GatorMail-M for Corson, Ross

To: Corson, Ross

From: Turner, Jim

Date: Thu, Feb 20, 1997 10:11 AM

Subject: RE: Mondale Speech on S&T

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From: "Turner, Jim" <Jim.Turner@mail.house.gov>
To: "'Corson, Ross'" <corson.ross@dorseylaw.com>
Subject: RE: Mondale Speech on S&T
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Ross,

I think you and Mr. Mondale have written a strong speech that should be well received. I do, however, have a couple comments.

Number of patents is not a very good way to judge the comparative technological strength of companies or countries. There are several reasons for Japan receiving a large number of US patents. Some of the companies who have received many patents are in fact patent flooders and the number of patents is not related to their quality. Some of these patents are filed to have something to trade in cross-licensing situations. Some of our most innovative companies, particularly in biotech, feel that the patent system is so slow that it is irrelevant and they don't bother to file. I agree that the delays in the awarding of Japanese patents are serious and it is part of the overall tendency of a one-way flow of technology from the US to Japan.

On page four when you discuss the decrease in federal support for R&D as serious you should single out basic research. I think basic research has done comparatively well over the years. There is a bipartisan agreement that basic research is a legitimate use of Federal funds and that if basic research is to be funded, it will have to be done by the Federal government. Government cutbacks in the technology development and applied research, the area between basic research and work on a specific product, are a much more serious problem. It is getting rarer for a company to be willing to work on a problem with a time horizon of three years or greater or whose solution will aid competitors as much as the company. The same has been true of venture

capitalists; they are much more short-term oriented and risk averse than people generally give them credit for. Filling this gap has been the strength of programs like the Advanced Technology Program and the Technology Reinvestment Program, but these programs seem to face continued character attacks as corporate welfare and in the last Congress, for ideological reasons, were cut back themselves. The Japanese, by contrast, jump at the opportunity to aid their companies in harvesting the fruits of our basic and early applied research. I am not saying all this work has to be done in the government, but someone has to make this a priority if we want to stop the unfortunate situation of our getting the Nobel prizes and their getting the high tech sales.

I think you can also tie in the 10 percent cut in research spending to date over the past two years and the projected 25 percent decline by 2002. They are related. The cuts we have experienced to date are the first steps to sacrificing R&D programs as part of balancing the budget. The 10 percent cut is right on track on the overall plan, 2/7ths of the way in the first two of seven years. Further cuts are the default position. It will happen without intervention to the contrary. The NIH experience last year shows that the default position does not have to be the final position if there is a concerted effort to defend R&D..

My final point is that I think you can develop the theme of learning from the Japanese a little further, in particular how to set a goal and how to approach it with dedication. They don't lose sight of where they are headed as we often do. Perhaps because they are an island nation with limited natural resources they realize that it is a tough world out there, that international competition is intense, and that if you do not take care of your own that no one will. We on the other hand get side-tracked. We tend to assume that the conditions which have made us great will continue in place. You'd never hear them attacking government-industry cooperation as corporate welfare; they realize that these programs are often doing things the private sector cannot do by itself and that it is necessary to match efforts of overseas governments to remain competitive. We too often think domestically while they understand that competition is increasingly international We design immigration policies that make it tough for the best and the brightest to continue to come in, not realizing that the vitality and entrepreneurship of immigrants have greatly enriched our economy and have helped make up for the short-comings of our educational system. And so on.

As I started to say in the beginning, I think you have created a strong speech. I hope that my comments will be useful if you decide to fine tune it.

>----------
>From: Corson, Ross[SMTP:corson.ross@dorseylaw.com]
>Sent: Wednesday, February 19, 1997 7:33 AM
>To: Turner, Jim
>Subject: Mondale Speech on S&T
>
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>PLEASE CALL 612-340-8880.

>
>TO: Jim Turner
>
>Thank you for your fax the other day with the information on federal S & T
>policies.
>
>Below is an initial draft of Mr. Mondale's speech to be delivered next week
>(and likely to be delivered, with only slight variations, at several other
>venues over the next few months).
>
>I can only imagine how busy you must be. But I am sure Mr. Mondale would
>appreciate it if you could quickly review and offer any comments on this
>speech.
>
>Thanks.
>
>Ross Corson
>612/340-2655
>
>* * *
>
>SPEECH DRAFT [2/19/97]
>Annual Meeting
>Minnesota High Technology Council
>February 26, 1997
>
>
> In the two months since returning from Japan, many people have been asking
>me what I learned about Japan while I was there.
>
> As it turns out, there is something about living thousands of miles from
>home that presses a person to think more carefully about his own country. At
>least, this was true for me. Thus, I had a great opportunity to learn not
>only about Japan. I learned some important lessons about America, too.
>
> One of the most important of these lessons is that our two nations face many
>common challenges as we advance into the next century and millennium. A lot
>of these challenges come together in the field of science and technology - a
>field which I am convinced holds the key to the future prosperity and
>well-being of the world's population.
>
> I don't wish to stand here this evening and offer myself as an expert on
>science and technology. After all, I can hardly get my own VCR to work!
>
> But my past three and half years across the Pacific Ocean gave me a
>front-row seat on some emerging trends in the global economy - especially in
>the area of science and technology. Indeed, the question of America's
>technological leadership was a subject of considerable discussion at the
>Embassy in Tokyo as we reviewed the different strategies of the United States
>and Japan. This is pretty important, considering that - together - the
>United States and Japan account for almost two thirds of the world's spending
>on science and technology.
>
> This evening, I would like to share a few thoughts about the direction in
>which I see Japanese science and technology going - and contrast this with

>what I see happening in America. Then I will be pleased to answer your
>questions.
>
> Japan's economic system is under severe pressure right now - with five years
>of sluggish growth, an ocean of bad debts, a sinking stock market, and
>growing frustration with an over-regulated economy. As a result, many
>Japanese voices are now calling for reform to make their system more open.
>
> Given the bad economic news, it might be tempting for Americans to dismiss
>Japan as no longer a serious economic rival. But Japan has enjoyed
>astonishing economic growth over the past several decades - emerging from the
>devastation of war to become the world's second largest economy.
>
> For all of Japan's current problems, she is neither down nor out. Many
>Japanese companies - especially exporters like Sony, Toyota, and Canon - are
>prospering. While the projections on economic growth this year remain
>pessimistic, the return of the very cheap yen will almost certainly mean
>rising exports and declining imports for Japan - and, once again, a growing
>trade imbalance with the U.S.
>
> It would be a great mistake for us to underestimate the resilience of
>Japan's economy - especially now that Japan has embarked on a very ambitious
>national strategy to expand her science and technology capabilities as a
>means of renewing her economy.
>
> As you know, the United States is generally considered a world leader in
>basic research and development, while Japan is seen as particularly adept at
>commercializing technologies. America is often described as a "technology
>pioneer" - talented at inventing and innovating - while Japan is a
>"technology follower" - skilled at borrowing and perfecting what's already
>been invented.
>
> This may well have been true in the past. But today's reality is different
>- and even more changes may be yet to come.
>
> In the past few years, Japan's political, bureaucratic, corporate, and
>educational leaders have reached a consensus that their country "must stop
>being a nation of technology followers and become a nation of technology
>innovators." As they see it, their nation's future economic well-being is at
>stake.
>
> This is a very important decision for Japan, one that was reached only after
>much deliberation and consensus-building among the key sectors of society.
>It is often observed that Japan's tradition-bound culture does not lend
>itself to the same kind of flexible change as America. It's probably true
>that the Japanese system can't turn on a dime. But once the Japanese decide
>to turn, they know exactly in what direction they're going and move ahead
>with impressive determination.
>
> Money is usually a pretty good indicator of such determination. Last
>summer, the Japanese cabinet approved a proposal to spend 155 billion dollars
>- yes, that's billion - on government science and technology programs over
>the next five years.
>
> As someone once said: A billion here . . . a billion there . . . and pretty

>soon, we're talking real money! This projected increase in Japan's R&D
>spending is only a little bit less than the total of what our government is
>projected to spend on civilian R&D during the next five years.
>
> This comparative pattern is not entirely new. As a percentage of gross
>domestic product, Japan's civilian R&D spending has exceeded ours since the
>mid 1970s. With this new science initiative, it will soon exceed in absolute
>terms our government spending on both civilian and military R&D. This fact
>is especially dramatic when you consider that we have twice the population of
>Japan - and our economy is almost two-thirds larger than theirs.
>
> Japan's push to increase her R&D spending to match, and exceed, ours is
>consistent with the theme of "catching up with the West," which has been a
>powerful force throughout much of modern Japanese history. This anxiety
>about the West's presumed superiority drives what one scholar calls Japan's
>"technonationalism" - the conviction that Japan's national security, broadly
>understood, depends on building up her technological capabilities.
>
> Ninety-five percent of the Japanese government's R&D budget is dedicated to
>civilian technologies. The Japanese government is focusing its new strategy
>on basic and applied R&D for commercial applications. With product life
>cycles getting shorter, Japan believes it can no longer depend on its
>traditional strategy as a "technology follower" to stay competitive.
>Instead, it must improve its own capability to conduct innovative research by
>transforming itself into a technology pioneer.
>
> The Japanese government has decided that it must become a world leader in
>basic research, because this is where R&D breakthroughs often occur. The
>largest budget increases are targeted at programs to improve Japan's basic
>research infrastructure and to develop "frontier technologies" which Japan
>believes are critical to its economic future.
>
> Japan's technology strategy includes four major elements:
>
>- a doubling of government spending on science and technology by the year
>2004, especially for basic research;
>
>- education reform, especially of university education at the graduate level;
>
>- financial reform to expand venture capital; and
>
>- continued targeting of selected foreign technologies for development by
>Japanese industry.
>
> On balance, we have good reason to welcome Japan's new efforts in science
>and technology. We have long encouraged Japan to invest more in her
>scientific capabilities. This nation has much to offer the world -
>especially in areas like health, energy, the environment, and disaster
>prevention. As Japan's scientific capabilities increase, opportunities also
>increase for us to benefit from Japanese research - in much the same way that
>Japan has gained from our own scientific and technological progress.
>
> There are also reasons for us to worry, however.
>
> One issue is intellectual property protection. Just as the global regime of

>free trade depends on all nations opening their markets to fair competition,
>a global system of scientific and technological progress requires that all
>nations abide by fair rules of intellectual property protection.
>
> Increasingly, as you well know, the most valuable resource of many companies
>is knowledge and ideas - especially as they are embodied in technology. For
>America to stay ahead in the high technology race, our companies need to be
>able to protect their intellectual property. Unfortunately, many nations
>have weak systems of protection. I think we have all heard horror stories
>about what can happen - everything from sophisticated patent flooding to
>outright piracy.
>
> The U.S. Patent Office recently issued its list of top ten patent recipients
>from last year. Number one on the list was IBM; number three was Motorola.
>The other eight were all Japanese corporations. This reflects the dynamism
>of Japan's economy, their commitment to high technology, and their enormous
>cash reserves.
>
> Our patent system is wide open and readily available to protect the
>legitimate commercial interests of any corporation, foreign or domestic. But
>American companies often don't enjoy the same protection in other countries.
>
> In Japan, for example, foreign corporations often find it difficult to
>obtain patents; the patents that are granted tend to be very narrow; and
>there is often a lengthy delay in the processing of patent applications
>(though now there is the option of a 36-month accelerated process). We have
>asked Japan to change.
>
> Emerging high-tech companies are among those most vulnerable to these
>intellectual property problems. These companies have the ideas and the
>technology. They must work with investors, partners, suppliers, and
>customers - who, in turn, are apt to become knowledgeable about the product -
>and perhaps assume they have a right to it.
>
> The process of commercial technology development and transfer needs to
>proceed in a fair and honest way. Japanese firms are adept at acquiring our
>commercial technology, but we do not always enjoy a reciprocal technology
>flow with Japan. One way to improve this situation is to foster a greater
>presence of our students, researchers and industries in Japan - so they can
>benefit from Japanese research progress.
>
> As important as intellectual property protection is, it is not the most
>serious problem we face from Japan's technological challenge.
>
> In fact, the most alarming threats are entirely of our own making.
>
> While Japan is taking the necessary steps to address its relative weakness
>in basic research, the United States is on a path that will diminish our own
>lead in science and technology. The economic consequences are potentially
>catastrophic.
>
> The threats to American science include:
>
>- a decrease in federal support for R&D, especially basic research,
>

>- a deterioration in the quality of our K-12 education system,
>
>- the growing unwillingness and inability of our government and corporations >to invest in long-range research projects, and
>
>- a declining interest by many of our brightest young people in pursuing >scientific careers.
>
> I am sure that you know better than I do the dangers for our economy - and >our society - if these trends are allowed to continue.
>
> Without a doubt, our scientific and technological prowess, coupled with >our open entrepreneurial system, continues to be America's greatest >competitive advantage. To the extent we neglect science and technology, we >allow the very basis of our wealth to erode.
>
> A new analysis by the National Academy of Sciences finds that the overall >federal science and technology budget - excluding the military - has fallen >in real terms by five percent since 1994. If we exclude spending by the >Institutes of Health, the decline is closer to 10 percent. That's in just a >three-year period.
>
> Because of these reductions, a larger percentage of total American spending >on R&D is coming from private industry instead of the federal government. >Twenty years ago, the federal government supported 50 percent of all R&D >performed in the nation. Ten years ago, the figure was 45 percent. Today, >it is less than 35 percent.
>
> When adjusted for inflation and economic growth, even private industry's R&D >spending has been relatively flat in recent years. With basic research in >particular, there are real limits to how much we can expect industry to >contribute. Basic research accounts for only about 16 percent of our >nation's total R&D spending, private and public. But government funding is >critical - picking up about two-thirds of the total bill - and more than half >of this basic research is conducted at universities.
>
> Unfortunately, efforts to balance the budget and reduce the size of >government create great uncertainty about the future of federal support for >science and technology.
>
> Back in 1984, while running for President, I did my best (or worst) to get >some attention for America's burgeoning deficit. But I fear that we have now >made a sacred icon out of the balanced budget, even as our deficit is >shrinking. According to the budget plans from Congress and the White House, >nonmilitary R&D spending will decline nearly 25 percent in real terms by the >year 2002. If Congress insists on balancing the budget while also giving >away a hundred billion dollars in tax cuts, they will have to cut total >spending on all discretionary programs by 30 to 40 percent.
>
> As important as it is to get our nation's fiscal house in order, this is >like taking stones from the foundation to repair the roof.
>
> More fundamental than a balanced budget is the need to reorient our national >priorities toward investment rather than consumption. R&D spending >represents an investment in the future, not a form of short-term consumption.

> Our university research system, for example, is an economic engine for our
>entire country - creating new technologies that lead to new industries and
>good new jobs. Reduced funding for our research institutions undercuts our
>technological and economic leadership abroad and diminishes opportunities for
>Americans at home.
>
> Federal investments in science and technology are responsible for countless
>advances in agriculture, aerospace, biotech, computers, telecommunications,
>and a host of other areas. Everyone is talking these days about the
>Internet; well, there would be no Internet at all if it weren't for the
>federal investments that brought it into existence.
>
> In the private sector, too, we must be careful not to squander our
>technological leadership. The Japanese are noted for their patience in
>long-term development of markets and technology. Unfortunately, our
>corporate practices often favor short-term financial gain - and we lose sight
>of the long road ahead.
>
> So, as the Japanese prepare for a major expansion of their science and
>technology efforts, the United States is headed in the opposite direction.
>We are following this course not because of any deliberate decision or
>thoughtful strategy, but simply as a byproduct of budget politics that give
>low (or no) priority to science and technology.
>
> Thus, I think we should welcome Japan's new initiatives in this area.
>Perhaps their challenge will awaken us to our own responsibilities and
>inspire us make the commitments needed to maintain and advance our own
>technological strengths.
>
> I believe we can do it. We have a lot of things going for us in America.
>In many ways, we are uniquely positioned to meet - and thrive on - the
>challenges of this global economy.
>
> In fact, in a recent New York Times column, Tom Friedman attributes much of
>the stock market's sustained rise to something he calls a "Globalization
>Premium" which America enjoys:
>
> We have, he says, "the world's most diverse and efficient capital markets,
>which reward, and even celebrate, risk-taking. Anyone with an invention and
>a garage can hope to raise millions overnight."
>
> We have "a multicultural population that speaks the language of the
>Internet, a constantly renewing flow of immigrants, a transparent legal and
>regulatory environment, and a flexible federal political system.
>
> We have "a job market that enables workers to move easily from one hot
>industrial zone to another, and a corporate sector that has, unlike Europe's
>or Japan's, already gone through the downsizing and restructuring needed for
>global competitiveness."
>
> There is, he concludes, a sense among global investors that somehow the
>whole mix of America - our society, our culture, our technology, our business
>environment, even our geography - "meshes more naturally with globalization
>than either Europe or Japan."
>

> I think Tom is right about this. But we still must guard against
>complacency - and I'm afraid that science and technology is one area where we
>run this risk.
>
> While Japan can learn many things from us, we can also learn many things
>from her. Make no mistake: Japan has already learned a great deal from our
>example in science and technology. They understand very well how critical
>these have been to the productivity, dynamism, and strength of our nation.
>
> But when it comes to a broad-based commitment to science and technology for
>the future, I believe it is now our turn to learn something from Japan's
>example.
>
>

Note for Mondale, Walter

From: Dong, Nelson

Date: Mon, Feb 3, 1997 3:06 PM

Subject: RE: u. of m bio tech inst.

To: Mondale, Walter

Cc: Corson, Ross

I got Lynda's cc of the letter from Ken Valentas, director of the U of M's Biological Process Technology Institute, dated Jan. 31. We are well familiar with this group, which has almost single-handedly tried to keep biotechnology alive in Minnesota for the last 5-10 years.

By way of background, commercial biotech and even academic biotech have essentially side-stepped the state of Minnesota, and those two factors may not be unrelated. Every other major biotech center in the U.S. (e.g., the San Francisco Bay Area, Boston, Seattle) has, at its heart, one or leading research universities with world-class molecular biologists who concentrate on this arcane field of science. UCSF, Stanford and Berkeley account for the Bay Area strength; Harvard, MIT and the Whitehead Institute for Boston's preminence, and so on. For all practical purposes, the U of M has no one at that level of science in any of its schools or colleges, except possibly for two or three medical school professors (including my wife).

Minnesota government did its part to handicap biotech by placing virtually all types of biotech in the commercial sector under the state's Board of Environmental Quality and requiring a permit for letting any genetically altered material out of a lab. The state seemed to fear the attack of the killer tomatoes or something like that. Minnesota is only one of two states in 50 states to regulate biotechnology in this way. Have been told this law even caused some potato seed companies with genetically improved varieties of potatoes to sell their seed to farmers in other states but not in Minnesota, to the chagrin of the state's own farmers who wanted those seeds to remain competitive with more bug-resistant and productive potatoes.

Agricultural biotech does matter to a handful of larger Minnesota companies in the agricultural and food processing fields such as Cargill, 3M and others, but we've never had a solid stable of the younger hot biotech companies found in Colorado, California, Massachusetts or even Wisconsin. We also have no major pharmaceutical companies based here that would rely on biotech. The lone but steady voice preaching the gospel of biotech has been the U's Process Technology Institute, led by Jeff Tate and Jim Woodman. Jim left the U a couple of years ago to become head of the MN Biotechnology Assn., of which Dorsey is the general counsel. Andy Herring and Betsy Van Hecke in the corporate department serve that client and try to capture as much of the start-up emerging company work there is within the biotech area, but, in truth, there has not been very much of it to capture.

As for the March 18th invitation, you would add a lot of luster to that event but I do not believe that many Japanese companies are looking to Minnesota to do biotech deals and there are not that many biotech deals to be done with or for Minnesota companies. Of the 100 invitees mentioned in the letter, it is likely the vast bulk would be students and staff at the U with only a handful of company personnel. The Japanese are indeed among the world's greatest engineers in fermentation science (e.g., Ajinomoto), and the U does have some good engineers and scientists in that field, but the degree of true commercial exchange in biotech is probably quite limited between Japan and Minnesota.

Accordingly, I would NOT place this invitation on your priority list, but if you have no other engagements that day, it is certainly a nice thing to do and hopefully not that much work to do it, since they are asking only for 30 minute talk.

From: Mondale, Walter on Fri, Jan 31, 1997 1:40 PM
Subject: RE: u. of m bio tech inst.
To: Dong, Nelson

lf it,s important, lets do it together.

From: Dong, Nelson on Fri, Jan 31, 1997 1:03 PM
Subject: RE: u. of m bio tech inst.
To: Mondale, Walter

Yes, if it's the institute I'm thinking of. We already have fairly close ties over there to a number of the biotech folks. I'll look at the ltr and let you know. If it's important but you are not around, maybe I can go over in your stead?

From: Mondale, Walter on Fri, Jan 31, 1997 9:58 AM
Subject: u. of m bio tech inst.
To: Dong, Nelson

i am sending you a copy of a letter received from dr. valentas, dir of the above inst. in whcih he asks to speak. i cant on the day he mentions. do you think this institute offers any opportunity for us to work with them? please let me have your views on that.

Minnesota Historical Society

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