



Congress of the United States
House of Representatives
Washington, DC 20515

March 16, 2004

Dear Colleague:

I commend to your attention the following article from the Wall Street Journal, detailing our services insourcing surplus. That is, more high-wage professional and business services are insourced to the U.S. than are outsourced. Misguided attempts to halt the free flow of goods, services and capital could jeopardize the billions of dollars in insourced business we enjoy every year – and the millions of jobs it supports.

Sincerely,


David Dreier

More Work Is Outsourced to U.S. Than Away From It, Data Show

By MICHAEL M. PHILLIPS
Staff Reporter of THE WALL STREET JOURNAL

Monday, March 15, 2004

WASHINGTON -- Despite the political outcry over the outsourcing of white-collar jobs to such places as India and Ghana, the latest U.S. government data suggest that foreigners outsource far more office work to the U.S. than American companies send abroad.

The value of U.S. exports of legal work, computer programming, telecommunications, banking, engineering, management consulting and other private services jumped to \$131.01 billion in 2003, up \$8.42 billion from the previous year, the Commerce Department reported Friday.

Imports of such private services -- a category that encompasses U.S. outsourcing of call centers and data entry to developing nations, among other things -- hit \$77.38 billion for the year, up \$7.94 billion from 2002. Measuring imports against exports, the U.S. posted a \$53.64 billion surplus last year in trade in private services with the rest of the world.

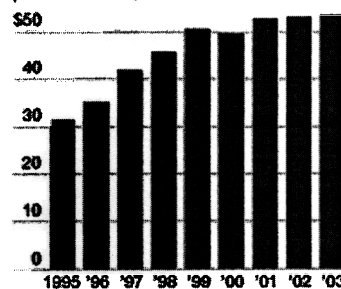
Under government accounting, when a U.S. company opens a technical-support center in India that handles inquiries from the U.S., that is considered a U.S. import of services. When a U.S. lawyer in New York does work for a German auto company or a New York investment banker works on a deal for a Japanese company, that is an export of services.

The numbers suggest that congressional efforts to restrict outsourcing by U.S. companies may backfire, if they provoke retaliation by U.S. trading partners. Economists also say that U.S. service exporters -- insurers, for instance -- might lose some competitive edge if they can't use foreign suppliers for call centers or other back-office operations.

"If you try to protect and limit outsourcing, you will have a negative impact on the exports of service activities, which generate a lot of jobs," said Catherine Mann of the Institute for International Economics, a Washington policy research group.

WHO'S OUTSOURCING TO WHOM?

U.S. trade surplus in white-collar and other private services, in billions



Source: Bureau of Economic Analysis via Economy.com