

COMMISSIONER LEWIS: Thank you very much for your perspective.

COMMISSIONER WESSEL: Thank you all for joining us this afternoon. We appreciate your being here. I have a couple of questions somewhat about the dynamics of trade and about the ideology and the debate that's presently taking place.

Mr. Kotkins, you sing the praises of imports, and the benefits to the consumer. But to be a consumer, you have to have income, and what we've seen, I believe these figures are for the median worker, has yet to reach parity with where they were in 1979. You may pay your workers a good wage, but the people nationally, the median workers, are now receiving less than they did in 1979, has not yet caught pace. So the belief in the consumer -- that the goal of trade is to fuel consumption fails if there is, in fact, not production, a manufacturing base or a service orientation that allows there to be income as well.

And over time you have talked about how you shifted production overseas. What do you believe there might be in terms of production here, as well as distribution in terms of the jobs at your company, if the numbers worked out right? And how do you respond to that problem that -- that I perceive of making sure there is a vibrant job base in this country?

MR. KOTKINS: Well, it's a pretty complex set of questions. Specifically, there's an assumption underlying, if I'm not mistaken, underlying your comments that manufacturing jobs are better paying jobs than --

COMMISSIONER WESSEL: No, I said services as well. I mean jobs that, you know, where they are, whether it's software, whether it's manufacturing. We're worried, or I'm worried, about making sure that there are enough jobs and income in this country that we can also be consumers.

MR. KOTKINS: And job obsolescence is obviously something that we are all concerned about. If a specific job being obsoleted is something that we want to avoid, then let's attack the computer, let's attack technology, because trade, sending some manufacturing jobs offshore, is but one of many, many things that obsolete specific jobs.

From my viewpoint, the people that used to make luggage, run riveting machines, run sewing machines in my factory, they are now running fork lifts, and they are packaging and they are doing things like that. The same people are making more money doing that because the percentage of the total value of a product that I ship that is distribution is a far smaller percentage than the total value that is

involved in the actual manufacturing labor. As a result, I can afford to pay those people more because paying them more has less impact on the overall cost of the product, and the price that consumers that are buying it is paying.

Now, consumer ueber alles, that's not my choice. I mean, unfortunately I'm one guy, and I can be hanging on to my domestic production and doing everything I can. The reality is if the consumer doesn't want to buy my product, there is nothing I can do about that. Now, I will say that when you come to the overall national economy, the statistics are out there. It means unemployment -- I mean, people are working.

Unemployment is down. They have disposable income. And some things, luggage being one of them, which I'm familiar with, it costs less today than it did in I think you said 1978 --

COMMISSIONER WESSEL: Nineteen seventy-nine.

MR. KOTKINS: Nineteen seventy-nine. You can buy a 26-inch suitcase. You can buy any one of a number of 26-inch suitcases less today -- for less today than you could in 1979. So they've both come down, perhaps.

COMMISSIONER LEWIS: Do you have any comment, Mr. Feldman?

MR. FELDMAN: If it's just the cheapest price we're looking at, I have some friends that traveled over to Asia and they found these great CD-Roms for sale that were obviously knock-offs, and were five bucks for Microsoft software.

If they wanted the cheapest product for the consumer, if that's all that counts, it should be ok to buy those knock-off CD-ROMs. But it's not.

There are intellectual property rights that are put forward, and these are considerations of what is fair within the system; what is ok for consumers to buy. The business community strongly objects to the free trade in CD-Rom knock-offs, otherwise, we would have these knocked-off CDs flooding our markets.

Additionally, in terms of when we look at consumer choice and cost, there are costs that we recognize that are important that are beyond just what the consumer is choosing. For example, clean water, clean air, unemployment insurance and Social Security.

We have U.S. multinationals that are setting up production facilities that, instead of producing here are producing overseas where they can have a cheaper cost of labor in situations where there are active suppression of unions, active jailing of

union leaders, which leads to a reduction in the cost of those goods, right? You don't pay as much if you don't have active union organizing. You don't pay as much if you are able to use the military of your country to come in and suppress union organizing. That's going to be a cheaper product.

I would posit that violating basic labor rights to produce a cheaper product is as unfair and as unreasonable as what the business community sees competing against somebody that's ripping off intellectual property rights. Currently we don't recognize that within the system. Access to our market is not conditioned upon worker's rights and environmental protection, and that's problematic, and that's going to cause a downward spiral in both of those areas where production is based on who can be the most innovative, the most creative, but who is the most effective in suppressing the labor market, who is the most effective in avoiding other costs, like unemployment insurance, like Social Security, like environmental protection.

That's our concern with the current trading system.

COMMISSIONER WESSEL: Mr. Isaki, a question for you. And I appreciate your testimony. You talked about a number of interests that the state has, and

then at the end of your comments talked about the importance of fast track, which again is one of those sorts of victims of ideology of Washington and the country.

I assume if your two or three largest companies in the state were to find themselves to be victimized by a trade agreement, that you would not wish that trade agreement to have fast track, that you would desire that your friends in Congress and the business community would work together to try and alter that trade agreement so that the interests of your state were in fact promoted and not decimated.

And imbedded in the fast track debate has often been this question of what are we in fact fighting for. So the question to you is, is it fast track that's important or is it the underlying objectives that you're seeking to promote that is important in terms of our trade negotiations?

MR. ISAKI: Well, if I understand your question let me try and characterize my answer accordingly. I think the lack of fast-track authority by the President in the United States has an impact on the ability to negotiate with anyone. I find it interesting, for example, that one of the growing economies of Latin America is Chile.

For lack of fast-track authority and a sense of certainty and certain expectations about follow through, we do not have an agreement with Chile, and our trading partners do. I see that as a missed opportunity from the standpoint of a growing market, one that has historically been partial to exports from the United States, but because of lack of the most preferential trading relationship with Chile, our industries and producers are at a disadvantage to their competitors. That's what I'm talking about.

COMMISSIONER WESSEL: But what it comes back to is the question of what are we in fact seeking to achieve in our trade negotiations. The AFL-CIO, for example, in 1994 endorsed fast track for a trade negotiation with Chile, whereas the reason that act did not go forward is because the AFL indicated that as part of those negotiations, Chile must enforce its own laws, whether they be an intellectual property on national treatment for investors, or whether it was their environmental and labor laws.

So fast track has become victim, I believe, to a national movement that our trade agreements now must include a much broader array of issues, and we have -- the ideology from many in the business community has undermined the ability to move forward because they reject those issues when many would be

willing to go and negotiate with any country, if we knew that the rule of law was going to be equally applied across a broad array of trade issues.

MR. ISAKI: Yes. A basic tenet of agreements, certainly from the standpoint of the United States' objectives, is always adhering to the rule of law. Without that, there really isn't the ability to have expectations and to ensure performance. The point you are raising, I think, is valid from the standpoint of those issues in a bilateral agreement, as opposed to a multilateral agreement.

I think that's certainly a worthy objective to the extent to which the United States bargains those issues. I think they should be included. Dealing with that same set of questions, however, in a multilateral context is a very different piece of business, and the extent to which we're dealing with sovereign countries and the law of sovereign countries, that becomes a bit more complicated.

So I don't see a problem with respect to advocating certain things, whether it's environmental protections or recognition of certain labor standards and labor rights. But as between two sovereign nations, the inability of the United States to have a fast track mechanism, I think, is a deficiency, and sets us at a disadvantage.

COMMISSIONER LEWIS: George, any questions?

COMMISSIONER BECKER: I'd like to follow up. There are surveys, polls that have been done in the United States that indicate that the overwhelming number of citizens feel that our trade laws are not serving the population as a whole.

The fact is, I don't know of any surveys that have been run that show that the majority of people are in favor of our current trading policies. This is reflected back in many ways to Congress, and ultimately winds up with the rejection of fast track.

If the majority of the population doesn't believe that the rate of trade law being administered and the fact that they're being pushed through Congress on just an up or down basis, and it reflects itself with the positions on fast track, I myself would have difficulty coming down against the majority on that basis. Do you have a problem with that, Mr. Isaki?

MR. ISAKI: I think that the whole fast-track approach, on an up or down basis, is at the heart of this. The question of how many times an agreement has to be negotiated with how many parties is certainly a question. In testimony earlier today, this morning as a matter of fact, I believe there were comments offered in terms of some closer coordination between the Congress and the Executive in the negotiation of

treaties such as this, such as, for example China's accession to the WTO. There's certainly room for that collaboration.

I think the difficulty that we find is our treaty negotiators negotiate in good faith with a sovereign foreign power, to have that negotiation not be final and be subject to subsequent rounds of negotiating ad hoc, becomes a difficult thing to live with. I think there are ways to deal with that, and certainly don't mean to suggest that only the executive is, you know, should be dealing with these matters, but I do think the inability to project closure and certainty is a problem in terms of negotiating these agreements.

COMMISSIONER BECKER: Well, this being a subject of much debate, I just want to comment that perception becomes reality. If the population perceives that the trade laws are unfair and working against the interest of the population, that there's a tremendous job loss, then this is converted from perception to political pressure, and from political pressure to legislative pressure. And consequently, we've had two failed attempts by the Administration to get fast track through Congress, and there's a strong feeling that they would not succeed now or possibly even in the next Administration.

That's yet to be determined. But that's why last year we lost 336,000 manufacturing jobs in the United States. These are not my figures. They are from the Department of Commerce.

And conversely, we have a record deficit of \$300 billion. And if you use the Department of Commerce's equation or conversion factor, after every billion dollars of exports you create between 13,000 jobs and 20,000 jobs. If you apply that in reverse and figure for every \$1 billion of deficit we run we lose between 13,000 and 20,000 jobs, at stake is 3.9 million jobs to six million jobs within a period of one year, a record year in the United States.

And this is what I am concerned about in this whole deficit struggle, the linkage between manufacturing job loss in the United States and the deficit. This is why we get into these kinds of debates on the deficit and the application of that. Would any of you care to comment on that in any way?

MR. KOTKINS: Well, just to follow up on my earlier comments. I think there's -- you quoted 336,000 manufacturing jobs were lost last year. Do we have 336,000 more unemployed people in the country than we did a year ago? I think not. I think it's, again, back to my comments when I presented earlier, if we were talking about protecting particular jobs then

let's kill the automobile because all of those guys are off their buggy whip jobs.

I think that there is a very personal impact when someone loses a specific job, but when you look on a macroeconomic sense, we have to look at the total economy and the fact that people who lost their buggy whip jobs may have gotten other jobs, and it seems to me -- and again, I'm just a luggage guy, but just -- it seems to me that people in this country are working. Maybe they don't have the same job they had before, but they are working. So I guess that's kind of my reaction to that in a very simplistic sense.

MR. FELDMAN: We make this statement of the creation of millions of jobs, well I know several people that have two or three of those jobs. The reality is that people have not been able to replace those lost manufacturing jobs with jobs that support their family on equivalent wages, that those jobs, as I showed you earlier the chart attached to my written testimony shows that just here in Washington state, the jobs that are created, 70 percent of new openings do not pay a living wage.

In my office, we deal with plant closures in this area. And there are not lots of living wage job opportunities, for non-college educated, technical oriented folks, those job opportunities are far and few

between; jobs that can support a family, that can put a kid through school, that can achieve a middle-class standard of life.

And I think President Becker very eloquently stated we have lost the consensus in this country, the domestic consensus over trade issues. Anybody who is concerned about trade has to be concerned about the loss of this consensus. And the approach of only looking at trade agreements in light of a very limited set of issues, that is, it's only about access to markets, and not dealing with critical issues that people feel need to be addressed, like how can you have a fair trading relationship with a country that abuses basic rights, that doesn't uphold its laws, that doesn't uphold standards for environmental protection or, allows child labor or uses forced labor?

Until things are addressed like a country unfairly dumping its products into our markets, you're going to continue to hold up any kind of consensus, even in this area, Washington state. We are the trade-dependent state. Right? Ilway Research, which is a very credible polling firm, found 60 percent of Washington voters say trade agreements should be equally weighted with economic issues, environmental issues and labor issues. That's in Washington State.

COMMISSIONER LEWIS: Mr. Ege.

MR. ISAKI: Can I just -- on that comment. I think, you know, there are a number of issues that you've lumped together here that I don't think are necessarily connected. I do think, as Mr. Kotkins stated, that change in the economy is something to look at in its totality, and that we are losing manufacturing jobs in certain sectors.

We're also gaining jobs in others. And the world doesn't stand still, and it's not a zero sum game. The extent to which these changes are occurring, we domestically, certainly, need to have policies in place that help workers to retrain and to get a better job in those areas that are growing, as opposed to those that are shrinking.

That's a different matter than whether or not we need trade with countries on the basis of whether or not our sectors are shrinking and theirs are growing. I mean, I don't see that connection.

Certainly from the standpoint of bringing environmental and other matters to the table, I think that's a legitimate thing to do. It's another thing, however, to get reciprocity on that so that there is an ability to, on a bilateral or a multilateral basis, enforce that.

We certainly have values that are different in countries we trade with. It does not stop us from trading with them. And I would argue that the ability to trade does provide us an opportunity to influence those institutions and those practices. But essentially we're dealing with sovereign countries that must reform themselves with incentives and whatever from the outside, but nonetheless, it is their practices that need to be reformed, not ours.

COMMISSIONER LEWIS: Mr. Ege.

MR. EGE: Thank you, sir. I would like to respond a bit to one of Mr. Feldman's comments. I, too, lament the loss of manufacturing jobs, yet to say that they are replaced by service sector jobs that pay less than manufacturing wages is a gross generalization that is, in fact, not true.

There are some where people are forced to take one or two jobs to make ends meet. But by and large, today's service economy, particularly here in the northwest, is one that is significantly -- pays a significantly higher wage in many areas of our service economy than are paid in manufacturing.

For example, a consumer service business, we're growing -- our employment growth is about 16 percent per year, our revenue growth a little over 20.

COMMISSIONER LEWIS: How many employees do you have?

MR. EGE: We have about 1,000 in Tacoma. We have 1,300 worldwide. We pay double the average manufacturing wage in Pierce County. We happen to be in the investment services business, it's a high paying business. We can't find locally as many of the people we'd like to find that are trained and qualified for the positions.

It's a very difficult labor market right now. It's very tight. The average software wage in the state of Washington, all-inclusive, is significantly greater than the manufacturing wage. We are in the process of changing our economy from a manufacturing economy -- just as we changed from an agrarian economy to manufacturing 100 years ago, we're changing to an information technology in a modern economy.

There will be manufacturing jobs lost. I lament the loss of those, yet there is -- there are other good family wage paying and better jobs available. Education and training is a lifetime experience today. It is not finish high school and go to a trade school, go to work, serve an apprenticeship, go to a graduate school, or whatever it is. Today, it is constantly retraining and enhancing your skills.

I go to education classes every year to keep my skill level up, and I've been in the business for 30 years. And workers today in our company are being trained all the time for the changing environment in which they operate. And that is the challenge for the AFL-CIO and for the manufacturing jobs. It's training their workers. It's a national challenge to retrain our workers to be able to meet the demands, the requirements and the opportunities that are presented with the new global economy in which we're operating.

The new businesses here today and yet to be seen in the next century will pay American workers the kind of wages and benefits to which they're entitled. And as far as benefits, I was listening to NPR on the way in today and there was a statement that service firms don't pay benefits. Well, that, frankly, is a gross overstatement and generalization that's not true.

We pay benefits. We pay as well as any union benefits or medical benefits. We have, for the last 23 years, paid 15 percent of covered salary to a profit sharing plan for all of our employees. No match required. We pay that. As long as we have the profits, we pay it, and we've been fortunate enough to have them. Every 10 years an employee can take a two-month sabbatical. And that's not just available for

the senior people. That's for the person who cleans the floors at night as well as the senior people.

So to say that service firms don't treat their workers as well as manufacturing firms, I think ignores the enlightened way in which many of us operate today. In the last five years, three times we've been voted the best large company to work for in the state of Washington, and last year Fortune magazine singled us out. We were number 15 in the nation as best place to work. So services -- and there were a lot of services firms in the top 20. So I think --

COMMISSIONER LEWIS: The only trouble with your company is you're not employing 300,000 people.

MR. EGE: That's right. But we are only one of thousands in our industry and in similar industries who are continuing to grow and continuing to employ people. We have a 60 percent woman workforce in our office. And we provide employment opportunities for a large number of people. We are in a small -- a relatively small city, in Tacoma.

COMMISSIONER LEWIS: Is your company the company that has the Russell 2000?

MR. EGE: That is correct.

COMMISSIONER LEWIS: Murray.

CHAIRMAN WEIDENBAUM: Thank you all for your interesting statements. In the previous

discussion we had a distinguished historian. That got me thinking in a historical context, so I have a few questions in that vein.

From the early 19th century, the U.S. was a poor country with relatively low labor and environmental standards. So my question: If France, England, Holland, all those wealthy countries, insisted that we meet their higher standards, would that have slowed down our development to an advanced economy? Mr. Ege, do you want to take that one?

MR. EGE: Well, it's, you know, hard to speculate on what might have been had there been a different situation in 1900.

It was very interesting. I don't know if any of you were watching public television in the last couple of weeks on New York. It's a progressive thing that's been going on with two more nights to go on the history of New York City and the situation in New York at the turn of the -- they're at the turn of the century, so I recommend it to you for tonight.

My two grandfathers were working-class immigrants, one German, one Irish who arrived in New York City about 100 years ago. And if you look at some of the photographs of what the working conditions were like and the slums were like in New York at around the turn of the century, and contrast it to what we have

today, I can only say we've done something right, whether it was government policy, economic policy or fortuitousness or whatever it was, we've done something right, because conditions today, in general in this country, are better than they were at the turn of the century.

In looking back at the investment flows that were made into the United States at the turn of the century and even before that in building railroads, where did the money come from? It came from England and Germany and France. We were a very poor country. We got capital from abroad. And we have come a long way. To say if it would have been different, if it had been slower or more advanced, I really am not that much of a seer, but I think the facts speak for themselves.

We've done something right. And maybe that added in part to the economic conditions we have today.

There's a lot still to be done. The fact that we don't have health care for a large number of people in the United States is an issue not dependent on trade. That's a national policy issue that needs to be debated by people not in this room, but back in Congress and in the Administration. That's something that a trade picture alone can't help. Like Skip said, do we shoot the computer because we're afraid of jobs being lost?

Today the American worker is incredibly productive because of technology and because we've allowed, without government intervention, technology to develop. And we've allowed new jobs to be created.

I think that we are doing the same for other countries today -- I've been in China, I've been in a number of the emerging countries and seen what the working conditions are like in factories, at least the ones that I've been to, and they weren't screened visits. They're not bad given what I recall Asia was like in the 1960s, compared to what it's like today. Can it be better? Of course it can. But to talk to the people in those communities, they're pleased with the economic progress that they've had so far, based upon the investment from here.

CHAIRMAN WEIDENBAUM: Thank you. I have a very short, factual question. Given that the -- looking at the clock. What's the minimum legal age for factory work in Qwandong Province in China today?

MR. KOTKINS: Well, I have a factory there and they tell us it's 15. In our factory it's 18.

CHAIRMAN WEIDENBAUM: In factories I've inspected, run by Americans, the minimum is 18. Right. At least two of us on this panel -- the other one must be on the phone -- were working in factories in the U.S.A. before we hit age 16, and that was less than one

century ago. Our kids didn't go to work in U.S. factories under age 16.

We progressed an awful lot in less than one century, and yet we're imposing not a century ago standards, or trying to, on these poor developing countries, but we're thinking of applying today's standards. Doesn't that smack of some special pleading? Doesn't it arouse your suspicion? It does mine, very frankly. Go ahead.

MR. FELDMAN: You know, the standards that are being asked for are internationally accepted standards. For instance, the week before the WTO ministerial the International Confederation of Free Trade Unions will be in Seattle. That's John Sweeney and his counterparts from all over the world.

CHAIRMAN WEIDENBAUM: The International Association?

MR. FELDMAN: The International Confederation of Free Trade Unions. ICFTU.

CHAIRMAN WEIDENBAUM: Right. They're good guys. They're non-Communists.

MR. FELDMAN: They are united around this issue of core labor standards, which includes a minimum age for children at work. We don't have child labor in this country now. And the laws that prohibited that

were passed in the 1930s after years and years and years of political agitation.

It just didn't happen through economic munificence. It happened through the passage of the Fair Labor Standards Act. That was a huge effort. And I think what we have by having independent unions and civil society is we have the ability to contend for that political space, to be able to bring those issues forward in this country, to be able to vigorously contest those issues.

And the result was that in South Carolina or in Washington State, which had drastically different standards, that all of a sudden we saw radical changes in children's lives. We saw employment of adults. We saw children going to school. And that's pretty much what we're looking at. And that same ability to contest for those rights through unions is not part of our trade policy, and as a result, it's unbalanced.

CHAIRMAN WEIDENBAUM: This is the same set of facts very differently. Of course, when I was allowed, when I was that young, to work in a factory to get enough money to start going to college. My kids never had to go work in a factory at those early ages.

And that had nothing to do with government regulation, with government intervention. It was the fact that we had a rise in living standards in the American society.

MR. KOTKINS: I'd like to relate two very quick pieces of information. Karl and I are both members of the Rotary Club of Seattle and the Rotary Club of Seattle built a school in Binxian Province in China.

After we built the school, it was actually a number of Rotary clubs involved, one of the facts that came to our attention, was that there were a number of kids who were school age who were not attending that school. And after a little bit of research it was determined that we had to pay their families. And it was not that the families didn't want their kids to go to school, it was that they needed their labor. And we found out, actually, that \$18.00 was all it took to compensate the families which was great.

I mean, we contributed \$18.00 and for each \$18.00 a kid who was working in the family farm or whatever was able to be in school and the family was compensated for the loss of that labor. I mean, it's a different situation than in the western world.

The second thing I'd like to tell you about is a conversation I had with one of the people we work with in China. And we were talking about the standards and the WTO accession and all of those things, and he says, "You know, in your country," he says, "Kids are

shooting kids in schools. People are shooting each other on freeways." He said, "The divorce rate is over 50 percent." He said, "We, in our culture, think that's horrible.

What if we came to the WTO and said, you know, we won't trade with you unless you have kids stop shooting kids in schools, unless you do something about your divorce rate, unless you do something about road rage." And the reason I raise that is that in The Seattle PI Bruce Ramsay a week ago used the term "moral imperialism." There is a great deal of disrespect that is involved in imposing one culture's standards on another culture.

MR. FELDMAN: I've just got to disagree. I don't think it's disrespectful to oppose trade union leaders being jailed. It's not disrespectful to support the ability for people to freely and collectively join together. That's not disrespectful. That's basic human rights. That's the UN Charter of Human Rights. That's what we all are bound to abide by.

CHAIRMAN WEIDENBAUM: A factual question. Your chart on page 37. I'm looking at the pay range, \$5 to \$10 an hour. What's the average age of the people who start on those new jobs paying \$5 to \$10 an

hour? What's their marital status and how many kids do they have?

MR. FELDMAN: This study didn't cover that. This study looked at all job openings in this economy that were available to job seekers. So as a job seeker, looking at what jobs are available and what they paid, this chart shows what is available. So the other question worth asking is do the few high paying openings require higher levels of education.

CHAIRMAN WEIDENBAUM: If you just looked at it straight forward, you have to wonder are high school graduates or high school drop-outs getting their initial work experience at \$5 to \$10 an hour, because who's going to hire them at \$16, much less \$25 an hour? It's better they should get some work experience than join the ranks of the homeless. What's so bad then?

MR. FELDMAN: The other part of this study is that it's looking at total job openings versus job seekers. That's everybody in the economy looking for a job, a new job, a better job, a first job. And the ratio of job seekers to job openings that pay a living wage is 12 to one.

So in terms of saying that this is about all high school people just looking for the low-wage jobs, I don't think so. We're a pretty highly educated economy but still 68 percent of people do not have a

college education. They're not able to pick up necessarily the software job. They're not able to pick up, job that requires advanced training.

COMMISSIONER LEWIS: We're going to have questions from Mr. Wessel and Mr. D'Amato, but before we do, I want to ask a question. I'll start with you. Karl, I'd like to ask you, you mentioned tuition in colleges being an export by the United States. Do you have any numbers in terms of what that brings into the United States?

MR. EGE: No, I really don't. In fact, I got the data off the -- I think it was the Bureau of Economic Analysis statistics that are published on the web that are available generally. And one of the troubling things is that other services are lumped together into a single category. Go to the manufacturing side and you've got everything from airplanes and automobiles down to numismatic coins separated out.

COMMISSIONER LEWIS: On college education.

MR. EGE: No, I really don't have the numbers. And one of the things that I would recommend is if the data could be in some way segregated out. What are the parts of other services where we have substantial gaps or we're declining or we may have a competitive disadvantage so that some policy decisions

can be made as to which to emphasize or which to correct. I have no idea whether that's --

COMMISSIONER LEWIS: Thank you.

MR. EGE: -- how much of that's, you know, part of that. I have a suspicion that financial services is a very large part of what we export, because we don't import a lot of financial services from outside the United States, and U.S. financial firms do very well, notwithstanding the obstacles they face outside the United States.

COMMISSIONER LEWIS: You mentioned that you weren't aware of service companies not providing benefits. There was an article in The New York Times on Sunday about this woman who heads the AFL-CIO in Silicon Valley, and the story is that the Silicon Valley companies who are providing janitorial services, from part-time employees who weren't getting health benefits and weren't getting pension benefits and weren't getting any benefits, and they're all part-time employees.

And what she has done is she has formed a non-profit company and hired them, and then they contract with the Silicon Valley companies to provide, and she provides health benefits and -- so there are -- it's not happening in your company.

MR. EGE: No, I think you may have misquoted. I did not say I was not aware of service companies that didn't provide benefits, but the statement that service companies don't provide benefits, which was one of the implications on NPR today, is, I said --

COMMISSIONER LEWIS: Many don't.

MR. EGE: And some don't. That's right. We have a janitorial service that we contract out to that's a company that provides janitorial services to us and other companies.

COMMISSIONER LEWIS: You are obviously a very enlightened employer.

MR. EGE: Well, it's part of our business.

COMMISSIONER LEWIS: The other point I wanted to make with you is you mentioned something about without government intervention, high tech is doing fine. Well, there really was government intervention in the semiconductor agreement. It took the government to make sure that there was a level playing field for the semiconductor industry. So government intervention there was very helpful to the industry.

MR. EGE: Well, I think there's less controversy over government intervention to level playing fields in the technology industry generally.

COMMISSIONER LEWIS: In the semiconductor industry --

MR. EGE: I understand --

COMMISSIONER LEWIS: -- they would have been dead.

MR. EGE: I agree with you, and I think that was a very positive thing that was done. It was back in the '80s, I recall, where the semiconductor issue with Japan that had rebolstered the U.S. semiconductor industry, which, of course, is a major part of exports today. We do have a very good positive export --

COMMISSIONER LEWIS: It's a major export.

MR. EGE: A major export in goods.

COMMISSIONER LEWIS: Skip, I'd like to ask you a couple of questions. You obviously have plants in Taiwan and you have another one in China and you may have them in other countries also. What factors go into your decision as to where you're going to locate your manufacturing plants?

MR. KOTKINS: Actually, we have -- they are not our own plants. They are independent contractors that -- we basically are their only customers. So they're almost like partnerships in a sense.

Those have moved. The factors that are included are, number one, U.S. quota policy. There are

textile quotas which are part of the multi-fiber agreement which is being phased out as part of the phase out of the GATT. It has another three or four years to run. So that has some aspect to it.

The second one is infrastructure, for example, Vietnam. We can't trade with Vietnam in this country. But for Europe we can build product in Vietnam, but we haven't got the roads and the ports and the piers to get it out of the country in an effective way. So infrastructure is the second thing.

And the availability of productive labor and labor costs is certainly a factor.

COMMISSIONER LEWIS: How important is that factor?

MR. KOTKINS: Well, labor costs are a factor in some respects. With Thailand, for example, the cost per hour in Thailand tends to be two or three or four times what it is in China. But we are producing certain products in Thailand because there is no quota charge. And the quota charge would be an offset. So it's economic in that respect.

COMMISSIONER LEWIS: And then there's only one other point that I want to ask you about. When American car companies have to comply with certain air pollution requirements to produce in the United States, whether it's air pollution or water pollution or

whatever it is, in the production of cars in America, and plants in Mexico that produce the same cars don't have to comply because they're not under U.S. jurisdiction, are we putting American companies at a disadvantage by requiring them to spend the kind of money that they have to spend to require them to comply with the pollution requirements, when the Mexican manufacturing companies, owned by the same companies, don't have to do it, are we putting American plants at a disadvantage?

MR. KOTKINS: In some respects, I would think so. There are a number of things. You know, we have an evolved society in this country and we've made a number of choices as a result of that evolution. We had -- at one period of time in Congress, there were four separate pieces of legislation, whether it was the Family and Medical Leave Act, A.D.A., plant closure Act, health care reform, there were four different pieces of legislation, all of which were well-intended, but when you put them all together what it says to domestic manufacturers is you don't want to hire people in this country.

So I think that, as an evolved society, we've made certain choices. When you say it is more important to us to have these controls at the risk of

possibly losing jobs to Mexico, then that's the choice we make.

COMMISSIONER LEWIS: And, finally, there are obviously conditions in foreign countries that exist that you would say we shouldn't trade with those countries. We have certain policies against trading with Serbia. We have policies against trading with Iran or Iraq right now.

I'm sure that if Nazi Germany were alive, we would have policies against trading with Nazi Germany. I mean, obviously we're not going to be an advocate of trade whenever a country sells us the cheapest goods.

MR. KOTKINS: No. Absolutely correct. And I don't disagree with Mr. Feldman on some of the points that he is talking about. For people being jailed, I think nobody in this country is an advocate of forced labor, of child labor, of prison labor or any of those things, so I think that there is no disagreement there.

But I think that the point was made by one of the other panelists that if the working conditions in some of the overseas countries today are no different than the working conditions were in our own country years ago, then they, like us, are on a similar path to better days.

COMMISSIONER LEWIS: Thank you. A question?

COMMISSIONER BECKER: Those were interesting comments you made on the Family Leave Act because that cuts across the board on a lot of things; doesn't it? And I could just tick them off with things like OSHA, that we have in effect whether you do business in this country or somewhere else.

MR. KOTKINS: I don't disagree. My point was not that those are bad pieces of legislation.

COMMISSIONER BECKER: But as far as the cost to an employer of doing business, the 336,000 manufacturing jobs that were specifically -- Isaki.

You made the reference to the giant sucking sound towards Mexico a little bit earlier, when you were offering your comments, that never materialized. There are somewhere over 2,000 U.S. manufacturers that have relocated, according to the Department of Commerce, into the Mexican borders since NAFTA was passed.

So that is a tremendous amount of jobs. And one of the things that we're concerned about is the social cost here in the United States. Manufacturers have to pay the cost for Social Security for the workers and for their own share, which is a tremendous cost. And they have to pay the cost for Medicare,

which is a tremendous cost that society has, and the minimum wage, which you add to the cost of that. And OSHA, obviously, is a cost. And clean air and clean water are costs that we insist that we have so we can have a decent society.

All of these things add to a figure in which you make the determination at some point in time that you're going to do business offshore where you're not subjected to those; and the wages are considerably lower.

The question is, did you factor in at any time the possibility of doing business in Mexico?

MR. KOTKINS: We had a factory in Mexico for 11 years, and I couldn't figure out how to make money with it. But that's a whole different discussion. But we looked at Mexico and we tried it and we couldn't make it work. There are other manufacturers that agree, that are making a choice now as to whether to shut down in Mexico and move to China because the cost is -- the hourly wage is 50 percent the cost in China as it is in Mexico.

In the 1950s we opened a factory in Arkansas because the wages in Arkansas were considerably lower than the wages in Seattle. We couldn't figure out a way to make money in Arkansas either.

COMMISSIONER BECKER: So you went overseas. Do you have other places lined up, ready, that you could move to that would be cheaper than where you are now?

MR. KOTKINS: No.

COMMISSIONER BECKER: You don't plan that far in advance?

MR. KOTKINS: No.

COMMISSIONER WESSEL: I guess in two weeks we'll have the opportunity to take the discussion or the debate that's taking place here, and I guess many want to take it to the streets. And I think that that in part is a function of the fact that there really has yet to be -- George talked about the consensus.

There is a public consensus that has yet to be integrated into the trade agenda. Mr. Kotkins, I don't in any way denigrate what you're doing. We need imports. We want imports. We want consumers to have a vibrant choice of products. The best price. The best quality.

We also want to be able to have consumers with the money to buy those products. For us, looking at these issues overall, we also have the challenge of making sure that you have an educated work force so that they are -- hopefully you and other business people -- have the work force who is more productive,

more qualified and more creative to be able to keep the jobs here that many of us want to keep in this country.

There is also the question of intervention in the economy. Mr. Ege, I did trade policy for 21 years and the financial services sector was very desirous of intervention in foreign economies. To stop the protectionist policies of the Japanese, Secretary - - former Secretary Rubin, as you well recall, sought access to the Japanese markets.

Presently, with the Chinese and the WTO agreement, we're finding insurance companies fighting for licenses. Our film companies, I believe, view it as a major success that they'll now be able to sell 20 films a year under the WTO agreement. And so there's this ideological divide that I don't think is as great if we have the opportunity to discuss these issues and understand that we are all seeking the same end, and there are different means and different economic challenges we each face, costs and benefits, during that process.

So there's no question imbedded in this. It's simply a statement that we will take this debate, I guess, up a couple of notches in the next two weeks. And I would urge those on both sides to find a way to have one Thanksgiving table rather than continue to keep the NGO and labor and environmentalist community

at the kiddie's table at the Thanksgiving dinner who are not allowed to fully participate in the debate.

COMMISSIONER LEWIS: Thank you very much, Michael. Dick.

COMMISSIONER D'AMATO: Thank you, Mr. Chairman. I have a couple of questions for Mr. Ege.

I've read your written testimony. I think it's very interesting. This whole area of services I think, as you point out, needs a lot more analysis, data collection.

MR. EGE: I believe so. Yes, sir.

COMMISSIONER D'AMATO: On the area of other private services, I think we'd be interested -- I'd certainly be interested in how you would precisely or more completely recommend how we would remedy. I would be interested in the other private services piece that you mentioned. That would be a better data collection.

I would be interested in a fuller recommendation from you as to how we might be able to get at that. I don't know if you have one.

COMMISSIONER LEWIS: If you could get it to us even in writing afterwards, that would be great.

COMMISSIONER D'AMATO: I don't mean right now.

MR. EGE: How to get better -- the analysis. Well, the number -- how we can get better analysis or how we can pursue a better policy?

COMMISSIONER D'AMATO: No. How we get better analysis and data.

MR. EGE: Well, the data I have, or the data that was produced by the Bureau of Economic Affairs that's part of the government's gathering of data, and it's lumped together. Now obviously there are a number of sources of that data that are gathered to create that. And Michael Wessel is nodding his head over here. And I am sure that there are people in data gathering agencies in the government who can begin to break that information out so we know just what it is that we're dealing with.

We break out the goods, which is easy to do because you have the customs tickets and things that are a little bit easier to track. But I know, for example, one of the largest architectural firms in the United States is located in Seattle, NBBJ. Over half their business is outside the United States.

When I take a business trip to Japan, sitting in business class, there are not a lot of folks from Boeing and Microsoft sitting there, it's architects from NBBJ, and it's structural engineers from other firms here in town that employ a lot of

support staff, not just the technical engineers that are flying to Japan or flying to Singapore or flying off to Indonesia to build and design new structures.

This is U.S. intellectual capital that is being exported abroad. How much is a part of that other services, I have no idea. But the data should be able to be drilled down a little bit further to be able to find out exactly what are the segments of that other category so that we can begin to develop some policy decisions at the governmental level to give further support to those segments of that sector that are trying to capture more of the global market and keep the jobs here, and keep intellectual capital here.

COMMISSIONER D'AMATO: We all agree that when you're talking here of \$44.5 billion in surplus in that category alone, there may be some areas, such as in the architectural area, or some of these other discrete areas where there are substantial barriers that could be attacked if we more precisely cull them out.

MR. EGE: I agree.

COMMISSIONER D'AMATO: And that's what I'm saying. It seems to me this Commission could do a service in being able to generate a data mechanism that is friendly to understanding where the hard parts of that are.

MR. EGE: It's a world of positives, a world of negatives. The overall is quite positive, but obviously it's a mixed report, I'm sure. And that's one of the reasons why I wanted to point that out to the Commission in my written testimony.

COMMISSIONER D'AMATO: Yes. And Mr. Chairman, one or two other things.

On your area of local content, tell me, is local content a matter that can be subject to double scrutiny? Do we know that?

MR. EGE: I believe so. Sure.

COMMISSIONER D'AMATO: Have we been into panels in local content issues? Does anybody know that?

MR. EGE: That would be an area I think where we can make a contribution. Local content questions might be something that could be raised in the content of the ministerial as to whether or not local context requirements are barriers to trade for our exporters.

CHAIRMAN WEIDENBAUM: Do you mean like local content conditions under NAFTA?

MR. EGE: Well, in the services sector it's a little bit -- well, you'd be more subtle in the services sector. If -- say, for example, you're an architect in the United States. And if a certain

country requires that you can't practice architectural services in your country, you have to engage a local person there who is nothing more than a mouthpiece, taking your intellectual work and putting their signature on it and handing it over, and you're paying that person.

You have a cost added to your service that, therefore, puts you at a slight, somewhat, and maybe a significant cost disadvantage to competitors locally. And in a sense, you know, that's a barrier to entry. And sometimes these local content requirements are fairly significant. Until recently, Japan had a very significant local content requirement on financial services. They do relax these requirements under pressure from the United States government and for others where, at one point, you had to have hundreds of employees who were, of course, all Japanese before you could get a certain type of license to do securities trading in Japan. And slowly those have come down with the deregulatory reforms that have gone on in the last five years as part of the "rolling" big bang. I guess the rolling thunder, I guess we could call it in Japan as they have deregulated slowly their financial services.

These are very insidious and put up almost impenetrable barriers. And I believe there are lots of

countries today where financial institutions in particular are protected. They're part and parcel of the entire political and power scheme in those countries where U.S. firms, which everyone in the world will say, "Offer the best, the most competitive, the most efficient, highest quality financial services on the globe, and can provide them around the world." And it is in the interest of the consumers in those countries to have our insurance and investment and other types of services. But it's a very complex issue, and there's a lot of local content required that has yet to be attacked, in my view.

COMMISSIONER D'AMATO: I think that's a very fine contribution. You mentioned there's no study of the impact of these requirements, and I think that's something we might take a look at in that area, too. A lot of it is data gathering and understanding where the problem areas are.

The third comment I want to make on your mentioning of the WTO, you must have had your word processor working pretty high. You talk about Monday's signing and here it is only Tuesday. But on the U.S. entertainment industry, this is something where I think we haven't been doing very well.

I mean, clearly to expand the number of films that can be included in the Chinese market from

10 to 20 -- by the way, that 20 includes all sources, not just the United States -- that's what I would call pretty much a "nothing burger." I would not say that's a big success for the American entertainment industry.

The American entertainment industry is one of our great strengths, and we face tremendous barriers. And tremendous subsidies on the part of our northern neighbor, as you know, which is causing the hemorrhaging of the American production industry in this state and in California and in my state of Maryland as well, because of subsidies that have been erected within the last five to seven years by the Canadians. New subsidies.

So I think that in an area of the entertainment industry, we're not doing particularly well in terms of our ability to export, and I certainly don't think we can be very proud of the achievements in this particular agreement on the entertainment industry side. I think that was not very much of a success.

I'd like to make one more comment. Mr. Isaki, about your comment on the fast track. We hear this constant mantra that we can't -- that nobody is going to negotiate with this country unless we have fast track. I was the chief-of-staff for foreign policy to the Senate Majority Leader for quite a number

of years, and we did a lot of treaties, and I don't remember the argument being raised by any of our treaty partners.

The Russians would never have the temerity to raise the argument that they're not going to sign an IMF treaty, if we had made them go back and renegotiate because it was flawed, or a ballistic missiles treaty or a START treaty, because we couldn't guarantee that the Senate would give it a full and fair exploration on the floor and reject it if we felt we needed to reject it.

I think fast track came along at a time when trade wasn't really a very high priority in the Congress. As soon as trade started becoming a priority people started looking at fast track and saying, "Wait a minute, we need to look at this in more depth." So my sense is that we would do fine without fast track, and countries, I believe, will continue to negotiate with the United States without fast track. That's just my comment for the record on that.

COMMISSIONER WESSEL: If I can just make one comment. Remember, the Uruguay Round began in 1986 without fast track, and we're about to do the Seattle Millennium Round without fast track. So fast track is not a necessity. The question is how good is the

agreement. If the agreement is good enough, Congress will pass it.

COMMISSIONER LEWIS: How many times has fast track been used?

COMMISSIONER WESSEL: Only four.

COMMISSIONER LEWIS: It's only been used four times. I have a question for all four of you, actually. How do you answer the question that people raise? Because Mike Wessel -- or was it Dick? -- pointed out that American public opinion right now is very concerned about foreign trade. And how do you answer the concerns that people express when they say we, since the New Deal in the 1930s, enacted all kinds of social legislation for unemployment compensation and for health insurance and for OSHA and for air pollution and for things that make the kind of life that we have here, and then they say since NAFTA, studies have been made that show that most labor negotiations -- I'm sorry, 25 percent of the labor negotiations that have been done since NAFTA have involved threats by employers to close down the plant, if wage concessions aren't made, and to open in Mexico or to open overseas, which causes, obviously, a feeling of insecurity among the workers in those companies, which breeds the feeling that foreign trade isn't good for the United States.

How do you answer that?

MR. KOTKINS: You know, in my opening remarks, I emphasized the role of the consumer, and you can't have it all. And the same consumers that are demanding greater value in the products they buy and are exercising absolutely no discretion based on country of origin. That has been proven over and over and over again.

The same anti-trade people are out there in their apparel, which is all purchased from offshore suppliers. The answer is you can't have it all. And I spoke 10, 15 minutes ago about the fact that we make choices in this country. And when we make choices to enact all the legislation that you referenced, those are choices that we make.

And one of the things that we have to recognize is that the imposition of those costs -- and I think, Mr. Becker, you cited that all of these things do have costs, one of the things that is a consequence of the choices that you make is that it makes you less competitive in the world of producing countries or production. That is a consequence of the choice that you make.

COMMISSIONER LEWIS: Skip, fair enough. But then what you're saying, really, is that you can't answer the critics who will say that foreign trade is a

race to the bottom. You're saying that that's a fact of life.

CHAIRMAN WEIDENBAUM: You're saying make American workers more productive.

COMMISSIONER LEWIS: No, that's not what he's saying. He said when they --

MR. KOTKINS: What I think -- what I think we are seeing is that if you are talking about one job, one particular job, it may be a race to the bottom, but that's also true in the computers that we're now buying for \$1,000 that we used to buy for \$5,000. I mean, consumer-driven economies seek the lowest cost, whether it's labor or products or materials or anything else like that. And so the -- you cannot look at a single job or a single -- you have to look at the whole gamut.

COMMISSIONER LEWIS: Thank you. Would anybody else like to -- go ahead?

MR. FELDMAN: Yes. I think that's the perspective in that answer that is not going to help develop a consensus on trade. It's not going to move us to a different place than we are now. Let us start answering the questions that people have, which has arisen out of how we've pursued trade policy and how we've, say, integrated Mexico.

If you look at Europe, how they integrated lesser developed countries or economies, like Portugal

or Greece, there were bars that were set on issues around democracy, there were bars that were set around labor rights, and, of course, there was all the other areas that we tend to just exclusively focus on in our trade agreements, like access to financial markets, access to investment opportunities. The U.S. free-trade approach is a very one-sided look at trade issues, which is what, Americans say is really unbalanced about our trade policy.

For example, Americans experience situations as follows: You have organizing drives at plants, workers come to a plant and shrink wrapped in front of their parking lot, is machinery, and it has an address on it. And the address is south of the border.

And the message is driven home, "You proceed further with this organizing effort and your job is going to be shipped south." And that has impacts, families, friends, that whole impact goes beyond that one plant and doesn't help build a consensus for trade.

MR. EGE: I'll just comment briefly. I think using words like "a race to the bottom" carry with it -- they're sort of like fighting words. There's a very pejorative underlying meaning there. And in a sense what happens is we're looking for what is the most efficient and effective way to deliver a particular product or service to a consumer

marketplace. And it's a consumer marketplace wherever it is. And what are appropriate barriers to the social and policy issues and barriers that we place that interfere.

They act as a little sand in the efficiency process. Certainly policy decisions in this country, as has been noted before, throw a little sand in an efficient process, we have Clean Air Act and Clean Water Act and OSHA and other types of costs that we've layered on because of a greater social good. Social Security costs. All those types of costs.

And the question is how much -- when do you get to the point where the sand gets so great that efficiency is available elsewhere? I think one of the great things for American workers today, and it's evidenced by all of us in our day-to-day lives, from cell phones going off and computers and e-mails and everything else, is the fact that we have much more productivity through technology in what every worker does.

The worker at Boeing today can produce more for any given worker's unit of labor than ever before because of the use of technology and training and enhancing that person's skills, which is then reflected in higher wages, but also in keeping the competitive

product that's able to be sold in the global market, as against Airbus and other overseas manufacturers.

COMMISSIONER LEWIS: I thank you. I appreciate this is very complicated, but to the extent that consumer goods are coming into this country at lower prices than we could buy if they were domestically produced, then obviously we're getting a benefit from that. I mean, obviously because you're able to spend less money to buy those goods. So it's really a very complicated issue. And I realize that.

CHAIRMAN WEIDENBAUM: Mr. Chairman -- and I'm outnumbered here four to one, so let me get a word in edgewise -- I happen to work in a very high cost and very competitive business, and there is no race to the bottom. The way we beat the competition, you know, you compete with a very low cost state university system and you know what competition is all about and there is no race to the bottom.

What there is, we think, and our customers so believe, very high quality. Now, that's not just true in the top tier of the universities. Why do American companies -- like in professional sports, it's a race to the top.

Why do -- if you look at high fashion shoes and high fashion clothes, you don't -- you're not looking at China. You're looking at France, you're

looking at Italy, and you're looking at the U.S.A. You might see the cheaper knock-offs next year manufactured in Asia, but again, quality and the variation of technology, that's how we keep our competitive lead, and we seem to be forgetting that in our discussion.

It's useful to remind us what's our -- to use that awful phrase, what's our comparative advantage? What's our absolute advantage? And that is style, innovation, and technology.

And this is where we create the new jobs. That's why we -- we have created -- we create more jobs, new jobs, and good ones, in a given year than Western Europe and Japan together in a decade.

COMMISSIONER LEWIS: George. Thank you.

COMMISSIONER BECKER: If we're talking about the symptoms of this, when you put it all together there's no denying the act that we're losing manufacturing jobs - a record 500,000 manufacturing jobs will be lost this year.

On the other hand, this year we should hit a record deficit of \$300 billion. Now, you can talk about obsolete jobs, you can talk about shifting from one country to another, you can talk about replacing them with service jobs, but the bottom line is our trade in and out of the country will have a shortfall

of somewhere in the neighborhood of \$300 billion this year.

According to the U.S. Department of Commerce's figures, this is projected somewhere in the neighborhood of four to six million jobs lost. Whether that's right or wrong, whether it's half that much, it's immaterial. It's a hell of a lot of jobs. People are concerned about this. And it's being reflected by their political pressure.

That's why we have this Commission. That's why we're concerned. That's why we're talking about this, of how to deal with this deficit, whether we need to deal with it, and how do we deal with it. But there is no doubt that this translates into very strong action within the United States and concern about the future of where we are going.

What is doubly frustrating to me, or gives me cause for concern, is the fact that shop owners, manufacturers, business owners would consider moving out of the country because of essential protections that we have in the United States like family leave, Social Security, OSHA, and the things that society has said are very desirable.

And our society in the United States says that we're willing to pay that price to protect our workers, to protect our environment, to ensure that we

leave a nation, a land, a United States, that's good for those who follow us. According to your testimony, this is very much in jeopardy. And this gives us, I think, real cause for concern.

MR. ISAKI: Can I pursue that thought just a little bit? It is difficult, as everybody has been grappling with, to really get our arms around it. And I think that if you do with any one phenomenon or any point in time you can certainly postulate what all is going on and how people feel about it.

The choices that are being made, as has been stated here, by consumers, for both best quality at the best price, is something that isn't condition by all of the factors that may make the cost differential what it is between a manufacturing enterprise, trying to sell into the same market in the United States versus a manufacturing enterprise anywhere else in the world that can sell into this market.

And faced with that choice to stay in business, in the case of Mr. Kotkins, choosing to manufacture overseas, to continue to sell into this market so that he can offer price and quality, is a very difficult thing to deal with in the context of manufacturing jobs leaving the country, but at the same time, if you take a look at the impact of the business that he now is running as opposed to the one that he

ran as a manufacturer, I think you'll find that he directly employs, and those that his business in turn supports, is more than a positive trade-off.

So if you want to focus on manufacturing jobs as the barometer for how well we're doing overall, I think you obviously can make the point the manufacturing jobs are leaving. At the same time, other jobs are being created, and the activities that we're undertaking that are competitive all over the world are not only supporting the jobs themselves, but others that are supported by those businesses.

So it is, rather a snapshot, it is a kaleidoscope of activity, all of which, interacting, gives us an economy that we have experienced over the last almost decade of growth in jobs and prosperity. These are things that are happening as manufacturing jobs are being lost, as you put it. If that were the standard by which we gauge whether or not we're healthy economically, then it's very difficult to make that point in light of everything else that's going on. It isn't a one-to-one relationship. And I think we make a mistake when we allow it to be driven down that track.

COMMISSIONER BECKER: I think there's a degree of correctness in what you're saying. I'm not focusing just on that. What I am focusing on, though, is that regardless of the jobs that are being lost,

regardless of the imports coming in and exports going out, within this whole balance, we're running a trade deficit of \$300 billion. That's pretty hard to ignore. And really that's what we're coming to grips with.

COMMISSIONER WESSEL: Let me just add there to what George said, not focused just on manufacturing. A quick point.

The second largest software production area in the world now is Bangalore, India, so we're seeing a significant amount of code being written there. American Airlines, the back room operations all went to the Caribbean. Some months ago AFSCME, the American Federation of State, County and Municipal Workers, faced the movement of prison guards to Mexico as a way of contracting to get cheaper labor in. Many of our insurance companies are now running their back room operations out of Ireland.

So, all across the board, whether it's services, whether it's high tech, et cetera, there are a few things that have to ultimately be done here, and as transportation and other accommodations are made, that may be -- there may be less and less that has to be done.

What I and I think others are arguing is that we all have to cede some ground to each other, that we need adjustment processes in these countries,

in our country, that takes people up rather than just leaves them off. Europe had a \$25 billion per year plan to accommodate the structural adjustment when it integrated Spain, Portugal and Greece. I believe our program now, which is actually yet to be reauthorized, trade adjustment assistance, is about \$190 million a year.

COMMISSIONER LEWIS: Is this Europe?

COMMISSIONER WESSEL: Europe, as of 1993, was \$25 billion a year.

COMMISSIONER LEWIS: Billion?

COMMISSIONER WESSEL: Yes.

COMMISSIONER LEWIS: What happened to the \$190 million?

COMMISSIONER WESSEL: This year I believe it's \$190 million. So imbedded into everything that we've all said, there is a chance for consensus as long as we sit down and try and reach it rather than win debating points at all times.

COMMISSIONER LEWIS: Thank you very much for taking your time to come before us to inform us about the issues that you have dealt with here. We appreciate the time you've given us. Thank you very much.

The next panel will start in about three or four minutes.

(Whereupon, the hearing went off the record and went back on the record.)

COMMISSIONER LEWIS: This is the beginning of the last session. Okay. Let me just give the preface to this again, then.

An obviously growing great debate has been taking place in the United States about foreign trade and its impact on our country. The debate has involved elected representatives in Washington, economists, businesses that manufacture here, businesses that manufacture in foreign countries, exporters, importers, church leaders, union leaders, environmentalists and think tanks.

Foreign trade has been an increasing percentage of our gross national product, and with the passage of NAFTA and with the defeat of fast track the general public has become more aware of the issues.

Our Commission was created by Congress to study and report back on the causes and consequences of the trade deficit. We've had technical briefings made to us in Washington to inform us of the nature of the issues involved, and we are holding hearings around the country, as mandated by the law that created us, on specific subjects. We have met in Pittsburgh, Palo Alto and Seattle. We will also meet in Dallas, Washington, New York and Kansas City.

We have heard from people who have been hurt by imports and now who have been helped by imports, and from people who have been helped by exports.

There are those who laud the boom to some businesses and investors and consumers and who credit foreign trade for these benefits and for gains in jobs.

And we have heard from those who lament the loss of jobs and the growing inequality of income. We have heard from all of these people and we really appreciate the fact that you are taking your time to come to talk to us about the causes and consequences of foreign trade. Thank you very much.

Why don't we start with Patricia Davis and then we'll go to Mark Weisbrot and Glenn Pascall.