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House Committee Explores Effect Of Outsourcing on the Economy

By JOHN MCCARY

WASHINGTON -- Even as lawmakers are set to unveil legislation Wednesday targeting China for its alleged unfair currency practices, a House hearing heard testimony that a punitive approach isn't the answer to the U.S. quest to stay competitive.

The House Committee on Science and Technology held a hearing Tuesday to explore how the outflow of high-tech jobs to foreign countries from the U.S. is impacting the economy. "Almost on a daily basis, we read announcements that more high-tech jobs are being offshored to developing countries," said committee chairman Rep. Bart Gordon (D., Tenn.).

On Wednesday, a bipartisan group of senators is due to unveil a bill that would take aim at China's failure to allow the yuan to appreciate faster against the dollar -- a situation that critics allege make Chinese imports unfairly cheap.

The bill, which is backed by Senate Finance Committee Chairman Max Baucus (D., Mont.) and ranking member Chuck Grassley (R., Iowa), is one of several targeting China's alleged unfair trading practices and pending in Congress.

Witnesses called to testify Tuesday warned that punishing China isn't the answer. "Protectionism is a loser's game," said Alan Blinder, an economics professor at Princeton University.

Some blamed the U.S. education system. Ranking member Ralph Hall (R., Tex.), noted that China graduated 219,600 engineers last year, representing 39% of all bachelor's degrees in that country. In contrast, the U.S. graduated 59,500 engineers, or 5% of all bachelor's degrees, he said.

Ralph Gomory, a former director of research at **IBM** Corp., said the "interests of countries and companies have diverged," with countries continuing to look to companies to contribute jobs and growth to the economy, but companies now looking overseas to make profits.

How to stem the continued outflow of jobs? Some of the suggestions offered up in Tuesday's testimony included reducing the regulatory and tax burden on high-tech companies, providing incentives for students to get engineering and science degrees and providing assistance and retraining to workers who lose jobs to outsourcing.

Martin Baily, a senior fellow at the Peterson Institute for International Economics, urged the U.S. to ease up on visa restrictions tightened in the wake of the Sept. 11, 2001, terrorist attacks.

"We have to allow foreign-born scientists and engineers to come to the U.S. There are scientists and technologists that want to come to the United States, want to become Americans, want to create American jobs," he said. But "they get treated as guilty and have to prove their innocence."

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