

Center for Strategic and International Studies
Conference on Globalization & Outsourcing
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- Good morning. When I worked in the telecommunications industry not all that long ago, the thought of instant communications—by telephone or by computer—with far-off workers overseas was unthinkable. Calling India was like calling the Moon... it cost about \$2 a minute, the connections were abysmal, and one of every two calls was dropped for lack of capacity on international telephone cables or satellites. And forget about email. You couldn't even send a 2-page fax before the line went dead.
- Today, not even a decade later, the world is linked by undersea fiber-optic connections that make calls from New Delhi sound like they're coming from next door.
- This advance in communications technology, together with the fact that English has become the world's second language, has created new competitors for America in the service industries. This new competition in the services industry was driven chiefly by technology, not by a trade agreement. The question is how to respond to this new competition. No one seriously suggests that we should cut the telephone cables in a futile attempt to isolate America technologically. But some are proposing trade measures that would be the economic equivalent of that.
- Our economy has successfully faced the challenge of new kinds of foreign competition before, and we have overcome those challenges while growing our economy and expanding jobs at the same time. In the 1960s, the new challenge was electronic automation. In the 1980s, it was Japan. Each time, pessimists predicted that America's workers couldn't compete. They were wrong.
- Today, the new challenge is foreign competition in service industries, and there is no doubt that it is causing real concern among Americans. The changes brought about by new technologies have created a new set of competitors and challenges, and we must work to make sure America is ready to meet those challenges.
- Let's all agree on one thing: we want every American who wants a job to have one, and we will not rest until that happens. Jobs not only provide for our families, they give us hope. I know from personal experience that when you, a friend or family member loses a job, it is a painful experience.
- It doesn't matter whether it's because of changing technology, out-of-state competition or off-shore competition, when someone loses a job we work to help them get back on their feet. And we work to create more jobs by helping our economy grow.

- How do we do that? There are two basic paths we can follow: the defeatist path of isolating America and putting up walls and barriers, or the proven path of economic growth. The economic isolationists are shouting pretty loudly these days. Consider this pessimistic statement: “With America’s high standard of living, we cannot successfully compete against [foreigners] because of lower foreign wages...”
- Does that sound familiar? Maybe you heard something like this from Lou Dobbs on CNN. But in fact these words were written by Herbert Hoover, in 1929, as he successfully urged Congress to pass the disastrous Smoot-Hawley Tariff Act that raised trade barriers, destroyed jobs, and deepened the Great Depression. Today as in the 1930s, offshore competition stirs passionate debate. But as we learned 75 years ago, isolating America from the world is not the answer.
- The Administration believes there are several important ways we can re-make our economy to meet the challenges of a newly interconnected digital world.
- First, we need to open new markets for American companies to compete in the world economy, so we can create new jobs and build economic strength right here at home. When we work with the world, America is economically stronger. Two-thirds of America’s economy is in the services sector, and over the last twenty years, this sector has added almost 40 million employees, and continues to add about 2 million new jobs a year. On average, service jobs pay on par with those in manufacturing.
- We export about \$279 billion in services each year, and this has more than doubled since 1990. 95% of the world’s customers live outside our borders, and we need to further open those markets for our service companies and workers.
- America’s service workers are the best in the world. American service companies are the most competitive and innovative, and billions of dollars in services are traded every day. At this very moment, trillions of bits of information—news reports, computer software, legal opinions, tax forms, bank statements, music and movies are being exported across computer networks and the Internet. As we speak, U.S. companies are flying overnight packages to customers in China, engineers in Wichita are making Japanese buildings safe from earthquakes, and advertising mavens in New York are puzzling over how to sell fashions in London.
- In fact, more than 12 million Americans have jobs supported by exports of goods and services. And let’s not forget that 6.4 million Americans also have in-sourced jobs working in the U.S. for foreign companies: some are making cars in Ohio and South Carolina. Other are performing services, like Americans working for the Dutch-owned bank in Minnesota that just re-financed my mortgage... at a very competitive rate, I might add!

- As these examples show, Americans can compete with anybody in world services markets—and win. America’s service market is open, but we need to be able to trade our services into other countries as well. So the heart of our trade agenda is to open new markets for the best service workers in the world: *American* service workers.
- But while we’ve opened many of our markets, too many foreign countries still won’t let us compete on an equal footing. They keep our products out, they illegally copy our technology, and they block us from providing our world-class services.
- That brings me to the second part of our approach, which is to make sure that America’s services get a fair chance to compete on a level playing field. We are standing up for America, being vigilant and active in enforcing our trade agreements so that American workers get a fair shake. We just helped to open the telecommunications market in Mexico through a WTO case, and we pushed China to live up to its commitments to allow Americans to sell insurance and provide automobile financing.
- Third, we need to continue to cut hidden import taxes that hurt working families the most. Our recent trade agreements cut hidden import taxes, cleared away bureaucratic red tape, and saved every working family in America as much as \$2,000 a year. Our new agreements could save families more. Arguing for trade barriers is like arguing for a tax on single working Moms, because that’s who pays the most in import taxes as a percentage of household income. So our goal is to cut those hidden import taxes—if other countries will cut theirs too—to give working families a boost.
- Finally, we need to help people take charge of their economic futures and manage change – particularly when it concerns jobs. To help folks who have lost a job get back on their feet, we need to combine public and private resources and focus our efforts on job training and education.
- In 2002, the Congress and the President worked together in a bipartisan way to triple Trade Adjustment Assistance in the Trade Act of 2002. In 2003, this program provided some \$1.3 billion in support and retraining, with nearly 200,000 workers eligible for assistance. Recently, Senators Coleman and Baucus put forward some bipartisan ideas on how to tailor such assistance to workers in the services industry.
- We are doing still more. The President’s budget proposes \$23 billion for job training and employment assistance. His Jobs for the 21st Century initiative provides over \$500 million in new funding for education and job training, including \$250 million for community colleges to provide workers job training and skill development in partnership with needs defined by local businesses.

- And that's why the private sector has an important role too: Today American companies spend \$70 billion a year on worker education and training, and they will need to expand this investment in people for the future.
- Today's opponents of trade, like those of yesteryear, are pessimists and defeatists who want to retreat, to cut America off from the world. But we need to remember that what goes around, comes around: If we close America's markets, others will close their markets to America. Economic isolationists who play on fear and criticize trade don't tell you that their policies would put tens of millions of American jobs at risk.
- And the price of closing markets is larger still. Over the last decade, trade helped to raise 140 million people out of poverty, spreading prosperity and peace to parts of the world that have seen too little of both. Americans will not prosper in a world where lives of destitution lead to societies without hope.
- So our trade agenda is focused on:
 - First, strengthening our economy by working with the world, opening new markets for the world's best services: American services.
 - Second, standing up for America, enforcing our trade agreements to make sure that our services get a fair chance to compete on a level playing field in foreign markets.
 - Third, cutting hidden import taxes and bureaucratic red tape that hurt working families the most, helping to stretch hard-earned dollars.
 - And fourth, working to re-make America's economy through lower taxes, less unnecessary regulation, and better education and re-training for our workers, thus creating economic growth and new jobs.
- That's our vision. I believe it's a vision worth working for.