

Secretary of Commerce Carlos M. Gutierrez
Remarks at the Council on Competitiveness Awards
Dinner
Washington, D.C.

Good evening and thank you very much. I can't tell you how much this recognition means and it's a great opportunity also to thank the Council for your leadership and your constant presence ... I can't think of having the meeting that we have had on the subject of competitiveness without having the effort of the Council, without having members of this organization and this Council. You have always been there during the debate and always contributed. Before getting into competitiveness and what we have done to make a contribution, let me just say a couple things about the economy.

We know that everyone is concerned and rightly so. We are going through a difficult period. I'm sure you all saw that our third quarter GDP actually declined, which is something that we're not used to, down .3 percent. Unemployment is now 6.5 percent up from 6.1 percent the previous month. So these are concerning numbers and there is no question that we will go through a difficult few months. The important thing is that when we think about the core problem, which is a significant freezing of credit, we have begun to see the beginnings of a thawing of credit. For those of you that keep close to the marketplace, you have seen the interest rates, the banks charge to each other have begun to decline. We have seen a lot more commercial paper activity, but it doesn't solve the problem ... it does suggest that there is more confidence in the marketplace and that things are beginning to go in the right direction.

And of course this is the first week of the TARP program where the Treasury Department will invest in equity and bank institutions. We have just gotten started. We believe that by the time the new administration takes over, there will be a plan that is clearly working, and as you well know without credit and a smooth flow of credit, our economy cannot grow. Consumers can't buy, businesses can't expand.

Businesses can't replenish their inventory so we're talking about surreal, basic ingredients for growth. But we will get through this and we will get through this the same way we have gotten through so many difficulties in the past. And we have learned from previous events, we will learn from this one and we will get through it and we will once again be the most vital economy in the world. And a lot of that has to do with some of the work that you are doing.

This evening I would like to touch on some thoughts about what this administration has done to promote our ability to compete and to promote our ability to grow over the long term. It has been interesting for me to watch over the last four years, given that I was in the private sector before coming here ... interesting to see from this side of the table just how this works and how people think about competing from the standpoint of the public sector.

You know, in the business sector you think about competing every single minute of the day because that's what you do. And there's a different perspective in the public sector, although I would say a very necessary one. The key thing is the way that we have thought about it, the way that the President thinks about it, is that the job of the public sector is to create an environment so that innovators can do what they do best. So that you can compete, so that you can invest, so that you can feel comfortable in taking risks and it's interesting that what we're doing essentially is trying to take risks out of the market to enable people to invest again, to borrow, to grow. But clearly the innovation, the vitality, the energy, starts in the private sector.

We lead, as a nation, the world in research and development ... just to give you the numbers, \$300 billion in the private sector and public sector. That is as much as all other G-7 nations combined. So we talk often about how we should invest more and that's great, that's great that we have a sense of urgency, it's great that we are never complacent, but as we stand today, we are investing more than all of the G-7 nations combined.

Federal research has been the incubator of advanced technologies and new initiatives. President Bush's American Competitiveness Initiative called for doubling the research budget at several of the federal government's key science agencies in 10 years. That includes NIST, it includes the National Science Foundation and more importantly it includes the Department of Energy. During this Administration, basic

research funding at Commerce's National Institute of Science and Technology is up 14percent.

We've significantly expanded the ability to develop next-generation electronics, advanced materials, and alternative energy technologies needed to create the high-wage new jobs of the future. The important thing about this is that as we think about it, we believe that government should be investing in basic research and types of things that perhaps won't be available for 10 or 15 years but projects where the private sector may not have the patience of the competitive environment to go out that far. As opposed to the government getting involved in short-term development, we still have a lot of overlap, but I think it would be a great debate.

We believe that the more we put the government's money into long-term, basic research, and let the private sector develop products ... as well as basic research, but you develop the products, we do the research ... we'll be better off. Today there is still overlap, there still is a bit of strategic confusion on who does what. And that could be clarified and the Council could play a key role.

I'm proud to say that since 2001, scientists at the Commerce Department laboratories have three times been recognized for Nobel Prize winning work. And that is a tradition of NIST, we have some of the greatest scientists in the world and our ability to continue to attract the best scientists in the world will determine how we can innovate in the new future. Patents are key, and our infrastructure for patents and our ability to get patents approved and continue to do that at a time when they are getting more complex and numerous is critical. We have hired over 6,400 patent examiners. That's a 42 percent increase in FY05.

We also established an advisory committee to make recommendations on how to measure innovation and we believe that some point in the future, based on the committee's recommendation that you'll be hearing during a given quarter when we announce GDP results, or unemployment or CPI, that you'll also hear about innovation and how innovation impacts our ability to grow. We'll be able to advance a lot more when we can see and understand how innovation impacts our economy.

On the telecommunications front, universal broadband access was one of President Bush's key technology goals. When the President took office, there were about seven

million broadband lines in the United States. By July 2007, that number increased by more than 1,300 percent, to more than 100 million.

In January 2001, only 70 percent of U.S. zip codes were served by any broadband provider. As of July 2007, 99 percent of U.S. zip codes are now being served by at least one provider. We have made a tremendous amount of progress.

To maintain the Internet as an engine for growth, the Administration has also vigorously pursued policies to keep it free from multiple and discriminatory taxes and excess regulation. And that will continue to be a challenge to keep taxes away from the internet ... understand that it's still a growing market ... that it doesn't need obstacles now but what it needs is the freedom to continue to grow.

I hope that you have heard, on February 17 as a nation we are going to make the transition to 100 percent digital broadcasting. Today about 15 percent of all households in the country get their television service from over the air transmissions with traditional rabbit ear antennas. On February 17, we'll go 100 percent digital. It's a tremendous undertaking, we have had a lot of help from the private sector in terms of advertising but when we do that, we are going to free up a lot of spectrum, which will enable the private sector to use that spectrum to launch new products. New wireless devices that we cannot even imagine today, but it's going to enable a surge of new products, a surge of innovations and that should help us stay ahead of the game. We will be one of the very few countries in the world to make that leap to 100 percent digital. So again, another key date, another key milestone that will help us stay ahead of other countries.

In the area of federal research dollars, \$1 billion from the proceeds of that spectrum will go to interoperability of communications devices on a local level. The 9-11 commission recommended that in the event of an emergency, we need to have fire departments to communicate with police departments and being able to communicate with hospitals in the event of an emergency. This move to digital will also free up spectrum and \$1 billion of proceeds from that spectrum will go to interoperability.

Let me just talk about another key subject which is also important for our ability to compete, and one that I urge that you please keep at the top of your agenda, especially today ... especially in this day in age. And that of course is trade.

We have made a tremendous amount of progress. Not enough gets said about how much trade today is contributing to our economy. We have had four straight years of export growth ahead of 10 percent, we export 30 percent of our foreign products. We export 20 percent of what we manufacture, 60 percent of what we export is manufactured. Export is a key part of our economy and I dare say it would be a key part of our future.

Eight years ago we had free trade agreements with three countries. Today we have FTAs with 14. Three more FTAs- Colombia, Panama and South Korea are still pending, and should not be pending. It should have passed in Congress. We should have moved on and we should do this with a tremendous sense of urgency. Exports are 12.5 percent of our economy, higher than ever in history. This is a time to push on trade; it is a time to have more FTAs and I'll give you one key fact: the countries of which we have FTAs generate a surplus of \$20 billion, so when people talk about do we have too many FTAs—we don't have enough. We need to get on it. The European Union has well over 20, China is negotiating. I think they have 25 and are still moving forward. The world record is Chile, and they have 57 agreements. We have 14 and we are standing still. So the rest of the world is gaining access to countries and we are not. So I cannot stress enough the importance of that.

In July 2005, the President appointed the first-ever U.S. Coordinator for International Intellectual Property Enforcement. Among the responsibilities of this post is leading the STOP! Initiative. This was started by Secretary Evans and we continued to do that. In 2007, seizures of counterfeit goods increased to \$200 million, a 27 percent increase. And very importantly, the way we are thinking, the way law enforcement is thinking about intellectual property is a lot different than what it was 10-15 years ago. And 287 defendants were convicted and sentenced for intellectual property crimes, representing a 35 percent increase over 2006, and a 92 percent increase over the last two years. So there is increasing awareness that this is a crime, it's like forging money, it's like any other kind of robbery and at a time where intellectual property represents about 40 percent of our economy, we're talking \$5 trillion, if you look 10 years down the road, it can only get larger. So our ability to enforce and ensure that we put a clamp on this and not allow intellectual property rights to be violated and become the norm in the world trading system, we will determine how much of a competitive edge we can keep.

When President Bush visited the Commerce Department a few years ago and I just joined his administration, he said, "There's a role for us here in Washington to help the entrepreneurs and innovators of the country succeed and, thereby, help make the quality of the life of our fellow citizens the best it can possibly be." It has been my tremendous privilege to work with President Bush, to work under his leadership, and to serve my country and to work with groups like the Council on Competitiveness.

At a time when our economy is going through a difficult time, we should ensure that in the midst of a crisis, we don't let anyone get confused. It's sometimes very easy to get confused when you're in the middle of difficult times and we should never confuse the fact that the way we grow, and the way we create jobs, and the way we create wealth, and the way we innovate is through the private sector, not through government. Therefore, our goal is to ensure we make the environment easier for business. It's very tough to be in favor of jobs and be against business. And if someone has that in mind I would love to hear an explanation. It's the private sector that is going to make this economy grow and flourish and prosper and it's through the private sector that we are going to continue to be the most innovative and most vibrant economy in the world.

I can't thank you enough for your leadership and making sure that that vision comes through not just after the next couple years but for the next ten, twenty years. Chad, Deborah, thank you all for this wonderful award.