

MR. KOHL: Thank you, Mr. Chairman.

The Communications Workers of America represent 600,000 working Americans employed in the main service industries, including communications, information technology, and media, both print and broadcast. We also represent members in the communications manufacturing sector.

Communications technology itself has been a potent force in globalization, putting in place the infrastructure to transfer production abroad and run the global production system 24 hours a day.

Communications technologies play a vital role in the economy, and this hearing recognizes that importance.

We are very excited about the benefits of change in communications, but we leaven that excitement with a note of concern. The deregulatory economic model of communications used by the United States has provided an enormous boost to innovation and communications services, and a lowering of prices for large customers.

There can be no doubt about falling long distance prices, nor the rapid introduction of wireless technologies and the Internet. At the same time, we are concerned that this model has the potential to leave behind many working families, and especially communities of rural and low income Americans. We

believe that the market will not address their service quality or access issues and social policies will be required to insure their involvement in the exciting, new development of technologies.

These same issues play out across the globe in every industrialized country and even more profoundly between rich and poor nations. Hence, it is important to recognize that key social concerns will not be addressed through an opening of markets, and these social policy questions will be addressed by national governments.

How does this perspective translate to trade and services and especially in communications?

First, we should recognize, as you have, that trade and services is today's bright note in the U.S. trade current account. Service industries contribute greatly to our economy and to our export performance, and in fact, we are the world's leading exporter.

In 1999, total exports were \$275.5 billion, and imports, \$199.7 billion, resulting in a services surplus of \$75 billion.

At the same time we have to recognize that the trade surplus is in relative decline. The 1999 services trade surplus was 6.8 billion less than the 1998 surplus, which in turn was less than the 1997

surplus. At this rate of decline, services will provide a shrinking surplus for no more than ten years.

The decline in service trade surplus will follow the glide path of the trade balance in goods. In the trade of goods, the U.S. deficit grew as we imported increasingly complex products that are produced offshore for our consumer markets.

In the telecommunications goods sector, for example, we saw foreign production for U.S. markets of simple handsets, then more complicated phone systems, and then still more complex systems.

Today there is no U.S. production of handsets and shrinking manufacturing capacity for complex systems and their components. Both U.S. companies and foreign competitors produce offshore for reshipment back to the United States.

In services, there is no reason not to expect the same process of increasingly valuable services to be produced offshore for the U.S. market. In fact, we are seeing some increase in the trade and services within industries generally thought to be geographically tied down.

Although the evidence is anecdotal, there is a growing set of stories of Irish or Jamaican call centers and Indian software houses. This trade in services will erode the U.S. surplus over time.

In order to maintain a trade surplus, the United States must continue to invest in our own human and physical capital stock to sustain our competitive advantage in services. This means more training funds to meet the burgeoning needs of the IT sector rather than increasing the number of H1B visas for an immigrant work force.

Increasing temporary visas works to undercut our national competitive advantage. The theory of H1Bs of workers is that after six years they will return to their foreign land.

Assuming they do, they return with six years of increased intellectual capital to a foreign country ready to produce for the U.S. market. This is shortsighted economic policy. We are training our future competition. We need to maintain investment in U.S. workers.

Today the Administration has budgeted \$50 million to retrain high tech workers to meet industry demand. It's a paltry amount, no more than the total average pay of five American CEOs.

A more significant investment would provide a subsidized wage for older IT workers attempting to retool. Rather than detailing the specifics of the proposal, let me re-emphasize the need to invest in

people. This means training and it means wage subsidies for older workers during retaining periods.

Second, aggressive USTR actions already have changed the marketplace for communications services. In recent testimony, Ms. Barshefsky listed the accomplishments for the Administration: elimination of Canadian discriminatory rules, lower interconnection rates in Japan, a European compromise, and third generation mobile standards, lower Taiwanese interconnection rates, and a WTO complaint against Mexico and Germany.

The communications industry is pleased with this aggressive protection of our interest. We believe though that equally important to trade rules on third generation wireless standards are standards about labor rights and the right of individuals to organize free trade reunions.

These are two fundamental principles around which we should build the global economy. In order for the global economy to truly flourish, we must set in force aggressive rules regarding compliance with core labor standards. These standards include freedom of association, the right to organize and bargain collectively, nondiscrimination in the work place, and a prohibition of exploitative child labor.

I have two macro economic observations to add. First, trade flourishes in a thriving economy. Currently about a third of the world economy is in recession. As foreign economies recover U.S. exports of services will continue to grow. If we adopt policies which foster international growth, we will export more services.

Secondly, U.S. exports will expand as other countries increase their consumption. Internally, increased consumption will result as workers exercise their right to organize. Supporting organizing rights is good economic, as well as good social policy.

Developing country consumption and growth also slow from the burden of crippling debt. Recent financial collapses have led to stern economic measures which impose harsher adjustment conditions on working families.

As a result, the global economy has produced slower growth and greater inequality in both developed and industrial countries.

The United States should take the lead in relieving this burden by eliminating debt to the poorest nations and defining a new global reform agenda based on trade accords which promote and protect basic workers rights to organize.

Thank you.

CHAIRMAN D'AMATO: Thank you very much, Mr.
Kohl.

Now representing the Service Employees,
John Howley.