

**THE FUTURE OF AMERICAN MANUFACTURING:
MAINTAINING AMERICA'S COMPETITIVE EDGE**

HEARING

BEFORE THE

**COMMITTEE ON COMMERCE,
SCIENCE, AND TRANSPORTATION
UNITED STATES SENATE**

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

MARCH 2, 2011

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SENATE COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION

ONE HUNDRED TWELFTH CONGRESS

FIRST SESSION

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THE FUTURE OF AMERICAN MANUFACTURING: MAINTAINING AMERICA'S COMPETITIVE EDGE

WEDNESDAY, MARCH 2, 2011

U.S. SENATE,
COMMITTEE ON COMMERCE, SCIENCE, AND TRANSPORTATION,
Washington, DC.

The Committee met, pursuant to notice, at 10:06 a.m. in room SR-253, Russell Senate Office Building, Hon. John D. Rockefeller IV, Chairman of the Committee, presiding.

OPENING STATEMENT OF HON. JOHN D. ROCKEFELLER IV, U.S. SENATOR FROM WEST VIRGINIA

The CHAIRMAN. This hearing will come to order.

It is my honor to introduce the Democratic Whip of the House, the Honorable Steny Hoyer.

[The prepared statement of Senator Rockefeller follows:]

PREPARED STATEMENT OF HON. JOHN D. ROCKEFELLER IV,
U.S. SENATOR FROM WEST VIRGINIA

Welcome to today's hearing. I'm pleased Commerce Secretary Gary Locke is here to share his ideas on the future of American manufacturing. I'd also like to welcome Congressman Steny Hoyer. As House Minority Whip, Congressman Hoyer has been leading the charge to strengthen America's middle class by "Making it in America" again.

Over the last century, manufacturing was the engine of America's prosperity. Henry Ford's assembly lines were a model of industrial efficiency, providing jobs and good pay to American workers at the turn of the century. During World War II, Americans' prowess and productivity turned the tide of the war and cemented our place as the world's largest and most dominant manufacturing economy.

After the war, the world watched as America continued to build, make and create. Great American icons, like General Motors and Boeing, grew and prospered. American manufacturing became synonymous with ingenuity and American know-how. The jobs it supplied grew our economy. A large, vibrant middle class was born.

But today's manufacturing sector is a shadow of its former self. In the last decade alone, more than 5 million manufacturing jobs have disappeared and 57,000 factories have closed.

Even America's iconic inventions—and iconic brands—are no longer made here. Mattel Toys—the largest toy company in the world—closed their last American factory in 2002. 65 percent of their products are now made in China. The last time a pair of Levi jeans was made in America was in December 2003.

Across the nation, plant shutdowns have devastated small towns and communities. I've seen it happen in West Virginia. When a factory closes, it creates a ripple effect with far reaching consequences. It's not just the plant workers and their families that suffer, but the entire town. Local shops and restaurants lose business. Tax revenues go down, impacting schools and emergency services.

Now, there are some who say our manufacturing decline is inevitable. They claim that we do not need an industrial base; and that as long as we keep high-value work in the U.S., we'll be fine. I couldn't disagree more. That policy is usually espoused

by people who sit at desks for a living and have not ventured into America's industrial towns.

This country cannot subsist as a service economy. We will not thrive as a nation if we do not make things. In order to get our economy humming again, we need to buy—and make—American. Here's why: On average, manufacturing workers get higher pay and more generous benefits than Americans in non-manufacturing jobs. Where manufacturing goes, research and development tend to follow.

Manufacturing has one of the largest multiplier effects in our economy. It is estimated that 2.5 additional jobs are created for every one manufacturing job. Think about it. Where there are factories, there are suppliers. Where there are suppliers, there's a supply chain of producers—and more workers. And where there are workers, there are restaurants, cultural establishments and stores to sustain and entertain them.

Today, I want to hear from you, Secretary Locke, on what more we can do to grow America's manufacturing sector and create more good-paying jobs.

I have some ideas about the role Congress can and should play. I'm proud of the work this Committee has done funding new investments in science, technology, engineering and math education. We recognized some time ago that if we are to prepare the next generation of workers for advanced manufacturing jobs, we need a highly trained workforce.

But there is more to do and no time to waste. Manufacturing is a jobs issue—plain and simple—and we must get this right.

This hearing is the first in a series I will hold on manufacturing and jobs in America. I want everyone's best ideas on how we can encourage more manufacturing. These ideas, in turn, will serve as the basis for legislation to rebuild American manufacturing and make our country better, stronger and safer.

I look forward to hearing from you today. Thank you.

**STATEMENT OF HON. STENY H. HOYER, DEMOCRATIC WHIP,
UNITED STATE HOUSE OF REPRESENTATIVES**

Mr. HOYER. Thank you very much, Senator Rockefeller, Senator Hutchison, my good friend, as is Senator Rockefeller, and the junior, very junior, Senator from Virginia, Senator Warner. It is always good to be with you, sir.

I am pleased to be here and particularly pleased to join Secretary Locke. I had the opportunity of working on a lot with Governor Locke when he was the Governor of Washington state, an extraordinary public servant, and the nation is very fortunate to have his services as our Secretary of Commerce. And he and I have been working together on making sure that we extend services not only to large manufacturing enterprises but to medium and small sized. And I thank him for his leadership and efforts.

Senator Rockefeller, members of the Committee, I want to thank you for giving me this opportunity to speak on one of our nation's defining challenges: strengthening and creating jobs for America's middle class. That same goal is behind our effort to "Make It In America." That is our agenda, Make It In America, which obviously means two things.

Number one, we are going to make it. All the kids say, you are going to make it. You are going to succeed. You are going to grab that opportunity and go with it.

And of course, you are going to make "it" in America. It is about creating an environment in which American business can thrive, innovate, and create jobs here in America. It is about ensuring we have a workforce that can fill the well-paying jobs of the future. I believe that when more products are made in America, more families will be able to make it in America.

That is why manufacturing is so important to Make It In America and its vision of middle-class opportunity. For generations,

manufacturing has been a source of reliable, well-paying, middle-class jobs. And just as manufacturing helped build the world's most prosperous middle class here in America, it is essential to our economic recovery today.

Sadly, Mr. Chairman, manufacturing employment has been in decline until very recently. From its peak in 1979, the number of manufacturing employees has been cut nearly in half. Luckily, we have a story in today's paper which indicates—the headline being “Global Manufacturing Picks up Pace” here in the United States and in Europe. But from some 20 million employees some decades ago to fewer than 12 million today. The last decade was an especially devastating one for manufacturing employment: from 2001 to 2009, nearly a third of our manufacturing jobs disappeared.

Those jobs were especially well-paying and attractive to middle-class families. While average total compensation is about \$58,000 across all jobs, manufacturing workers receive an average of nearly \$71,000. That difference of \$13,000, of course, is extraordinarily significant.

It is no coincidence that the years of sharp manufacturing decline were also the years of middle class stagnation. In fact, during that period, median household income fell even as the economy as a whole expanded, the first time in our history that that has happened. When we talk about a “lost decade for the middle class,” we are talking, to a great extent, about the lost decade for manufacturing employment.

And our ability to remain the world's innovation leader and create tomorrow's jobs depends directly on our ability to make things here today. The President of Dow Chemical, in fact, has written a book. Now, we adopted Make It In America as an agenda item last summer. The book was published in January of this year, but it was entitled “Make It In America.” From computer chips to advanced display screens to precision optics to photovoltaic cells, a host of products invented in America have been rolling off assembly lines in other countries. Every time that happened, according to Intel's Andy Grove—and I quote—not only did we lose an untold number of jobs, we broke the chain of experience that is so important in technological evolution. We lost not just the jobs of today, but entire industries for tomorrow. We have to break that pattern.

Andy Grove's premise is that we have the best inventors, the best innovators, the best developer of products here in the United States, but we are taking them to scale too often offshore. And his premise as well is that if we continue to do that, inevitably the innovators, inventors, and developers will follow the manufacturing. And so we will be eating our seed corn.

The good news, however, is that we are beginning to turn this record of decline around. Today manufacturing is leading our economic recovery. In fact, that sector has grown every month for 19 straight months. This month, we learned that the ISM Manufacturing Index, which measures the strength of that sector, is at the highest point in almost 3 decades. That story appeared today.

We have also seen a host of success stories about manufacturers choosing to bring jobs back to America, such as General Electric's decision to move 400 jobs from China back to the United States, or Ford's decision to move 2,000 employees back to the U.S. from

Japan, Mexico, and India. In fact, I was with Alan Mulally in Detroit 3 weeks ago at the auto show—maybe 4 weeks ago—and he indicated that they were finding that in terms of quality and productivity, that they are doing better building it here, notwithstanding the salary differential. That is a very important point for us to make. And I talked to John Engler when he was head of the National Association of Manufacturers, and he made a similar point.

The Federal Government cannot foster that kind of success on its own, of course, but it can act as a smart partner for the private sector. And that is what the Make It In America agenda is all about. Again, Secretary Locke has been leading on that partnership and I know will be announcing later today a public/private partnership on this issue.

We need to create the conditions that help companies, large and small, build here, keep jobs here, and compete in an open global market. It is an agenda that has won support from both businesses and labor because all Americans benefit—all Americans benefit—when our industry is more competitive. The Make It In America agenda is one that can be talked about in any district in America, the most conservative, the most liberal, the most Republican, the most Democratic, and you will find that Americans' heads will nod yes. If we are going to be successful in the decades ahead, it will be because we are making things in America.

Mr. Chairman, as you know, I lost my wife 14 years ago. So now I shop—actually my granddaughter and I shop in Toys R Us for my three grandchildren and my one great granddaughter. I then bring the toys home. I have an island in my kitchen and I wrap them. And of course, when you pick up the toy and you see almost invariably it is made in either in China or someplace else. And I think to myself I bought this toy and I am glad to give it to my grandchildren, but boy, I wish it were made by Americans that created jobs, good paying jobs, so they in fact could have a better ability to purchase for their grandchildren or their children the toys that they want.

Creating the conditions that help companies, large and small, is absolutely essential. President Obama has already signed seven Make It In America bills into law, bills that speed up innovation and patents, support our growing energy sector, create tax cuts and loans for small businesses, support science, technology, engineering, and math education, STEM, and more. Many of these bills won significant bipartisan support

And manufacturing can remain an area for bipartisan cooperation in the new Congress. Make It In America crosses, as I said, all ideologies and locations in our country, from Arkansas to Maine, Senator Snowe.

I am so pleased to be with Senator Snowe, Senator Rockefeller, because Olympia and I had offices very close to one another on the fifth floor of the Longworth Building when we both came to Congress. And so we walked to the elevator on a regular basis. It was a basis for a great friendship.

Senator Pryor, glad to have you here, sir.

There is no reason—no reason—why Democrats and Republicans cannot come together for stronger job training partnerships, a fair

playing field for American exporters, and efforts to hold China accountable for its currency manipulation. In the coming weeks, Mr. Chairman and members of this committee, I look forward to expanding this positive agenda for job creation. I have talked to Eric Cantor. I have talked to Mr. McCarthy, our new Whip. I have talked to David Camp, the Chairman of the Ways and Means Committee. We can and should and must work together on this agenda.

I believe that the Federal Government can fulfill its role as a smart partner for private sector job creation by investing in the innovation, infrastructure, and education our economy needs to grow. President Obama, of course, focused on that in his State of the Union, in investing in growing our economy. Again, that is an idea that finds support across the ideological spectrum.

As Tom Donohue of the U.S. Chamber of Commerce and Richard Trumka of the AFL-CIO put it—and I quote—whether it is building roads, bridges, high-speed broadband, energy systems, and schools, these projects not only create jobs and demand for business, they are an investment in building the modern infrastructure our country needs to compete in a global economy. Close quote. That was Mr. Donohue and Mr. Trumka.

It is time to recommit ourselves, Mr. Chairman, and I applaud you for leading this effort and having this hearing. And I applaud each one of the Senators in attendance. It is time to recommit ourselves to manufacturing, to our middle class, and to the pride Americans have always taken in making things, making it in America.

I want to thank you for calling this hearing and say how much I look forward to working closely with you in the coming months and years to expand our manufacturing sector and opportunities for our people. Thank you very much.

[The prepared statement of Mr. Hoyer follows:]

PREPARED STATEMENT OF HON. STENY HOYER, DEMOCRATIC WHIP,
U.S. HOUSE OF REPRESENTATIVES

I want to thank Chairman Rockefeller and Ranking Member Hutchison for giving me the opportunity to speak on one of our Nation's defining challenges: strengthening and creating jobs for America's middle class. That same goal is behind the Democrats' *Make It In America* agenda. *Make It In America* is about creating an environment in which American businesses can thrive, innovate, and create jobs here—and it is about ensuring we have a workforce that can fill the well-paying jobs of the future. I believe that when more products are made in America, more families will be able to *Make It In America*.

That's why manufacturing is so important to *Make It In America* and its vision of middle-class opportunity. For generations, manufacturing has been a source of reliable, well-paying, middle-class jobs. And just as manufacturing helped build the world's most prosperous middle class here in America, it is essential to our economic recovery today.

Sadly, manufacturing employment has been in decline until very recently. From its peak in 1979, the number of manufacturing employees has been cut nearly in half: from some 20 million to fewer than 12 million today. The last decade was an especially devastating one for manufacturing employment: from 2001 to 2009, nearly a third of our manufacturing jobs disappeared.

Those jobs were especially well-paying and attractive to middle-class families: while average total compensation is about \$58,000 across all jobs, manufacturing workers receive an average of nearly \$71,000. So it's no coincidence that the years of sharp manufacturing decline were also years of middle-class stagnation. In fact, during that period, median household income fell even as the economy as a whole expanded—the first time in our history that that has happened. When we talk about

a “lost decade for the middle class,” we are talking, to a great extent, about a lost decade for manufacturing employment.

And our ability to remain the world’s innovation leader and create tomorrow’s jobs depends directly on our ability to make things here today. From computer chips to advanced display screens to precision optics to photovoltaic cells, a host of products invented in America have been rolling off assembly lines in other countries. Every time that happened, according to Intel’s Andy Grove, “not only did we lose an untold number of jobs, we broke the chain of experience that is so important in technological evolution.” We lost out not just on jobs today, but on entire industries for tomorrow. We have to break that pattern.

The good news, however, is that we are beginning to turn this record of decline around. Today, manufacturing is leading our economic recovery: in fact, that sector has grown every month for nineteen straight months. This month, we learned that the ISM Manufacturing Index, which measures the strength of the sector, is at its highest point in almost three decades.

We’ve also seen a host of success stories about manufacturers choosing to bring jobs back to America—such as General Electric’s decision to move 400 jobs from China back to the U.S., or Ford’s decision to move 2,000 back to the U.S. from Japan, Mexico, and India. We recently learned, in fact, that Ford is planning on adding another 7,000 jobs here in the U.S.

The Federal Government can’t foster that kind of success on its own—but it can act as a smart partner for the private sector. That’s what the *Make It In America* agenda is all about: creating the conditions that help companies large and small build here, keep jobs here, and compete in an open global market. It’s an agenda that has won support from both business and labor, because all Americans benefit when our industry is more competitive.

President Obama has already signed seven *Make It In America* bills into law—bills that speed up innovation and patents, support our growing energy sector, create tax cuts and loans for small businesses, support science, technology, engineering, and math education, and more. Many of those bills won bipartisan support.

And manufacturing can remain an area for bipartisan cooperation in this new Congress. There is no reason why Democrats and Republicans can’t come together for stronger job-training partnerships, a fair playing field for American exporters, and efforts to hold China accountable for its currency manipulation. In the coming weeks, I look forward to expanding this positive agenda for job creation.

I also believe that the Federal Government can fulfill its role as a smart partner for private-sector job creation by investing in the innovation, infrastructure, and education our economy needs to grow. Again, that’s an idea that finds support across the spectrum. As Tom Donohue of the U.S. Chamber of Commerce and Richard Trumka of the AFL–CIO put it, “Whether it is building roads, bridges, high-speed broadband, energy systems and schools, these projects not only create jobs and demand for businesses, they are an investment in building the modern infrastructure our country needs to compete in a global economy.”

It’s time to recommit ourselves to manufacturing, to our middle class, and to the pride Americans have always taken in making things. Thank you for calling attention to this pressing challenge.

The CHAIRMAN. Thank you, sir.

I need to point out that I did not have an office close to you, so I did not get to walk to the elevator with you.

Mr. HOYER. The good news, however, was, Senator, that I served on the Labor, Health Appropriations Subcommittee for 23 years and I served during the period of time that Sharon was such an extraordinary force in communicating information, culture, and arts to the people of the United States.

The CHAIRMAN. You are kind.

But I did have the experience of working with you on a very controversial, very important piece of legislation called FISA. And there were many members on the Democrat side in the Intelligence Committee who did not vote for it. It was very controversial. And I just watched you with your experience stitch together a coalition, and it worked. And the bill passed and it has re-passed and it is a very important piece of legislation.

I want to say to the membership that we have a vote at 11 o'clock. This is so unfair to Secretary Locke. But I have consulted with my Ranking Member, my Co-Chair, Kay Bailey Hutchison, and what we thought is that we would not do opening statements and that we would go to the Secretary so we have maximum time, unless anybody feels that the world will be changed by what they say.

You should know this is the first of a whole series of hearings that we are going to have on manufacturing in America. I mean, this is our theme for the year. So you have led it off and what better person.

Mr. HOYER. Aren't you kind? Thank you very much, Senator, and thank you, Senator Hutchison and members of this committee for the leadership you have shown and the positive direction you are setting, and I look forward to working with you.

The CHAIRMAN. Thank you, sir.

Mr. HOYER. Thank you.

The CHAIRMAN. Secretary Locke, I sometimes wonder—I do not know how many times you are asked to testify and what it does to your schedule and you have got trips planned overseas and around the country and the demands on your time are simply endless, but this is a subject that you care enormously about. And anytime that America could lose 57,000 factories in a 10-year period, I think we ought to be pretty nervous. So I would like to be able to, with the permission of my colleagues, just go directly to you, sir. We are honored that you are here. We are honored about the work that you do, and we look forward to hearing what you have to say. Then we will have questions.

I should tell you also about the 11 o'clock vote. That puts a little crimp on us and I would rather question you than listen to us.

**STATEMENT OF HON. GARY LOCKE, SECRETARY,
U.S. DEPARTMENT OF COMMERCE**

Secretary LOCKE. Great. Thank you very much, Chairman Rockefeller, and Ranking Member Hutchison, and members of the Committee. It is a pleasure to be here, and I want to thank you for the opportunity to engage in this very important topic and, as the Chairman indicated, a series of yearlong discussions on the role of manufacturing and the need to bring back manufacturing to the United States.

I would like to begin by clearly stating that the Obama administration believes that manufacturing is essential to America's economic competitiveness. Manufacturing is a vital source of good, middle-class jobs, and it is a key driver of innovation with 70 percent of all private sector R&D done by manufacturing companies.

The United States is still the world's largest and most productive manufacturer. On its own, U.S. manufacturing would rank today as either the sixth or the seventh largest economy in the world. And just yesterday, it was reported that U.S. manufacturing activity hit its highest level since 2004.

But manufacturing productivity gains, which are so essential to growth, are partly responsible for millions of lost manufacturing jobs. Factories that once needed 1,000 people to build a product can now do it with 100.

Meanwhile, competitors abroad are consistently producing quality goods at less cost. America cannot escape this global competition, but we can win by helping existing manufacturers be more competitive by leading the development of new industries and by manufacturing more of the high-value goods that the world's consumers demand. And it is important that when American companies invent something here, that they make it here because the fact is that companies learn by doing. The manufacturing process itself, the interaction between engineers on the assembly line and the engineers in the laboratory or in the design centers help companies develop innovations and better products that would never be discovered on the front end of the design process alone.

And that is why so many of President Obama's economic policies are focused on: number one, creating incentives for American companies to build more things here, to make more things here; and number two, opening up global markets so that they can sell those things in more places around the world.

Early on, the Recovery Act made critical investments in basic infrastructure critical to manufacturers, like roads, bridges, and rail lines, as well as in emerging industries like advanced batteries and clean energy technology. At the Commerce Department, we have been helping U.S. manufacturers become more efficient and productive through our Hollings Manufacturing Extension Partnership.

The Commerce Department has also been addressing one of the most urgent needs of manufacturers, fixing a broken Patent Office that had a 770,000 patent application backlog and a time frame of 3 years to act on a patent application. This was the status that existed when I arrived as Commerce Secretary. But under the leadership of our Patent and Trademark Office Director David Kappos and working with all of our employees and labor unions, complete work processes have been overhauled and the application backlog has been cut by 10 percent, even as the volume of applications has increased by 7 percent.

Recently we announced a fast track measure that will let applicants have their patents evaluated in 1 year for a slightly higher fee. And if the Senate passes the pending patent reform bill, it will give our Patent Office the tools it needs to simplify the processes even further, as well as reduce unnecessary litigation and other costs for patent holders.

Meanwhile, President Obama has favored tax policies that overwhelmingly benefit those who make and build things here in America. There is the 30 percent tax credit for manufacturers of renewable energy components, and in the December tax cut package, there was the provision allowing 100 percent expensing for all equipment purchased in 2011, the largest temporary investment incentive for manufacturers in U.S. history. In his 2012 budget proposal, the President calls for expanding and making permanent the R&D tax credit.

These efforts to spur domestic manufacturing have been partnered with an equal focus on helping our companies compete abroad through the National Export Initiative. Although the United States overall is a strong exporter, only 1 percent of our companies export, and of those that do, 58 percent export to only

one country, typically Mexico or Canada. We can and we must do better.

Manufacturers are responsible for 68 percent of all U.S. exports, and they have been a particular focus of our outreach at the International Trade Administration within the Department of Commerce. We have been working with UPS, FedEx, the Postal Service, and the National Association of Manufacturers to identify companies well positioned to take advantage of new export opportunities, and we are pairing these companies up with our trade specialists in 77 countries around the world. And the sole job of these trade specialists is to find new customers for “made in USA” goods and services.

Meanwhile, my Department led 35 trade missions last year, and that is a record. In fact, I just returned from India a few weeks ago where I was helping 24 U.S. companies capitalize on new opportunities in the wake of the President’s historic visit to India, as well as the reforms announced by the President on how India is treated by U.S. export control rules.

So the Commerce Department and the entire administration are working hard to make our manufacturers more innovative at home and competitive abroad. I know that sentiment is shared by the members of this committee, as evidenced by your unanimous support for the America COMPETES Act which supports research, education, and technology investments that are so critical to the future of manufacturing. And I hope we can build on that support in Congress to continue strengthening American manufacturing.

And with that, I will be happy to take any questions that you have.

[The prepared statement of Secretary Locke follows:]

PREPARED STATEMENT OF HON. GARY LOCKE, SECRETARY,
U.S. DEPARTMENT OF COMMERCE

Introduction

Chairman Rockefeller, Ranking Member Hutchison, members of the Committee, thank you for giving me an opportunity to appear before you today. I first want to commend the Committee for holding this hearing and focusing on the critical role of manufacturing in the United States.

Without a doubt, domestic manufacturing production is vitally important to the United States, ensuring both our national and economic security, and providing good-paying jobs to millions of Americans. Maintaining a vibrant U.S.-based manufacturing sector is necessary if we are to protect our citizens, create good jobs, foster innovation, and ensure that our Nation retains the capacity to make products that we, and the rest of the world, need to transition into a cleaner, greener economy. In short, manufacturing matters.

Overview of Manufacturing in the United States

Let me start by stating the obvious: The U.S. manufacturing sector has changed dramatically over the last 30 years. The challenges that currently face our manufacturing sector are a result of two important and fundamental shifts. First, we have seen a dramatic improvement in productivity in the manufacturing sector, a resulting rapid technological change in how we make products. This was most recently evidenced by the introduction of computerized “smart” production processes. Second, the growth in worldwide manufacturing capacity and trade has presented challenges in a world of ever increasing competition. U.S. manufacturers are operating in a world of vastly increased global competition. Overlaid on these two fundamental shifts is the rapid evolution of consumer demand for what is produced—products have ever shorter life cycles and consumers expect new, improved versions to rollout with increasing regularity.

We cannot turn back the clock on these changes. This transformation has not been easy or painless, and while we still have a long road ahead of us, we have seen real progress.

While U.S. manufacturing has changed dramatically, our manufacturing sector continues to be the largest in the world. As a stand-alone economy, U.S. manufacturing would be the world's seventh largest economy. Over the past year, the manufacturing sector has been leading the economic recovery. The sector has increased employment for the first time in over a decade, and manufactured goods exports have increased by 16 percent over the last year. This is not to say that manufacturing has not faced real challenges in both the recent recession and in the decades that preceded it. While we have the world's largest manufacturing sector, our share of global manufactured goods has declined over the last decade. Over that period of time, our trade deficit in manufactured goods began to soar. And of course, we have lost millions of manufacturing jobs.

For manufacturing firms operating in the United States, many changes have been required. Successful U.S. manufacturers have only been able to maintain their competitive advantage in the global marketplace by continuing to invest in research and development and by continuously introducing new products and manufacturing techniques. In particular, to remain a leader in manufacturing the United States cannot allow others to set the pace in the development and production of the services and products that go into a greener, more sustainable economy. To remain competitive in the global marketplace, our manufacturing operations must be at the forefront in energy and resource efficiency, and innovate to meet and exceed increasing demands for cleaner production and sustainable consumption.

Further, we have been able to drive high levels of productivity growth by increasing the capital intensity of our manufacturing base, moving away from labor-intensive manufacturing and toward more high-value-added manufacturing. This productivity growth enables manufacturers to continue to provide good-paying jobs in the face of global competition, but it also means that fewer people are needed to produce our manufactured products.

In 1979, there were 19.4 million manufacturing jobs in the United States. In 2010 there were only 11.5 million workers employed in the manufacturing sector. Moreover, the skill mix of manufacturing workers has also shifted. The need for highly skilled workers in the manufacturing sector is growing as a result of changes in technology, which is why the Obama Administration is investing resources to make sure the U.S. workforce has the skills needed to fill manufacturing jobs now and in the future.

Even as the domestic manufacturing sector and its workforce have evolved dramatically over time, one thing that has not changed is the central importance of the manufacturing sector to our Nation's economy and its future. While the relative percentage of the U.S. workforce employed in manufacturing has declined over time, manufacturing creates more ancillary economic activity than any other sector, it represents 68 percent of exports and 70 percent of private sector R&D. There are those who would argue that manufacturing does not need special help—that competitive forces will naturally result in the right allocation of resources in our economy. However, that completely laissez-faire approach ignores the fact that we do not live in a world defined by free and open competition, operating without government intervention. Actions of governments—our own included—influence the relative competitiveness of entire sectors and individual industries. For example, our corporate tax system causes costly distortions where particular companies and industries with accountants or lawyers can end up paying no taxes at all, but all the rest are hit with one of the highest corporate tax rates in the world. This is why the President called for reform of the corporate tax code in his State of the Union address.

The government also has an important role to play with regards to innovation. All advanced governments invest in basic and applied research. The challenge is for our Nation to make private and public investments in science, engineering, research and development that will ensure that the United States is the world's leader in innovation for decades to come. However, there is a growing concern that further decline in American manufacturing could have broader negative effects on overall economic performance. It is not enough to only invent products here. The "invent it here, manufacture it there" economic approach is not sustainable. We must be able to make things here in America, and without this capability it may become increasingly hard to invent things here in America.

Lastly, in the face of transitory but severe situations, governments must sometimes play a critical stabilizing role, so that companies and markets have time to adjust. In 2008, the U.S. auto industry faced such a situation. GM and Chrysler faced almost certain liquidation, and most believed that without intervention Ford would soon follow. The Administration was left with a decision of whether the U.S.

auto industry was worth saving. There is no doubt that the old business models of GM and Chrysler were no longer viable. However, many have estimated that the ripple effects of jobs that would have been lost had the Administration not intervened would have been in the millions. The Administration set tough but fair conditions for the companies in order to receive assistance, requiring major restructurings of both their balance sheets and their entire operations. While this should not be a general model for government intervention, it was what was required given the extraordinary circumstances. Last month's announcement that each of GM's 45,000 U.S. hourly workers would receive at least \$4,000 under a profit-sharing agreement with the United Auto Workers was a fitting Valentine's Day testament that the transition plan has been a success.

Manufacturing Agenda

The Obama Administration's top priority since day one has been fixing our economy and putting Americans back to work. Manufacturing is a key component in revitalizing the U.S. economy and creating U.S. jobs. That is why the President unveiled a framework to revitalize American manufacturing in December, 2009. However, the challenges that face manufacturers existed long before the recession. Winning the future will require a robust and vibrant manufacturing sector, but to get there we must ensure that companies see the United States as a competitive location to invest, build factories, and create jobs. The Commerce Department is actively supporting President Obama's commitment to ensuring that the United States maintains a robust, globally competitive manufacturing sector that will continue to generate high-paying jobs for Americans both in the near-term and well into the future.

Just as the character of our manufacturing sector continues to evolve, so too must the services Commerce provides in support of this sector. Gone are the days when manufacturing was characterized by highly repetitive work performed in mass production facilities that were geographically concentrated and where the output was sold almost exclusively to the domestic market. Instead, today's manufacturing sector relies on a highly trained workforce and entrepreneurial behavior that drives continuous innovation—all subject to the discipline imposed by global competition. Moreover, evolving advanced manufacturing technologies offer the potential to produce higher quality and wider variety of products—even customizing products for just a few or even a single buyer—and do so at low cost. However, the rest of the industrialized world is pursuing these same goals for their domestic industries by investing substantial sums in new technology platforms and supporting technical infrastructures. To foster such innovation and entrepreneurship in the United States, the Commerce Department has focused the work of its bureaus on supporting the needs of manufacturing firms at crucial points in their lifecycle where government activity can provide added value—helping support innovation, commercialization, and access to global markets.

Today, I want to highlight these three areas where the Department of Commerce is engaged in helping U.S. manufacturers succeed in today's competitive marketplace and discuss our new approach to providing services.

However, before, I move on to the Commerce programs, I would like to take a moment to applaud this Committee for not just recognizing, but acting on the need to maintain America's global leadership in science, technology, and innovation. Your leadership reauthorizing the America COMPETES Act is truly an investment in America's future and our long-term global competitiveness that transcends politics and partisanship. By increasing science and research investments; strengthening science, technology, engineering and mathematics (STEM) education; and developing an innovation infrastructure, you are focusing attention on the drivers of our economy and keys to our economic success. You have provided all the right tools. Now, supporting the President's FY 2012 budget request, which maintains the Administration's commitment to double Federal investment in key basic research agencies consistent with the COMPETES Act, is among the most important things that Congress can do to ensure America's continued leadership in the decades ahead.

Innovation—A competitive manufacturing capacity requires creating and deploying new ideas in the form of new products, new business models, and improved production processes. Our Patent and Trademark Office (USPTO) enables these developments through an improved environment for intellectual property (IP) creation—driving a more efficient patent system and better protection at home and abroad. As I noted earlier, recent innovation in the manufacturing sector has enabled makers to produce variable quantities or on a semi-custom basis at a low unit cost. This development, coupled with strong IP protection for local innovators and manufacturers will enable any American with an idea, anywhere, to set up shop and build her dream. The USPTO supports this objective by providing IP education, resources,

and fee discounts for small businesses and independent inventors. Commerce, through investments in our National Institute of Standards and Technology (NIST), further supports the creation of new ideas directly through critical investments in basic science, measurement capacity, and technical assistance for the establishment of industry standards that enable the development of entire markets for manufactured goods.

Without a strong foundation for advanced manufacturing, benefits for the economy, including long-term job growth, cannot be maximized. This is why our Economic Development Administration's (EDA) leadership on regional innovation clusters is critically important to building the capacity for global competitiveness. For example, EDA invested in the Northeast Ohio Technology Coalition (NorTech) of Cleveland, Ohio, to develop a regional innovation strategy and advanced energy industry cluster roadmap, creating new jobs and reinvigorating the competitiveness of communities and regions impacted by the downturn of the auto industry. This investment is especially timely as this region has been hard hit over the past few decades with job losses and a significant decline in small business development.

Commercialization—Transforming new ideas into manufactured outputs is a challenge that often confounds entrepreneurs—both start-up and large-businesses alike—in their attempts to take new ideas to market and ensure profitable, sustainable manufacturing businesses. Commerce supports these efforts in multiple ways. I would like to offer three examples that demonstrate the Department's work in this area.

EDA's Office of Innovation and Entrepreneurship (OIE) focuses specifically on the challenges of commercialization. OIE plays a leading role in developing policy recommendations, with a focus on increasing the commercialization of technology developed through university and federally funded research. The Office has developed the i6 Challenge, a multi-agency competitive grants initiative that encourages and rewards innovative ideas that accelerate technology commercialization, new venture formation, job creation and economic growth in the United States. The Office is also leading efforts to develop a study of Federal lab commercialization efforts, with the ultimate goal of advising on methods to increase results.

Additionally, the Hollings Manufacturing Extension Partnership (MEP) at NIST is a program that works directly with companies to help them improve production efficiency and identify and enter new markets. This is an effective program with demonstrated success.

For example, the MEP program helped Ulbrich Precision Flat Wire in Westminster, South Carolina, reorganize and modernize its manufacturing process and maximize efficiencies internally. MEP's assistance enabled Ulbrich to achieve \$1 million in increased sales, \$2 million in retained sales and realize \$150,000 in cost savings. In Marlow, Oklahoma, MEP worked closely with the Wilco Machine & Fab, Inc., to help them implement an export program when opportunities to grow in the domestic market were limited. This enabled the company to expand by identifying and entering new overseas markets, resulting in a 60 percent increase in revenue and a 600 percent increase in export revenue. In Fiscal Year 2009, MEP clients reported the creation of more than 17,000 jobs and nearly 54,000 jobs retained.

C.U.E. of West Virginia, LLC located in Mount Hope, West Virginia, manufacturers cast urethane products for industrial applications. C.U.E. contacted the West Virginia Manufacturing Extension Partnership program recently to help the company improve operations and maintain certifications needed to satisfy customer requirements. The West Virginia MEP performed a review of the current quality and environmental/management system and the required improvements needed to achieve success. Company managers were briefed on MEP's findings and an improvement plan was agreed to and implemented. With the assistance of the West Virginia MEP, the company was able to position itself for success in the future, increase sales by \$695,000 and realize \$4,000 in cost savings.

We know that in technology entrepreneurship, angel investors and venture-capital firms often will not invest capital unless the startup possesses a granted patent. Therefore, the USPTO has announced the creation of an Accelerated Patent Examination program as part of a Flexible "Three Track" Patent Processing Program that will provide a decision on a patent application within 12 months, thus speeding capital to our Nation's best ideas.

Commerce is also able to support commercialization by providing direct information and support to manufacturers in understanding the domestic and global marketplace, areas of growth and opportunity in key sectors through the work of the Economics and Statistics Administration and the International Trade Administration. This is also true with regard to crucial scientific information which can help manufacturers understand emerging demand opportunities. For example, the National Oceanic and Atmospheric Administration is working with the Department of

Energy to improve atmospheric forecasting and support the siting and interconnection of renewable energy projects into the grid.

Global Competitiveness—The future of manufacturing will be fundamentally reliant on the ability of U.S. businesses to access and thrive in overseas markets, and the Commerce Department is working to help position these businesses for success through its efforts to drive the National Export Initiative (NEI). At the heart of the NEI is the basic premise that domestic production is critical: we need to make it here, in order to export it from here. Further, by subjecting our businesses to the rigors of foreign competition, it makes it more likely that they will produce products of the caliber that is demanded by our domestic markets, possibly displacing some imports. The NEI was established by President Obama in 2010 with a goal of doubling U.S. exports over 5 years. Implementing a strategy to expand exports is critical because 95 percent of the world's customers live outside of the United States. We ignore these consumers at our peril. By identifying and removing market access barriers and by determining key markets, sectors and export opportunities for manufacturers, the Department is profoundly focused on ensuring export competitiveness for U.S. manufacturers primarily through the work of the International Trade Administration in partnership with other agencies both within and outside the Department. The Manufacturing and Services unit of the International Trade Administration will sharpen its focus on current and high potential export intensive manufacturing sectors.

In support of the National Export Initiative, I am embarking on four trade missions with U.S. businesses to key overseas markets this year. In February, I led a delegation of 24 U.S. businesses to India to promote their technologies and services related to civil nuclear energy, civil aviation, defense and homeland security, and information and communications technology. This mission provided the U.S. delegation access to key Indian public and private sector decision-makers to explore opportunities to enter or expand their presence in this emerging market. I am looking forward to leading three additional trade missions with U.S. businesses in the months ahead to further expand U.S. exports in overseas markets.

If we are serious about fighting for American jobs and American businesses, one of the most important things we can do is open up more markets to American goods around the world. The Department of Commerce is also actively engaged in promoting approval and implementation of the U.S.-Korea Trade Agreement (KORUS Agreement) as soon as possible, as the President has called for. American manufacturers—from machinery, aerospace and chemicals to information technology and medical devices—stand to gain tremendous benefits from the tariff and non-tariff provisions of this agreement. According to the U.S. International Trade Commission, the KORUS Agreement is expected to increase our annual merchandise exports to South Korea by nearly \$11 billion, and these additional exports could support 70,000 American jobs.

On a related note, in February the European Parliament ratified the European Union's trade agreement with South Korea, which is scheduled to enter into force this July. Unless we act soon to approve and implement the KORUS Agreement, U.S. manufacturers and business will be at a competitive disadvantage against their European competitors in South Korea's \$1 trillion market. I believe strongly it would be unacceptable to stand idly by and watch South Korea and European Union nations benefit from our inaction when we have the opportunity, presented by KORUS, to ensure U.S. firms can compete and excel on a level playing field.

Recognizing the importance of a level playing field for U.S. manufacturers, the Department of Commerce is committed to rigorously enforcing trade laws and compliance with trade agreements. Commerce currently has 298 antidumping (AD) and countervailing duty (CVD) orders in place, covering over 120 products from 40 countries. Roughly 36 percent of the overall orders are on products from China. Commerce currently maintains 108 AD and CVD orders on imports of a wide range of Chinese products, including consumer goods, steel products, agricultural products, seafood and chemicals. Based on 2010 trade data, roughly \$11.6 billion, or 3.2 percent of imports from China, were affected by orders that year.

If we are going to reap the full benefits of trade, we must take seriously our obligation to call a foul when we see one and hold our trading partners accountable. Our actions in this regard since I became Secretary demonstrate that this Administration considers enforcement of our trade agreements a priority. We will remain vigilant about enforcement going forward.

In addition, the Department, through our Bureau of Industry and Security, is committed to reducing unnecessary regulatory burdens that harm U.S. global competitiveness, and reforming the U.S. export control system in a manner that strengthens national security and also reduces unnecessary barriers to U.S. competitiveness abroad.

The Commerce Department also provides an important piece of infrastructure to support global competitiveness—the data provided by our statistical agencies, the Census Bureau and the Bureau of Economic Analysis. Most of the public data that companies use to make decisions, including information on imports and exports by detailed industry sector, as well as the macroeconomic indicators such as GDP that guide long-term investment planning, are produced by these two organizations within our Economics and Statistics Administration.

While we are highly conscious of the benefits the country gains from trade, I believe we must acknowledge and respond to the pain and struggle that workers in the manufacturing sector have endured as our economy and the world marketplace has changed. Competitive pressures ensure that manufacturing productivity will continue to increase, but as President Obama remarked in the State of the Union address in January, this transformation has not happened without hardship for many workers. The rules and market conditions have changed over the last 30 years. Steel mills that once needed 1000 workers can now do the same work with 100. However, the same changes this industry made to improve productivity has also enabled this once threatened industry to adapt, survive and grow. Therefore, in our Fiscal Year 2012 budget request, the Department of Commerce proposes to transform and improve the services and benefits the Department, through our Economic Development Administration (EDA), provides to communities negatively impacted by foreign competition and other challenges to help them adapt to a rapidly changing global marketplace. Specifically, the Economic Adjustment Assistance (EAA) program within EDA can provide a wide range of technical, planning, public works and infrastructure assistance to communities that empowers them to harness the ingenuity and hard work of their communities to compete and thrive.

Improved Service—To ensure that the tremendous synergies of Commerce and the Federal Government are brought to bear on the goal of manufacturing competitiveness, we have established CommerceConnect—a “one-stop-shop,” offering businesses a single point-of-contact for accessing the wide range of services and programs that Commerce and the Federal Government have to offer. This initiative is not only changing the direct customer experience for manufacturers, it is also driving reform of the Commerce Department’s internal processes across the many services that we offer.

I would like to highlight a few examples of the type of assistance CommerceConnect has provided to manufacturers. In our CommerceConnect field office located in Pontiac, Michigan, we have helped companies that have historically produced small lot, precision tooling and components solely for the automotive market to consider the medical or aerospace industries as an alternative. For example, a former plant manager for a Big 3 automobile manufacturer came to CommerceConnect for assistance with a new business start, OPS Solutions, LLC. OPS Solutions has obtained a patent for its Light Guide Systems* that can help improve product quality and worker productivity on the plant floor. After collaboration with CommerceConnect, we directed OPS Solutions to Oakland County’s Medical Mainstreet Program which has introduced the company to local hospitals interested in the system for worker training and surgical room instrument setup.

CommerceConnect also engages manufacturers with help in identifying and accessing new markets overseas. Palmer Paint Products in Troy, Michigan, is the original manufacturer of the Paint-By-Number arts and craft product you may remember from your childhood. The company continues to manufacture high quality, lead-free paint products, but faces stiff competition from cheaper, lower quality imports. CommerceConnect recommended the company consider exporting to increase sales and introduced the company to our local U.S. Export Assistance Center in Pontiac. Since then, the company has been accepted for a “Gold Key Program” to help them export to Canada and an ITA- sponsored trade mission to Nigeria.

President’s Fiscal Year 2012 Budget Request

Looking to the future, the President’s Fiscal Year 2012 budget request for the Commerce Department contains several proposals and initiatives that will strengthen the Department’s capacity to promote manufacturing competitiveness, while ensuring a commitment to the President’s deficit-reduction priorities. Commerce has re-invested in its most effective and synergistic programs—the programs that provide the highest return to taxpayers. These investments, which can be thought of as down payments necessary to secure the future of American manufacturing, include:

- \$764 million for NIST laboratories, part of President Obama’s goal to double the funding of our Nation’s key science agencies. These investments will expand the frontiers of human knowledge and help create industries and jobs of the future in areas such as clean energy, advanced manufacturing and nanotechnology.

This funding includes an increase of \$85 million that is specifically focused on research and standards development that will enable the development of innovative manufacturing processes and technologies.

- \$143 million for the Hollings Manufacturing Extension Program
- \$12 million for the Advanced Manufacturing Technology Consortia (AMTech)
- \$75 million for the Technology Innovation Program (TIP) to fund high-risk, high-reward research in areas of critical national need, including advanced manufacturing
- Approximately \$444 million for trade promotion activities through International Trade Administration
- Nearly \$300 million for analytical and information support in the Economics and Statistics Administration
- \$40 million for EDA investments in regional innovation strategies
- \$96 million for EDA's 21st Century Innovation Infrastructure Program
- \$45 million in loan guarantees under the newly reauthorized America COMPETES Act Science and Research Park Loan Guarantee Program.

In developing the budget, we took a hard look at existing programs. As a result, we are making changes to better focus limited resources. As just one example, the President's Fiscal Year 2012 budget achieves a cost savings of \$20 million by restructuring ITA by eliminating a number of foreign posts and better focusing its support of domestic industry toward priority sectors, markets, and activities. We believe these changes will enhance ITA's overall contribution to manufacturing competitiveness in the global marketplace.

The Department of Commerce is also in the beginning stages of a report that will help us plan strategically for the future. The America COMPETES Act requires the Secretary of Commerce to complete a comprehensive study of the economic competitiveness and innovative capacity of the United States 1 year after enactment and develop a set of recommendations. I look forward to conducting and completing this report, which I believe will inform our approach to manufacturing policy in many important ways. Consistent with the COMPETES Act, Commerce will also participate in the interagency National Science and Technology Council effort to develop a framework for coordinating Federal programs and activities in support of manufacturing.

Conclusion

Despite increased global competition, evolving consumer demands and a multitude of changes generally in this sector over the last 30 years, I am optimistic about the future of the U.S. manufacturing sector. That optimism rests in my confidence that American workers are the best in the world, and on the belief that the Federal Government will do its part. Americans recognize that we are operating in a new world. The decisions we make today about how we invest in R&D, education, and innovation will profoundly influence America's economic competitiveness tomorrow. The President knows and I know we can out-compete any other country on Earth. Our nation is well positioned to take advantage of many great strengths and promising opportunities, and we are committed to helping American manufacturers make the most of them.

Thank you again for the opportunity to appear before you today. I look forward to answering your questions.

The CHAIRMAN. Thank you, Mr. Secretary, very much.

You have mentioned the America COMPETES Act, and that rings dearly in the hearts of all of us around this table. It was consummated actually in the last couple of minutes by the wonderful Senator sitting on my left and Lamar Alexander of Tennessee. And we just sort of did a little deal on the floor and settled the whole thing. It went through with unanimous consent, allowing the House 4 days to pass it. Basically we had a 2 to 1 margin. So the agreement about the need for science, technology, engineering, and math is enormous.

The timeline is what worries me, and that is, what we do at the Federal level in the way of programs, the International Trade Administration, all kinds of things, patents, all the rest of it—and yet

the bulk of young people deciding at an early age, because you have to get them in the third and fourth grade if you are going to keep them, to get them started on science and started on math—you know, kids have to discover how good they are, and they can only do that by taking on a subject which they think they cannot do and then discover they can and off they go. And that creates your entrepreneurs and innovators in the future.

So what I would love to know in your mind is with that as an ongoing challenge to America, because we are not where we used to be in all of those subjects—we are down compared to the rest of the world. The Government has to fill in in the meantime and the private sector has to fill in in the meantime, and there has to be a balance for that because if the Government does too much, people will not like that. If the private sector does too much, people will do that, will like that, provided it does the right things.

What are your worries about the coexistence of an increasingly better trained workforce, more motivated, more entrepreneurial, and the role of the private sector and the public sector and the chances of their working together in a harmonious way?

Secretary LOCKE. Well, we clearly need that collaboration between the public and private sector because if you talk to a lot of companies, especially in the manufacturing area, as they go into more advanced technologically based manufacturing, they are actually reporting vacancies that they cannot fill, that they cannot find enough skilled workers to meet the demands of this new technology, this more advanced engineering and manufacturing.

That is why it is incumbent upon the private sector to work with our community colleges and our educators to develop those specific courses and to ensure that those graduating from whether 2-year courses, 4-year courses, or even 1-year courses have the appropriate skills so that they can actually jump into the marketplace.

We have, for instance, in the Department of Labor numerous programs that provide on-the-job training to meet the needs of manufacturers, to provide the very specific upgrading of skills that those companies need, working with existing employees.

But we have even in the technology sector the need for courses that are embraced or where the curriculum is almost set by the private sector so that they can feel confident that when students graduate with this particular certificate, that the private sector is confident that those graduates have the skills necessary to immediately move into the workforce.

The CHAIRMAN. And they can do that. I will just end with this little story.

A couple weeks ago, I had a meeting at West Virginia University with all of the top scientists, the provosts, and president, and all the rest of it. And there was one fellow, who has been a longtime friend by the name of Craig Hartzell who runs a company called Azimuth, which virtually nobody in the western world has heard of, but I sure have. And it is so sophisticated in its work that it does for the intelligence community and the military community that you cannot go to the second floor without top secret clearance. In West Virginia that is kind of a strange concept.

But he said nothing until I called on him, and I said, Craig, you must have something you want to say. He said, yes, in fact, I hire

80 percent of all of the people that work for me out of this university because they are so well trained.

People have to believe in themselves, don't they? They have to get engaged with a subject. They have to be shown to themselves, sometimes by themselves, whether it is robotics or whatever it is, that they can do things they did not imagine they can do. When they do that starting in the third and fourth grades, they just begin to take off. They get this lust for knowledge and hunger for the future and imagination that you cannot substitute for.

But the idea is that we can do it. We absolutely can do this. The question is do we have the will to do it. Will parents help? Will universities help? Will budgets be friendly enough to allow the America COMPETES Act to establish itself and to carry on?

That was a statement.

Secretary LOCKE. I thoroughly agree and I am sure, Senator Warner, as a former Governor and myself as a former Governor—we understand that we have to continue to invest in education. The manufacturing agenda, the business agenda must always focus on education as well. And the President's proposed 2012 budget calls for significant enhancements in terms of training more teachers in math and science and focusing on the Race to the Top to make sure that we have the very best teachers in the classroom, teachers that will excite our students and show them the great possibilities out there.

Not all jobs require a 4-year degree or a Ph.D. Certainly the good family wage jobs in manufacturing do require more skills than ever before. We need to make sure that our entire education system is aligned to provide that trained workforce.

The CHAIRMAN. Senator Hutchison?

**STATEMENT OF HON. KAY BAILEY HUTCHISON,
U.S. SENATOR FROM TEXAS**

Senator HUTCHISON. Well, thank you, Mr. Chairman. And I will submit my opening statement for the record.

[The prepared statement of Senator Hutchison follows:]

PREPARED STATEMENT OF HON. KAY BAILEY HUTCHISON, U.S. SENATOR FROM TEXAS

I want to thank the Chairman for holding this important hearing on "The Future of American Manufacturing: Maintaining America's Competitive Edge." I also want to thank Secretary Locke for appearing today as a witness.

Given the amount of negative reporting about the continued loss of American jobs in manufacturing sectors, such as steel and automobiles, it might surprise some to know that the United States remains the world's number one manufacturing nation—producing 21 percent of all global manufactured goods and out-producing number two China by more than 40 percent.

Manufacturing supported an estimated 18.6 million jobs in the U.S. in 2009 or one of every six jobs in the country. There is, however, justifiable concern that our position as the leading manufacturing nation is slipping.

Members of the Secretary of Commerce's Manufacturing Council reportedly told the Department of Commerce that, "U.S. manufacturers face a 17 percent higher cost of doing business compared to our major trading partners." As a result, over the past decade, more than 50,000 factories have shuttered in the United States. Between 2001 and 2010, the total number of manufacturing employees in the United States has declined by 31 percent.

Exports have remained a key driver of our Nation's economic growth. In 2008, the manufacturing sector accounted for 57 percent of the Nation's total exports of goods and services. However, despite the demand for U.S.-manufactured goods, China continues to overtake the United States as a leading exporter of manufactured goods.

Consequently, the U.S. share of global exports of these products declined from 19 percent in 2000 to 14 percent in 2007. To cite just one example, the U.S. share of semiconductor exports has fallen from 20 percent to 12 percent as the industry has shifted to a more global business model.

If the United States is going to remain the world's number one manufacturing nation, we must retain our competitive advantages by continuing to invest and lead in research and development and private sector innovation, productivity and technology. We must aggressively open markets to export our products, negotiate and ratify free trade agreements, and most importantly, put in place a tax and regulatory environment that rewards and encourages growth in the manufacturing sector.

Last December, we were able to pass a fiscally responsible reauthorization of the America COMPETES Act, which funds STEM education for our future innovators, groundbreaking research into new frontiers and out of the box technologies, as well as technology transfer from our national labs and agencies. Strengthening all of these activities is part of the solution to assist U.S. competitiveness in manufacturing.

While the figures that indicate we are losing our competitive advantages are troubling, there are also some encouraging data. The United States leads the world in worker productivity—in other words, we build more with fewer workers. I am also encouraged by the success of manufacturers in my own state of Texas over the past decade. Texas continues to lead the Nation in the number of jobs created in all sectors, including manufacturing. Texas continues to attract and create manufacturing jobs and export our products throughout the world. I believe that success is the direct result of the business-friendly climate in Texas that has resulted from a number of principles that the Federal Government would do well to replicate. Texas offers low taxes, a limited regulatory burden, access to highly qualified STEM graduates, tort reform and right to work laws.

If the United States is to maintain our manufacturing base and compete globally, we must do all we can to ensure we enhance our global advantage through innovation, and regulatory and tax reform to lighten the burden on manufacturers.

I look forward to hearing from Secretary Locke on the efforts of the Department of Commerce to address the many issues and challenges facing the manufacturing industry.

Senator HUTCHISON. But I do want to first acknowledge the mention of our America COMPETES legislation. We need to also add to our manufacturing base. But without the innovators, without the creativity that we have fostered through research and education, America's economy in my opinion would be stagnant. So I am very pleased that we were able to pass this bill. Research is our seed corn, and it is the innovation that we want to support.

And improving STEM education and inspiring our students is also part of America COMPETES, through assuring that our teachers have the capability to get teacher certificates at the same time they are getting degrees in science and engineering and math. We need teachers who can inspire the young people, and if they are majors in STEM courses, they are even better able to do that.

So I think that we have made a great head start with America COMPETES, and I appreciate your support for that.

I want to also ask you this question. One of the things that concerns us and the reason the chairman is calling this hearing is that while we are still the manufacturing leader of the world, we have lost much of that base. Some of the people that we have talked to, the CEOs who have moved jobs overseas, are saying the regulatory burden and the U.S. tax structure is one of the reasons. I even had a CEO tell me that there is a more stable regulatory environment in certain foreign countries than in America. Now, that is a stunning statement from a CEO who must manage a business with our changing regulatory environment. The regulations ramp up, and

then it changes, and the law changes, and then the regulations change again.

I would just ask you what do you think needs to be done to give regulatory certainty and the ability for a CEO to predict what the regulatory environment is going to be. Do you think that we need to change the corporate tax structure, which is currently at the 40 percent rate, while in the competing nations there is a much lower tax rate to spur jobs?

Secretary LOCKE. Well, thank you very much, Senator Hutchison, for that question because the President in January did issue an executive order directing agencies to analyze all of their existing regulations to determine if they are ineffective, insufficient, or excessively burdensome. And so the President has spoken to the cabinet about that and stressed the importance of that effort moving forward. We know that it is important that we have regulations that do not hinder economic growth while at the same time striking that balance of protecting consumers and the public.

Let me just say that with respect to corporate tax reform, the President is very much supportive of that, and he has indicated that he wants to lower the base as much as possible through the closure of loopholes and exemptions and to have a much lower corporate tax rate. That would include looking at the issues of some of the penalties that companies have if they bring some of their foreign earnings back to the United States. And so that is all a topic of major concern and a priority for the administration.

Let me just also indicate—you talked about we have the creators here in America and the need to manufacture here in the United States. We are actually finding that some of the labor advantages, the low-cost labor advantages elsewhere, particularly in Asia, are disappearing, and that with the need for just-in-time delivery, the rising fuel prices, transportation costs, you are seeing a lot of manufacturing, as Congressman Steny Hoyer indicated—a lot of manufacturers moving their operations back to the United States and that there is a great value and a great demand for that “made in USA” product. So we are seeing a lot more manufacturing coming back to the United States, and certainly if we are able to fulfill the President’s goal of streamlining and reviewing our regulatory system, as well as corporate tax reform, I think that there will be even greater incentives for American companies to do more manufacturing here.

Senator HUTCHISON. My time is up, and I want my colleagues to have a chance.

I just want to say that I hope we can work together on the corporate tax rate and the repatriation of foreign earnings into our country without the penalties. I think that would add much to our manufacturing capabilities.

But I am going to be looking, as the Ranking Member of the oversight committee for many of our regulatory agencies, for some kind of signal that there really are reductions in regulations. I heard the President’s State of the Union where he said he wants to lessen regulations, but then he went on for a full paragraph about how important regulations are. And I see the EPA trying to regulate greenhouse gases. I see the FCC trying to regulate the

Internet. And that is not a good sign that he is doing what he actually said he wants to do.

So I think we need to be looking at those things and trying to assure that what the President is accurately portraying what is actually happening in his regulatory agencies. And any suggestions you would have on how we can assure that this perceived priority is actually happening in the agencies themselves would be helpful.

Thank you.

Secretary LOCKE. Well, thank you.

The CHAIRMAN. Senator Warner?

**STATEMENT OF HON. MARK WARNER,
U.S. SENATOR FROM VIRGINIA**

Senator WARNER. Thank you, Mr. Chairman.

Let me, first of all, welcome my friend and former colleague, Secretary Locke. We had a great opportunity to work together when we were Governors. We both had the distinction of serving as Chair of the National Governors Association, and I think the President made an excellent choice in choosing Governor Locke to be the Secretary of Commerce.

In a note of personal interest, let me also acknowledge Dr. Patricia Buckley who I know is working for Secretary Locke who I have known for 35 years and argued with for close to those 35 years about economic policy.

I want to follow up very briefly on one of the things Senator Hutchison said. I share with you the notion that we need to get the regulatory balance right. I think there are appropriate roles for regulation, and we have been working for about 8 months on a regulatory pay-go notion that actually tries to put the appropriate incentive on an agency so that if they are adding a new regulation, there is actually a replacement of one of equal value. You have to put appropriate barriers around this, but it puts the incentives on the agency to think twice, as well as look back. There was never any retrospective incentive for agencies to kind of clear out the underbrush in the past.

And while this has got some challenges, let me just add the UK has actually adopted a “one in and one out” regulatory approach, and the UK recently, as I am sure Secretary Locke knows, passed America in terms of the international competitiveness rankings in many ways because of some of their regulatory reform.

I have got a series of questions. I want to try to get at these very quickly.

One of the things, Secretary Locke, I know that we both did and you did very well in Washington state and we tried to do in Virginia as well was attract manufacturing jobs to our states as Governors. And I found—and I am sure—you know, we have talked about this in the past—you found as well when we were competing against certain other states, we could be successful linking together our state and local incentive packages. But when we were competing against other countries, whether it was Canada, your neighbor to the north, or Korea or other countries, oftentimes their federal governments, in terms of job location, supplemented local efforts.

So we have been working for the past year—and I know the chairman did this in his tenure as Governor as well—without adding a lot of bureaucracy could we add—and we have got up to a \$10,000 loan forgiveness program that would supplement state and local economic development efforts. So you do not need to create a new bureaucracy. You can do it through the EDA that would supplement state and local economic development efforts where states and locals will put up most of the dough, but then if you were competing for a job repatriating to the United States, an in-sourcing of a job particularly in manufacturing and technology, this added site location incentive could come to bear.

With your Assistant Secretary Fernandez, we have had a number of conversations. And I would just like to get some ideas about what we could do at the national level in terms of continuing to incent, at least on that site location piece, jobs coming back into this country.

Secretary LOCKE. Clearly that is a priority for the administration and for the Department of Commerce. At the Department of Commerce, of course, we have a variety of programs. But let me just say that, for instance, at the Federal level, the President has called for a reauthorization of the clean energy manufacturing tax credit which leverages the private sector investment. It is oversubscribed and the President has called for doubling that. That would really provide incentives for companies, both domestic and foreign, to enter into the United States and do more manufacturing here.

You are right that the states have a whole host of programs, and we as a nation, as a Federal Government, do not do enough compared to other nations in terms of attracting foreign investment here.

We do have a program within the Department of Commerce called Invest in the United States, and we are looking at expanding that to really provide the resources for foreign investors in deciding where they might want to locate in the United States and providing a catalog of all the different services, programs, tax incentives, tax structures, educational workforce training programs the various states would offer. And then we believe that the Commerce Department is well positioned, through the Economic Development Administration and other programs, to then interact with the other Federal agencies to make sure that the regulatory burden that various Federal processes are as efficient and as quick and less burdensome as possible, whether it is a United States company looking to expand a facility somewhere in the United States or trying to bring a foreign company back to the United States.

Senator WARNER. Well, Mr. Chairman, this is an issue that we have put forward called The America Recruits Act. I mean, it would not stop Washington state from competing with Virginia or Virginia competing with Arkansas, but when we are competing against foreign nations who add at their Federal level extra incentives, I think this would be an additional tool in the toolbox. It is not a silver bullet.

I know my time has expired. Just two quick comments.

One is one of the things—I want to thank the chairman and Senator Hutchison as well on the America COMPETES Act. One of the small amendments we added was actually requiring the United

States to finally have a national competitiveness strategy. We have not done that since the 1980's. A written plan. The last time that happened under President Reagan, the outgrowths of that were the R&D tax credit initiative to get Federal research out of the universities and into the workplace. We need that.

My closing comment would be I do hope, as I think you and the President have moved forward on trying to dramatically increase exports—we got a lot of programs in the Commerce Department, but it is a real bureaucratic challenge. The notion of trying to consolidate and streamline some of our export support programs I hope will be on the agenda as well.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Warner.
Senator Snowe?

**STATEMENT OF HON. OLYMPIA J. SNOWE,
U.S. SENATOR FROM MAINE**

Senator SNOWE. Thank you, Mr. Chairman.

Welcome, Mr. Secretary.

Manufacturing and our rural economies are inextricably linked without question, and certainly that is true in my state. The essence of our manufacturing in the state of Maine, of course, is the pulp and paper industry that represents more than 7,000 jobs. So that is estimated that each one of these jobs indirectly supports five to seven positions in Maine's economy. And it is really the engine that drives our rural economy. And it is certainly is true across this country that it represents more than 900,000 workers.

Several of us on this committee, including Senator Begich, Senator Vitter, and Senator Pryor, wrote a letter to you in December to ask you to release a report that was conducted by your Department with respect to the impact of the boiler MACT, the maximum available control technology, on the pulp and paper industry. You did not release that report on the basis that a new rule would be issued by EPA so that this report was not pertinent.

First of all, I think the report should have been released because I think it would have shown the extent to which it would have had major, wide-ranging implications that serves as notice to agencies. Every time they are issuing rules, they have to understand in this tough economy where we are not really creating jobs, they have got to be sensitive and responsive to that. It is one thing to be saying we are responsive, we are concerned about jobs, and then on the other hand, it is just not happening through rules and regulations. It is a deep-seated frustration. We have had 21 consecutive months of an unemployment rate of 9 or above. That is the longest in history here.

So I get to the next point. EPA has now issued another rule. It modified that boiler MACT rule. It is still going to be an essential assessment of \$2.1 billion on this industry.

First of all, the pulp and paper industry is the cornerstone of manufacturing.

Second of all, we need a national strategy.

Third, we need to understand what the implications are for job creation. And I think your Department needs to do a study on this particular rule as well and its impact on the industry. We need

these jobs. We need to save this industry. They can be competitive, but they are facing enormous disadvantages, as we well know, from abroad and in particular China.

So what can you do on that issue? We need to have a report from your Department on this particular ruling. Even with its modification, it is going to be a huge tax on the industry and the jobs that depend on it.

Secretary LOCKE. Well, thank you very much, Senator SNOWE.

As you indicate, the EPA significantly modified their preliminary proposal, their first proposed rule, and they have come up with one that is substantially different that will have less burden on industry. Because it is so extensive a change, I think to the surprise of many, it is now putting out that rule for additional public comment before any final rule is enacted.

Our initial reports or assessment was, in fact, informal. It was part of the pre-decisional collaboration among all the different Government agencies, but we will now be taking a look at this most recent revised rule to see if it warrants comment and analysis from the Department of Commerce.

Senator SNOWE. Well, I am just concerned we are always putting the cart before the horse here within the agencies and rulemaking. We should know in advance before they are issuing these kind of rules for rulemaking, frankly, as to what the effect is going to be. I mean, this is a matter of desperation. It is no wonder there is anxiety and anger that is fueling America's disposition these days with respect to our economy and, most importantly, our ability to create jobs.

The Maine paper industry just did a report, "Maine on Paper: An Industry We Can't Afford To Lose." That is an understatement.

And so I think that by the time they go through the rulemaking and what the effects are—you know, they are already underway. They have to anticipate those costs. They have to incorporate them into their business plan. That is the point. That has a ripple effect. I think you know that.

So the question is what can we do to turn it around so that we can make sure we can block any effects of any of these potential rulemakings. The industry has already assessed it is going to be a \$2.1 billion effect on their industry. They employ 900,000 jobs in mostly rural America. Where are these people going to go find jobs? I mean, this industry is struggling.

Secretary LOCKE. Rulemaking is an iterative process. It requires, obviously, analysis by those involved in the proposal stage, but then after those proposed rules are published, it invites comment from the public, as well as other agencies, and then it is taken into account and either rewritten or modified. So I think that because of the public input that was given on these boiler rules, that is why the agency substantially modified it and came back with a totally different one.

We need to understand, however, as I understand it, that this original proposed rule was required by the courts, and so EPA had to act and put out something. But because of the comments that were received by the private sector and other agencies, they substantially proposed a different rule. And because it is so substantially different, which speaks to the fact that agencies listen, that

now because it is so substantially different, it needs to go out for additional public comment.

Senator SNOWE. Well, I would hope on two fronts that your Department weighs in aggressively and proactively on this question. And two, we should have a national strategy on this industry that is the cornerstone of manufacturing in America and certainly true of my state. I mean, we cannot just assign benign neglect to this industry. It is fundamental.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator Snowe. Senator Pryor?

**STATEMENT OF HON. MARK PRYOR,
U.S. SENATOR FROM ARKANSAS**

Senator PRYOR. Thank you. Mr. Chairman, thank you.

And Secretary Locke, thank you for being here today. It is always good to see you.

I was glad to know that you are focused, as you have been for a good while on science parks and research parks. I am convinced that they play a role in revitalizing American manufacturing. I am glad to know that you share that same conviction.

But let me ask you a question, just a brief question, about our commitment as a nation to manufacturing. Do you think that we should make a general commitment to manufacturing, or do you think that we should focus on a few specific types of manufacturing, a few specific areas of manufacturing and really try to focus on those and rev those up?

Secretary LOCKE. I do not think that we should be trying to pick selected industries. I think we should be trying to create the conditions by which all manufacturing can exist and prosper in the United States. And that is why the President has really focused on, in his 2012 budget proposal, significant enhancements toward innovation and research and development. It is part of his goal to double Federal funding for R&D which will lead to more products that would be manufactured in the United States, as well as extension and reauthorization of various tax credits to reward manufacturing and, of course, education, to make sure that we have the skilled workforce, whether at the community college level or at the 4-year baccalaureate and advanced degree level that will design the products and engineer these products all the way from the design centers and the laboratories down to the actual assembly line and the manufacturing processes.

Senator PRYOR. Right. I think one of the things I really liked to hear last year in the State of the Union was the President's goal to try to double our exports in 5 years. I think that is a great goal.

My question is now are we taking the steps necessary to get there. Are we going to actually achieve that goal?

Secretary LOCKE. We are on track to meet the President's goal of doubling exports over the next 5 years. In order to achieve that goal, we would need to grow exports by roughly 14 percent over 5 years compounded, and when you compound it, you will get to 100 percent or a doubling of U.S. exports.

This last year, 2010, we saw exports at 17 percent, virtually 17 percent over 2009. So we are well on our way.

Let me just say, for instance, exports to China were up 34 percent, 2010 over 2009.

Manufactured goods were up substantially and agricultural goods are their second highest in U.S. history with a huge trade surplus.

I know that Senator Warner had to leave, but he was talking about the consolidation of Commerce Department programs to help companies export. I can tell you that we are consolidating our programs and consolidating not just within the Department of Commerce but also with the other Federal agencies. We have embarked on a nationwide tour, a promotional effort, to really help us target especially small and medium-sized companies and inform them of the opportunities to export. So many of the programs at the Department of Commerce are for free to help U.S. companies find buyers and customers around the world. And our motto is that the more that companies export, the more they produce. The more they produce, the more workers they need, and that creates jobs, especially in the manufacturing sector.

We have a program now, for instance, called CommerceConnect. And we are changing all of our Commerce offices throughout the United States where you go into one Commerce Department office and a person is cross-trained in all the programs offered by the Department of Commerce, and not just the Department of Commerce, but the Labor Department, Small Business Administration, Defense Diversification Programs, Export-Import Bank programs, and even state and local programs so that this Commerce Department employee is an advocate, a counselor for a small/medium-sized company in the full needs and full range of services that that company might be able to take advantage of to sell more.

Senator PRYOR. I think that is great, and I think that helps with efficiency but also helps with the public being able to access what you do.

Let me ask you really one last question because I am almost out of time here. I would find it interesting and helpful to me—I cannot speak for the rest of the Committee, but some of them may as well. I would find it interesting and helpful to me if you could sort of provide a list—and it could be 5 or 10 or it could be 100 different items, but you know, a few items at least—of things that we can do in the Congress to help spur innovation and manufacturing.

I hope as you are thinking about that, you will not be limited to just things that may come to mind immediately because I think one thing we ought to consider—and I would like your thoughts on this. You may not have time today, but immigration policies. We allow the best and the brightest to come over here and get educated, but then we do not let them stay here and work. And unfortunately, what we end up doing is we are training the best and the brightest to go to our competitor nations, places like China, India, et cetera, and they go over there and they have these U.S. degrees and they do great things over there.

So there are lots of things in that basket of options that I think we should consider. And I would really appreciate and, again, would find it interesting to get your thoughts on sort of a list of things that we could do.

Secretary LOCKE. Great. I would be happy to do that, sir.

Senator PRYOR. Thank you.

Thank you, Mr. Chairman.
 The CHAIRMAN. Thank you, Senator Pryor.
 Senator Cantwell?

**STATEMENT OF HON. MARIA CANTWELL,
 U.S. SENATOR FROM WASHINGTON**

Senator CANTWELL. Thank you, Mr. Chairman. Thank you for holding this important hearing and your interest in manufacturing. It certainly is critical to where our country is going in the future.

And Secretary Locke, I appreciate your testimony which I have had a chance to review about some of the President's priorities. You obviously know that big news back in the other Washington on a very big defense contract that was about U.S. manufacturing, and in aerospace we still have a competitive edge in a variety of markets. But it seems in this particular case that one of the deciding factors was the implementation of lean manufacturing to drive down the costs to compete even against foreign subsidies—or at least in my view, the consideration of subsidies were not taken off the table. So they were basically competing against foreign subsidy, but yet U.S. lean manufacturing drove up the efficiency to a point where the United States was still competitive.

So my question—and I see from your testimony that the Manufacturing Extension Program is one of the plus-ups in the budget. That is good news.

What can we do in this area to continue that lean manufacturing effort in a more expansive way? And to what degree can that be used for retooling and re-skilling the workforce in America? Or are there other things that we should be looking at?

Secretary LOCKE. Well, clearly there are a whole host of programs, some that the President has called for expanding, whether it is the investments in advanced manufacturing, a public/private partnership called AMTech that is proposed to be led by our National Institute of Standards and Technology, our NIST laboratories. That would be a public/private partnership to look at some of the commercialization of lean manufacturing programs that could really hasten development of new products and ensure that that manufacturing occurs in the United States, all the way to our MEP program, the Hollings Manufacturing Extension Partnership, which just last year served some 34,000 manufacturers in the United States. And those clients reported that more than 17,000 jobs were created, as well as retaining some 54,000 jobs. And part of that was also to identify markets and additional customers abroad for these manufacturers in the United States. So increasing their efficiency, their productivity, as well as finding additional customers, buyers for those “made in USA” products and services.

Clearly, I think we need to look at R&D because a lot of the things coming out of our Federal laboratories are creating those strategies on how to be lean manufacturers, reduce their costs. Again, if we are able to reduce their costs, they are competitive around the world. And then we turn around and help them sell those products around the world, whether it is Boeing airplanes, to tugboats and barges and dredging equipment, to even thin film solar. There is a great demand, a high value for those “made in USA” products and services.

Senator CANTWELL. I definitely agree on the—it seems that we are leading the way on the innovation side. In fact, a lot of our R&D ends up getting used in other places. But the advantage that we still have in manufacturing is where innovation continues to increase the opportunity. I mean, if you are just making the same thing over and over again, no, we do not have that advantage. But if we are going to continue to innovate in manufacturing or a particular area, then that gives us the advantage over some other country who cannot innovate as fast as we do. But that innovation takes a skilling of the workforce as well. I just think with this great level of unemployment, figuring out how to get those—the biggest thing that will next happen out in the Northwest is all those new jobs that are created. People will go from the supply chain to the manufacturer, and then the supply chain will be looking for people and they will be looking to skill them so that they can keep that innovation pace going.

So our advantage is innovation. That is our advantage. We know how to innovate. And the question is what can we do to help get that implementation of those wins into that manufacturing base quicker. I am sure there are some—as my colleague from Maine suggested, there is probably some in paper. There is probably some in other areas. But it is implementing those. It seems like some of the other countries are having a little bit advantage of. They take our technology and get it implemented faster than we do. And so I think we need to look at how we take our innovative edge and actually get it implemented.

Secretary LOCKE. I think there are a whole host of strategies that we need to focus on, and one includes just hastening the commercialization of the R&D and getting those ideas into the marketplace whether it is speeding up the patent process, whether it is addressing those issues of the “valley of death” that entrepreneurs face when they come up with a great product, a great idea, and how to get the capital that they need. And that is why, for instance, the President has called for expansion of programs in the Small Business Administration that would really provide some of the initial capital that companies need to commercialize their great products and their ideas, all the way to providing tax incentives, whether it is the President’s call for no capital gains taxes on investments in small businesses that are able then to succeed. So it is trying to provide that capital and then, of course, making sure that manufacturing occurs here.

And as you indicated, we have to have a highly trained workforce. We are finding that the cost advantages of labor in other countries like in Asia are disappearing and that there is more incentive for companies to move manufacturing facilities here. But if you are going to do that, you need to have a highly trained workforce, and that includes programs at the Department of Labor to the Department of Education working with community colleges and so forth.

So there is a whole range of actions that are necessary in order to create those incentives for more manufacturing to occur here and to stay here and to bring manufacturing back to the United States.

The CHAIRMAN. Thank you very much, Senator Cantwell.

Senator Boozman, you are in a most awkward position here. Number one, we are delighted you are on the Committee. We are delighted you are here. A vote has started. There are about 12 and a half minutes. It only has to do with keeping the Government going. And yet, I think you should have a chance to ask Secretary Locke a question.

So what I want to do is just say that the record is going to be kept open for the next 2 weeks until the close of business on March 16 for submissions and questions, but depending on your foot speed, you should proceed, I think, with a question.

**STATEMENT OF HON. JOHN BOOZMAN,
U.S. SENATOR FROM ARKANSAS**

Senator BOOZMAN. Well, thank you, Mr. Chairman. I appreciate you and our Ranking Member for having such an important hearing. In Arkansas, the name of the game right now and really throughout the country is jobs, jobs, jobs. So I will be very brief and, as an Arkansan, try and hurry the best I can with my speech.

But I apologize for being late. I did have the opportunity to look at your testimony. Again, manufacturing—I know we all agree—certainly has to be the basis of us having a great country and moving forward on improving our economy.

My concerns—and I know that these probably have already been mentioned. I think my manufacturers feel like they are getting killed with regulations whether it is boiler MACT or this or that. Numerous things coming down that are creating so much uncertainty that the last thing in the world they are doing is thinking about hiring people. So we have to have some certainty.

Lots of manufacturers that are very successful with what they produce build manufacturing facilities overseas to serve markets there and keep transportation costs down, too, and then they are unable to bring those profits home. So in not bringing them home, pretty soon they say, well, you know, we need to spend that money and they start expanding overseas plants and before you know it, the decision is made to actually move overseas.

So again, these are problems that we are all going to have to work together to solve. They are not easy problems, but I do appreciate your leadership and working on them.

With that, I yield back.

The CHAIRMAN. You are a splendid Senator, sir.

Senator BOOZMAN. I wanted to get off on the right start.

The CHAIRMAN. Right.

[Laughter.]

The CHAIRMAN. Mr. Secretary, thank you very much. This is an important vote. It is not fair to you. We cutoff part of our conversation which we should have had, but the record is open. We are grateful for your presence. Thank you.

Secretary LOCKE. Thank you very much, sir.

[Whereupon, at 11:09 a.m., the hearing was adjourned.]