

MR. MAIBACH: Yes. Thank you. It's an honor to be here. My name is Michael Maibach. I'm vice president of government affairs of Intel Corporation. And have a few comments that compliment George's. You do not have my testimony because it's been reworked, and I apologize. That's my fault.

The focus of my brief comments will be on the next 10 years. So rather than try to help you understand what mess we're in now, I'm trying to describe the mess we may face in the future, if you will.

And one comment I want to make at the outset is countries, as well as companies, compete in the global environment or business environment. We all know that. I think the Internet is only going to intensify that, and we should probably be mindful of that.

I'm going to comment in the area of trade and then technology. In the area of trade I have four basic points. One is that we should open and keep open global e-commerce markets. And I think there's going to be a lot of challenge to that.

Number two is pave the way for U.S. digital exports.

Number three is bring China into the WTO.

And finally, expand NAFTA to the FTAA.

In terms of e-commerce and the Internet, I think this is my most important message. E-commerce, as you know, is growing at a phenomenal rate and is surely a big, big part of the world's future. It certainly is here in America where we have a lead in these technologies. Three years ago, Intel was selling nothing on the Internet. This month we'll sell another billion. We're doing a billion a month sales and probably, within two years, all of our sales, \$30 billion, will be on the Internet.

But it's not clear that worldwide e-commerce markets will be as open as they should be. And we would suggest six steps be taken in focusing on those markets.

Number one, examine Internet policies purported to protect things such as privacy, consumer rights, cultural purity, et cetera, to ensure they are not in fact being used as market barriers disguised as something else.

Number two, e-commerce will challenge geographically based tax systems, work with other governments and companies to make sure that all the new tax policies are technology neutral and that they recognize that in the Internet, of course, barriers are non-existent.

Number three, avoid telecom access charges or bit taxes.

Number four, convince nations with closed telecom markets to open them.

Number five, dismantle barriers to telecom and Internet investments. We've had some discussion this morning in the press about what's going on in China and Mr. Woo and those Internet investments we hope to make.

And number six, maximize commercial use of available wireless spectrum. This is an FCC issue. If you go to any less developed nation you'll find more people have cell phones than hard-wired phones.

Any individual with a personal computer and a web site can do business over the Internet and become, in effect, a one-person multinational corporation. That's very empowering. The individual could sell goods and services throughout the world from wherever they live.

By following the six-policy prescriptions we hope that U.S. citizens will enjoy unparalleled opportunities for exports in a digital era, which would be an excellent focus, I think, for the Seattle round coming up here in two weeks.

The second topic is pave the way for digital exports. Digital exports is a key area where

U.S. government can have significant improvements in our trade performance under the right circumstances. By these digital exports I mean such things as education, health care, architectural, legal services, all kinds of different services.

To foster an explosion of U.S. digital exports, we have to construct a legal and professional framework of mutual accreditation. Professionals worldwide must work with government and private organizations to establish what I might call professional recognition agreements, PRAs. The export of telemedicine services is a good case in point. As you know, health care is 14 percent of the GDP, which is even higher than my industry right now. We have one doctor in America for every 380 Americans. In Indonesia, where I was two weeks ago, there's one doctor for every 6,700 Indonesians. A little different than our number of 380.

Just think what U.S. telemedicine services could do for the people of Indonesia as well as for our own economy if our doctors were recognized in their country. As you know, many professions don't even recognize each other across state lines, to say nothing of national lines. So, this is, I think, a good opportunity for the United States to focus.

On China, George has already made some comments. We fully support the Chinese admission to the WTO on a sound commercial basis. I'm comfortable that the U.S. government has gotten a good deal. They're number six right now in the personal computer market, and going to number three within three or four years. A big, big deal for us. And the same with the chip industry. So, we would hope that that would be a more open market, and we think it will be good for the Chinese as well as others.

The second to last area I wanted to comment on has to do with technology and talent. The main point is to agree to increase federal research, basic research, in the information technology area, which is key, let's say, in contrast to health care where we do so very well.

Number two, make the R&D tax credit permanent. We keep talking about this.

Number three, make Section 127 permanent. This is the hospital taxation and tuition reimbursement where people are trying to have lifelong learning. I have earned three degrees since graduate school, all paid for by my employers, and hopefully those kinds of things won't be taxed.

Number four, build a world-class technical workforce. The H-1(b) issue, of course, I'd be happy

to discuss this. Our basic philosophy is staple a green card to the Ph.D diplomas in engineering.

COMMISSIONER LEWIS: Could you say that again, please? I didn't hear you.

MR. MAIBACH: Staple a green card to Ph.D. diplomas in engineering.

And finally, face the fact that in American culture we're not very pro-science, if you will. You can't imagine in this popular culture a program called "L.A. Engineer," or "The Adventures of Thomas Edison."

And so we have sports figures and other role models that really are not building and driving the markets that we're a part of.

In terms of the IT research funding, America's research universities are national treasures, we all know, and produce our next generation of scientists as well as basic research. Yet federal funding for IT research is actually declining at an alarming rate. The federal budget for scientific research declined by 67 percent since 1965. From 1992 to '95, for the first time in 25 years, real federal research spending declined for four straight years. Funding for disciplines that contribute to advances in information technology are declining, for example. Electrical engineering, which we care a lot about,

federal funding decreased by 30 percent from '93 to '97.

I will end with a suggestion for an approach about this whole issue of federal research, and that is that we take four steps. The first is compare U.S. public and private information technology research investments with America's top trade partners, top five trade partners.

Number two, measure which five U.S. industries are investing the most in domestic research.

Number three, measure what contribution to the U.S. GDP each of those industries make.

And number four, compare those results with the overall federal research budget. What you'll find, for example, is that even though the U.S. electronics industry as far back as 10 years ago was doing 30 percent of the total industrial R&D in this country, only six percent of federal research was going toward the industry of which we're a part. And so the balance there of reflecting who's creating the wealth in this society and where the research money in Congress is going is very much out of balance, and I would suggest you would look at that. Thank you.