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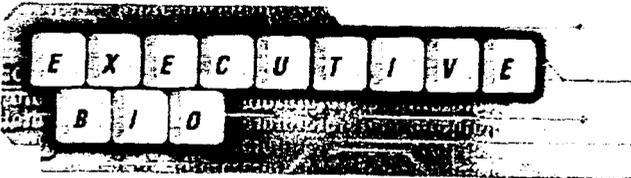
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Michael C. Maibach  
Vice President  
Director, Government Affairs  
INTEL CORPORATION

Michael Maibach is Vice President of Government Affairs for the Intel Corporation. He joined Intel in 1983 as Government Affairs Manager and assistant to Intel's co-founder, *Dr. Robert Noyce*.

In **1966** Mr. Maibach was awarded the Intel Individual Achievement Award for his work on the U.S.-Japan Semiconductor Trade Agreement. Maibach led the US. industry effort **to win this agreement** which -- between 1986 and 1998 -- helped to more than tripled foreign access to the Japanese semiconductor market. Maibach won the award a second time in 1987 for his work on the establishment of SEMATECH. He led an industry team that convinced the U.S. Congress and the Reagan Administration to match industry's \$100 million annual investment. SEMATECH has become a model of industry-government technology cooperation. In 1992 Maibach was a candidate for the U.S. Congress in California's Silicon Valley and enjoyed widespread high-tech industry support.

Prior to joining Intel, Maibach was a machine shop foreman and a Government Affairs Manager at the Caterpillar Tractor Co. Prior to that he was a member of the Illinois State Senate's legislative staff.

Maibach received a B.A. Cum Laude in Political Science and History, and an M.A. in Constitutional Law from Northern Illinois University. He holds a B.S. in International Business from American University and a B.A. Cum Laude in American and Latin American History from California State University. In December of 1998 he expects to receive an M.A. in Liberal Studies from Georgetown University

In 1985 Maibach founded the Semiconductor Industry Association's Washington Group and chaired it until 1997. He also served as Chairman of the Government Relations Committee of the Information Technology Industry Council. Mr. Maibach is a member of the Board of Directors of the Center for the Study of the Presidency, a member of the Economic Strategy Institute's Executive Committee, a Board member of the Congressional Economic Leadership Institute and a guest columnist in magazines such as Upside and Asia Pacific Economic Review. From 1983 to '85, Maibach supported Dr. Noyce's work on the Presidents Commission On Industrial Competitiveness. In 1990 and '91 he supported Intel Chairman Emeritus Dr. Gordon Moore's work on the President's National Advisory Commission On Semiconductors.

## **INTRODUCTION**

- **Thank you**
- **Michael Maibach - VP of Government Affairs - Intel**
- **It's an honor...**

## **INTEL:**

- **Founded 1968 - Noyce & Moore to build s/c memories.**
- **1973 Intel invented world's 1<sup>st</sup> microprocessor.. .**
- **Enabled 1<sup>st</sup> the computer & now the Internet revolution.**
- **Intel's mission: the preeminent building block supplier to the connected computing industry worldwide.**

## **IT & THE US ECONOMY**

- **Pleased Commission chose to look at the high-tech industry.**
- **Tomorrow's economy based on the continued growth of IT.**
- **US D of C last year: a 1/3<sup>rd</sup> of current 3%+ GDP growth...**
- **& "e-commerce" is just beginning/no where near full stride.**
- **Despite America's booming economy, there is much we can do to bring down the trade deficit.**
- **My focus: trade, tech & talent demands over the next 10 yrs.**
- **& what US Gov. can do to make sure America remains the world's leading economy & job creator.**

## **INDUSTRY & GOVERNMENT ROLES**

- **Both industry & gov. have a role in improving US trade**
- **American companies must succeed within a very competitive global business environment.**
- **We all know this...**
- **Less obvious: countries also compete in the global environment & the Internet will only intensify this.**

## **TRADE**

- **Open & Keep Open Global E-Commerce Markets**
- **Pave the Way For US Digital Exports**

## ➤ **Bring China Into the WTO**

- **Intel has an enormous stake in global markets.**
- **> 1/2 our sales outside the US.**
- **30k of our American employees owe jobs to exports.**
- **Intel is among nation's top 20 exporters**
- **& among the top 3 US exporters as % of total w/w sales.**

## **E-COMMERCE & THE INTERNET**

- **E-commerce growing at phenomenal rate. It is the future.**
- **3 yrs ago Intel selling \$0 via the Internet. Today: \$1b/month.**
- **But it's not clear w/w E-Commerce will become/remain open.**
- **We suggest the following 6 steps be taken:**
  1. **Examine Internet policies purported to protect such things as privacy, consumer rights, cultural purity to insure they are not in fact used as market barriers.**
  2. **E-commerce will challenge geographically based tax systems. Work w/other govs. to make sure old & new tax policies are technology neutral.**
  3. **Avoid telecom access charges or bit taxes.**
  4. **Convince nations w/closed telecom markets to open them.**
  5. **Dismantle barriers to telecom & Internet investments.**
  6. **Maximize commercial use of available wireless spectrum.**
- **Any individual with a PC & a web site can do business over the Internet & become a "multinational corporation" - selling goods & services to people throughout the world.**

- **By following these 6 policy prescriptions, US citizens will enjoy unparalleled opportunities for exports in the digital era.**
- **This would be an excellent focus of WTO Millennium Round.**

## **PAVE THE WAY FOR DIGITAL EXPORTS**

- **Digital exports a key area where US can sig. improve its trade performance – under the right circumstances.**
- **Digital exports include such things as education, health care, architectural and legal services – to name a few.**
- **To foster explosion of US digital exports, we must construct a w/w legal & professional framework of mutual accreditation.**
- **Professionals w/w must work w/govs & private orgs to establish what one “Professional Recognition Agreements”.**
- **The export of tele-medicine services is a good case in point.**
- **Health care represents 14% of America’s GDP.**
- **We have 1 MD for every 380 Americans. Indonesia, in sharp contrast, has 1 MD for every 6,700 Indonesians.**
- **Just think what US tele-medicine services could do for the people of Indonesia – as well as for the US economy.**

## **CHINA (PRC) WTO MEMBERSHIP**

- **China's PC market is growing at twice the global rate.**
- **Today the Chinese PC market is #6 - #3 by ~ 2002. A similar story is found in the s/c industry. China today has high IT tariffs -which benefit neither her economy, nor ours.**
- **Our industry believes all will benefit from China WTO membership. She should sign a commercially viable.. .**
- **We have full confidence the USTR will craft a good agreement.. . I will be happy to discuss the details...**
- **The discipline of global trade rules will strengthen her markets as they are opened fully.**

#### **TECHNOLOGY & TALENT:**

- **Increase Federal IT Research**
- **Make The R&D Tax Credit Permanent**
- **Make Section 127 Permanent**
  - **Life Long Learning - No Tuition Taxation**
- **Build A World Class Technical Workforce**
  - **With Adequate H-1B Visas [staple a green card...]**

#### **INCREASE FEDERAL IT RESEARCH FUNDING**

- **Of great importance is Federal funding of research *in information technology*. Accent on IT.**
- **I've mentioned the enormous R&D investments of industry. These investments are built on continued scientific advances**

**in math, chemistry, physics & engineering at our nation's universities.**

- **America's research universities are a national treasure & produce our next generation of scientists as well as the next generation of science upon which US competitiveness rests.**
- **Industry research necessarily focuses on the next product. Only government research can focus on the next generation**
- **Yet, federal funding for IT research is actually declining at an alarming rate just as it's importance is greater than ever.**
- **The Federal budget for scientific research has declined by 67% since 1965.**
- **Further, from 1992-1995 - for the first time in 25 yrs. - real Federal research spending declined for 4 straight years.**
- **Funding for disciplines that contribute to advances in information technology are declining at a more rapid rate than in other fields. For example: in electrical engineering, Federal funding decreased by over 30% from 1993 to 1997.**
- **In 1989 the US Gov's research budget was \$66B – equaling that spent by private industry. Today Federal research has fallen to 1/4<sup>th</sup> of private sector R&D investments.**
- **We urge Congress to significantly increase funding for scientific and IT research through the Federal Research Investment Act - S. 296 [Senators Frist & Rockefeller] & HR 3161 [Rep. Heather Wilson (R-NM)], as well as other leg. initiatives.**

## **AND A NEW APPROACH:**

- **Finally, we urge that the Commission and industry take four related measures in the area of basic IT research to better inform policy makers:**
  1. **Compare US public & private IT research investments with America's top 5 trade partners;**
  2. **Measure which 5 US industries are investing the most in domestic research;**
  3. **Measure what contribution to the US GDP each of those industries currently makes, and**
  4. **Compare those results with the overall Federal research budget.**
- **I believe what we will find is that the IT industry is making a significantly greater contribution to America's economy and economic growth than is reflected in Federal research budget priorities.**
- **Indeed, a now dated CSPP study found that in 1989 the US electronics industry performed 30% of total private sector R&D. In sharp contrast, that year only 6% of total Federal R&D investments were in electronics related work.**
- **While the CSPP study has not been updated in 10 years, one can reasonably assume from current data that the IT industry is contributing even more to total national research investment, while the Federal government is contributing even less in this vital area of our economic growth future.**

**THANK YOU.**

**Michael C. Maibach  
Intel Corporation**