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GROWTH, OPPORTUNITY, COMPETITION – AMERICA GOES TO WORK

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND COMMERCE
HOUSE OF REPRESENTATIVES

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GROWTH, OPPORTUNITY, COMPETITION – AMERICA GOES TO WORK

THURSDAY, JUNE 29, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON ENERGY AND COMMERCE,
Washington, DC.

The committee met, pursuant to notice, at 10:18 a.m., in Room 2123 of the Rayburn House Office Building, Hon. Joe Barton (Chairman) presiding.

Members present: Representatives Bilirakis, Upton, Stearns, Norwood, Shimkus, Bass, Pitts, Walden, Terry, Otter, Murphy, Burgess, Blackburn, Dingell, Eshoo, Stupak, Engel, Green, Allen, Schakowsky, Solis, Gonzalez, Inslee, Baldwin, and Barton.

Staff present: David Cavicke, General Counsel; Brian McCullough, Professional Staff Member; Will Carty, Professional Staff Member; Billy Harvard, Legislative Clerk; Jonathan Cordone, Minority Counsel; David Vogel, Minority Research Assistant; and Jonathan Brater, Minority Staff Assistant.

CHAIRMAN BARTON. The meeting will come to order. Today we are going to have a hearing on general issues between the Commerce Committee and the Secretary who is the President's number one person. By prior arrangement, Mr. Dingell and myself will be allowed opening statements of 5 minutes. Ms. Schakowsky and Mr. Stearns, if they are here, will have 3 minutes. All other members will have 1-minute opening statements.

As head of the Department of Commerce, Secretary Gutierrez is responsible for promoting trade and industry for the United States companies at home and abroad. The Department has responsibility for a diverse portfolio of Federal programs including those relating to telecommunications, technology, economic statistics, trade promotion, weather, and oceanographic services.

One of the priorities of the Bush Administration of this committee is creating policies that allow economic growth and job creation to flourish. American innovation, technology, and the standard of living are the reasons we are the envy of the entire world. It is an impressive cycle that attracts creative genius and rewards innovative progress. It is strong foundations that others around the world have been trying to replicate for

a number of years. I believe that the Administration and Congress have done a good job to maintain that foundation when faced with some of the extraordinary challenges of the last 7 or 8 years.

In the wake of the technology market collapse and the onset of recession in 2000, we faced a significant test to restore economic growth and prosperity. The test became even more difficult with the terrorist attacks on September 11, 2001, and the resulting economic shock that sent business investment into steep decline. The Administration and Congress have worked together to help prevent the economic downturn from being too prolonged and destructive to the American standard of living.

We have done a number of proactive policies that have spurred investment through tax cuts. Those policies have brought investment back to the market to create job growth and increase overall economic output. This created one of the strongest periods of economic activity we have experienced in our history. For example, since 2001, productivity has grown annually 3-1/2 percent. It outpaced the previous 5-year annual rate of 2.3 percent. This is the fastest rate of productive growth in four decades.

As the key driver to economic growth, it is not surprising that productivity is translating into strong GDP growth. For the first quarter this year gross domestic product grew at an annual rate, believe it or not, of 5.6 percent. Unemployment has fallen from its peak in July of 2003 at 6.3 percent to 4.7 percent last month. This is a historical low and at a point many economists consider full employment. When compared to other industrialized countries many of which have double digit unemployment there is no doubt that we are succeeding in fostering an environment conducive to creating jobs.

Given all these remarkable statistics, we must remain committed to promoting policies that increase productivity and continue to provide real growth for all Americans. The Secretary of Commerce has reported that American employment rates are substantially higher than our Western European trading partners. The May unemployment rate of 4.6 percent, however, is significantly below the 30-year average of 6.4 percent and has fallen for all races, ages, and levels of education.

During the committee's hearing 2 years ago with Secretary Gutierrez's predecessor, Secretary Evans, we discussed a number of ways to promote growth in employment in U.S. industry particularly with regard to the manufacturing sector. Those issues at the time were to enact a national energy policy, which we did, to promote reliable delivery of energy and diminish our reliance on foreign sources of oil and natural gas. On that second point, we have not done that. We wanted to enact tort reform to improve the competitiveness of U.S.

manufacturers, and we wanted to control health care costs which make up a disproportionate share of manufacturers' cost and increasingly affect all businesses.

This committee is working hard to achieve these goals and I am proud to say that we took a good step forward accomplishing the first one when we passed the Energy Policy Act on a bipartisan basis last summer. However, as the hurricanes last fall demonstrated, more needs to be done to increase our refinery capacity to further reduce our dependence on foreign oil. As the increase in gasoline prices remains higher than anyone likes on either side of the aisle, it is essential that we continue to address all aspects of energy policy to provide viable alternatives for long-term sustainable energy independence.

We are continuing to pursue these goals on a bipartisan basis. I am sure that as the year progresses we will have more successes on this front. Mr. Secretary, we are very glad to have you here. A number of other members have opening statements, but again personally I appreciate your appearing before us and look forward to hearing your testimony.

SECRETARY GUTIERREZ. Thank you.

[The prepared statement of Hon. Joe Barton follows:]

PREPARED STATEMENT OF THE HON. JOE BARTON, CHAIRMAN, COMMITTEE ON ENERGY AND COMMERCE

Good morning. It is my pleasure today to welcome the Honorable Carlos M. Gutierrez, Secretary of Commerce, to the Committee. As head of the Department of Commerce, Secretary Gutierrez is responsible for promoting trade and industry for U.S. companies and workers. The Department has responsibility for a diverse portfolio of federal programs including those relating to telecommunications, technology, economic statistics, trade promotion, weather, and oceanographic services.

One of the priorities of this Administration and of this Committee is creating policies that allow economic growth and job creation to flourish. American innovation, technology, and standard of living are the reason we are the envy of the entire world. It is an impressive cycle that attracts creative genius and rewards innovative progress. It is a strong foundation that others cannot replicate and which we must ensure is not diminished.

I believe the Administration and Congress have done an excellent job to maintain that foundation when faced with extraordinary challenges. In the wake of the technology market collapse and the onset of recession in 2000, we faced a significant test to restore economic growth and prosperity. That test became immeasurably more difficult with the terrorist attacks on September 11, 2001 and the resulting economic shock that sent business investment into deep decline.

The Administration and Congress helped prevent the economic downturn from being prolonged and destructive to Americans' standard of living through a number of proactive policies that spurred investment through tax cuts. Those policies have brought investment back to the market to create job growth and increase overall economic output that has created one of the strongest periods of economic activity we have experienced in our history.

Since 2001, productivity has grown annually at 3.5% and outpaced the previous five year annual rate of 2.3%. This is the fastest rate of growth in 4 decades. As the key driver to economic growth, it is not surprising that productivity is translating into strong GDP growth. For the first quarter of 2006, GDP grew at an annual rate of 5.6%. Furthermore, unemployment has fallen from its peak in July 2003 of 6.3% to 4.7% this past May. This is at historical lows, and at a point many economists consider full employment. When compared to other industrialized countries—many of which have double-digit unemployment—there is no doubt that we are succeeding in fostering an environment conducive to creating jobs.

Given all these remarkable statistics, we must remain committed to promoting policies that increase productivity and continue to provide real growth for America. The Secretary has reported that American employment rates are substantially higher than our Western European trading partners. The May unemployment rate of 4.6% is significantly below the 30-year average of 6.4% and has fallen for all races, ages, and levels of education. Promoting employment remains a key goal.

During the Committee's last hearing two years ago with Secretary Gutierrez's predecessor (Secretary Evans), we discussed a number of ways to promote growth and employment in U.S. industry, particularly with regard to the manufacturing sector. Those issues are: 1) enact a national energy policy to promote reliable delivery of energy and diminish our reliance on foreign sources of oil and natural gas; 2) enact tort reform to improve the competitiveness of U.S. manufacturers, and 3) control health care costs which make up a disproportionate share of manufacturers' costs and increasingly affect all businesses.

This Committee has worked hard to achieve these goals and I am proud to say we took a great step toward accomplishing the first one when we enacted the Energy Policy Act of 2005. However, as the hurricanes last fall demonstrated, more needs to be done to increase our refinery capacity to further reduce our dependence on foreign oil. As the increase in gas prices remains higher than anyone likes, it is essential we continue to address all aspects of energy policy to provide viable alternatives for long-term sustainable energy independence. I intend to continue to pursue these issues on a bipartisan basis, and I encourage all Members to work with us to promote economic growth and job creation.

Despite the impressive state of our economy, our competitors are not standing still. Indeed, they seek to replace us as world leader in many areas of innovation that are inherent to our continued economic health and wealth as a nation. I am pleased to see the Administration has responded to these challenges with proposals to maintain our leadership role, such as the proposed investments in research and technology contained in the American Competitiveness Initiative. I am also pleased to see the budget request reflect a disciplined approach to achieve results based on priorities. I look forward to discussing these and other of the Secretary's proposals that will strengthen our commitment to achieve the United States' long-term economic goals.

With respect to the management of the Department of Commerce, I am concerned that the role of the Technology Administration has been diminished. I believe that Commerce has an important role to play in coordinating government-wide technology efforts and encourage the Secretary to see that the Technology Administration is adequately funded.

I want to thank the Secretary for making himself available today. I look forward to his testimony and assessment of our economy as well as any policy changes he may suggest.

CHAIRMAN BARTON. I would recognize the distinguished Ranking Member, Mr. Dingell, for his opening statement.

MR. DINGELL. Mr. Chairman, thank you. I appreciate your holding this hearing. I thank you, Mr. Secretary, for joining us today. I appreciate your kindness. There are many important issues affecting our economy, manufacturing, and workers. And I think this will be a most useful dialogue, and I look forward to working with you. Since January of 2001, Michigan has lost over 235,000 jobs. Many of these were high-paying manufacturing jobs. This number, though staggering by itself, is just a small portion of the 2-1/2 million manufacturing jobs and 850,000 service sector jobs that have been lost across the country.

Moreover, the few jobs that have been created during this period pay approximately 21 percent lower wages than the ones they replace. This is a serious matter and deserves the attention of all of us. The American people want to hear that we understand what is happening in the real world. They want to know that we are doing something to help them earn an honest living and support their families. Some of these issues need to be discussed, and I hope the committee will continue to explore them and take proper action where appropriate.

First, everyone today is talking about outsourcing, but outsourcing really is a fine word for something else. It is exporting jobs. It used to be that manufacturing jobs were at risk. Now white collar positions such as accounting and even medicine and the practice of law are being exported to countries with lower wages. Yet many continue supporting tax breaks for large corporations encouraging this practice. These perverse initiatives and incentives are costing American taxpayers up to $12 billion a year in addition to costing us large numbers of jobs.

Second, small and mid-size manufacturers are an integral part of the domestic economy and they need assistance to compete more effectively on the world stage. For example, many of the parts and components that go into automobiles are manufactured by small businesses. We should expand these programs in the Department of Commerce such as the Manufacturing Extension Partnership and the Advanced Technology Program. Regrettably, instead, these programs have been continually cut, and now we find that some seek to eliminate the Advanced Technology Program in its entirety.

I would note parenthetically here, Mr. Secretary, that your proposals which relate to whether the programs within your department which relate to expansion of American exports and assistance to American exporters and businesses have been suffering ill days. I know this is not your fault, but it is a source of concern because these are programs which create large numbers of jobs and which are very important to a very large segment of the American economy which finds these programs to be uniquely valuable and successful.

Another thing, the third item, Mr. Secretary, American businesses and American workers deserve a government that pursues a policy of fair trade. We do not see that in this Administration, and it is a matter of great concern. Countries such as China and Korea artificially lower their currency values and allow deplorable labor practices. These countries have an unfair trade advantage over American countries that do the right thing. We need to see to it that there is a fair, level, and even playing field for our industry. That is a fair way of protecting manufacturing jobs and manufacturing capacity.

And these are matters where the jobs and the industries are vital to our national security, and they are being afflicted severely by unfair trading practices and other unfair activities by competing trading partners. Fourth, the health care costs in this country are out of control. This places an enormous burden on American companies and puts them in a severe competitive disadvantage. We see estimates of $1,200 to $1,400 of every American automobile goes towards the healthcare cost that companies carry for their workers and retirees. By contrast, Mr. Secretary, it is about double the $700 worth of steel that is in an American car. While other industrialized nations cover some and in many cases almost all of their healthcare costs for their workers, American companies that are doing the right thing again are severely disadvantaged.

The Federal government can and must do more. Finally, American workers deserve a fair wage. Hard-working families struggle to make ends meet. The minimum wage, however, has not been raised since 1997. If we do not act to increase the minimum wage by December 1 it will be the longest period without an increase since the wage was first established back in 1938. American families deserve better, and not acting to increase this wage is just plain wrong.

I look forward, Mr. Secretary, to hearing the testimony that you are about to give, and it is my hope that we can work cooperatively to address many of these matters. Thank you, Mr. Secretary, and, thank you, Mr. Chairman.

[The prepared statement of Hon. John D. Dingell follows:]

PREPARED STATEMENT OF THE HON. JOHN D. DINGELL, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. Chairman, thank you for holding this hearing, and I want to thank my friend Secretary Gutierrez for joining us today. There are many important issues affecting the American economy, American manufacturing, and American workers. I welcome this dialogue, Mr. Secretary, and look forward to working with you.

Since January of 2001, Michigan has lost over 235,000 jobs, and many of those were high-paying manufacturing jobs. This number – though staggering by itself – is just a portion of the 2.5 million manufacturing jobs and 850,000 service sector jobs that have

been lost across the Nation. Moreover, what few jobs that have been created during this period pay approximately 21 percent lower wages than the ones they replaced. This is a serious matter that deserves our attention.

The American people want to hear that we understand what is happening in the real world. They want to know what we are doing to help them earn an honest living and support their families. So I would like to discuss a few of those issues, and I hope that this Committee will continue to explore them and take prompt action where appropriate.

First, everyone today is talking about "outsourcing." Let's call it what it is: exporting jobs. It used to be that manufacturing jobs were at risk; now white-collar positions such as accounting are being exported to countries with lower wages. Yet many continue supporting tax breaks for large corporations encouraging this practice. These perverse incentives cost the American taxpayer up to $12 billion a year.

Second, small and mid-sized manufacturers are an integral part of the domestic economy, and they need assistance to compete more effectively on the world stage. For example, many of the parts and components that go into an automobile are manufactured by small businesses. We should expand programs in the Department of Commerce such as the Manufacturing Extension Partnership and the Advanced Technology Program. Instead, these programs have been continually cut, and some now seek to eliminate the Advanced Technology Program in its entirety.

Third, American businesses and American workers deserve a government that pursues a policy of fair trade. Countries, such as China and Korea, that artificially lower their currency and allow deplorable labor practices, have an unfair trade advantage over American companies that do the right thing. We must protect manufacturing jobs and manufacturing capacity, that in many instances are vital to our national security, from these unfair practices.

Fourth, the cost of health care in this country is out of control. It places a substantial burden on American companies and places them at a competitive disadvantage. Estimates are that $1,200 to $1,400 of every American automobile sold goes toward the healthcare costs that the company carries for its workers and retirees. When other industrialized nations cover some – and in many cases all – of their worker healthcare costs, American companies that are doing the right thing are disadvantaged. The Federal Government can and should do more.

Finally, American workers deserve a fair wage. While hard-working families struggle to make ends meet, the minimum wage has not been raised since 1997. If we do not act to increase the minimum wage by December 1st, it will be the longest period without an increase since the wage was first established in 1938. American families deserve better, and not acting to increase the minimum wage is just plain wrong.

I look forward to hearing the testimony of our distinguished witness, and it is my sincere hope that we can work cooperatively to address many of these matters. Thank you, Mr. Chairman.

CHAIRMAN BARTON. Thank you, Mr. Dingell. We are going to go to Mr. Bilirakis for 1 minute.

MR. BILIRAKIS. Thank you, Mr. Chairman. Mr. Secretary, thank you for being here and thank you for your leadership in promoting prosperity and job growth in the U.S. I am particularly interested, Mr. Secretary, to learn about the ways in which the Administration and your department are addressing the outsourcing and off shoring of American jobs, specifically in the information technology sector.

I have a constituent, Dale Tindall, who worked for IBM for 19 years, mainly in a highly paid supervisory position where he managed over 100

employees. Mr. Tindall was laid off in 2003 and has remained unemployed for 33 months despite applying for thousands of jobs, working with eight job recruiters, and meeting weekly with his local workforce development board. Although he is committed to seeking employment, he has not had any success with securing interviews or job offers. He does remain one of the many Americans that fall into the 4.6 percent unemployment category.

Do not get me wrong, sir. I applaud the decline in the nation's unemployment rate and am pleased to learn that many Americans are returning to work, but I do question what more can be done to promote job growth and help those who have not been fortunate to land jobs that enable them to maintain a decent quality of life. I look forward to discussing this with you, sir, during the question period of today's hearing. Thank you.

[The prepared statement of Hon. Michael Bilirakis follows:]

PREPARED STATEMENT OF THE HON. MICHAEL BILIRAKIS, A REPRESENTATIVE IN CONGRESS FORM THE STATE OF FLORIDA

Mr. Secretary, earlier this week I spoke at length with one of my constituents, Dale Tindall, who once earned over $100,000 per year as a manager at IBM. Mr. Tindall is highly educated and spent 19 years working for the IBM Global Network/AT&T Business Services, including 10 years in supervisory management positions. He was laid off from his job in 2003 and has been unemployed for two years, nine months. Despite working with eight different job recruiters, visiting his local workforce board weekly, and applying for thousands of jobs, Mr. Tindall has yet to be offered gainful employment and will soon exhaust his savings.

I know that Mr. Tindall is not alone – countless Americans have been laid off or lost their jobs in recent years, and many of them are lower-paid workers who do not have substantial savings to cover their living expenses while they hunt for jobs.

1. What is the Department of Commerce and the Bush Administration doing to promote job creation and help unemployed Americans return to work?
2. I understand that accurate data on the number of jobs that have been "outsourced" or "offshored" is difficult to compile. Does the Department of Commerce have access to data about employment trends in the United States? What can be done to improve data collection so that the Administration and Congress have accurate information as we examine ways to help strengthen the economy and foster an environment which encourages job creation?
3. Is it unusual for highly-paid, educated, long-serving employees serving in management positions (such as Mr. Tindall) to be laid off and not return to similar positions and wages? What trends has the Department observed with respect to the loss of high-paying management jobs?

CHAIRMAN BARTON. We will go to Ms. Schakowsky, the Ranking Member of the subcommittee for 3 minutes.

MS. SCHAKOWSKY. Thank you, Chairman Barton and Ranking Member Dingell for holding today's hearing. As we head into the 4th of July holiday it is appropriate that our committee is taking time to talk

about the American economy and American workers, and I welcome Secretary Gutierrez. Since the adoption of the Declaration of Independence and the birth of our Nation we have benefited from the great work and contributions of countless American patriots, and the Congress and the Administration have always undertaken efforts to honor those men and women.

Secretary Gutierrez, in February you told the Government Reform Committee, "the Commerce Department and this Administration are committed to maintaining America's leadership and competitiveness in today's dynamic global economy, to raise standards of living, and create new American jobs." I could not agree more. Yet, over 2.8 million manufacturing jobs have been lost since 2000, and I believe that we need to do what we can to encourage and reward corporations that commit to America's economic growth and create jobs for American workers.

That is why I, along with members of this committee, Representatives Sherrod Brown and Solis, introduced the Patriot Corporations of America Act yesterday. Instead of providing corporations incentives to slash benefits or offshore their finances and jobs, the Patriot Corporations Act would encourage American corporations to invest in America and American workers. Patriot Corporations would be rewarded by receiving preference for government contracts and a 5 percent tax rate reduction. Patriot Corporations would be asked to pledge their allegiance to our country by producing at least 90 percent of their goods and doing at least 50 percent of their research and development in the United States.

They would limit top management's compensation to no greater than 100 times that of their lowest compensated full-time workers. They would show their commitment to their workers by contributing at least 5 percent of payroll to portable pension funds and by paying for at least 70 percent of the cost of health insurance. Finally, Patriot Corporations would simply be required to comply with existing Federal regulations regarding the environment, workplace safety, consumer protections, and labor relations, including maintaining neutrality and employee organizing drives.

Secretary Gutierrez, since we are both committed to creating, this is from your Web site, "the conditions for economic growth and opportunity by promoting innovation, entrepreneurship, competitiveness, and stewardship," I hope that you will join me today or at least take a good close look at the Patriot Corporations of America Act. I look forward to hearing from you today what the Administration has been doing to promote corporate patriotism, and I would very much like to work with you on developing this concept. Thank you very much.

CHAIRMAN BARTON. Does Mr. Shimkus wish to make an opening statement?

MR. SHIMKUS. I will waive for questions, Mr. Chairman.

CHAIRMAN BARTON. Does Mr. Upton wish to make an opening statement?

MR. UPTON. Just briefly, thank you, Mr. Chairman, for holding this hearing. I am glad to see my old, young friend, Mr. Gutierrez, a solid friend who ran a great company in southwest Michigan as Chairman of Kellogg's, and I appreciate your experience there but even more so now serving the whole country. Today I want to hear a little feedback on foreign trade zones. We have one, of course, in Battle Creek, but specifically what we can do more in this area to keep manufacturers competitive. I look forward to your leadership and I yield back at this time.

[The prepared statement of Hon. Fred Upton follows:]

PREPARED STATEMENT OF THE HON. FRED UPTON, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Thank you, Mr. Chairman. I remain concerned about the state of manufacturing competitiveness in the U.S. – I am pleased to see the Secretary of Commerce here to address that issue today. Secretary Gutierrez is a former resident of my district – having served Kellogg Company with distinction and having real world experience in making a company more competitive. It is great to see you again, Carlos.

Today I would like to hear some feedback on the idea of Foreign-Trade Zones and how they are working – specifically if we can do more in this area to help keep our manufacturers competitive. Foreign Trade Zones were created to provide special customs procedures to U.S. plants engaged in international trade-related activities. This offsets the customs advantages available to overseas producers who compete with the domestic industry.

The FTZ program encourages U.S.- based operations by removing the disincentive of duties on raw materials, parts and components that are used for the production of another finished good. The FTZ program levels the playing field for these companies by treating the products in the same was as they would be if they were produced abroad.

I know that companies in my district have successfully used Foreign Trade Zone 43 in Battle Creek, Michigan to import raw materials for their production and it has helped us keep jobs in Michigan and in the United States.

I hope that Secretary Gutierrez can touch on this issue and whether or not we can expand this important program to further aid in American competitiveness. If there is a need for legislation to expand this program – I am ready to commit to that today because I know that this program works for manufacturers.

Thank you Mr. Chairman, I look forward to today's testimony.

CHAIRMAN BARTON. Does Ms. Eshoo wish to make an opening statement?

MS. ESHOO. Thank you, Mr. Chairman. Good morning, Mr. Secretary, and thank you for meeting with some of us that represent coastal communities in California, Oregon, and Washington State. So I

am going to direct my opening statement to the issue at hand and the devastation we are talking about, America going to work. There are many, many, many of our constituents that are part of the fishing industry that you heard about this morning that have been devastated by what is taking place in these coastal communities.

There has been a failure in my view to respond to the dire emergency that is affecting the commercial salmon fishing industry, and this has had a devastating effect, a devastating impact on salmon fishermen and related businesses along the California and Oregon coasts. You have been to my Congressional district which everyone thinks of as solely being Silicon Valley, but on the other side of the hill is the magnificent coast side, and this is a vital part of the economy there. The impact of the fishing closure on the fishermen and coastal communities is really in many ways unfathomable because it stretches across so many parts of this sector.

This is the largest in the history of the West Coast, the largest commercial fishing closure in the history of the West Coast. So we need your help. I think that this has been worsened by the failure to recognize the damage the decision has caused and so your response to this is really going to be key. It is in your hands. Very often there are decisions that are made that span many agencies and many individuals. If you stand up and take action on this, it will help save the livelihoods that have been destroyed. People have actually lost their living, lost their living.

CHAIRMAN BARTON. The gentlelady's time is up.

MS. ESHOO. Thank you for being here today. I appreciate the time that you spent with a handful of Members earlier, and we are going to look forward to the action that I am confident after hearing the facts that you will take. Thank you, Mr. Chairman.

CHAIRMAN BARTON. Thank you. Mr. Norwood.

MR. NORWOOD. Thank you, Mr. Chairman. Did you say 1 minute?

CHAIRMAN BARTON. I did.

MR. NORWOOD. In courtesy to the Secretary, I will just put my remarks in the record, and let us get to him.

[The prepared statement of Hon. Charlie Norwood follows:]

PREPARED STATEMENT OF THE HON. CHARLIE NORWOOD, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF GEORGIA

Mr. Chairman,

Thank you for testifying today on job creation and the economy. In my district, we are experiencing the "best of times, the worst of times." While national key indicators are good, some people are doing well, others are being destroyed by unfair global competition.

I have had three major textile employers in my district forced to close in a single month, due to unfair competition from Red China. People's lives are being ruined by bad

trade policy under WTO and NAFTA. Foreign competition is strong and gaining, entirely because we have allowed the deck to be stacked in their favor.

Meanwhile, high gas prices and rising interest rates threaten to combine with this trade deficit to send us into a serious recession.

I look forward to your testimony about how we avoid this impending doom from globalism.

CHAIRMAN BARTON. All right. Does Mr. Terry wish to make an opening statement?

MR. TERRY. Can I submit my opening statement as well?

CHAIRMAN BARTON. You sure may.

[The prepared statement of Hon. Lee Terry follows:]

PREPARED STATEMENT OF THE HON. LEE TERRY, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEBRASKA

Thank you Mr. Chairman for holding today's important hearing on the future of growth and competition in America.

There are a few vital elements needed to create and sustain healthy competitive markets.

The foundation for a strong market consists of innovation, protection of intellectual property, easy market entry, and access to consumers. Of these components, government can assist in protecting intellectual property and streamlining the process so that entrepreneurs can market their product not only to the U.S. market, but to the international market.

Entrepreneurs in my district and state know how to sell their products to Nebraskans, however, the penetration for their products is not deep enough to grow if they sell solely to Nebraskans. There is a growing debt of resources to assist in marketing products the international market.

Last winter I had the opportunity to travel to the Dominican Republic with my church. I found the "Made in America" sign sells. This is a country of 9 million people, where a quarter of the people live in extreme poverty. And yet, the "Made in the U.S.A." label still means something to them. People in the Dominican Republic will pay more to buy American and this is not a phenomenon unique to the Dominican Republic one country. I came back from that trip committed to getting more "Made in America" brands to the international market. There are markets throughout this world that want to buy American. And the U.S. government can contribute to the success of American companies competing in the global market economy.

Many of our fortune 500 companies have already made a successful transition into the international markets, which has only increased their accomplishments. My concern on this issue is not with the fortune 500 companies; instead it is with the small and or rural businesses that have yet to reach their potential. I believe it is evident that we are not doing enough to help our small businesses get their products into the global economy.

Does a small business owner in Omaha, Nebraska making widgets know of the services offered by the Department of Commerce? Does the Department of Commerce work with the Small Business Administration to ensure that our entrepreneurs across the country have all the tools to reach new international markets? There are questions to questions that our small or rural businesses may not even know exist.

Undeniably, the key to sustain healthy competitive markets is multifaceted.

Yes, there are tools that we could provide to help or small or rural businesses compete, but beyond that, there are tools offered now that are not being presented efficiently.

I look forward to hearing from Secretary Gutierrez on how the Department of Commerce is working to streamline the process so that my constituents in Omaha, Nebraska can grow their business.

CHAIRMAN BARTON. Does Dr. Burgess wish to make an opening statement?

MR. BURGESS. I will submit it for the record.

[The prepared statement of Hon. Michael Burgess follows:]

PREPARED STATEMENT OF THE HON. MICHAEL BURGESS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, thank you for convening this hearing this morning. And thank you, Mr. Secretary, for appearing before us today.

The Department of Commerce has one of the widest jurisdictions of all of the federal agencies -- which, of course, gives the Energy and Commerce Committee one of the broadest jurisdictions in the House. Agencies under the umbrella of the Department of Commerce range from the Economic Development Administration to NOAA to the International Trade Administration.

Last year, I hosted an economic development summit in the Fort Worth portion of my district and then-EDA Administrator David Sampson delivered our keynote speech. One of the things that I took away from the event was that we need to be sure that we are spending our economic development resources on those areas that are most in need of economic development. I look forward to hearing from the Secretary about what the Economic Development Administration is doing to ensure that these resources are being allocated in this manner.

I also look forward to hearing from the Chairman regarding the strength of our economy, our current trade deficit and Free Trade Agreements that might be presented to the House for our approval.

Mr. Secretary, thank you again for appearing before us today. With that, Mr. Chairman, I yield back.

CHAIRMAN BARTON. All right. Does Mrs. Blackburn wish to make an opening statement?

MRS. BLACKBURN. I have an opening statement I will submit and I will look forward to the time where we can ask questions. Thank you.

[The prepared statement of Hon. Marsha Blackburn follows:]

PREPARED STATEMENT OF THE HON. MARSHA BLACKBURN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TENNESSEE

Mr. Chairman,

Thank you for having this important hearing. I also thank the Secretary for testifying today. It is a key responsibility of this committee to examine economic indicators and to promote policies that encourage economic growth.

Mr. Chairman, the state of our economy is good. The facts are easy for even the most ideological to read.

- The unemployment rate in May was 4.6 percent – lower than the average unemployment rates of the 60's, 70's, 80's, or 90s.
- More than 5.3 million jobs have been created since August 2003
- Since January 2001, real after-tax income has risen by 7.3 percent per person.
- At $53.8 trillion, household net worth is at an all-time high
- The Institute of Supply Management reported that May was our 36th consecutive month of manufacturing growth.
- Business Schools report classes in entrepreneurship are up

The facts are clear -- eliminating regulations and lowering taxes unleashes American innovation and results in economic growth. I look forward to the Secretary's testimony today. I am particularly interested in intellectual property, copyright/trade issues that affect our entertainment and healthcare sectors. I also care deeply about stopping the flow of illegal immigration. Mr. Chairman, thank you for holding this hearing. I look forward to continuing our work on these issues.

CHAIRMAN BARTON. All right. In order of appearance, Ms. Baldwin, I believe you were here after--

MS. BALDWIN. Thank you, Mr. Chairman, and, Mr. Secretary, for your appearance here today. Today's hearing focuses on an incredibly important subject, American jobs. For decades this country's economy has been the world's strongest, in part due to the bold commitment of previous generations of American leaders who supported our people and their potential. Unfortunately, in recent years there has been a startling trend of disinvestment in the American worker as companies have shipped jobs overseas.

And as you know, this trend has not been limited to the manufacturing sector but also includes service and information technology positions. Estimates show that 14 million middle-class jobs could be exported out of America in the next 10 years. I look forward to discussing steps the Department of Commerce is taking to assess and address the risks that off shoring poses to the American workforce and economy. America can remain the world's strongest economy only if we prepare the world's best workforce, inspire innovation, and change policies that currently put American businesses at a disadvantage to others around the globe. Thank you, Mr. Chairman.

[The prepared statement of Hon. Tammy Baldwin follows:]

PREPARED STATEMENT OF THE HON. TAMMY BALDWIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WISCONSIN

Thank you Mr. Chairman and Mr. Secretary for appearing before us today. Today's hearing focuses on an incredibly important subject – American jobs. For decades, this country's economy has been the world's strongest, in part, due to the bold commitment of previous generations of American leaders who supported our people and their potential.

Unfortunately, in recent years, there has been a startling trend of disinvestment in the American worker as companies have shipped our jobs overseas. As you know, this movement has not been limited to the manufacturing sector – but also to service and

information technology (IT) positions. Estimates show that 14 million middle-class jobs could be exported out of America in the next 10 years. I look forward to discussing steps the Department of Commerce is taking to assess and address the risks that offshoring poses to the American workforce and economy.

America can remain the world's strongest economy only if we prepare the world's best workforce, inspire innovation, and create policies that put American businesses at an advantage to all others around the globe.

Thank you. I yield back the balance of my time.

CHAIRMAN BARTON. Thank you. Does Dr. Murphy wish to make an opening statement?

MR. MURPHY. Yes, Mr. Chairman. Thank you. It is good to see you, Mr. Secretary, to hear you tell us some of the truth on the aspects of what is happening. I want to let you know as you are going through this, Pennsylvania has actually seen some tremendous job growth, I believe up to a record 5.7 million in non-farm jobs, which is a record for us, and also new records for the number of jobs in the last 9 months.

I know in my district what we have also seen is really a transformation or renaissance on jobs related to the energy sector as Westinghouse Energy is looking to build new nuclear power plants and energy, looking at coal jobs, and the list goes on and on. And I am hoping those are some of the things you are able to talk about today, about these new sectors of growth of jobs that will not export out of America because we have our energy sector here, and what we are going to do as well as some of the educational things we can develop on that.

One last thing in my final seconds, I would love if you could come to my district and talk about some of these things. I even have an invitation here for you so I hope your staff will come up and grab it, and I yield back the balance of my time.

CHAIRMAN BARTON. We thank the gentleman. From the Alamo city, Mr. Gonzalez, 1 minute.

MR. GONZALEZ. Thank you very much, Mr. Chairman. It is good to see you again, Mr. Secretary. I really appreciate your views on so many different aspects of our economy, and I am hopeful that today we will be able to enter a responsible discussion. Some of them we have not been able to accomplish on the floor of the House, and that is immigration policies and how they impact our economy. And I know that you make reference to it in your statement and I hope that we will be able to expand on that. Again, welcome. Yield back.

CHAIRMAN BARTON. We thank the gentleman. The gentlelady from Los Angeles, the City of Angels, 1 minute.

MS. SOLIS. Thank you, Mr. Chairman. And, welcome, buenos dias, Mr. Secretary. I am pleased to hear also in your statement that you are going to discuss the comprehensive immigration reform program, the guest worker program. My question to you, and I hope you will be able

to talk about this, is how do we reconcile the differences in enforcement only approach that will criminalize 11 million undocumented workers in addition to healthcare workers, child care workers, and people who assist the clergy, for example, that assist these individuals.

And then secondly I just want to say that I note today the Senate is going to be debating the Oman trade agreement, and I have a lot of concerns with respect to that. The treatment of women, particularly in the workforce in that country, we have not had, I think, an open debate on that issue. That is one that is of great concern for humanitarian reasons, but also workers' rights, and the fact that in that country you are not even able to unionize, and when the sultan dictates what he wants, that is what happens. And so I would like to hear more about that, and welcome and we look forward to working with you.

CHAIRMAN BARTON. Thank the gentlelady. From the Space City, USA, Mr. Green.

MR. GREEN. It is Space City but I am normally the one with all the energy production. Mr. Chairman, I have a statement I will put in the record, and again welcome the Secretary here today. Thank you.

[The prepared statement of Hon. Gene Green follows:]

PREPARED STATEMENT OF THE HON. GENE GREEN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF TEXAS

I'd like to thank Secretary Gutierrez for coming here to give us a report on the state of the economy because I believe people in our district back home see a much different picture than what the Secretary is going to tell us today.

The manufacturing sector nationwide has lost 2.5 million jobs since 2001 and several manufacturing facilities in Houston's manufacturing sector have shut down over the years.

Because of this, my District has an average unemployment rate of over 8 percent. Our area is blue collar, and we have clearly been losing blue collar jobs.

This situation is made more severe because the dollar doesn't buy as much as it used to. The Federal minimum wage has not increased since 1997. It takes a full days work at minimum wage to buy a tank of gas.

My constituents are clearly not doing well under this Administration. The median income in our district is $36,000 a year. According to the CBO, the top 1 percent of the population received 57 percent of all capitol income in 2003. While capitol income for the bottom 80 percent of the population has dropped to 12.6 percent.

Allowing the rich to get richer while the poor get poorer is not sound economic policy when housing, fuel, and health care costs are increasing dramatically under this administration.

I thank the Secretary for being here, but I'd like to see a stronger commitment from Commerce and the rest of the Administration to help the working-class people that comprise a majority of the people in our country.

CHAIRMAN BARTON. Mr. Stupak.

MR. STUPAK. Thank you, Mr. Chairman. Our country cannot have a strong economy without a strong manufacturing base, yet it appears that

this Administration has turned its back on American manufacturing. We have lost 2.5 million manufacturing jobs, and manufacturing exports recorded the largest drop in 50 years under this Administration. Meanwhile, the Administration repeatedly slashes funding for the Manufacturing Extension Partnership, a program that keeps smaller American manufacturers competitive that we have used successfully throughout my district.

The Administration has also turned its back on the largest manufacturers with the President recently telling American automakers to make more relevant cars and canceling three successive meetings with the Big Three. The Administration's trade policy has failed American manufacturers. In 5 years the Bush Administration has made just 14 complaints to the World Trade Organization. The Clinton Administration made 69.

The Administration has refused to challenge China on currency manipulation which gives Chinese manufacturers an unfair advantage in global trade. Finally, the Administration has no plan to help employers deal with skyrocketing healthcare costs which further hobble the competitive nature of our manufacturers. I could go on but I am out of time, so with that, Mr. Chairman, I will yield back, and I look forward to asking questions later.

CHAIRMAN BARTON. We thank the gentleman from Michigan. Does Mr. Pitts wish to make an opening statement?

MR. PITTS. Thank you, Mr. Chairman. Thank you, Mr. Secretary, for joining us today. Our economy and how to keep it going, job creation, how to stimulate that is extremely important to our constituents. We are in a very competitive world marketplace. Any thoughts that you can give us on how to make America's business climate better, and I would also be interested in the intellectual property rights, how to help China keep the agreements they have signed. Thank you very much for coming today.

CHAIRMAN BARTON. I thank the gentleman. Mr. Engel from the Big Apple.

MR. ENGEL. Thank you, Mr. Chairman. You are in rare form this morning. Welcome, Mr. Secretary. I am pleased to have you here today. I note that it has been more than a decade since the Secretary of Commerce appeared before this committee and that is obviously far too long. I hope it is the beginning of a renewed oversight effort by this committee and the House overall. I do not believe we concede discretion totally to the executive branch. In my opinion, the Secretaries of Energy, Commerce, and Health, and Human Services should make an annual appearance before us. I do not think it is too much to ask for. We are indeed a co-equal branch of government.

The truth is, as my colleague mentioned, I and the vast majority of my constituents are terribly disappointed and often angered by the failings of the Administration. The statistics are staggering, 2-1/2 to 2.8 million manufacturing jobs lost, millions more Americans without health insurance and trillions more in debt. All the while we provide tax cuts that are so slanted to the wealthiest among us. There was a time when we rewarded work in this country but that is really not what we are doing today.

We find time to extend tax cuts for dividends, but it is not expiring and only threw a bone of the middle class that is being drawn to the AMT over and over. This does not bode well for the kind of future we are leaving our children, a lifetime of bad jobs and debts to pay off. We need to leave our children better off than we were. From my vantage point, I believe we are failing, and I welcome to hear what your initiatives are, and again I am happy that you are here before the committee. Thank you.

CHAIRMAN BARTON. I thank the gentleman. Let us see, I believe Mr. Allen of Maine was next in order of appearance.

MR. ALLEN. Thank you, Mr. Chairman. I welcome this hearing on American competitiveness and thank Secretary Gutierrez for being here. I believe that to keep America at the forefront of the global economy, we must invest in science and technology education from kindergarten through graduate school. We must also increase funding for the National Science Foundation and create incentives for businesses to invest in innovation. I have introduced legislation to make permanent the R&D tax credit and increase funding for the Manufacturing Extension Partnership and the Advanced Technology Program.

These agencies help the growing businesses bridge the so-called "Valley of Death" between innovative concepts and marketable products. I think the problem is that we are starving ourselves of funds. Four major tax cuts since 2001 have slashed Federal revenues. We have added $3 trillion onto the national debt. Few, if any, of the 20th Century's greatest achievements, the Internet, interstate highway system, rural electrification, or the space program, were done without government support.

The 21st Century will not be an American century if we turn from investing in the common good in favor of a philosophy of radical individualism and policies that enrich the few at the expense of all Americans. Thank you very much for being here. I yield back.

CHAIRMAN BARTON. We thank you. We want to see if Mr. Inslee wishes to make an opening statement, but here is a copy of the coveted Roll Call baseball, and those of you who have not seen it this is Mr. Inslee flat on his back but he has caught the ball. He actually made the

catch, and the game is tonight. I think we start at 7:00, and if you want to come out and watch this distinguished gentlemen, plus Mr. Doyle who is managing the Democrats, which has got us in a sweat on the Republican side, we are very worried about Doyle's managerability. The game is tonight at 7:00 at RFK. Does Mr. Inslee wish to make an opening statement?

MR. INSLEE. I do, Mr. Chairman. I want to note that I have made a couple of perhaps impolitic comments about the pitching of my good friend, John Shimkus. I just want to repeat that I do respect him. I do not respect his fast ball, however.

CHAIRMAN BARTON. We will wait for the photographer to catch another photograph of you flat on your bottom when it is right at your head tonight.

MR. SHIMKUS. And I will not even be concerned about you charging the mound either.

CHAIRMAN BARTON. Mr. Inslee for 1 minute.

MR. INSLEE. Mr. Secretary, I have a minute so I will not mince my words. The science is so overwhelming on global warming. It ought to be obvious to all of us. The glaciers are melting and yet your Administration does nothing. The hurricanes are blowing. Your Administration does nothing. Our salmon and polar bears are on the path to extinction, the Administration does nothing. Scientists two weeks ago in the basement of this building told us in 100 years there may be no coral reefs in the world due to ocean acidification when the carbon dioxide goes in the solution and acidifies our oceans, and yet your Administration does nothing of any real significance to deal with this problem.

We believe that there are billions of dollars to be made by American companies and thousands to millions of jobs for Americans to create new energy sources that will be clean to deal with global warming. I hope today you might comment on your efforts to convince the President not to be the last person on Earth who is willing to do something about global warming. I ask you that as a father, maybe a grandfather some day, and I hope that you will talk about your efforts to turn the White House around on this issue. Thank you.

CHAIRMAN BARTON. Seeing no other Member present who has not had an opportunity, all members not present will have the requisite number of days to put their opening statements in the record at the appropriate point. We welcome you, Mr. Secretary, to such time as you may consume. Welcome to the committee, and we are at your disposal.

STATEMENT OF HONORABLE CARLOS M. GUTIERREZ, SECRETARY, U.S. DEPARTMENT OF COMMERCE

SECRETARY GUTIERREZ. Thank you, Chairman Barton, and if I may, I would like to make an opening statement. Chairman Barton, Ranking Member Dingell, and members of the committee, I am pleased to have this opportunity to discuss the President's pro-prosperity agenda. As you know, the tax relief the President proposed, and Congress passed, has helped spur growth by keeping $880 billion in the hands of American businesses and workers, and today our economy is very strong, and we are very pleased that the President's plan is delivering results.

Let me just highlight some of the numbers for you. Our GDP per capita is among the highest in the world, higher than that of Japan, the UK, Germany, France, Italy, and Canada. Last year's 3.5 percent economic growth rate was the fastest of any industrialized nation. The first quarter GDP, which was revised this morning so you may have not seen this number, was revised to 5.6 percent. The previous number was 5.3. Over 5.3 million new jobs have been created since August of 2003.

Our unemployment rate is 4.6 percent. That is lower than Canada at 6.1 percent, lower than Italy at 7.7 percent, lower than Germany at 8.2 percent, lower than France at 8.9 percent, and importantly it is lower than the average of the past 4 decades for our country. More Americans are working today than ever before in our history. Since 2001, productivity has been growing at the fastest rate in nearly 4 decades, and the United States is the world's leading exporter of goods and services.

CHAIRMAN BARTON. It is just announcing we are having a series of votes. As soon as the bells stop, continue your statement. We will try to get your statement in and we will go vote and then we will come back.

SECRETARY GUTIERREZ. Thank you. Would you like me to continue, Mr. Chairman?

CHAIRMAN BARTON. Yes, sir.

SECRETARY GUTIERREZ. Thank you. So we are competing with the rest of the world at a time when we know that the world is becoming more and more competitive, and I am very pleased to report that we are doing it very successfully. The challenge is this. How to sustain and advance the business environment, innovation, and talent that is driving today's dynamic economy. President Bush has an aggressive strategy to further unleash the power of free enterprise and keep America the most competitive economy in the world.

It focuses on three areas of policy. First, we need a business-friendly environment that encourages entrepreneurship and innovation. The President's pro-growth agenda includes low taxes, open markets, responsible regulation, affordable healthcare, tort reform, alternative sources of energy, and universal access to broadband. It also includes comprehensive immigration reform that provides for secure borders first and foremost, interior enforcement, it is very important to secure our

border, and a temporary worker program that allows jobs to be filled when there are no available American workers.

Importantly, a well-executed temporary worker program will be the most effective action we can take to protect the border. We need to recognize the reality of having 12 million people in our country who do not have the documents they need to be able to work here, and who in turn have 3 million children who are American citizens by birth. Comprehensive reform must also enhance our ability to attract and retain the best and brightest high-skilled workers from around the world.

We are competing in a global economy. Unlike some Western European countries, our culture is a melting pot. America is a nation of immigrants, and this provides us with a real competitive advantage for the rest of the century, and I would hope that we can take advantage of that. We do not need to choose between being a welcoming nation and a nation of laws. With comprehensive immigration reform, we can be both.

Second, we need to maintain America's innovative leadership. In January, the President announced the American Competitiveness Initiative. It calls for doubling funding for vital, basic research in the physical sciences at three key Federal agencies over the next 10 years.

That includes $535 million for core laboratory programs at Commerce's National Institute for Standards and Technology in 2007. NIST, with three Nobel Prize winners, has long been a center for high-impact basic research. Additionally, the ACI calls for making the R&D tax credit permanent, strengthening math and science skills at the K through 12 level, and ensuring that we have a flexible worker re-training system.

Third, we need an open and level global playing field for American companies and workers. Ninety-five percent of the world's potential customers live outside of our borders, so the opportunities for commercial engagement are immense. The Bush Administration has implemented free trade agreements with eight countries. It has concluded negotiations with seven countries, and it is negotiating free trade agreements with 11 more. Consider this, our free trading partners make up just 7 percent of the world's economy but they account for 42 percent of our U.S. goods exports, so we are making these trade agreements work for our workers and for our economy.

Besides our ambitious free trade agreement agenda, the Administration is working aggressively to open markets globally for our exporters through the Doha Round. Free and fair trade supports millions of American jobs, increases consumer choice, and is the foundation of peace and prosperity. We know that American companies and workers are among the most competitive in the world if everybody is playing by

the same rules. At the Commerce Department, we are enforcing antidumping and countervailing duty laws that protect U.S. companies from unfair trade practices.

We are also working closely with our colleagues across the Administration to enforce intellectual property rights through the Strategy Targeting Organized Piracy Initiative. According to one study, 75 percent of the value of publicly traded U.S. companies of about $5 trillion comes from intangible assets such as brands, copyrights, and patents. We cannot allow a world environment where the intellectual property rights of Americans do not mean anything.

Mr. Chairman, the President has a bold agenda to keep America the best place in the world to live and to do business, and the Commerce Department has an active role to play. I would like to thank you and the members of the committee for your support of Commerce programs and for this opportunity to appear before you today, and I would be pleased to answer any questions. Thank you, Mr. Chairman.

[The prepared statement of Carlos Gutierrez follows:]

PREPARED STATEMENT OF THE HON. CARLOS M. GUTIERREZ, SECRETARY, U.S. DEPARTMENT OF COMMERCE

Chairman Barton, Ranking Member Dingell, Members of the Committee, I'm pleased to have this opportunity to discuss the President's pro-prosperity agenda.

As you know, the tax relief the President proposed, and Congress passed, has helped spur growth by keeping $880 billion in the hands of American businesses and workers.

The U.S. economy today is strong. Look at the numbers:

- Our GDP per capita is among the highest in the world, higher than that of Japan, the UK, Germany, France, Italy and Canada.
- Last year's 3.5 percent economic growth rate was the fastest of any major industrialized nation.
- Over 5.3 million new jobs have been created since August 2003.
- Our unemployment rate is 4.6 percent. That's lower than Canada (6.1%), Italy (7.7%), Germany (8.2%) and France (8.9%). And lower than the average of the past four decades.
- Since 2001, productivity has been growing at the fastest rate in nearly four decades.
- The United States is the world's leading exporter of goods and services.

We are competing with the rest of the world, and we're doing it successfully.

The challenge is this: How to sustain and advance the business environment, innovation, and talent that's driving today's dynamic economy?

President Bush has an aggressive strategy to further unleash the power of free enterprise and keep America the most competitive economy in the world.

It focuses on three areas of policy:

First, we need a business-friendly environment that encourages entrepreneurship and innovation.

The President's pro-growth agenda includes:

- Low taxes;
- Open markets;

- Responsible regulation;
- Affordable health care;
- Tort reform;
- Alternative sources of energy; and
- Universal access to broadband.

It also includes comprehensive immigration reform that provides for secure borders, interior enforcement, and a temporary worker program that allows jobs to be filled when there are no available American workers.

Importantly, a well-executed temporary worker program will be the most effective action we can take to protect the border.

We need to recognize the reality of having 12 million people in our country who don't have the documents they need to be able to work here, and who have three million children who are American citizens by birth.

Comprehensive reform must also enhance our ability to attract and retain the best and brightest high-skilled workers from around the world.

We're competing in a global economy. Unlike some Western European countries, our culture is a melting pot. America is a nation of immigrants. This provides us with a real competitive advantage.

We don't need to choose between being a welcoming nation and a nation of laws. With comprehensive immigration reform, we can be both.

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That includes $535 million dollars for core laboratory programs at Commerce's National Institute of Standards and Technology in 2007.

NIST, with three Nobel Prize winners, has long been a center for high-impact basic research.

Additionally, the ACI calls for making the R&D tax credit permanent, strengthening math and science skills at the K- through-12 level, and ensuring that we have a flexible worker re-training system.

Third, we need an open and level global playing field for American companies and workers.

Ninety-five percent of the world's potential customers live outside of our borders. The opportunities for commercial engagement are immense.

The Bush Administration has implemented free trade agreements with 8 countries.

It has concluded negotiations with 7 countries. And it's negotiating FTAs with 11 more.

Consider this: Our FTA partners make up just 7 percent of world GDP. However, they account for 42 percent of U.S. goods exports.

Besides our ambitious FTA agenda, the Administration is working aggressively to open markets globally for our exporters through the Doha Round.

Free and fair trade supports millions of American jobs, increases consumer choice, and is the foundation of peace and prosperity.

We know that American companies and workers are among the most competitive in the world if everybody is playing by the same rules.

At the Commerce Department, we are enforcing antidumping and countervailing duty laws that protect U.S. companies from unfair trade practices.

We're also working closely with our colleagues across the Administration to enforce intellectual property rights through the Strategy Targeting Organized Piracy Initiative.

According to one study, 75 percent of the value of publicly traded U.S. companies – some $5 trillion dollars – comes from intangible assets such as brands, copyrights and patents.

We can't condone a world environment where the intellectual property rights of Americans don't mean anything.

Mr. Chairman, the President has a bold agenda to keep America the best place in the world to live and to do business, and the Commerce Department has an active role to play.

I want to thank you and the Members of the Committee for your support of Commerce programs and for this opportunity to appear before you today.

I would be pleased to answer any questions you may have….

CHAIRMAN BARTON. Thank you, Mr. Secretary. We have 9 minutes remaining in the vote, and we have this vote and two other votes so we are going to take a very brief recess, go do these series of three votes. We are going to reconvene at 11:15. It is almost 11:00, so 11:15 to 11:20 we will reconvene. The Chair will recognize himself for the first round of questions, and we will go to Mr. Dingell and alternate between the Majority and the Minority. So we are in recess until approximately 11:15.

[Recess.]

CHAIRMAN BARTON. The committee will come back to order. Right before the recess, the Secretary had finished his opening statement. It is now time for questions, and the Chair is going to recognize himself for the first series of 5 minutes of questions. Mr. Secretary, what do you consider the largest outstanding issue in your jurisdiction that the Congress needs to address in terms of a legislative solution, if any?

SECRETARY GUTIERREZ. Thank you, Mr. Chairman. I would say that there are, if I may, there are two important issues that are in the boundaries of the Commerce Department that we are spending a lot of time on. One is the American Competitiveness Initiative which the President announced in his State of the Union address, and that is very important to keep our economy growing and to keep creating jobs and to keep the great numbers that we have in the future at a time when we have such strong competition. That entails investing in our education system in K through 12. It means doubling the R&D expenditures in three key agencies in the Government, and it also includes extending the number of visas that we issue to high-skilled workers and students.

The second issue that I would say is very important to address at this time is the whole subject of comprehensive immigration reform, which I know is a very sensitive issue, but we believe that until we address the comprehensive aspect of reform, which means secure our borders, have interior enforcement, have a temporary workers' program, have a realistic and practical way of dealing with the 12 million people we have in the country, until we do that we are going to be delaying the inevitable

and delaying something that we should be addressing, so I would suggest those are the two big items that are very high on our agenda.

CHAIRMAN BARTON. Okay. This committee does not have direct jurisdiction on the immigration issue although we do have some sub-issues that would be a part of that debate. Let me talk about something we do have jurisdiction over and that is the CFIUS process. You are a member of the CFIUS review group, I believe. Is that not correct?

SECRETARY GUTIERREZ. Yes, sir. The Commerce Department is, yes, sir.

CHAIRMAN BARTON. What changes, if any, does the Administration support in the CFIUS review process?

SECRETARY GUTIERREZ. Well, we think it is important that whatever is done that we strike an important balance between national security concerns and to continue to have a way to put on hold or address any transactions that may hurt national security, but we also have to be cognizant that we want to welcome foreign investment, and I would be very careful of any message that we send out that would suggest to investors that they are no longer welcome.

I do believe that the communication between Congress and the Administration is important so that we both know where we are in the process and what we are doing. But we have a very robust process. There are 11 agencies within the CFIUS process. Commerce plays a very vocal and important role, and we plan to continue doing that.

CHAIRMAN BARTON. We have, in the energy bill last year, last summer, a bipartisan agreement on the CNOOC proposal to buy Unocal, to slow that down and to make sure that it was reviewed, and subsequently while I do not think CNOOC withdrew their offer, I think the board of directors chose a domestic alternative to it. So that is an issue that we have jurisdiction in this committee.

My last question deals with the situation in Venezuela and their leader, Mr. Chavez. What steps should the Congress be taking or the Administration be taking to temper some of the steps that Mr. Chavez has either done or at least threatened at doing?

SECRETARY GUTIERREZ. Well, as you know, Mr. Chairman, we have a very positive pro-growth agenda with Latin America, and we have a trade agreement with Canada and Mexico. We have just passed a trade agreement with Central America. We believe it is important to show countries that are like minded and that are embracing trade, embracing investment, embracing free enterprise that their road is the right road. We have an agreement with Peru that is coming up that will be very important to show that region of the world that by aligning with the U.S., by continuing to work with the U.S., by trading with the U.S., that is the way to show results. That is the way to create jobs as opposed to any

other measures which we do not believe will generate results in that region of the world.

So continuing to have a positive agenda with our like-minded partners who happen to be the majority of the countries there. The countries down there that tend to be on the radical side of things I believe are the exception. The rule is countries want to work with us and we should be very proactive with them.

CHAIRMAN BARTON. Thank you, Mr. Secretary. My time has expired. The gentlelady from California is recognized for 5 minutes.

MS. ESHOO. Thank you, Mr. Chairman, and once again, Mr. Secretary, welcome to the committee. It is my understanding that this is the very first time that you have testified before the committee.

SECRETARY GUTIERREZ. It is.

MS. ESHOO. So it is good to have you here. On the competitiveness agenda, there were many of us that were really delighted that the President raised the issue in his State of the Union address. In fact, when he talked about it, I stood up and applauded and looked around. I think I was amongst the few that jumped to her feet. It is my view that even if we were doing everything that we should be doing, we would still have enormous challenges to our number one position in the world on so many fronts.

We cannot take our competitiveness and our number one position in the world for granted. There is much that needs to be done. I think that this is an area where you can really help make a difference because the Democrats, and I was deeply involved in it, worked to shape an innovation agenda. The President has spoken about it. The Commerce Department has a large responsibility for a piece in this.

There are other academies and organizations. Norman Augustine headed up a commission. You all know that. You know this very, very well. The issues that are a part of this that make up this agenda are bipartisan. They are nonpartisan. And I think it is really going to take a push from the Administration to bring this all together. Everything is fragmented in pieces in the Congress, the various jurisdictions, et cetera, et cetera. So I want you to know that I will work with you on this. I have the privilege of representing a place that is known for innovation and is a real driver of our national economy and the international economy for that matter.

But we all have a stake in this. We all have a stake in this. So I just want to offer that to you.

On the issue that I raised in my opening statement, this disaster on the West Coast, we need you in this. Now it is my understanding that the NOAA Southwest Regional office did issue a memo calling for a disaster

declaration to be made. And I would like your commitment to share that, to have that memo shared with us. I think that is important.

The most important thing is that action be taken on this and that rests squarely with you. This is really in your hands. I want to underscore that this not only has the devastating effect on the fishermen themselves but there are a whole host of related industries, the packing houses, the local economies, the boat people that rent the boats--that is an industry in and of itself. The hotel and motel industries along the coast side. So as I said, there really is a domino effect. And I know that today's hearing is about growth, opportunity, competition. America goes to work.

These individuals cannot go to work now, and so your leadership is going to make the difference. The members that you met with before the hearing, we will all be available. We will fax to your office the names of the members, the contact telephone numbers so that if you hopefully will do a conference call with us. We will be available. No one is going out of the country. We are all going to be in our districts. We need you to declare a disaster for all of the reasons that were pointed out. Now in terms of the memo, will you make this available to us?

SECRETARY GUTIERREZ. I have not seen the memo, and if there is such a memo I would be glad to share it with you.

MS. ESHOO. There is such a memo but it will not be shared with members and so I am asking you directly to secure that memo.

SECRETARY GUTIERREZ. I do not have a problem in sharing that with you.

MS. ESHOO. Thank you very, very much, Mr. Secretary. And I will get that list to you, and on both of these issues you have my commitment to work with you. And again on the competitive agenda this is something that if the President said to the leaders of Congress put a bill on my desk we could get this done. We only have I think 39 legislative days left in this Congress, 39 legislative days left. Imagine if this Congress would be a Congress that historians would write about very favorably on this piece if we got this through, so on both I look forward to working with you for all of these jobs and the people that are left in the lurch here we really need you, we really need you.

SECRETARY GUTIERREZ. I look forward to working with you, and I appreciate your leadership. And I will look for that memo that you are talking about.

MS. ESHOO. Yes, please request it. It is from the NOAA Southwest Regional office, and I will get the information to you for who you can send it to. Thank you, Mr. Secretary, and welcome to the committee.

SECRETARY GUTIERREZ. Thank you.

MS. ESHOO. I hope you will come back more often.

CHAIRMAN BARTON. I thank the gentlelady. The gentlelady from Tennessee, Ms. Blackburn, is recognized for 5 minutes.

MRS. BLACKBURN. Thank you, Mr. Chairman. Mr. Secretary, thank you for being generous with your time this morning with us at Theme Team and again now. I want to start talking a little bit about intellectual property and patents and trade because this is something important to my district. It is important to our entertainers, to our creators, our innovators, our dream makers, our medical community. I had read Peter Latman's Wall Street Journal blog, and he was talking about the backlog at the Patent and Trademark Office. In '85 there were 126,000 applications for patents and in 2005 there were 409,000.

Now I think this is due in large part to the fact that we are reducing regulation, reducing taxation. Technology is taking off. We are being very careful in how we approach and police and work through this issue and leaving innovative areas clear for innovation, and that speaks to the good policies of Congress, also of the good policies of the President. What troubles me is there is a 30-month lag to approve or reject initial applications, and there was one example where someone was told they had to wait 14 years, 14 years, to hear back on a patent application. So I would like to know specifically what you are going to do to address this backlog. We get complaints in our Congressional office every single week on patents and trademarks.

SECRETARY GUTIERREZ. This is a very important subject for us especially at a time when innovation is so important. And what we have seen, you are absolutely right, is an increase in the number of applications, increase in the number of companies, people, entrepreneurs, inventors asking for patents. We are adding people very, very quickly and we are adding technology very quickly so that we can get that number down. And we have metrics and we measure this, and it is very clear--

MRS. BLACKBURN. When do you think, sir, that we are going to see an improvement?

SECRETARY GUTIERREZ. We want to see an improvement, I would like to see an improvement as soon as possible. There are probably some applications that come in that do not need to come in so I think we also need some discipline from those companies or entrepreneurs who are applying that perhaps are just taking up time, and that do not need to be applying for a patent, so there is discipline on both sides. I can just tell you that from our end we are adding people as fast as we can. We are getting them trained. We are adding technology because this is a very important advantage for us but I would be glad to share with you some of the things we are doing and even some of the metrics we measure.

MRS. BLACKBURN. I would appreciate seeing that. You know, with the medical community--and I am watching this clock. Mr. Chairman, I thought I had extra time because I waived my opening statement.

CHAIRMAN BARTON. We will give you an extra minute. That is not a problem.

MRS. BLACKBURN. Okay. New technologies, medical technology, that is a great pioneering area, and we see that in our district. And foreign governments are increasingly restricting access to valuable new technologies that are needed in that field and frequently their policies constitute non-tariff barriers to U.S. products, so I would also like to know how you are going to deal with that issue when you respond to me with some of the metrics that you are using.

And I think that the other thing too as we are looking at those medical technologies is that in the past we have had some success in opening Japanese markets with kind of a bilateral agreement. I would like to know if you are going to pursue any of that bilateral framework with the EU when we are looking at medical technologies.

The other question that I had for you pertains to the discussion earlier this morning that we had as well as going into your testimony here, and you chose to talk about the guest worker programs. And this is something that we have done a lot of looking at, working on, and I've got a question for you. It is kind of an assumed fact with you all in Commerce that we need a guest worker program, and I wanted to know if that assumption is based on any sound economic studies or if it has just kind of become more or less a mantra with you all that our economy depends on low-cost labor that arrives in this country illegally in order to be able to make the wheels turn.

And I would like to know if you've got some studies there, I would appreciate seeing those studies if there is anything that is quantifiable, and if in those studies you have considered any of the other impacts, the social impacts, of illegal immigration, the impacts that it has on our communities, any of the other questions or if you are just looking at it from a corporate angle.

SECRETARY GUTIERREZ. Sure, I would be glad to share that with you. Just for starters, our unemployment rate is below the average of the past 4 decades. I do receive information from many industries who will suggest and will let me know that they have shortages. They cannot find enough workers. And we find that in the construction industry, transportation industries, some healthcare industries, so I would be glad to share that with you.

MRS. BLACKBURN. Well, I would enjoy seeing that as to whether there is a real impact, what the true cost is. I have been intrigued with the--I think Robert Samuelson had had an editorial back in March, we do

not need guest workers, and it actually cited the 1960s tomato farming Federal guest worker program that had been used in California, and when that ended the cost of tomatoes did not go up, but what we did see was that, yes, the tomatoes were picked and technology and innovation led to the same production productivity outputs. So, indeed, anything you can reference would be appreciated.

SECRETARY GUTIERREZ. Sure. Sure. And if I may just say, Congresswoman, I think it is a great testament to our economy that there are jobs that are available, that Americans have moved on. They are not available to take, they do not want those jobs, and we moved on to other types of jobs. And in order to fill these jobs, we are finding that we need foreign labor. And I think it says a lot about how our economy has evolved and how it has grown.

MRS. BLACKBURN. Well, Mr. Secretary, I think it says a lot about American work ethic that many of us have done those jobs and still will do those jobs at a time when we need to do those jobs. Thank you for your consideration. Mr. Chairman, I yield back.

CHAIRMAN BARTON. Thank you. We are going to recognize Mr. Gonzalez. Mr. Gonzalez, did you give an opening statement, because if you did not, you get six minutes and if you did you get five.

MR. GONZALEZ. I did welcome the Secretary, and I guess that could be an opening statement which is up to you.

CHAIRMAN BARTON. Well, we will give you 6 minutes. Mr. Secretary, I have to go to a Texas delegation lunch on redistricting. We had a Supreme Court case yesterday that affirmed 31 districts but unaffirmed one, so we have to do a little strategizing. I am going to turn the Chair over to Mr. Bass. We appreciate you being here. I will check back at 1:00. Hopefully by then you will have answered to the satisfaction of all the members the questions and you will be on your way to the Commerce Department to have lunch yourself.

SECRETARY GUTIERREZ. Thank you.

CHAIRMAN BARTON. We appreciate you being here. We do appreciate you making yourself available. And I personally thank you for meeting with some of the members that had a concern of special interest to them.

SECRETARY GUTIERREZ. Thank you.

CHAIRMAN BARTON. We are going to recognize Mr. Gonzalez for 6 minutes.

SECRETARY GUTIERREZ. Thank you, Mr. Chairman.

MR. GONZALEZ. Thank you, Mr. Chairman, and good luck on that meeting. The Democrats will be meeting later on the same topic. Mr. Secretary, you have pointed out in your opening remarks the issue of immigration and how we handled it and its impact on our economy, and I

know that the Chairman correctly observed that immigration obviously does not come within the purview of this committee nor does border security and such. But those practices that will be adopted will have a direct impact on American employers, American businesses, workers, and our economy, and we will have some connection somewhere along the way regarding the consequences and repercussions of either a good immigration policy or a poorly planned one.

And so I am going to follow up with what is going on, and of course some of this is highly political because that has been the environment that has driven this particular debate and not anything that has been a good faith debate. But this is a letter that has been circulated among the Democrats and that is the International Relations Subcommittee on Terrorism and Nonproliferation will be holding important field hearings regarding border security originally contemplated as part of a series of oversight hearings on terrorist efforts to enter the United States. This hearing has now been made part of the Republican leadership's strategy of holding politically charged field hearings on immigration policy.

The first hearing is in San Diego, California, on July 5, and then in Laredo, Texas, on July 7. So we know what is going on out there, and the thrust of this thing will be all about border security and the threats to it by the undocumented workers and so on. Have you been invited to testify at any of these hearings that will be held? I do not know if it is just this particular subcommittee or other subcommittees of the United States House of Representatives?

SECRETARY GUTIERREZ. I am not sure, and I say that because I do not know, if there has been any communication coming in asking me to participate. I think the positive thing is that I would hope that these hearings bring out the feelings of the American people once they know the facts and the reality. Everyone agrees that we need more border security but what we need to understand as well is that we will not have the border security that we all want unless we have interior enforcement.

MR. GONZALEZ. That is the important point that I wanted to point out in your prepared statement because I do want you to expand on that. First of all, I may disagree with the Administration on many things but I will say that I do not think the Administration or anyone that I really know would take a back seat when it comes to border security in securing the safety of the American people. We may all have different means of achieving that end but I think we all agree on that particular goal.

Unfortunately, now this has been the attention getter and unfortunately all the attention is on that and it is not a realistic approach but nevertheless this is your quote, and again I am going to agree with you, importantly, "a well executed temporary worker program will be the

most effective action we can take to protect the border." So do you stand for the proposition that you can have border security but you can still have an immigration policy that somehow will have a pathway to legalization for those families that are here in the United States, definitely undocumented, illegal, whatever you want to say, and further providing for a guest worker program. Again, without jeopardizing the safety or well-being of the American people from terrorist attacks, is that possible to do or are they just mutually exclusive?

SECRETARY GUTIERREZ. Ironically, I would say that you really cannot do one without the other so we will not have total border security until we are able to hold employers accountable. In order to hold them accountable, we need to give them a practical workable guest workers program so the two are very much linked together. And that is why the President has called for comprehensive immigration reform in order to ensure that, number one, our Nation is secure, and, number two, that we are being realistic about the jobs that are available in our economy that Americans do not want to do but that if we do not fill those jobs our economy will suffer.

So we have those two goals and we need comprehensive reform in order to change that. It will not be achieved by just looking at one dimension of the problem.

MR. GONZALEZ. Let us just say somebody waves their magic wand and we deport 11 million or 12 million undocumented workers and their families and we close off the border. We do not have any guest workers. What would be the implications to the United States economy?

SECRETARY GUTIERREZ. Well, of course it is difficult to have specific numbers. What I hear around the country is that because there are shortages of labor that there will be jobs in our economy that need to get done that just will not get done. And that could be different industries, different services that we like to see that we get on a daily basis that we may not realize how we are getting them but again we would not be talking about this problem if we did not have an unemployment rate of 4.6 percent or if we did not have an economy that just grew 5.6 percent in the first quarter. We have a very strong economy and that is why we are having immigrants cross the border because they know the economy is strong and they know there are jobs here.

MR. GONZALEZ. And we know that we have these willing employers and many--well, actually there are really two illegal acts that take place when someone is hired here who is undocumented. One, by the undocumented worker that comes over here in violation of our immigration laws, and then by the employer who in many instances knowingly will hire the undocumented worker. And I agree with you--I

guess I got 11 seconds and I would just like to just finish off with this particular question. Do you agree that we have to have greater enforcement on the employer end?

When we say enforcement, enforcement is good but it has got to be again at the sources of the problem, the border itself, guest worker program, then the individuals we have here, but also what I refer to as the demand will always determine the supply. The demand is by the employer and until we have very aggressive employer sanctions, we will not get a real grip on this problem. What is your view regarding employer sanctions?

SECRETARY GUTIERREZ. I agree that we need enforcement. We need to enforce our laws with employers. We need to make it easy for employers to follow the rules and we need to make it easier for us to hold employers accountable. That is why we need a guest workers permit, a bi-metric card that everyone will know what it is and what they need to ask for, and the employees and workers will know what they need to have, and over time what will happen is people will know that if they do not have that permit they will not risk their lives crossing the borders because there will not be a job in this country.

MR. GONZALEZ. Mr. Secretary, thank you very much, and it is good to see you again.

SECRETARY GUTIERREZ. Thank you, sir.

MR. BASS. [Presiding] The Chair recognizes himself for a round of questioning. Mr. Secretary, thank you very much for being here today. I also want to thank you for your willingness to travel to Atlanta in April to participate in the National FIRST Competition. FIRST, as you may know, is an acronym, For Inspiration and Recognition of Science and Technology. It is a foundation that was established in my home State of New Hampshire by one of our better known inventors, Dean Cayman, and his dream was to be able to provide for children in high schools mostly exciting opportunities in science and robotics and innovation, and to make science and engineering as exciting to young people as is baseball and football and other sports.

And as you know, since you were there you saw the kind of excitement that this program generates. There were over almost 1,200 teams there. There were 28,000 students, an equal number of parents and family members and teachers and so forth. The program provided almost $8 million in scholarships for low income kids in depressed areas of the country. Over 80 institutions provided donations and there were literally tens of thousands of volunteers. The interesting thing about FIRST is that statistically a disproportionate percentage of people who participate in FIRST end up successfully going to higher institutions, becoming engineers, not failing in high school and so forth.

I was wondering if you would be willing to comment for a minute or two on your experience there and also give me some indication if there is any role that your department might be able to play in either supporting or either through sponsoring teams or participating in the process through the competitive initiative of promoting such a program which at present does not use a single dime of Federal money, but yet provides so much wonderful opportunity for so many young Americans, many of whom would never have this opportunity otherwise.

SECRETARY GUTIERREZ. I think you are absolutely right, and I did have the opportunity to be there and it was an incredible sight. Students, teams were as excited about the innovations that they were creating and about making science work in ways that they had not thought about before as they would be about a World Series or about a Super Bowl game. It was quite remarkable to see. And it is a great model for other communities.

What we are trying to do from the Commerce Department standpoint, working as well with the Department of Education, is trying to get that sense of what you said, to get students as excited about science and math and achievement and accomplishment scholastically as they would be about sports, and that entails having private-sector volunteers go into the classroom and showing children that there are some wonderful careers down the road if they get interested now in math and science. And there are many, many careers.

You can imagine folks will work on brands like the iPod and new technologies and video games. That all requires math and it requires science so we would like to get those folks into the classroom. And we have been working with companies to just ask them to do that to be volunteers and to spread the word among our students that they should be pursuing math and science as careers for their lifetime.

MR. BASS. Mr. Secretary, do you see, you can get back to me at a later time, any way in which the Commerce Department might be able to work to actually play some sort of a role be it small or larger in either the sponsoring teams, or sending--you know, the patent office was there as you well know, sort of partnering in some fashion to promote and provide more potential for the participants and so forth. Do you see any role there possibly?

SECRETARY GUTIERREZ. What we have done, and it is a great question and I think it is a provocative question that we can think about and perhaps do more, but we have invited certain groups to come to Washington and just give their programs more exposure. Right now they have a local program so we travel often out to their communities. What we are saying is come to D.C. and we will make it a bigger event and give it more exposure and just highlight how important it is. And there

are probably other things that we can be doing, and I will take that thought and take that with me.

MR. BASS. I have one other brief question on a different subject. I have been advised that the Nation does not have good development labs anymore with the disappearance, if you will, of some of the bigger corporations like AT&T, the Bell Company, IBM and Xerox, and so forth are downsizing, that there is lots of research but there is not adequate development capacity in this country. Are you aware or do you feel that this is an issue or not?

SECRETARY GUTIERREZ. I would not say that development is an area where we are lacking. Today as always as anything we have to ensure that we continue to grow and progress and invest for the future, and we have to do it in both research and development. And what the public sector--what we do very well is long-term research, basic research, inventing ideas that can be used across industries. What private-sector companies do very well is develop new products, and we have to keep those two going. Right now if we add up all the R&D in the country, about one-third is research, about two-thirds is development, and we continue to see and what we are seeing evolve in the last several years and actually emerge is a partnership between the private sector, universities and the public sector.

And we see a lot of private sector representation in university labs, and that we believe is a great trend of almost thinking about universities as an extension of our labs, so we have to keep it going, but I think there is a lot of activity and a lot of progress being made.

MR. BASS. Thank you very much, Mr. Secretary. My time has expired. The Chair recognizes the gentleman from Michigan.

MR. STUPAK. Thank you, Mr. Chairman, and welcome, Mr. Secretary. I had to rush through my opening because we only had a minute, but I am sure you sensed my frustration. Nothing personal to you but those of us in Michigan and other manufacturing regions of this country, we are frustrated. Beginning with the very first Secretary of Commerce under the Bush Administration, we have been writing letters and having meetings, and the letters go unanswered and there does not seem to be any focus on manufacturing in this country. There has basically been no action so I can only conclude as I said in my opening statement that the Administration has turned its back on American manufacturers.

And these are jobs that Americans do want and they do want to keep them here in this country. One example that seems to me and to others that the Administration seems to disregard American manufacturers is the President's refusal to meet with the Big Three automakers. Here is an article from the Detroit News, June 22. It is titled "Big Three

Rebuffed a Third Time by Bush." The article goes on to say the Big Three were supposed to meet with the President on May 18. That meeting was postponed to June 2. Then the June 2 meeting was postponed again and they were supposed to meet before the end of June. Well, it is June 29. No meeting has been set. And from what we understand from this article nothing has even been set in July.

So my first question is why wouldn't the President meet with the Big Three, and not meet with these CEOs who employ hundreds of thousands of U.S. workers across this country in good paying jobs. Do you have any reason why the President will not meet with the Big Three?

SECRETARY GUTIERREZ. Congressman, I do not have access nor do I have any information on the President's agenda or calendar. I do know that the President is concerned about every single job in the country, extremely concerned about keeping our employment levels growing, and ensuring that until every American who wants a job has a job that we will not stop. That has been his direction.

MR. STUPAK. Well, would you encourage him to meet with the Big Three? Frankly, this article is rather an embarrassment no matter who the President is to have headlines like that, and I think it is really sort of an insult to hundreds of thousands of employees in the auto industry, not just the Big Three, but even the spin-off jobs relating to the auto industry. I know you mentioned a robust economy that you speak of. We in Michigan do no see it. In fact, our unemployment has always been right around the highest in the Nation lately, and it is over 6 percent. And you can point fingers wherever you want, but all the polling we see they really blame the President, and when you see headlines like this that just reinforces that belief for whatever reason why he will not meet with them.

Let me ask you this. Earlier this year the President said the Big Three needs to develop a product that is relevant and GM has to learn to compete. When you were appointed, does the President still stand by these statements or is that the policy of the Department of Commerce, that it is just the bad cars they are producing and they better produce different cars to get the auto industry moving in this country?

SECRETARY GUTIERREZ. Well, I cannot comment on that specifically. I have not heard that statement. I will say that what the President has urged us all to do as a Nation is to improve our competitiveness, to be more productive, to be more innovative, to ensure that our workers are getting training so that they have the skills for the challenges of the future. Everyone has to be more competitive in the future. I would not single out any industry. Every single company, every single organization needs to strengthen their competitiveness in order to grow and flourish in the future.

MR. STUPAK. I do not think Americans or manufacturers or the Big Three are scared of competition, but like I said starting with the first Secretary, Mr. Evans, we would write letters saying there are things we need in the auto industry, as I said in my opening, like relief from healthcare, enforcement of currency manipulations by China, India, and others that make our goods much more expensive overseas, which brings me to another question I mentioned in my opening.

This Administration has only filed 14 complaints with the World Trade Organization. The Clinton Administration did 69. So while we have to compete more, we see inequities, and one of the things we always bring up is enforcement of these trade agreements, but yet we do not see it from this Administration. Are you currently looking at other WTO complaints? Do you anticipate filing any more which really address the issue of unfair access? I mean before NAFTA and before the trade agreements with China our trade deficit with China was like $18 billion a year. Now we are pushing what, $400 billion a year trade deficit. We cannot get our products into China, the biggest consumer, but yet everything from China seems to flow into this country.

So on WTO, are there things pending? Can you assure us that there will be aggressive push to file complaints with the WTO to get a level playing field for our trade?

SECRETARY GUTIERREZ. We have filed two WTO complaints with China which have never been done before.

MR. STUPAK. What are those two on, sir?

SECRETARY GUTIERREZ. Auto parts and the first one was semiconductors. We have more anti-dumping orders against China than we have ever had. And I can assure you what you do not see, Congressman, on a day-to-day basis is that we are constantly meeting with trade officials whether it be from China or from other countries, and always with the agenda in mind that we want more market access. We want the same access to those markets, and very specifically China, that they have to our market. We want our intellectual property respected, and we want transparency of the rule of law.

Those are three areas where the Commerce Department is absolutely focused and determined to achieve more market access for our companies and for our workers. We believe that that is the path forward to export more as opposed to trying to deal with the problem by implementing protectionist policies that are not going to help our workers over the long term.

MR. STUPAK. We just want--you mentioned those points. I agree with you on intellectual property especially the mass producer intellectual property with no enforcement from the Canadian--excuse me,

the Chinese government. So if we have orders, I would hope that they would be enforced stringently and fairly. Thank you.

SECRETARY GUTIERREZ. Thank you, sir.

MR. BASS. The time of the gentleman has expired. The gentleman from Florida.

MR. STEARNS. Thank you, Mr. Chairman, and welcome, Mr. Secretary. How much do you think of our trade deficit if you can maybe quantify it, trade deficit is attributed to any energy imports? I mean how much of this trade--we see the trade deficit now and then we see the trade deficit changing because of the high price of gasoline and if it continues to go forward. I am just curious. If you could tell me today how much has it increased because of the energy cost and how much if we see gasoline get more expensive. It is probably appropriate because today we are going to vote on offshore drilling including in my State of Florida with a possible 100-mile limit and 50 miles, a first moratorium, and then 50 miles with an opt in. So I am just curious how you feel about trade deficits and the energy cost.

SECRETARY GUTIERREZ. I do not have the specific number, but I can tell you last time I looked at this it was over half of the growth of the trade deficit was related to petroleum-related products.

MR. STEARNS. Half, 50 percent?

SECRETARY GUTIERREZ. Yes. Yes. And I can get you the exact number because it is something that we look at but it is quite revealing that the increase in the price of energy products have driven up our trade deficit because we are so reliant on imports, which is why we need to increase our own supply of oil and also get on with a long-term agenda to develop alternative sources of energy.

MR. STEARNS. So if the price of gasoline was at $70 a barrel and it was at $35, if it doubled then you think it is sort of proportional. The trade deficit would be 50 percent increase? I mean could I say that the trade deficit would be 50 percent increase if the cost of oil doubles?

SECRETARY GUTIERREZ. In that case assuming everything else stayed the same.

MR. STEARNS. We are just trying to get a handle on it.

SECRETARY GUTIERREZ. That is right, but that is exactly the way the math works. It increases and therefore imports are impacted.

MR. STEARNS. So the danger is if the energy, we do not do anything with the cost of energy increases until maybe it gets to $100 a barrel, then the trade deficit is going to soar again.

SECRETARY GUTIERREZ. Well, the trade deficit, and we of course worry about the impact on prices at the pump and what it does to consumers and what it does to working families. So it is interesting because when oil was at $25 a barrel the President was talking about a

long-term plan, but there was not a lot of signing up for a long-term plan. Now that it is at $70, we would like a solution tomorrow. Invariably, when you want an immediate solution to a problem that has evolved over the long term you can do some tactical decisions that are not going to pay off over the long term so we need to get to work on the long-term energy plan that the President has laid out. That is the solution to the problem.

MR. STEARNS. Okay. I am going to ask you a question here that maybe to take off your hat as Secretary and maybe put your hat on as a former CEO. Tell me what do trade deficits mean to the large businesses, and what does it mean to America, trade deficits. I have asked the same question to Greenspan when he was Chairman, and I like to ask people like yourself just to try to understand, do trade deficits matter because trade deficits are getting larger and larger and particularly with China, and if you could just give me sort of from a businessman standpoint what trade deficits mean.

SECRETARY GUTIERREZ. What I see in the number is that this economy is growing so rapidly that everyone in the world would like to sell us their goods.

MR. STEARNS. We are the big market.

SECRETARY GUTIERREZ. We are the big market. There is nothing like it in the world. We are not only the largest, but we are also the fastest growing industrialized nation. And if you flip it around there are countries that have a trade surplus like Germany--

MR. STEARNS. And no business, high unemployment.

SECRETARY GUTIERREZ. But their unemployment is 8-1/2 percent, 8 percent. Their growth rate is maybe 1-1/2 percent. I do not think we would trade that so the--

MR. STEARNS. Trade deficits are relative and do not matter?

SECRETARY GUTIERREZ. Well, I would not say they do not matter. It is a number we have to look at, we have to pay attention to, we have to understand why it is occurring, but what really counts is our economy growing, are we creating jobs, are we keeping inflation in check, do Americans own more homes than they did before. That is what really--

MR. STEARNS. So as a businessman I am talking now, you would be looking and saying as long as we have all these good factors and the economy and the trade deficit is not as important, it is important, but not as important, and you would not be concerned about an ever growing trade deficit with China, for example?

SECRETARY GUTIERREZ. Well, I would be careful about making it the most important number because my concern would be that we take actions that assume it is the most important number and those actions impact the other numbers that truly are the top three which is growth of the economy, growth in jobs, and keeping inflation in check. We could

reduce our deficit by putting up import barriers. We tried that in the 1930s. We cut imports in half but we also cut exports in half. Our employment went to 25 percent.

So we just need to understand how we are going to address it. We believe the way to address the trade deficit is by exporting more so we are continuing to--

MR. STEARNS. So you think you want to sell your way out of it by being more competitive and selling overseas and cutting our trade deficit that way, and so a high trade deficit means that we've got to get going and be more competitive. Is that a fair example of what you are saying the whole equation would be?

SECRETARY GUTIERREZ. We have to be more competitive, ensure that we have a level playing field, that our businesses are able to enter markets overseas, but not erecting walls.

MR. STEARNS. I understand. Mr. Chairman, if you would indulge, I just have one last question. What is the current state of foreign investment in the United States, is it increasing or decreasing and just reasons?

SECRETARY GUTIERREZ. Foreign investment, I will have to look at the number. I would say it is increasing quite nicely. And one number is the number of jobs created by foreign investors is 5.3 million jobs. So there are 5.3 million jobs in the country that are created by investors from overseas, and I find that to be a very high number and it says a lot about keeping our economy attractive to foreign investment.

MR. BASS. The time of the gentleman has expired. The gentlelady from Wisconsin.

MS. BALDWIN. Thank you, Mr. Chairman, and thank you, Mr. Secretary. As I said in my opening statement, over the past few years we have seen hundreds of thousands of American jobs shipped overseas and while many have been manufacturing positions the recent trend is off shoring of service jobs including software programming, call center operations, and medical record transcription services. In 2003, I joined several members of Congress including several members of this committee, Mr. Dingell and Mr. Inslee, in requesting that GAO investigate the effects on our economy of off shoring of U.S. service industry jobs and IT jobs.

The GAO reported back in September 2004, and in their report among other findings they indicated quite critically that federal statistics provide very limited information about the effects of off shoring on the U.S. labor force and the economy overall. As a follow-up after receiving this report, I wrote to then Secretary Evans asking what steps the Administration would be taking to institute a method for measuring outsourcing and off shoring. And the response that I received in my

opinion was really inadequate, so I wanted to raise the question once again today to ask you, is the Department of Commerce tracking the number of businesses that are moving operations offshore? What sort of new data collection efforts have you implemented as a result of this GAO study? Why don't I let you start there, and I may have some follow-ups.

SECRETARY GUTIERREZ. Well, two things. We have regional data that we look at very closely, which enables us to look at our unemployment rate by State, unemployment rate by community, which enables us to draw some conclusions. We are also exploring ways to have more up-to-date information on the services sector. Services, as you know, represents a growing part of our economy, and we have more information about other sectors of the economy than we do about certain sectors of services, and we believe by drilling down and having more information, having more sector-specific information, that we could draw more conclusions regarding where we are creating jobs in the country.

MS. BALDWIN. Well, let me just follow up briefly on your response. I think that regional unemployment data existed when the GAO report was put together, and what they were really saying is that we had some major trends developing and that our Government was not adequately collecting data to inform policymakers and others how we need to respond and retool in this global economy. And we need sound information. We need data. We need those things to base good policies on.

So let me just ask a series of questions and perhaps you can follow up as the Department looks at new ways of data collection. But I would, for example, want to know about the Department of Commerce tracking which industries are most affected by off shoring based on occupation, skill level and wages; whether the Department tracks which countries American companies are off shoring to; what about how many workers are affected by State or by industry specifically by off shoring rather than other trends in our economy; and whether the Department of Commerce is tracking the re-employment of American workers who are displaced by off shoring, and if employed are these workers generally making more or less money and what about their complement of benefits in their new role?

And I realize that this is something in terms of data collection that you share with the Department of Labor, but the Department of Commerce certainly needs to know this type of information as do we as Members of Congress.

SECRETARY GUTIERREZ. Again, we are working on updating our information systems to reflect the world as it is today and as it will be in the future. I would be glad to go back and see if we can get some of these points and whether we will be able to do so in the future. But we

are currently looking at how to update our information systems to reflect a changing world and a changing global economy.

MS. BALDWIN. Thank you.

SECRETARY GUTIERREZ. Thank you.

MR. BASS. The gentleman from Oregon.

MR. WALDEN. Thank you, Mr. Chairman. Mr. Secretary, thank you and welcome. I appreciated the opportunity to meet with you earlier along with some colleagues of mine from Oregon and California regarding a regional economic issue that while not specific to my district because we are inland, it is one certainly I think everyone in the region is concerned about and that is the reduction or elimination of any fishing harvest off the Oregon, southern Oregon, and northern California coast. And I guess we are all struggling with timelines here on how we can help people who we know are in terrible situations financially as a result of this regulatory decision.

And I want to ask you because the authority to declare a disaster rests in your agency, and I know your people have been working on that. Can you give us some sort of update as to what can be done here? My understanding is after Hurricane Katrina within 10 days or so a declaration of fishing disaster was able to be declared. It looks to me like under the Interjurisdictional Fisheries Act of 1986 there might be a framework to do a similar declaration. I am just curious if you can enlighten us.

SECRETARY GUTIERREZ. Thank you, sir. The Magnuson-Stevens Act requires us to have factual information in order to declare a disaster which is very much related to the fish stock levels or to declare a failure which is very much related to the economy surrounding that area. We have been into the process and into the season for about 2 months. Typically you need more information than that. After our meeting today, and I have asked for some options, eventually sending someone from NOAA to expedite the process, but this is something we are concerned about.

We share a deep concern about a fishing community that is being impacted in a negative way, and we need to address it so within the context of the current law, within the boundaries, within whatever restraints there are, we need to move forward as quickly as we can and provide you whatever help we can. And we will work with you in that endeavor.

MR. WALDEN. Well, as you know, nobody is asking you to violate the law. Clearly, you have to operate under it. It appears that there may be ways to move in a more expedited manner than we have been led to believe in the past. There is some discussion it might be February of

next year, and I dare say any of us who did not get a paycheck for that length of time would not have much left.

SECRETARY GUTIERREZ. And I will check that, Congressman, and see how we can expedite that and what we can do.

MR. WALDEN. And I had some discussions with the chairman of the Resources Committee about including language that Senator Smith has in the Senate reauthorization of Magnuson-Stevens that would provide for a declaration of a disaster and economic assistance, and hopefully that is language the Chairman and the House Resources Committee might be able to agree to in a conference should our bill ever get there because we want to do everything we can. Time is of the essence, and I know when the farmers in the Klamath Basin have the water shut off and their lives devastated by a similar type decision, Secretary Veneman at Ag at the time through their laws, which I realize are different than the ones you operate under, she was able to move within 10 days, get the declaration, and we were able to go to work here to get the funding.

And I would just join my colleagues on both sides of the aisle and up and down the Oregon and Washington coast in making it clear we need to move as fast as possible within the guidelines of the law you have to follow--

SECRETARY GUTIERREZ. Yes, sir.

MR. WALDEN. --to accomplish this, so I appreciate your taking the meeting today and your interest, personal interest.

SECRETARY GUTIERREZ. I look forward to working with you, Congressman. Thank you.

MR. WALDEN. We appreciate that. Mr. Chairman, I do not have any other comments at this point.

MR. BASS. Thank the gentleman. The gentleman from Maine is recognized for 6 minutes.

MR. ALLEN. Thank you, Mr. Chairman. Mr. Secretary, the House just approved an approximately $500 million cut to the budget of the National Oceanographic and Atmospheric Administration. Can you tell us what effect a cut of $500 million will have on NOAA's operations and its ability to carry out its functions?

SECRETARY GUTIERREZ. Well, I would have to look at the budget and the $500 million. Obviously, we are talking about a budget that is probably close to 10 percent of what we deal with so a cut of that magnitude will obviously require us to go back and look at priorities, look at how we are spending money, how we are allocating money. We have certain priorities that we have committed to already, whether it be the climate change research, whether it be the ocean policy recommendations, but obviously that would require us to go back and

look at reallocation and what the impact would be. I would be able to answer that after seeing what choices we would have to make.

MR. ALLEN. Would you consider that a substantial cut in NOAA's budget?

SECRETARY GUTIERREZ. Well, it is a substantial amount of money. That is pretty simple, isn't it?

MR. ALLEN. But are you prepared to fight to restore that $500 million?

SECRETARY GUTIERREZ. I need to go back, and to answer your question, I think it is a very good question, I would have to tell you what choices we would have to make in order to come up with that money.

MR. ALLEN. Were you involved in the preparation of the budget?

SECRETARY GUTIERREZ. Well, I approve the budget. And what we would have to give up, so it would require making choices. It would require giving something up for something else.

MR. ALLEN. Every budget requires making choices. Every change in the budget requires making choices. We know that. But the real question is are you personally prepared to fight for the restoration of that $500 million?

SECRETARY GUTIERREZ. Once I have a chance to look at what choices we need to make, and if I think we are making a terrible mistake, and that it is the interest of the country and the President and the Administration, yes, I will.

MR. ALLEN. Let me ask a more general question. You began by saying that we are in a very competitive global economy. It was refreshing to hear that from this Administration. We all take the State of the Union speeches as the clearest indication of where the Administration is going. This year, 2006, was the very first time that President Bush ever mentioned the concept of global competition since he has been President, the first time. It is as if the issue did not exist before then. And so my question to you from the Department of Commerce is do you have a strategy for that that is not sort of bland generalities about GDP growth or job growth but is specific to those industries which are engaged in the global economy which evaluate how those industries do vis-à-vis other industries around the globe from other countries?

And what are the specific industry-by-industry advantages or disadvantages that American companies have. It seems to me this is not something you can do from 50,000 feet. It has to be industry-specific just as I would add--if I can just finish this by saying when you were answering Tammy Baldwin's questions about data about off shoring and outsourcing you talked generally about updating data services and looking at the employment rate in different areas. It seems to me again if you are going to study the effect of global competition, you have to zero

right in on those industries that are engaged in intense global competition rather than doing some kind of broad overview.

So the question is both data gathering and in your strategy, is there a document, is there something that would tell us the Department of Commerce has a coherent strategy for how America should compete in the global economy which is not just about cutting taxes and free trade, which we have heard before?

SECRETARY GUTIERREZ. Well, I am sorry to disappoint you because you have heard it before, but I would suggest that those strategies are working because our economy is doing extremely well in a very competitive global economy. So I am glad that we cut taxes, and I am glad that we are opening up new markets, and I am glad that we are embracing free trade. We are, by the way, to your point, and it is a good question, we are looking at industries, and I would agree with you that the economy is a sum total of industries and to understand the economy it would be very helpful to look at industries, and we are seeing how much we can do in that regard.

I will also say though that we do not manage industries. Private-sector companies do. Our role is to create an environment so that they can continue to innovate and compete and create jobs.

MR. ALLEN. That I understand. I hear that. I respect our private sector. But what troubles me profoundly about this Administration is the absence of public leadership on public issues. Energy is a public issue. Healthcare is a public issue. Global competition is a public issue. Climate change is a public issue. So are our oceans. And the inability of this Administration to take forceful public leadership on public issues is I think something that only the Government has to do. The public sector simply cannot do that.

So what I would ask just finally is if you would bring to us updated information on what you are trying to do industry-by-industry as we go forward because I think that unless we look at global competition through those lenses frankly we are all up in some airy place where nothing much gets said. And the only final comment I would have for us GDP growth is not the only measure of health of an economy. I think you agree.

SECRETARY GUTIERREZ. I agree.

MR. ALLEN. Thank you very much.

MR. BASS. The time of the gentleman has expired. The gentleman from Illinois.

MR. SHIMKUS. Thank you. Thank you, Mr. Secretary. Thanks for being patient. And of course you know we were running around, and I apologize for missing a lot of it and actually hope my friends--because the questions on their side just drive me batty, and it shows you the

differences between the two parties. Mr. Secretary, who creates jobs in America?

SECRETARY GUTIERREZ. The private sector.

MR. SHIMKUS. The private sector does. How do they do that?

SECRETARY GUTIERREZ. Well, they have an environment that is conducive to creating a company, investing capital.

MR. SHIMKUS. Where do they get that capital from?

SECRETARY GUTIERREZ. From banks and through--

MR. SHIMKUS. With the expectation of what?

SECRETARY GUTIERREZ. Of achieving a return.

MR. SHIMKUS. And what inhibits that return?

SECRETARY GUTIERREZ. Well, regulations are--

MR. SHIMKUS. What type of regulations?

SECRETARY GUTIERREZ. Well, I hope I am passing this test.

MR. SHIMKUS. You are doing well.

SECRETARY GUTIERREZ. You know, all necessary regulations that we--

MR. SHIMKUS. Give me some examples.

SECRETARY GUTIERREZ. Taxes would--

MR. SHIMKUS. Let me--we are debating--I think the rule just got postponed--not postponed. We are going to vote on it. We are going to have a vote on the floor today that is impacting job creation and growth in America, and that is going to be our ability to access more energy reserves on the Outer Continental Shelf. Would you not agree that energy cost affects the cost of doing business?

SECRETARY GUTIERREZ. The cost of energy is something that we are concerned with and that is why the President had laid out a long-term plan, which by the way he has had for 5 years.

MR. SHIMKUS. Let me continue. I do not know the exact amount, I think 50 percent of future oil and gas reserves are in the OCS. We do not have access to that now. Understanding basic economics 101 and a supply and demand equation, if we can have access to more supply of natural gas and petroleum, crude oil, what does that do to the price of energy that our manufacturing companies have to pay?

SECRETARY GUTIERREZ. It helps. The more we can rely on our own domestic production the better off we will be.

MR. SHIMKUS. So I really get tired of people looking at your agency or department and saying what are you doing and why isn't the Administration doing more or they are saying they have done nothing. I would submit that the energy bill passed that is going to inspire new development and electricity generation will help lower the cost. If we expand the transmission--Mr. Allen and I have had this continuing

running debate on the energy bill. I think I am right, he thinks he is right. That is what makes the saying it takes two to tango.

I would ask you to help us identify the environment that makes it more costly for us in rules, regulations, either workplace, environment, and you can look at energy costs. You can look at sighting issues, litigation. You know what meets with that on tort reform. Now you manage a very successful company. Was the cost of litigation and class action issues, was that a cost of doing business?

SECRETARY GUTIERREZ. It is a cost, and it also takes management's focus off what they should be doing, which is growing.

MR. SHIMKUS. In fact, I think we used as part of the debate the class action lawsuits against cereal manufacturers, and once they were eventually solved each person who could prove they bought a box of cereal got a 25 cent coupon after millions and millions and millions of dollars of court costs and litigation. So as you respond to all these requests for what can you do to help educate us to make us more competitive, I hope you look at it from the cost of doing business in this country and the excessive regulations or the inability to get the needed energy infrastructure and the like because we can be competitive.

But for all the protestations, they stand in the way of moving a lot of this process because we want to be competitive. We want to--I have two--I am sorry. I had to get that off my chest. I chair the Baltic Caucus to deal with Estonia, Latvia and Lithuania, three great countries, great allies on the war on terror, always concerned about their neighbor, Russia. I represent the State of Illinois although I am a down stater, great company up there called Motorola.

We were over there after a NATO meeting in St. Petersburg and met with the American Chamber of Russia and particularly the St. Petersburg area. Motorola was present. By the time I left, I heard about this problem about the Russian government sequestering, seizing a lot of cell phones. One, are you aware about it, and is there something that we can get resolved before the G8 Summit?

SECRETARY GUTIERREZ. I am aware of it, and it is something that I mentioned to the Russian Minister of Technology. And, you know, we may be talking here about something that is in the tens of millions of dollars. I think he may have even mentioned that it was $5 million or $6 million. The point is that if our companies are being treated unfairly we are going to step in and mention it to the foreign governments.

And in this case, it did not matter to us whether it was $4 million or $5 million or $6 million, it was worth mentioning, and we expect the problem to be resolved, but the cell phones should not disappear.

MR. SHIMKUS. And I will just end on this statement. The research and development tax credit is an important issue, and I hope you

continue to push on that. And as you respond to the questions on outsourcing maybe we can also understand and be educated on--everyone who complains about outsourcing you never hear a single breath about in-sourcing, and so I would encourage you to make both cases. And I yield back.

SECRETARY GUTIERREZ. Thank you.

MR. BASS. The gentleman yields back. Does anyone wish to be recognized for a second round?

MR. ALLEN. I would ask to be recognized.

MR. BASS. The gentleman from Maine is recognized for 5 minutes.

MR. ALLEN. Mr. Secretary, you have to understand that Mr. Shimkus and I engage in a running debate but it is one we do enjoy, and it is fair to say that I have enormous respect for him and we work well together. And I agree with some of the things he said. Energy infrastructure is important. Regulations can be excessive. But when he asks you a question and you respond that only the private sector creates jobs you know I have got to say a couple more things.

Almost every candidate for Congress and assuredly every candidate for Governor will campaign this fall making the claim that they have created jobs or at least that they have helped to create jobs. But the point of the question for you is when you do your data on job growth in this country it includes both private-sector and public-sector jobs, isn't that right, and there has been--we can argue over the meaning of the word significant but there has been at the State and local level a significant increase in public-sector jobs, isn't that right?

SECRETARY GUTIERREZ. I am not sure about an increase. I will have to check that, whether there has been creation of jobs. I know there has been a creation of jobs through private-sector investment.

MR. ALLEN. Right. Well, you can check, but I am positive that certainly during this Administration there has been an increase in the total number of public-sector jobs in the country. The third point I wanted to make was the Manufacturing Extension Partnership, the SBA, Federal research and development, all of those the many CEOs would tell you are essential to the creation of jobs, and you support those kinds of programs, do you not?

SECRETARY GUTIERREZ. I believe that the Government should be involved in basic research that the private sector either does not have the time or the competitive circumstances to do, and usually research takes long periods of time. I do not think we should be in the business of picking companies, picking winners, picking industries over another, and you can imagine the problem that would get us into if we started picking industries. And so we have to be careful about these programs and

whether they drive you to specific winners and losers. I think our job should be the overall economy.

MR. ALLEN. Just the last thing I will say from my perspective is we are picking winners and losers all the time. We have earmarks going to companies for R&D. I mean just in my State of Maine we are picking winners and losers all the time, and some of the winners are spectacular. Tom's of Maine which has just sold for $100 million really survived on a $30,000 SBA loan back in the early '70s. And we have new technologies that are being developed today in laser welding and a variety of other things, and I would argue for a partnership. But I thank you for being here. Thank you for allowing me, Mr. Chairman, to continue this ongoing dialogue with my friend, Mr. Shimkus.

MR. BASS. The time of the gentleman has expired. Mr. Secretary, thank you very much for your appearance here today. We really appreciate it. And if there is no one else wishing to be recognized for a second round, we will thank you, and the hearing is adjourned.

SECRETARY GUTIERREZ. Thank you, Mr. Chairman.

[Whereupon, at 1:04 p.m., the Committee was adjourned.]

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