-step." Our future, our children's future, and their children's future is inextricably linked to the global economy; our future prosperity depends upon the prosperity of other nations and peoples. Success will flow from true, vigorous competition, better educated and globally-oriented Americans, plus smarter, globally sophisticated corporate executives and office holders. America and Americans must face up to reality. No nation, people, or individual, has ever been the worse for that. We must adjust to the intricacies of existing in a world where doing unto others is doing unto ourselves.

For all of these reasons Global Interaction and our proposed International Trade Data Bank (ITDB), geared toward a globally integrated economy and marketplace, is needed. We can underscore a strong, flexible, effective, efficient and permanently successful US presence in the global marketplace and economy.

The informational infrastructure concepts of eNotus were already taking shape, and were being influenced by such thinking as indicated above, during the recommendations being made to the US government at that time (1980s). These powerful realities were tempered by the Asian growth phenomenon. Raymond Voutier and his associates were deeply involved in trade and trade promotion in the then emerging economies of the region such as Taiwan, Korea, Hong Kong, Singapore, Malaysia and Thailand.