

## **Decline of Ford and GM Imperils National Security (Ronis in AN 09-26-2005)**

### **COMMENT: U.S. must reclaim its industrial base Decline of Ford and GM imperils national security**

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With the current situation in Iraq and the global war on terrorism, the United States faces many challenges. Some are obvious, such as maintaining and supplying our troops in the field and maintaining security at home.

But some of our country's challenges are not so obvious. One is the erosion of the U.S. industrial base, including the U.S. auto industry, and its national security implications.

Most people in the U.S. auto industry do not realize that the challenges of global competitiveness and the national security strategy of the United States are related.

General Motors, Ford Motor Co. and the Department of Defense share the same industrial base - from machine tools to electronics. Autos and defense are interdependent elements of the U.S. industrial base. They are part of one system.

#### **Too dependent**

With a marketplace demanding cost reductions, the auto industry is becoming so dependent on foreign countries for critical components and systems that it may be losing the ability to design, engineer and even manufacture them itself.

In the long run, we may lose the knowledge and capabilities to make autos and weapon systems or even manage the acquisition process. As manufacturers around the country accelerate the offshore purchases of engineering, manufacturing and software development, the ability to control supply chains for U.S. military production also is disappearing.

As a nation, we need to ask whether a domestic industrial base matters. Globalization is not the enemy. It's the lack of managing it that is problematic. Other nations have found ways to comply with their World Trade Organization obligations without destroying their own industries in the process.

We are not advocating a complete reduction in the globalization of industries. Globalization is essential to facilitate the long-term peace and prosperity of the world at large. The issue is a balance of common-sense policies.

Some critical knowledge and capability to design, engineer and manufacture must remain within the United States, including the auto industry. The nation needs military manufacturing capabilities and what the military calls surge capacity, the ability to use national industrial capabilities in times of war.

Our nation became a hyperpower because we invested in our industries and in r&d. We were innovators, and we made things.

We are rapidly becoming a nation that makes nothing; nor are we investing in r&d anymore. We won World War II and the Cold War because we outproduced and invested more in basic r&d than our enemies and had the knowledge and capability to do it.

#### **A threat to security**

The national industrial base, including the auto industry, provides more than jobs. It is critical that the nation maintain the knowledge and capabilities to create autos, planes and so on. Such knowledge and capabilities are almost impossible to replace, and losing them puts the security of the nation at risk.

Intense pressure by Wall Street has encouraged indiscriminate cost-cutting - and, in some cases, criminal accounting practices - just to meet or beat analysts' expectations. This shortsighted mentality sacrifices long-term, strategic decision-making for a short-term win on the Street.

Globalization for its own sake is not viable public policy. Yet it is nearly impossible to separate the national industrial base from the global one and the defense base from the national one. It's all one system.

When we outsource much of our foundry capability to China, it's conceivable that we become dependent on the Chinese for our country's parts as well as the innovation and technology that go along with producing them.

Global purchasing organizations in much of U.S. industry and the military are not looking sufficiently at the newly emerging risks of potential disruption of supply lines.

Economic and political risks are not always calculated by purchasing organizations. Purchasers tend to be rewarded only for getting parts cheaper.

In a global economy, the rules of engagement are different. They can hurt as easily as help. When foreign companies have government assistance, from r&d to health care and pensions, U.S. competitiveness is at risk. That can lead to the inability of a U.S. industry, such as autos, to survive.

Both Republicans and Democrats must address this issue. If the nation cannot put some balance into its globalization policies and invest in U.S. manufacturing capability, America's ability to lead will be in jeopardy.

The global competitiveness of the U.S. auto industry is related to the national security of the country. Its problems become national problems requiring national solutions. Dialogue and cooperation between the auto industry and Congress are essential and must accelerate now.

*The University Group Inc. is a consulting firm on global competitive issues investigating ways to improve the U.S. industrial base as a contractor to the U.S. House Small Business Committee.*

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