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Good afternoon, members and guests of the LES. It is a new experience being on this side of the microphone, and I thank you for the confidence you have shown in me. I am very much looking forward to the coming year as LES-USA President and hope to demonstrate your confidence was not misplaced.

Each of us is involved in the business of innovation and transferring technology. Technology transfer is an explosive growth industry of ever-increasing interest to our governments, whether our government is a developing country or developed country--or something in between. This is because of the potential of technology for attaining, retaining, or regaining a favorable economic position where technology enables leveraging labor with intellectual product. Countries with technology are concerned about keeping a healthy rate of industrial innovation to maintain a favorable balance of payments and standard of living, and countries without technology see technology as a means of achieving an enhanced level and quality of employment and a higher standard of living.

Increasingly, we are seeing signs of the politicization of technology, along with a number of other factors which will influence our "technology transfer business" in the future.

It is important to look at these factors that will influence our future livelihood as professionals in the business of innovation and technology transfer. Through the pages of our professional journal, Les Nouvelles, other public sources, and our own experiences, we can observe the following events of interest.

1. As technology can be said to "seek its own level," high labor content industries are moving to low labor cost locations. This shifting has been occurring at a higher and higher rate.

2. Central economy (generally Warsaw Pact) countries have been making major technology acquisitions, generally by a single buying source within the central economy country from competing private enterprises in Western free economy countries.

3. OPEC nations have made substantial acquisitions in downstream petrochemical technology and now are beginning to acquire a broad manufacturing base in other market areas through acquisition of the latest technology.

4. Developing countries are vigorously seeking technology from developed countries. They are also promoting adoption of a code of conduct. In the rhetoric of discussions about the code, technology is defined as a human right rather than a property right. Central economy countries, whose economic systems have failed to achieve more than minimal innovation, have quietly joined this position.

5. The People's Republic of China, in making its "big push forward," is making major technology acquisitions and is sending large numbers of students to Western universities.

6. Meanwhile, in the U.S., our investment in R&D as a percentage of GNP continues to fall along with the balance of payments. And of the R&D that is performed, more is in response to regulatory than market pressures. The Federal Government increases its role "as the sole arbiter and controller of research and development in the U.S. to the detriment of innovation and creativity" while "the nation's best researchers spend professionally more time in describing potential results of research and administration than in actually doing the research."

Not let's take another view of the situation from a different angle.

1. While technology has brought prosperity, enabling governments in developed countries to achieve policies that, in varying degrees, result in satisfying basic needs of all citizens through the expansion and redistribution of income, the same policies have tended to reduce the desire to strive and take risks, which factors are so necessary in innovation. Investment of surplus income goes to vacations and expensive restaurants.

2. Meanwhile, in the central economy countries, the clamor of the public increases for the material goods already enjoyed by the public in free economy countries. Ironically, incentive mechanisms are increasing in central economy industries

to enable competition with developed, free economy countries, while reward incentives are eroding in those same countries.

3. In the U.S. (and certain other countries), where legislators of our government, and executives of industrial organizations, are dependent, respectively, upon votes and satisfied stockholders, decisions enhancing short-term events increasingly appear to be made rather than the harder decisions necessary for long-time viability of the respective entities. Illutrations of this trend are seen in congressional actions (or lack of) on the energy issue and the reduction in industrial research with long-term payout potential.

4. In Germany and in Japan, where ownership of companies is more controlled by banks and private families, industrial decision making appears to be directed more to long-term goals. In central economy and other autocratically ruled countries, five and ten year plans are commonplace.

5. Recently, U.S. technology has become an element of politics. Also, many allege that dumping in the U.S. market is being done by other countries of output not absorbed in their home market, which situation leads to increasing demands for tariff barriers.

I am sure most of you could add more factors from your observations of the world scene which may shape our future. One possible future scenario from the selected factors that I've mentioned to you today would hold that the developed free economy countries, leaving aside perhaps Germany and Japan,

are in for some very difficult times indeed. U.S. Patent Counsel, Don Banner, in reviewing our present "technological posture," observed that action must be taken "or what we have known and enjoyed as the "American Way of Life," shall become a thing of the past." This summer, I studied policies and practices of innovation of basic research in Europe and can definitely say that many European government officials also are worried about trends in their technological innovation affecting the Belgium, English, Norwegian, etc., "ways of life."

Assuming developed free economy countries, and, from my point of view, particularly the United States, do have a problem as hinted at by the foregoing discussion, what can we do? Probably many things. Let me mention one.

There is at present an increasing recognition in the U.S. of the importance of industrial innovation and that a political momentum is building which all of us can help to direct. The "action" will be in the political arena and many of you members have participated and are participating in this process. The time is ripe to propose legislative or other remedies. I ask each of you to propose your "ultimate fantasy," to borrow the expression of a recent student inventor, of a solution. Let us hear about it, either through the pages of Les Nouvelles, through a proposal for legislation in Congress (which our Law and Government Relations Committee would certainly like to receive), or whatever. Let us hear from you.