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COMMITTEE FOR ECONOMIC DEVELOPMENT  
A SHARED FUTURE: REDUCING GLOBAL POVERTY  
COMMUNITY TOWN HALL BREAKFAST FORUM

Friday, August 22, 2003

Melrose Hotel Ballroom

3015 Oak Lawn Avenue

Dallas, Texas

1                   MR. THORNTON: Good morning once again.  
2 I want to invite all of you to continue with your meal.  
3 In the interest of your goal and objective today we  
4 thought we could kick the program off. My name is Bill  
5 Thornton. I'm president of the Fort Worth Chamber of  
6 Commerce. I just want to welcome you here this  
7 morning, and it's a pleasure to work once again with  
8 our partners at the Greater Dallas Chamber of Commerce  
9 to put an event on like this.

10                   I want to single out two people here  
11 locally that worked very hard at putting this event  
12 together and that's Sharon Bebble with the Greater  
13 Dallas Chamber of Commerce and Mary Weaver, and I want  
14 to thank y'all for your hard work and the rest of the  
15 two staffs of the two chambers of commerce. And I want  
16 to also thank my partner here in the metroplex, Jan  
17 Hart Black for being a good friend and a good partner  
18 in our collaboration here in the region.

19                   The subject matter we're going to talk  
20 today is very personally interesting to me, and I want  
21 to introduce our third partnership that has put this  
22 together, and that's the Committee for Economic  
23 Development. You're going to hear a little bit more  
24 about what the Committee for Economic Development is  
25 all about because I'm going to be introducing to you

1 their president and CEO, Charles Kolb.

2 Charles is as I said, president of the  
3 Committee for Economic Development with offices in New  
4 York City and Washington, D.C. CED is an independent,  
5 nonpartisan organization of over 200 businesses and  
6 education leaders dedicated to economic and social  
7 policy research and the implementation of its  
8 recommendations by the public and private sectors.

9 He has held this position since September  
10 of 1997. Prior to joining CED, he served as general  
11 counsel and secretary of United Way of America from  
12 1992 to 1997, very nearly ten years of government  
13 service. He's held several senior-level positions. He  
14 served as deputy assistant to the president for  
15 domestic policy in the White House from 1990 to 1992.  
16 At the White House he worked on several domestic issues  
17 involving economic education, legal and regulatory  
18 matters.

19 From 1983 to 1990 he held three other  
20 government positions, Assistant General Counsel, Office  
21 of Management and Budget, Deputy General Counsel for  
22 Regulations and Legislation, and also the U.S.  
23 Department of Education and Deputy Undersecretary of  
24 Planning and Budgeting and Evaluation for U.S. Department  
25 of Education.

1                   Prior to his government service he  
2 practiced law at two Washington, D.C. law firms. He  
3 received his undergraduate degree at Princeton  
4 University and did graduate work at Balio -- would you  
5 help me with that one?

6                   MR. KOLB: Ballyoke.

7                   MR. THORNTON: Ballyoke College, Oxford  
8 University from which he received a Master's Degree in  
9 philosophy, politics, and economics. He holds a law  
10 degree from the University of Virginia School of Law  
11 where he was editor in chief of the Virginia Journal of  
12 International Law. He is also the author of a book on  
13 policy-making in the Bush White House and Newton's Law  
14 Review and articles. He lives in Alexandria, Virginia  
15 with his wife, Ingrid and their daughter, Charlotte  
16 Amanda.

17                   At this time president of Committee for  
18 Economic Development, Charles Kolb.

19                   MR. KOLB: Bill, thank you very much.  
20 CED is very grateful to be here with you this morning  
21 to cohost this event with the Greater Dallas Chamber  
22 and the Fort Worth Chamber. And I'd like to take the  
23 opportunity at the beginning to thank both of the  
24 chambers and their staff and colleagues for their  
25 outstanding work and also to thank XTO Energy for all

1 of their assistance in bringing us together here this  
2 morning for I hope it will be both informative and a  
3 challenging conversation on globalization issues.

4           Let me give you a little background about  
5 CED. As Bill said we're an organization of American  
6 business leaders and educators. We have a number of  
7 trustees throughout this state, and for over 60 years  
8 CED has been a means, a forum really, for U.S. business  
9 leaders and university presidents to address critical  
10 public policy issues that face the country not only on  
11 international finance and trade but also on broader  
12 economic and social policies that shape the way we  
13 live.

14           We've been very active. Some of you may  
15 have seen our work on campaign finance reform and also  
16 more recently on early education where Steve Palko has  
17 been a national leader on this issue as well.

18           This morning's globalization forum is the  
19 first in a series of events that CED will be cohosting  
20 around the country. We're also working with Vanderbilt  
21 University on a Nashville, Tennessee event that will  
22 occur next month, September 17th, and also with Duke  
23 University on November 11th.

24           This effort is really part of an overall  
25 plan by the William and Flora Hewlett Foundation in

1 California. They're sponsoring something called the  
2 Americans in the World series. And we are currently  
3 working with the Hewlett Foundation really to engage  
4 members of the media, members of communities like  
5 yourselves, nonprofit organizations around the country  
6 in a combined effort to highlight international events  
7 and issues that touch all Americans.

8                   We're planning a multiyear campaign on  
9 this topic to education and involve Americans in this  
10 national dialogue and really to build a broader  
11 understanding of the world outside of our own borders.  
12 We are tying international business to local concerns  
13 by bringing together local policy, academic and  
14 business communities to discuss U.S. interests in  
15 globalization and ways to reduce global poverty and to  
16 explore how globalization directly affects citizens of  
17 these communities. Some of you read the New York Times  
18 the last several weeks. They've been having a  
19 fascinating series of editorials on exactly this issue.  
20 For example, two weeks ago there was almost a full page  
21 editorial focussing on cotton subsidies. I'm hoping  
22 there aren't any cotton growers here in the audience.  
23 If there are, listen.

24                   The focus of this editorial which was on  
25 the extent to which cotton subsidies not only provide

1 the dead weight economic loss to American consumers,  
2 but -- this is the point that we often overlook --  
3 these cotton subsidies are killing countries like  
4 Burkina Fasso which are trying to develop agricultural  
5 exports but they simply can't compete against these  
6 subsidies.

7                   We often think about the impact of trade  
8 and subsidies and tariffs in this country, but they are  
9 also having a major impact on developing countries  
10 around the world. So our efforts really are to focus  
11 on key issue of globalization, and you'll see some of  
12 these issues talked about in our policy statement which  
13 you should have in your packet. It's called "The  
14 Shared Future, Reducing Global Poverty."

15                   What we're doing today is releasing two  
16 additional reports, which you have. These are the blue  
17 and white reports in your folder, and these two reports  
18 are updates on the earlier policy statement that  
19 focussed on global poverty. These two reports released  
20 today focussed on issues of corporate engagement and  
21 the role of women in development.

22                   Now, these updates will give us, I think,  
23 a greater background and deeper analysis of two very  
24 important issues. The report called "Engaging the  
25 Global Enterprise" really is an effort to try and

1 understand why a company like Merck or a company like  
2 Pfizer, both of which are CED trustee companies, why  
3 would they go into Africa and focus on curing river  
4 blindness and making free pharmaceuticals available to  
5 people in Africa who are afflicted with river blindness  
6 or why would they go in and worry about HIV prevention  
7 and treatment? So we try to explore the rationale, the  
8 motives, behind corporate engagement and also talk  
9 about some of the standards which we would like to see  
10 all countries follow when they operate overseas.

11                   And so by corporate engagement we really  
12 mean everything from setting higher environmental,  
13 ethical, and workplace standards in their normal  
14 business operations to charitable programs that are  
15 targeted at things like improving health, education,  
16 and other aspects of human development.

17                   The role of women in development really  
18 recommends that U.S. based businesses should support  
19 the equal status of women in all of their practices and  
20 programs in developing countries. And we lay out the  
21 economic rationale of why this is important for these  
22 countries as well as for U.S.-based companies that are  
23 operating abroad. We try to highlight the fact that in  
24 focussing on the role that women play in development  
25 that these companies can play a needed role ensuring

1 greater economic growth and equality in these  
2 developing countries. So you'll see that there's a  
3 wide variety of directions in which this morning's  
4 discussion could go, and so I want to conclude here by  
5 saying we're very pleased that all of you came out on a  
6 hot Friday morning here in August and want to thank you  
7 on behalf of CED and our trustees for coming.

8                   It's now my honor to introduce our  
9 keynote speaker, my friend and CED colleague, Steve  
10 Palko. Steve, as many of you know, is the vice  
11 chairman and president of XTO Energy as well as a CED  
12 trustee. For over 30 years Steve has dedicated himself  
13 to pioneering landmark changes in education reform and  
14 workforce development. The leading entrepreneur and  
15 businessman, Steve has used his own experience as a way  
16 to improve the life chances of our nation's children  
17 and our workers. And because of his expertise, Steve  
18 has been sought out by many national commissions on  
19 education and workforce development.

20                   He has also played a critical role on  
21 numerous CED subcommittees. He co-chaired our report  
22 on lawyer-sponsored health care and he has been  
23 extremely active in our early childhood education work  
24 all over this country. His list of accomplishments is  
25 long, and we at CED are grateful to have such a

1 dedicated trustee who is willing to work with us on  
2 issues ranging from education reform to globalization  
3 and poverty reduction issues.

4 I've heard Steve speak many times. It is  
5 always a delight, and I'm really looking forward to  
6 hearing you this morning. Steve Palko. Thank you.

7 MR. PALKO: Thank you, Charley. I  
8 appreciate that introduction, and this morning I'd like  
9 to address my comments to the CED report that deals  
10 with reducing global poverty. It is available, I  
11 think, as part of your package, and it's a wonderful  
12 report and is CED's first formal report on the  
13 globalization issue.

14 The globalization. If we had a  
15 definition for it, I guess our definition is the  
16 economic integration for international trade and  
17 investment. And if you look at the track record of  
18 globalization so far it's a positive track record. We  
19 know that absent economic growth any nation's economic  
20 prospects in this future are extremely bleak. Today  
21 globalization has raised incomes worldwide and, in  
22 fact, reduced poverty. In spite of this we have riots  
23 at the World Trade, WTO meetings, the World Trade  
24 Organization meetings. They have gotten a lot of  
25 notoriety and publicity.

1                   In many parts of the world it is  
2 extraordinarily dangerous for American businessmen. In  
3 places like Colombia and Venezuela it's simply  
4 impossible for an American businessman to go there  
5 without an armed bodyguard. And in many places of the  
6 world we're not greeted or welcomed in any sort of  
7 friendly fashion.

8                   We have the September 11th event and a  
9 significant number of people who believe that  
10 globalization will do nothing but increase the wealth  
11 of the few by exploiting labor and resources of  
12 developing nations and in the process wreck the  
13 environment. And so an enormous amount of negativity  
14 associated with globalization in spite of the track  
15 record.

16                   The CED conclusions were derived as  
17 you'll see when you read the report -- I thought just  
18 for fun I was going to look at it from a different  
19 prospective. And what I did was I said, Let's look at  
20 the economic history of this country in the last  
21 hundred years and see what it tells us and how it  
22 informs us and see whether or not the CED  
23 recommendations are advantageous with respect to what  
24 actually happened in our country.

25                   In the 19th century you had two very

1 important books that came out, and, in fact, these two  
2 books were released in the same month. You had Charles  
3 Darwin's Origin of the Species and you had Karl Marx's  
4 Das Capital. And these two books completely overturned  
5 the happy perspective that 19th century citizens had  
6 with regard to their future. In Charles Darwin's book,  
7 he basically pointed out that it's all about  
8 competition, survival of the fittest. Competition  
9 eliminates the weaker maladapted and favors the strong  
10 or best adapted through a process of natural selection  
11 that, in fact, life is a constant struggle and battle  
12 for survival, in fact, a bloody battle when viewed from  
13 a biological perspective and, in fact, a battle for  
14 dominance.

15                   Karl Marx's theories. Basically people  
16 say he was different things and perhaps a philosopher,  
17 perhaps an economist. What actually he was was a  
18 sociologist, and he studied historical social systems.  
19 And his personal conclusion was that it's all about  
20 money. The history of the world can be explained in  
21 terms of social interaction dominated by economics.  
22 And this little model is out of Das Capital.

23                   And what he said was in a simple economy  
24 what occurs is that we exchange commodities. The  
25 farmer produces grain and he trades that grain to the

1 craftsman in the village in return for tools which he  
2 can employ on his farm. And so there generally is an  
3 exchange of equal value, and when you look at primitive  
4 economies this is generally the model that occurs.

5                   Now, about the time of the early late  
6 medieval period, early part of the renaissance,  
7 capitalism began to form, which has a different model.  
8 And what capitalism is is that someone has money or  
9 capital, if we want to say that. Capital might be  
10 land, it might be access to certain natural resources.  
11 And that money or capital is used to produce a  
12 commodity which in turn creates a profit or results in  
13 money. Well, since we can't eat money what that has to  
14 happen is there has to be a difference between the cost  
15 to produce that product and the amount that one can  
16 sell it for.

17                   And so if we look at his model a little  
18 further, for example, a factory owner provides the  
19 facilities. The factory owner would be the capitalist  
20 and would employ labor, and perhaps it might take six  
21 hours of work to generate enough value for that  
22 laborer's subsistence, but the laborer works eight  
23 hours. So that additional two hours of work is the  
24 profit or generates value in which results in a profit  
25 for the capitalist that supplies the start-up initial

1 capital.

2                   Well, with that profit, that's invested  
3 in a factory which may result in addition of labor or  
4 might result in the purchase of a machine which creates  
5 further efficiencies, and so the cost of production  
6 might be reduced now to five hours increasing the  
7 profit to three hours. Well, Marx felt this was a  
8 positive feedback system that in general what results  
9 here is that as we get more efficient as we reduce our  
10 costs of labor then the capitalist continues to grow in  
11 wealth, but grows in wealth at the expense of the  
12 worker.

13                   And so ultimately since it is a positive  
14 feedback system you have a concentration of wealth and  
15 relatively small number of people generally at the  
16 expense of people all over the world. Okay? And so  
17 that's his idea that he's promoting about how  
18 capitalist systems work. And if you look at our  
19 country at about this time or subsequent to, we had all  
20 of the earmarks of this. We had an enormous  
21 concentration of wealth in this country and relatively  
22 few families. The Carnegies, the Melons, the  
23 Rockefellers, the Morgans, and they controlled an  
24 enormous percent of the wealth and productive capacity.  
25 They were the capitalists in America.

1                   We had working conditions for the  
2 laborers which were extremely poor, most poetically and  
3 artistically expressed by Sinclair Lewis in his novels.  
4 Working conditions for the average worker were quite  
5 poor, and, in fact, it seemed as though we were on a  
6 path as would have been predicted by Charles Darwin or  
7 Karl Marx. But it didn't happen.

8                   So what does Marx say the final outcome  
9 of this capitalist system is is that since it's the  
10 incentive for the capitalist to reduce labor costs to  
11 an absolute minimum that the number of laborers in time  
12 would be reduced, principally through mechanization,  
13 the use of machines, to replace human labor, that  
14 capitalists would specialize in the dull, repetitive  
15 actions and the consequence would be high unemployment  
16 rates, alienations since people are doing dull,  
17 repetitive tasks. They're become alienated from their  
18 work and jobs. And so ultimately workers would band  
19 together and overthrow the capitalists and implement a  
20 communist system.

21                   Okay. Well, actually, that didn't happen  
22 in the United States of America. It didn't happen at  
23 all. And why didn't it happen? First of all, we had  
24 effective governance. We have a democratic system, a  
25 representative government, and a popularly elected

1 president. Teddy Roosevelt was elected president of  
2 the United States. He busted up the trust, restored  
3 competition, and we had a political system that  
4 rectified that prospective problem or ill of  
5 unfettered, unprincipled straight capitalist activity.

6                   The creation of competition and the  
7 continuance of competition in this country gave rise to  
8 other businesses. Wealth was spread. Capital became  
9 more accessible to a broader range of the population.  
10 Being primarily a member of the bourgeoisie, it pains  
11 me to say this, but what was also critically important  
12 was the labor movement. Labor organized. The way  
13 laborers were treated in the early part of this century  
14 was less than wonderful, and truly, the labor unions  
15 created higher pay scales, put pressure on businesses  
16 to share of the profit more equitably among employees  
17 and then very constructively and importantly we had  
18 child labor laws that prohibited use of children in the  
19 workplace and some very constructive things.

20                   So the ability in a free society for  
21 people to organize into a group which was permitted  
22 and, in fact, mandated by our constitution, allowed  
23 this to occur. Importantly, the United States made  
24 investments, social investments, in education. We have  
25 universal education in this country. We have the

1 finest university system in the world, and so we  
2 allowed people to become educated. We provided for  
3 their health with an effective health care system, and  
4 we built the infrastructure.

5                   An interesting lesson in the early  
6 economic history of the United States can be gained.  
7 If you're ever in Worcester, Massachusetts and you go  
8 to a place called the "Blackstone Valley" -- and I gave  
9 an education speech there one time and I got acquainted  
10 with how things worked. There are very few roads that  
11 go north and south in that area, the Blackstone Valley.  
12 In fact, the interstate is about the only road that  
13 goes north and south. And they all go east and west  
14 because the original factory owners didn't want their  
15 employees to work for other factories. And so they  
16 made it impossible for them to access those other  
17 factories by controlling the direction of the road.

18                   The workers lived in company housing  
19 provided by the company, were paid in company script,  
20 not United States dollars, that were redeemable only at  
21 the company store and redeemable to pay for their  
22 company provided housing.

23                   It's quite a fascinating place and kind  
24 of an indication of how things were in the late 1800s  
25 industrial America. But anyway, we now have a

1 tremendous infrastructure in the country. We have  
2 productivity gains. One of the points that Marx  
3 missed was this increase in profit. This capitalist  
4 system would also allow improvements in productivity so  
5 we could produce goods and services a lot cheaper,  
6 which meant that we could provide a higher standard of  
7 living for people. So that was a positive development.

8                   The development of institutions. We have  
9 the Securities and Exchange Commission, the  
10 Environmental Protection Agency, and what those do is  
11 they regulate, they make fair. They make sure that the  
12 reporting is correct and accurate and honest. They  
13 make sure that there are social issues involved in the  
14 conduct of business that are adhered to.

15                   I can remember in 1962 driving through  
16 West Virginia outside of Charleston and watching a  
17 river flow the color yellow. Charleston is the  
18 chemical capital of America, and in 1962 they were  
19 dumping their chemicals into that river. That doesn't  
20 happen. And so there is an important role in  
21 government, and that important role is really  
22 exemplified in why we ended up with a positive system,  
23 the most powerful, the richest, in many respects the  
24 finest country on the face of the earth.

25                   And so what -- interestingly, if you look

1 at the CED recommendations in that report that I'm  
2 referencing, they are derived in an entirely different  
3 fashion. But what those recommendations say is that we  
4 need to do the same thing in developing nations as what  
5 has happened in this country.

6                   What the report calls for is for reforms  
7 in developing countries that will improve governance.  
8 We need to end construction. We need more democratic  
9 forms of government in developing nations. It's asking  
10 for an eradication of corruption and a dramatic  
11 increase in investment in education, health, and other  
12 forms of human development, a thing that was absolutely  
13 critical in us being successful as a nation.

14                   In developing countries the report asks  
15 for an elimination of trade distortions, support of  
16 foreign direct investments, and better management of  
17 development assistance in the developing countries.  
18 And let me quickly expand on some of that.

19                   In trade, we're recommending to reduce  
20 trade barriers to developed countries' products and  
21 services. And I think everyone's read a lot of the  
22 literature on the ultimate, positive benefits of  
23 eliminating trade barriers. It creates more efficiency  
24 in the developed country. It allows for an economy to  
25 exist as Charley alluded to in the developing

1 countries. Well, why don't we do that? Well, because  
2 of political expediency.

3           In France, the farmers have shown the  
4 french government that they can shut down Paris with  
5 their farm implements and tractors. They've done it  
6 twice already and promise to do it again if the French  
7 government eliminates any trade barriers and harms  
8 their agricultural production in any way.

9           In the United States you see the  
10 administration has a bit of a schizophrenic policy. It  
11 supports free trade but maintains -- protects the steel  
12 industry. Why do they do that? Well, there's some  
13 important electoral college votes located in that part  
14 of the country. And so in many cases what you see is  
15 the triumph of politics over policy, over rational  
16 policy. It's something that you see in the entire  
17 history of the world. It happens, and it's something  
18 that has to be contended with.

19           The investment in the investment area,  
20 CED recommends that all countries ratify the OECD  
21 antibribery convention and fully prosecute violators.  
22 If you do business or have tried to do business in a  
23 developing country you do understand that bribery is  
24 part and parcel of the equation. Now, we have  
25 something called the America Corrupt Practices Act,

1 Foreign Corrupt Practices Act, which prohibits  
2 companies from participating, and those countries  
3 understand that.

4                   So when I look at an oil and gas deal  
5 internationally it's structured so that there are  
6 transaction fees and there are scrutiny fees or there  
7 are consultants that need to be hired that just happen  
8 to have a close familial relationship with the king or  
9 potentate or whoever's in power. And so the reality is  
10 that this continues. And it continues because it is a  
11 competitive thing.

12                   If you're a French or Spanish company you  
13 simply write the check because it's not prohibited. If  
14 you're an American company it's prohibited, and so, you  
15 know, there's a dance that occurs. And the same thing  
16 happens, and the fact of the matter is is that an awful  
17 lot of this money does not go into building  
18 infrastructure. It does not go into improving health  
19 care, education, and roads. What it goes into is  
20 enriching the personal circumstance for whoever's in  
21 power at that current period of time.

22                   And what CED is asking for is cooperation  
23 and collaboration to put an end to that, to stop this  
24 sort of practice. Another important issue is to extend  
25 the World Trade Organization's agreement on

1 trade-related investment measures into more effective  
2 multilateral investment code. There's no securities  
3 and exchange commission internationally. This is a  
4 surrogate for that. What that means is there are some  
5 rules as to how investment occurs and what sort of  
6 reporting occurs in connection with those investments.

7                   Ultimately if you're going to have  
8 unrestricted free trade around the world, you're going  
9 to have some rules by which this trade operates and  
10 goes forward, also to publicly report inducements which  
11 end up reducing environmental circumstances and end up  
12 allowing companies to abuse local employees. A lot of  
13 countries offer that as an inducement to locate in  
14 their area.

15                   We're asking that all relevant public and  
16 private organizations are encouraged to contribute to  
17 improvement of health and educational outcomes in  
18 developing countries with special attention to the  
19 status of women, and there is a specific report that  
20 deals with that. In many of the developing countries  
21 women are less than zero in terms of their stature, in  
22 terms of their opportunities, in terms of how they  
23 function in those societies.

24                   One of the things Charley mentioned, I  
25 have a lot of experience in education issues, and the

1 single largest determinate of success in school is the  
2 educational level of the mother. It's the single  
3 variable that correlates more strongly with school  
4 performance, and that's only part and parcel of the  
5 benefit that any society would get to really  
6 encouraging, supporting, and making better the  
7 circumstance of the female population of their  
8 countries. And developing countries should make a top  
9 priority improving their health and educational  
10 outcomes.

11                   Last but not least, now, I think this is  
12 really in my mind the most powerful of the  
13 recommendations. If you look at our foreign policy  
14 over the last 20 years, it had to do with eliminating  
15 the red menace. We were trying to stop the spread of  
16 communism world-wide, and so we did some things in  
17 terms of foreign policy that were expedient to that  
18 primary function, including turning our heads the other  
19 way when we saw corrupt governments because it was  
20 expedient, because perhaps they allowed us to put an  
21 air base in that country or perhaps they allowed us to  
22 conduct clandestine activities. And so we didn't worry  
23 about the fact that there were human rights violations,  
24 that basically that leader was taking all of the net  
25 gross national product of the country and shipping it

1 to his personal account in Switzerland or the Grand  
2 Cayman Islands.

3                   And then, you know, in large measure we  
4 are now reaping the results of that indifference or  
5 really what it was was really a more strongly focussed  
6 goal other than improvement within these countries.  
7 And so we're supporting new ideas in foreign policy  
8 such as President Bush's Millenia Challenge Account  
9 which staggers foreign aid predicated on enhancement of  
10 governance, elimination of corruption, sound economic  
11 policy, and social investment.

12                   The more you make progress on these areas  
13 the more foreign aid the United States will give you,  
14 which always should have been and gratefully,  
15 thankfully now is part and parcel of our foreign  
16 policy. I've also had about 20 years experience  
17 dealing with the entitlement community. And if you  
18 look at entitlement programs that are successful the  
19 most successful programs that ask something of the  
20 recipient. If you basically provide subsidy without  
21 asking for any constructive or positive behavior on the  
22 part of the recipient, that is not a program that's  
23 going to work. You're basically going to create a  
24 dependent for life.

25                   And what this asks for is movement in the

1 direction of constructive policies within those  
2 countries. In other words, if you want more foreign  
3 aid you need to work on your infrastructure. You need  
4 to develop better health care programs. You need to  
5 develop better educational programs. You need to make  
6 progress, and so really I think my conclusion from this  
7 ministudy was that what has to happen in the developing  
8 world is identically the same process that happened in  
9 this country. Identically the same process.

10                   We have the same challenge. Left  
11 unattended free market capitalism doesn't guarantee  
12 positive outcomes for all the population. It has to be  
13 accompanied by constructive social policy that  
14 addresses all those issues. It happened in the United  
15 States of America in the last hundred years and it has  
16 to happen in developing nations. And I think that's  
17 the CED agenda. It's not just that we ought to  
18 facilitate free trade for our member companies, is that  
19 that free trade has to be accompanied with positive  
20 constructive policies that end up being a win-win  
21 situation emulating the sort of success that we've had  
22 as a country in the United States. So what we did here  
23 we must do globally.

24                   But thank you. I appreciate the  
25 opportunity to give this speech, and now you get to

1 hear from some of the people that really know something  
2 about globalization. Thank you.

3 MR. KOLB: Steve, thank you very much. I  
4 now want to introduce the members of our distinguished  
5 panel. That will include Jim Hollifield from Southern  
6 Methodist University, Harold Jeffcoat from Texas  
7 Wesleyan University, and Ken Menges from Akin, Gump,  
8 Strauss, Hauer & Feld.

9 Jim Hollifield wears many hats at SMU.  
10 He is our professor of international political economics,  
11 director of the John Goodman Tower Center for political  
12 science, and director of international studies.  
13 Dr. Hollifield also has held faculty appointments at  
14 Auburn, and Duke University. His background ranges  
15 from the CMRS in Paris to Harvard Center for  
16 International Affairs. Dr. Hollifield's teaching  
17 interests lie primarily in the areas of international  
18 and comparative political economy, and his most recent  
19 work looks at the rapidly evolving relationship between  
20 trade, migration, and the nation's state.

21 Harold Jeffcoat is the 18th president of  
22 Texas Wesleyan University, and previously he served as  
23 vice chancellor at the University of Missouri, as  
24 associate vice president at Purdue University. His  
25 25-year career in higher education has included serving

1 undergraduate, graduate, and doctoral faculties.  
2 Dr. Jeffcoat will also hold an appointment as professor  
3 of humanities at Texas Wesleyan.

4                   Ken Menges is the partner in charge at  
5 Akin, Gump, Strauss, Hauer & Feld's Dallas office as  
6 well as the coordinator of the corporate and securities  
7 practice here at the firm. He is principally engaged  
8 in offerings, mergers, and acquisitions, both  
9 domestically and internationally. Mr. Menges is also  
10 involved in a variety of civic, charitable, and  
11 professional organizations in the greater Dallas area.

12                   Gentlemen, we are very grateful to you  
13 this morning for joining us, and we will begin with  
14 Dr. Hollifield.

15                   DR. HOLLIFIELD: This is a bit of an odd  
16 room in which to give a talk with all these nice  
17 columns in here, so sitting up here at the table I  
18 can't see a good number of you back there. I was  
19 introduced along with a panelist here, someone who  
20 knows a lot about globalization. I'm not sure if  
21 that's the case. I've lived it in certain ways, but I  
22 certainly have been teaching it for 20 some years. So  
23 it's something that I'm very familiar with. And  
24 there's nothing that gets you familiar with the subject  
25 than trying to teach it to a bunch of 18-, 19-,

1 20-year-olds. Just explaining the concept of  
2 comparative advantage is often a great challenge as you  
3 could imagine. Some of you have probably gone through  
4 that yourselves way back when.

5                   Indeed, when we think about globalization  
6 I think of it basically as increases in international  
7 exchange really across the board. And I think we focus  
8 very much on the movement of goods, capital, services,  
9 and I guess this is a little bit of a lovefest here  
10 today, but I don't think you're going to hear any real  
11 antiglobalization types. I don't think there will be  
12 like we saw in Seattle, anyone jumping through a window  
13 here of a Starbucks screaming a free latte for  
14 everyone. But you're certainly not going to hear  
15 protests from me this morning because I do try to teach  
16 my students about the advantages of markets and the  
17 importance of comparative advantage.

18                   What I want to talk to you about just  
19 very briefly is migration. Something that we don't  
20 ordinarily think of as part of the globalization  
21 process but you can see it every day here in  
22 Dallas-Fort Worth. I was just going to mention we were  
23 witnessing globalization this morning as your breakfast  
24 was cooked and served. I don't know if you talked to  
25 any of the servers here this morning, so I want to make

1 a few points about this different dimension of  
2 globalization.

3                   I guess I would just start with just a  
4 short joke here, which is one of my favorite jokes  
5 about migration or about immigration in particular,  
6 which is a scene I think many of you who are Texans in  
7 the room can appreciate the old Indian chief sitting  
8 out on the plains surrounded by his young braves. He's  
9 dying. It's his last days, and they're having a last  
10 meeting around the campfire. And the young braves ask  
11 the old Indian chief, Is there anything you can pass on  
12 to us, wisdom from your generation, something we should  
13 know? And the old chief looks at these young braves,  
14 and he says, "My sons, we had bad immigration policies.  
15 If only we had kept those Europeans out of here, we'd  
16 still have control of this land."

17                   Well, unfortunately we know what happened  
18 to the native Americans, the hunter-gatherers in North  
19 America, and it was not pretty. That was, I guess, one  
20 of the sadder chapters of globalization. Globalization  
21 is something that's difficult to stop as the Plains  
22 Indians found out the hard way. So let's just look at  
23 migration for a minute and think about it. I want to  
24 make a few points and then I will stop.

25                   I would refer a lot of you to a big study

1 that was done a few years ago by the National Academy  
2 of Sciences trying to measure the impact of migration  
3 on the American economy, something that's not very easy  
4 to do. But the overwhelming consensus of this report  
5 is that immigration is an overall benefit, economic  
6 benefit, to the United States economy.

7                   Now, they did say that there are  
8 obviously some high immigration states and cities,  
9 particular localities, that pay slightly higher taxes  
10 mainly for their schools, but I would suggest to you --  
11 and I'll come back to this in just a minute -- that  
12 that's a very small price to pay for the benefits that  
13 we get from migration. There was a very important  
14 Supreme Court decision in Plylor versus Doe which says  
15 that the schools in the state of Texas have an  
16 obligation to education the students of illegal  
17 immigrants. And Justice Blackman in that decision, I  
18 think, made a very judicious point when he said, you  
19 know, I can't think of a worse public policy than  
20 kicking these kids out of the public schools. Many of  
21 whom, of course, were born in the United States and are  
22 U.S. citizens. So that essentially is the law of the  
23 land with respect to educating immigrants.

24                   Immigration. This is another fact.  
25 Immigration accounts for about two-thirds of U.S.

1 population growth, and one of the more interesting  
2 findings of the NAS study was that minorities,  
3 specifically African-Americans, do not suffer  
4 disproportionately from the inflow of unskilled  
5 immigrants into the United States. This was somewhat  
6 of a surprising finding, but it's consistent with  
7 economic theory. It's consistent with all of the  
8 economic findings as I know them, which is that  
9 immigration is something that promotes and helps  
10 economic and social mobility pretty much across the  
11 board.

12                   The ones who compete the most are  
13 obviously low skilled, recently arrived immigrants when  
14 there are other low skilled immigrants coming in behind  
15 them. Let me say a few things to kind of interpret  
16 these findings and put them in perspective for those of  
17 you doing business here in Dallas-Fort Worth.

18                   First of all, obviously I would repeat  
19 the finding that immigration is an asset historically.  
20 We have a very dynamic market economy here.  
21 Competition and efficiency, I would argue, are the life  
22 blood of any market economy and Mr. Palko, when he was  
23 giving that nice lecture in political economy a few  
24 minutes ago referred to competition. He referred to  
25 Teddy Roosevelt. And I would give you one of my

1 favorite quotes, which is from the great robber baron  
2 and American capitalist John D. Rockefeller, who was a  
3 good Baptist. If you remember, he had inscribed over  
4 his office door "Competition is a sin." That's what he  
5 had over the office door.

6                   So business people obviously don't always  
7 like competition and workers don't always like  
8 competition. But it is competition, nonetheless,  
9 that's the lifeblood of our economy. Immigration like  
10 trade allows for greater specialization and production.  
11 It allows for a wider and cheaper range of goods  
12 available to us. When economies like this one, which  
13 is very dynamic, often are growing very fast -- and  
14 this also comes from the chairman of the federal  
15 reserve, Allen Greenspan, who said, "Thank goodness for  
16 immigration because otherwise we'd be experiencing much  
17 higher rates of inflation."

18                   So it's something that helps to dampen  
19 down inflation. We also -- another point, we get  
20 tremendous influx of human capital into our economy and  
21 our society as a result of migration. I don't have to  
22 explain that to those of you in the room who are in  
23 high tech businesses. We get tremendous amount of  
24 entrepreneurial talent coming into our economy. All  
25 you have to do is just look at the list of

1 valedictorians in the high schools around the  
2 Dallas-Fort Worth area. Take a look at them the next  
3 time they come out.

4                   We obviously get a pool of unskilled  
5 labor. I just pointed this out to you earlier. I'm  
6 working at Southern Methodist University and for the  
7 past years under the dynamic leadership of our  
8 president Gerald Turner we've been building like crazy,  
9 and all you have to do is walk around the campus and  
10 see who's building those buildings, who's making the  
11 streets. If you're in the construction business here  
12 you know what I'm talking about.

13                   The service sector. I mentioned your  
14 breakfast this morning. You probably weren't thinking  
15 about globalization as we're eating at breakfast, but  
16 obviously it was immigrants who cooked and served your  
17 breakfast this morning. I mentioned high tech firms  
18 here in the metroplex that are getting benefits from  
19 these highly skilled immigrants that are coming in. I  
20 would just in a few points here by way of conclusion,  
21 this is not a one-way street. The sending countries  
22 such as Mexico also get tremendous benefits from this.  
23 I often ask my students give me the top three sources  
24 of foreign exchange in Mexico in the Mexican economy.  
25 Two of them I would argue are very positive. One, of

1 course, is oil and the other are remittances that are  
2 sent back to Mexico. The third one we're less happy  
3 about, which is drugs. But remittances are incredibly  
4 important as a source of development, and it's not just  
5 a drain with all the Indians and others who are coming  
6 here to work. As we saw in Taiwan, there can be a  
7 reverse flow, and these countries can experience a  
8 brain gain from this.

9                   Finally just a couple of points in  
10 conclusion. Diversity I would argue is a strength.  
11 There are over 50 languages that are taught in the  
12 Dallas Independent School District. This is obviously  
13 a cost, a short-term cost, but I would argue there are  
14 long-term benefits that come from this.

15                   Now, one final point. Obviously we  
16 cannot take everyone that wants to come to the United  
17 States. We must have a policy. I'm not with the Wall  
18 Street Journal which often editorializes for open  
19 borders. What we need obviously is an orderly flow of  
20 people coming into this country. We need to select the  
21 people who come into this country.

22                   I think the Canadian system is often  
23 cited as a good model where the Canadians have a kind  
24 of point system and have very high rates of  
25 immigration. Unfortunately for the Canadians, a lot of

1 the immigrants who are coming in there, especially the  
2 highly skilled ones, come and stay for a few years and  
3 then head south of the border. So the Canadians are  
4 often concerned that they're not getting full benefits  
5 from their immigration system.

6                   Our system is messy. It almost makes you  
7 want to throw up to look at the visa system that we  
8 have, but in spite of its messiness and inefficiencies  
9 it does allow for a degree of flexibility which allows  
10 for the development of an international labor market  
11 here. If you look at a country like Japan which is  
12 becoming increasingly sclerotic with a rapidly aging  
13 society, losing its edge economically, immigration is  
14 something I think that often comes to mind here, a  
15 society that has remained relatively closed over the  
16 years. So I think on that note I will stop. Thank  
17 you.

18                   MR. JEFFCOAT: There are 3200,  
19 approximately 3200, colleges and universities in the  
20 United States. Three thousand. One of the interesting  
21 characteristics about American universities it's  
22 generally pretty easy to get into one. It's harder to  
23 get out. Whereas, well, looking at an example -- but  
24 in most countries it's hard to get in and easy to get  
25 out, and that makes a big difference when it comes to

1 the way in which your universities and college are  
2 perceived by the general public, the government, and  
3 international community.

4                   Probably the most important thing about,  
5 I think, American higher education is the notion of the  
6 three kind of similar roles that we play in all  
7 colleges and universities, and they vary depending on  
8 the university you're talking about, and that is  
9 teaching, research, and service. We all know, we've  
10 all been to school. We all probably went to university  
11 and we can remember that teacher that made a difference  
12 in our lives. But for Jim Swanson, Willis Truitt, and  
13 John Anton, I don't know what I'd be doing today  
14 because they saw in me something other than what I used  
15 to be, and that is a baseball player. They said,  
16 There's something more to you than just playing that  
17 sport.

18                   They should have listened to Willie Mays  
19 who was a teammate of mine when I opened the season in  
20 '67 against the Cubs. And after the third inning I was  
21 sitting next to him, and he said, "Well, what are you  
22 going to do after your baseball career is over?" I was  
23 19. He knew something. But at any rate, the thing  
24 about sponsor research and contracted research and  
25 basic research is that it is the envy of the higher

1 educational world. Where else in the world does  
2 industry and individuals and faculty get together and  
3 create new knowledge quite like the American  
4 University?

5                   And that's why in terms of immigration so  
6 many people from all over the world want to come to the  
7 United States, not just for undergraduate studies but  
8 primarily for their Ph.D. degrees, something that we  
9 imported at the end of the 19th century, 1890s, from  
10 Europe. And now we're the leader in worldwide  
11 education and research.

12                   Just to give you a little idea about the  
13 kinds of things that help connect America with the  
14 world through its higher education, let me just take  
15 three schools that I'm familiar with. At Missouri,  
16 University of Missouri, we had what's called a "Global  
17 Scholars Program." Everybody likes to go and have hot  
18 chocolate and croissants on the Champs Elysees for two  
19 weeks. Then you leave and feel good, but what did you  
20 learn? What did you do?

21                   Well, the Global Scholars Program is  
22 predicated on the notion that you need to have more  
23 intense, more engaged, kind of experience when a  
24 student or faculty member goes abroad. You know,  
25 students tend not to want to go someplace they've never

1 been. It's risky. Their parents want to know who's  
2 going to take care of them when they're there. The  
3 best way I know to promote international education is  
4 send the faculty first. Send them in teams to  
5 different parts of the world and have them bring back  
6 material, bring back their experience, and require them  
7 to integrate that into the curriculum in some  
8 meaningful way. It doesn't matter what field they're  
9 in.

10                   So at Missouri over about a six-year  
11 period we sent about 50 faculty members in groups of  
12 five or six or seven to different venues in the world  
13 all one group to one place, and they branch out, make  
14 their connections with industry, make their  
15 constructions with other faculty, make the kind of  
16 connections that then they would be able to broker the  
17 interests of their students with specific interests of  
18 people around the world.

19                   And every year those participants in the  
20 Global Scholars Program would come back together and  
21 share their experiences. So it creates a very  
22 interesting network built on faculty. At the  
23 University of Missouri there's a study center that  
24 focuses on economic analysis and policy studies  
25 entirely for international agriculture. They can go in

1 and study the European Union models, the policies for  
2 agriculture in places like Ireland and what the  
3 long-term impacts of those might be in the world  
4 agricultural community.

5                   The EU center there also facilitated  
6 research and understanding between the businesses that  
7 might have an interest in different member states of  
8 the European Union and those in not only Missouri but  
9 the larger Midwest. At Purdue, they did something a  
10 little bit different. What they did, because Purdue's  
11 primarily in the engineering and high tech institution,  
12 they developed what's called a "rapid response team."  
13 They drew engineers, they drew economists, they drew  
14 people from business, they drew people from  
15 communications to go into areas that had specific  
16 difficulty either with a governmental type of problem  
17 or an economic problem or a catastrophe of some sort,  
18 and they could go in quickly, draw upon the expertise  
19 at a large land grant research institution and go in  
20 and help a particular country do what they needed to  
21 do.

22                   At Wesleyan, we're much smaller than  
23 these other schools. We have 2500 students. That's  
24 all we are and that's all we want it to be, but we have  
25 a Global Scholars Program, also, modelled after the

1 Missouri program. We also have in our law school  
2 something very unique and that is Mongolia, that  
3 country that kind of -- no one knows where it is in  
4 Asia is moving more towards a republican form of  
5 government. But the judiciary there and the whole  
6 notion of the rule of law is something that is just  
7 theoretical.

8                   But the Mongolian parliament came to us  
9 at Texas Wesleyan and said, Can you do something to  
10 help us learn more about how to adapt our legal system,  
11 our judicial system, to help promote economic  
12 development and also to not so much impose but  
13 integrate the rule of law that works so well in the  
14 West?

15                   So we have for the last three years  
16 judiciary from Mongolia coming to Texas Wesleyan to  
17 learn more about the way in which legal processes  
18 worked and the role of judiciary in not only just law  
19 but also the way in which the judiciary has exercised  
20 influence over the way the economy is developed.

21                   Well, what is the upshot of these sorts  
22 of things? Well, I think they are really four and I  
23 put them under the acronym PACT, P-A-C-T. Not  
24 political action committee. PACT. And that is  
25 education promotes partnerships. It promotes

1 partnerships between peoples, between students, between  
2 faculty and students and other faculty, between  
3 business interests, between government interests, and  
4 it gives a forum -- and that's what American  
5 universities do so well -- a forum for argument, a  
6 forum for research, a forum for exchange that is  
7 nonthreatening. The American university provides that  
8 forum.

9                   It also promotes toleration. One of the  
10 cardinal virtues and values of American society since  
11 day one is the toleration of other peoples' other  
12 ideas. We may not always agree, but we'll defend the  
13 right for people to say what they believe.

14                   Critical self-awareness. How many people  
15 in this room have travelled abroad and come back  
16 knowing more about themselves as Americans than they  
17 did when they left? Critical self-awareness. All you  
18 have to do is be gone for a couple weeks then come back  
19 and you begin to see things differently than what you  
20 saw or presumed to see before you left.

21                   And finally, an appreciation of  
22 difference. We mentioned diversity, and more than  
23 anything else, an understanding that things change all  
24 the time. And to be abreast of change, to be involved  
25 with change, requires a healthier critical analysis of

1 oneself, a healthy appreciation of the differences in  
2 people, and also a healthy appreciation of the things  
3 that hold people together and bond them in a global  
4 community.

5                   So 3200 colleges and universities in the  
6 United States do this, and that's why higher education  
7 in America is so important, not only to Americans'  
8 growth and development but internationally.

9                   MR. MENGES: First of all, let me thank  
10 Charley and the CED for including us in this very  
11 interesting panel, and thank you, Steve, for an  
12 interesting presentation. Let me follow Jim's very  
13 interesting discussion of immigration and how its  
14 perspective on education with some views on business.  
15 Wearing both my hats as chair of the Dallas Chamber of  
16 Commerce International Division and my day job as a  
17 U.S. lawyer, corporate lawyer, representing U.S.  
18 interests doing outbound transactions and non-U.S.  
19 interests doing inbound transactions, let me talk about  
20 a local angle.

21                   First of all, we talk about the  
22 importance of international trade, international  
23 business, but I'm not sure how many of you realize that  
24 for the first time in 2002 the state of Texas was the  
25 number one ranked state in exports of any state in the

1 country. \$88 billion from Texas in apparently down  
2 economic year, last year. Dallas-Fort Worth accounted  
3 for 35 percent of that, over \$30 billion, just from  
4 Dallas-Fort Worth.

5 Over 2200 companies in the Dallas-Fort  
6 Worth area do international business. What is the key  
7 to that strength, that incredible dynamo in, again, a  
8 downed economy? We believe the key is free trade.  
9 Specifically free trade agreements.

10 The chamber of commerce has been a big  
11 supporter of free trade agreements. These tend to be  
12 political mine fields, very difficult to negotiate.  
13 Right now and with Vietnam there's a dispute over  
14 catfish. With Brazil there's a dispute over oranges.  
15 But free trade and free trade agreements are key. The  
16 U.S. is party to not only three agreements officially  
17 signed, two more waiting to be fully enacted, and we're  
18 negotiating nine more.

19 We are way behind the rest of the world  
20 in terms of developing these uniform systems that break  
21 down the trade barriers that allow for better migration  
22 and immigration, that allow for better educational  
23 pursuits. We need to do more of these. Now, free  
24 trade agreements are but a first step to a consistent  
25 if not uniform way of doing business internationally.

1 We're not talking about a global legal system at least  
2 not in any of our lifetimes. We are talking about a  
3 simpler way of doing business.

4                   There's another angle to this, that's  
5 corporate citizenship. And that's not just refrain  
6 from bribing somebody. That's actually doing good  
7 deeds overseas, and many of our local companies  
8 including Exxon Mobile and Texas Instruments have  
9 really been paragons of good deeds overseas.

10                   TI in India is an organizer of blood  
11 drives associated with the country's national holidays.  
12 One of the first times that that's actually been done  
13 by a non-Indian company. All of this, though, has been  
14 made more difficult not only post-9/11 but post-Enron.  
15 Post-9/11 businesses have found it much more difficult  
16 to operate in the international arena, everything from  
17 changes in U.S. customs regulations -- based on  
18 legitimate homeland security concerns. But, again,  
19 it's much more difficult to bring goods in -- to  
20 restrictions on visas. There's now a 75-day waiting  
21 period for non-U.S. residents from the multitude of  
22 countries that require visas to come here. 75 days  
23 waiting period before they can come here.

24                   In the international business arena  
25 that's strangling us. I mean, you can't set up a

1 business meeting and have to wait three months before  
2 the principals can get together. I'm told by our  
3 congressional representatives that is a short-term  
4 problem on their folks, you know, and the biometric  
5 scans are going to be uniform throughout the world.  
6 They need to get more resources in the Department of  
7 State. The fact is, today it's 75 days.

8                   Also, speaking of politics, the issue of  
9 immigration is becoming a big political issue here.  
10 Earlier this week the chamber of commerce held its  
11 biannual congressional summit talking with our local  
12 congressional delegation about issues of importance,  
13 air quality, transportation, higher education, and  
14 international business. One of the things that I was  
15 urging our congressional delegation to be flexible on  
16 was the issue of caps on H-1V and L-1 visas, the most  
17 common visas for business people, non-U.S. business  
18 people, coming over here.

19                   And the reaction we heard was frankly  
20 surprising to me. The debate over immigration is not  
21 the '80s and '90s debate about Mexican immigration into  
22 Texas and California. By the way, let me remind you  
23 that Texas did a much better job in handling that  
24 situation than California, and that led in part in my  
25 opinion to the election of George Bush and not the

1 election of Pete Wilson as president of the United  
2 States. I'm not sure who's winning the game of  
3 political circus now between Texas and California, at  
4 least on that scale.

5                   That's not the issue right now. What we  
6 heard from our congressman was that they are hearing in  
7 their town hall meetings from unemployed workers who  
8 are convinced that they lost their job because TI and  
9 Nortel brought in non-U.S. workers and they lost their  
10 jobs because of that. Now, Kern Wildenthall, the head  
11 of the UT Southwestern Medical Center told them, When  
12 I'm looking for a Nobel prize winning scientist I can't  
13 get a laid-off Nortel worker to fill that job. I need  
14 to go where that person is overseas.

15                   By the way, that's not any criticism  
16 against laid-off Nortel workers. It's just a statement  
17 of reality that we need to be more flexible on the  
18 sorts of categories of workers. Nonetheless, what we  
19 heard from the congressional delegation is it's  
20 probably going to be a very tough, tough road in  
21 Washington. Post-Enron, it is has been my experience  
22 as a corporate lawyer -- frankly, it's been a bit  
23 embarrassing -- non-U.S. interests are questioning why  
24 they should be held to U.S.-GAP, generally accepted  
25 accounting principles, when after all, Arthur Anderson

1 and Enron and Worldcom, etcetera failed using those  
2 same U.S. GAP standards.

3 I hope that's just a transitional phase,  
4 but it's not fun trying to argue with a French interest  
5 in particular that U.S. GAP should apply over French  
6 GAP.

7 50 percent of the graduate engineering  
8 students in the United States are non-U.S. residents.  
9 We need more flexibility on not only allowing that  
10 continued import of brain but -- of talented brains,  
11 but also letting them stay here after they finish their  
12 education. It's another part of the immigration debate  
13 that right now many of these students are forced to  
14 return to their own countries.

15 The Greater Dallas Chamber of Commerce is  
16 a strong supporter of free trade. It's a strong  
17 supporter of globalization. We think it's good for the  
18 local economy. We want to help Texas stay as the  
19 largest exporting state, not because it's just fun to  
20 be number one, but because that's good for all of us.

21 That concludes my remarks. Thank you.

22 MR. KOLB: I want to thank our panelists  
23 for providing us with some very thoughtful ideas.  
24 Let's open it for any questions that you may have.  
25 Yes, sir? Please tell us who you are.

1                   MR. REBELLO: My name is Carlos Robello,  
2 and I'm involved in trading with Mexico. And my  
3 question is we know about the coffee prices, how many  
4 developing countries depend on coffee products, and we  
5 know that the prices for coffee right now are very low.  
6 And some issue has been raised about fair trade as it  
7 relates to coffee offering a fair value to the peasant  
8 for his coffee so he can make a living. And could you  
9 comment if CED has a position on fair trade?

10                   MR. KOLB: We have taken positions on  
11 fair trade, and you raise a broader point. Let me  
12 comment on it. We have for many years, I think until  
13 recently, in this country a consensus around free  
14 trade, and it began to unravel -- Steve alluded to  
15 it -- at some of the WTO meetings in Seattle and  
16 elsewhere. And there have been issues raised by the  
17 labor and environmental communities which oftentimes  
18 frankly get dismissed in this discussion. And what we  
19 tried to say in our report is that these are key  
20 issues. You can't simply dismiss the labor concerns  
21 and the environmental concerns.

22                   But what we do say in one of our reports  
23 is we don't think it's appropriate to gum up the WTO  
24 with those types of issues because that's not what the  
25 WTO is meant to deal with, the international labor or

1 other forums. But we as business leaders really think  
2 it's important to try and re-establish that consensus  
3 around free and fair trade, and we think you have to do  
4 that without dismissing some of the other concerns.

5                   We have not looked specifically at coffee  
6 as an issue, but we will be coming out -- I think I  
7 alluded to this earlier -- with a report on the first  
8 week of September which is pretty bold, and we will be  
9 calling on the U.S. to demonstrate even greater  
10 leadership in dismantling some of the structures that  
11 we think impair both free and fair trade.

12                   I hope that's an answer to your question.  
13 I don't know if Steve or anybody else wants to comment.

14                   MR. REBELLO: I know that companies like  
15 Starbucks have been forced to really pay a fair market  
16 value, so, you know, it's just --

17                   MR. KOLB: Yeah. I mean, I think we're  
18 going to have to see this play out over a pretty long  
19 period of time. Yeah. I'm sorry.

20                   FEMALE SPEAKER: I had a question for  
21 Mr. Palko. You spoke a little bit about transparency,  
22 and I thought I'd take this opportunity to ask you  
23 about a major transparency I think right through with  
24 Nigerian -- I know that George Storo and the British  
25 government has been pushing for the transparency

1 agreement and royalty agreements between these  
2 countries and they recently entered into like 900. If  
3 it's too early to tell if it's going to be successful.  
4 What are your thoughts on some of these transparency  
5 initiatives in the oil business?

6 MR. PALKO: I think it should have -- it  
7 would be constructive for it to happen, and I would  
8 think it's going to take on a different form depending  
9 on what country you're in. It's going to take on a  
10 different way. It may or may not happen depending on  
11 the country. The unfortunate thing about it -- and  
12 it's not just the energy industry, but what literally  
13 happens is very contingent on the specific individuals  
14 and power structure in each one of those settings. And  
15 particularly what's happening politically in those  
16 countries at that specific time.

17 But like the energy industry, like all  
18 industries, I think over time there's going to have to  
19 be more transparency and there's going to have to be  
20 more of a way for people to do like CED recommends.  
21 Part of its recommendations are that all this gets  
22 publicly exposed because thinking that if people  
23 understand what's going on there will be public  
24 pressures for things to be more credible and be more  
25 honest and be more forthcoming, and so but right now I

1 think it's just all up in the air, those things.

2                   MR. ESCOBEDO: This is more of a CED  
3 question. I'm not sure what it takes to become a CED  
4 trustee, and -- I'm sorry. Francisco Escobedo with  
5 Texas Instruments. But it says here recommend that  
6 businesses based in the U.S. support the equal status  
7 of women in all their practices and programs in  
8 developing countries. I just did a quick count here  
9 and it looks like there's about 250 trustees, and about  
10 10 percent of them are women. So how is it that we can  
11 go and say we should be doing this abroad if we're not  
12 doing it at home?

13                   MR. KOLB: That's an absolutely perfect  
14 point, and one of the things that has been a priority  
15 for me is to bring more women onto the CED board. CED  
16 was founded 61 years ago by basically a handful of  
17 businessmen. There were no businesswomen back then by  
18 and large, but you have colleague, Cori Fiorina now  
19 among others. You see more and more women making it  
20 into the upper ranks of the American business  
21 community, and we think that's a good thing, and we're  
22 doing everything we can to attract them to the CED  
23 board.

24                   And that's an issue for the country as a  
25 whole. If you could help me do that at CED we'd love

1 to have you participate. But we need to follow our own  
2 guidance here, walk and talk as it were. But this is  
3 still a relatively new phenomenon in this country.  
4 What we're talking about in our report is not getting  
5 women CEOs in developing countries. Yes, we want to  
6 get there. But we're talking about basically getting  
7 women to have the same level of rights, the same  
8 opportunities, the same support system that we think  
9 does exist in this country. And it's going to be a bit  
10 longer before you're going to see women CEOs in  
11 developing countries.

12                   Your point is well taken, and I agree  
13 with you completely. Yes, sir?

14                   MR. NIENBERG: Corith Nienberg. I'm  
15 originally from the Netherlands. I had a question  
16 about I heard the speech from Mr. Palko. Expanding our  
17 market overseas into Europe and Asia and all the other  
18 markets and broadening into those countries I have  
19 heard a lot of people in my country, in Holland, say  
20 that they love American business but they hate the push  
21 of the culture outside of that country.

22                   France says the same things, and there's  
23 been other countries like that. How do you guys like  
24 CED and others make that mix happen to not erode their  
25 standards or values or however unique they feel?

1                   MR. PALKO: I think a lot of American  
2 companies are learning that lesson by braille. They'll  
3 go in and, for example, donuts in England. Cataclysmic  
4 failure because it's contracultural. The British don't  
5 eat donuts. It's not part of their culture. Coffee,  
6 the British were not great coffee drinkers, but  
7 Starbucks was an enormous success. And part of the  
8 difference between those two stories is consciousness  
9 of the culture, consciousness of the customs, and  
10 respect for it. Because as you're aware, particularly  
11 in western Europe the American approach is seen as  
12 somewhat arrogant, and someone carrying with it that  
13 Well, our stuff is better because we are better. And  
14 particularly the French are enormously offended by that  
15 sort of attitude.

16                   And so I think that just happens through  
17 market forces. I think that American companies in  
18 particular as they market in Asia, in western Europe  
19 are going to come to understand that you're not going  
20 to sell your stuff unless you understand, respect,  
21 nurture, and support the local culture. And so those  
22 that operate internationally if they haven't learned  
23 that lesson, like I say, they're going to learn it by  
24 braille pretty soon.

25                   MR. KOLB: I think this issue plays

1 itself out in many different ways. For example, the  
2 last time I was in France -- and it cuts both ways. I  
3 remember it was in the town of Cannes on the Riviera  
4 where they have the film festival, and 30 years ago  
5 there used to be this wonderful restaurant, which was  
6 sort of a self-service cafeteria. But it was all fresh  
7 French food, you know. Okay. When I was there two  
8 years ago that restaurant had been replaced and it was  
9 replaced by a Planet Hollywood next to a McDonald's.  
10 And they were both packed with French people, not  
11 American people.

12                   Okay. So no one was forcing the French  
13 to do that. I mean, I read the same things that you  
14 have that people are concerned about the dominance of  
15 American culture, and I think going back to the  
16 president's point greater exchanges on universities and  
17 students I think will help all of us have a greater  
18 understanding of the cultures. I happen to be a  
19 Francophile. I love the country. I love the French.  
20 But having lived there and worked there you can  
21 understand their sensibilities, and I hope more French  
22 will understand our sensibilities.

23                   The market forces will play out, but the  
24 types of educational exchanges that were highlighted  
25 this morning I think are critical to what ultimately

1 will play out in a political and commercial  
2 environment, and that sort of educational exchange is  
3 part of the infrastructure that builds the type of  
4 understanding that I think can diffuse some of the  
5 crises that we've seen with our allies.

6 MR. NIENBERG: Can I ask an add-on? You  
7 brought up and all that, Planet Hollywood and that  
8 brought into my mind a question like, is there a  
9 governance on globalization, what we want to push from  
10 America overseas? Do we want to push McDonald's? Or  
11 do we want to push like other businesses? Is there  
12 like a true governance there like --

13 MR. KOLB: Not to my knowledge.

14 MR. HOLLIFIELD: I just wanted to quickly  
15 respond to this. France, I guess, is the best example  
16 in part because I think what you're seeing here is an  
17 elite versus masses problem. I mean, France is a place  
18 that is known and we all like -- all of the  
19 Francophiles like the high culture in France. When you  
20 see all this stuff seeping in at the bottom, you know,  
21 the McDonald's and other things, which are basically  
22 being decided by the market forces, it makes the elite  
23 very nervous.

24 In a country like France, which is a very  
25 centralized and a fairly elitist place, they're often

1 tempted to make laws which try to ban things like  
2 McDonald's. I think Euro Disneyland was referred to  
3 once as a cultural Chernobyl. I think that's the way  
4 it has been described and perhaps it is. But if the  
5 Europeans go there, the French go there, then, you  
6 know, the market is basically saying this is something  
7 maybe pretty awful in some ways, but it's something  
8 people want and something that they like.

9                   So I think this is a little bit of an  
10 elite versus masses thing going on here, and I would  
11 agree with Mr. Kolb that let's kind of let the market  
12 sort all this out.

13                   MR. KOLB: I want to turn the podium over  
14 to Jan Hart Black for closing comments. Can I sneak in  
15 one quick question for Ken, though, because I think he  
16 raised a fairly important issue? And that is, How do  
17 you respond to the congressional delegation on what I  
18 think is one of the key points made by those who oppose  
19 globalization, mainly the job loss, the outsourcing of  
20 jobs in this country to overseas? It's sort of Pat  
21 Bucannon. What do you say to the members of the  
22 Congress?

23                   MR. MENGES: Well, the first thing I urge  
24 them to do is to get the facts. It's easy to listen to  
25 an aggrieved unemployed worker who will blame any

1 number of things on his or her current plight, but the  
2 facts are that the people who are coming in on H-1V and  
3 L-1 visas are highly trained technical workers that we  
4 didn't have here before, and they did not replace jobs.

5                   The second thing we ask is for  
6 flexibility. No hard and fast, you know, cuts or  
7 limits. Let's be flexibility by industry, by  
8 geography, by any number of ways. And I also bring up  
9 the Texas versus California point about the '80s  
10 approach to Mexican migration to this country.  
11 California still has the scars of their fight against  
12 that totally unstoppable phenomenon and still have  
13 tensions that affect not just social areas but doing  
14 business in that state. Texas had a completely  
15 different approach, and again we're talking about  
16 states that are underneath the federal law on  
17 immigration, just how two states dealt with it. And I  
18 urged them to embrace the inevitable and not try to  
19 fight it.

20                   MS. BLACK: I'd like to certainly thank  
21 everyone today, but I would like to recognize one of  
22 the Greater Dallas Chamber board members who is here in  
23 addition to Ken Menges, and that is David Hall who's  
24 president and COO of Mary Kay Cosmetics. When the  
25 question arose about whether by policy the U.S.

1 promoting McDonald's or perhaps should be promoting  
2 other industries overseas, he suggested perhaps Mary  
3 Kay should be promoted overseas.

4                   We all know where we're coming from.  
5 Anyway, I think the speakers, the panelists were  
6 outstanding. Steve Palko, thank you for your remarks  
7 on the key issues of globalization, and we certainly  
8 all hope good policy prevails over politics in many of  
9 these areas, although it clearly is challenge at all  
10 levels of government.

11                   Immigration. Dr. Hollifield has been a  
12 great asset to this metro area. We have benefitted  
13 tremendously, culturally, and economically from the  
14 immigration that we have seen over the last decade. In  
15 fact, about probably 30 percent, 40 percent of our  
16 population growth has been through international  
17 immigration here, and it's been a very important driver  
18 of that growth.

19                   And Ken, the importance of free trade  
20 agreements, we've talked about that for a long time in  
21 the chamber. Clearly important to our growing global  
22 economy. I'd also like to thank CED for bringing the  
23 road show here. We appreciate it as always. The  
24 Greater Dallas Chamber and the Fort Worth Chamber  
25 appreciated being your partners in this effort. We all

1 share the same goals. And finally, I would like to  
2 thank all of you who came here today to listen to this  
3 important message or these important messages and I  
4 hope you have a wonderful morning. Thank you.

5 (End of Proceedings.)

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