

**Remarks by  
Commerce Secretary Don Evans  
at Carnegie Mellon University  
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[As prepared for delivery]**

Thank you for that kind introduction.

Thanks for coming on such a beautiful fall day... You may not realize this, but the National Weather Service is part of NOAA, which is part of the Department of Commerce.

Right now, we're all stocking up for Isabel back in DC.... So if you don't mind, I may just stick around for a couple of days...

I'm here to give you an overview of the things we've learned after hearing from America's manufacturing sector. And I'll also run through a few of the recommendations we will make in a Manufacturing Report we'll release this fall.

For our economy as a whole, we see positive signs.

Thanks to the President's policies, America is growing again:

- Disposable personal income is up 3.4 percent
- GDP growth was 3.1 percent in the second quarter.
- And current estimates predict robust economic growth of between 4 and 5 percent for the third quarter of this year.

The United States is the largest producer and exporter of manufactured goods in the world.

Even standing alone, America's manufacturing sector would be the world's fifth largest economy.

That said, our manufacturing sector confronts serious challenges.

And President Bush knows we need to take concrete steps to address these challenges.

The President believes that our economic and national security require a stable, robust manufacturing sector that produces sophisticated goods here, in the United States. But our manufacturers need customers.

Demand has been down for several years. Manufacturers felt the economic slowdown before it reached the rest of the economy.

Manufacturers told us it wasn't just that they needed a tax cut, but that the whole economy needed a tax cut.

The President's growth agenda was designed to encourage business investment because that's what drives demand in the manufacturing

That's why the President is determined to make his tax relief permanent. The President understands that sound business decisions require certainty and permanency.

So in his Six Point Plan, the President outlined five other elements to grow the economy and create jobs in America.

- Making health care costs affordable and predictable.
- Reducing the lawsuit burden on our economy.
- Ensuring an affordable, reliable energy supply.
- Streamlining regulations and reporting requirements.
- Opening new markets for American products.

Early this year, we decided the manufacturing sector needed a thorough review.

Six months ago, I directed the Under Secretary for International Trade, Grant Aldonas, to make sure that we were doing all that could be done to help American manufacturers to compete effectively both domestically and internationally.

Our task force traveled across the country. We visited over 20 cities.

We held roundtables with manufacturers from most every industry in the sector and the President's instincts were confirmed by what we heard during our roundtables.

Here's what we learned:

- Manufacturers told us that they weren't looking for handouts.
- They wanted an opportunity to meet their foreign competitors on a level playing field.
- They told us to create a more favorable climate for innovation and investment; and to ensure that we are producing an educated workforce with a sound grounding in math and science.
- They told us to open markets for U.S. goods.
- And they told us the indirect costs of manufacturing and government-created impediments were weakening their competitiveness.

America's manufacturers have been doing their part.

They're adopting lean manufacturing techniques.

They're hitting zero-defect quality targets.

And they're making the investments in technology that will keep them on the leading edge of their industries.

What our manufacturers have also done is their utmost to control costs – at least those that they can control.

But they are confronting a number of costs-- many imposed by government—that are beyond their control.

Let's talk about some of these challenges.

### **Junk Lawsuits**

The U.S. tort liability system is more than double the average cost of other industrialized nations.

Last year, a major consulting firm's study reported that tort costs impose a \$700 burden on every American. And who pays for this? We do.

This country was designed to be a nation of laws—not a nation of lawsuits.

### **Energy**

Manufacturers told us they needed a stable and affordable supply of energy.

Think about natural gas. In the United States we've been consuming more natural gas than we've been finding for many years, and it's putting American companies in a weaker competitive position, both domestically and internationally.

### **Health Care Costs**

We heard about spiraling health care costs everywhere we went.

And a company officer from Tri-Cast Ltd. summed up the problem in Columbus. He said, "[Health care costs] increased 135 percent in three years yet I've only been able to raise my selling prices less than one percent a year—Not a pretty picture."

### **Regulatory Burden**

As the President explained yesterday in Michigan, the compliance costs of unnecessary government regulation and reporting requirements are hampering competition.

### **Competing in a Global Economy**

Let me make a key point: manufacturers we talked to recognize that, whether they export or not, they are fully engaged in a global economy. Here, President Bush has a three-part strategy.

First, the President has made growth the central theme in his discussions with leaders of the major world economies. We need to make sure the United States isn't the only engine pulling the world economy.

Second, the President is committed to opening markets abroad.

Finally, the President has made clear that we will enforce international trade laws to ensure that competition is fair.

During our round tables, no country raised more attention as a source of concern than China.

Concerns ranged from inadequate access to China's markets to the lack of a level playing field in many areas.

Now, it's important to keep our relationship with China in perspective. The world has a vested interest in China's success.

And China has provided help on a number of fronts -- from the arms talks with North Korea to the War on Terrorism.

China is also one of the world's largest markets with vast opportunities for American manufacturers, provided, of course, that China's markets are actually governed by real, free, and fair market forces.

This administration believes that currency values should be set by free-market forces. And, two weeks ago, Treasury Secretary Snow conveyed exactly that message to the Chinese government.

Manufacturers complained about rampant piracy of intellectual property; forced transfer of technology from firms launching joint ventures in China; trade barriers; and capital markets that are largely insulated from free-market pressures.

It is strongly in the interests of the global economy that China creates an economic system that is more dynamic, growing, transparent, and one that allows capital to flow freely in response to market forces.

Americans are willing to compete, on even terms, with any country in the world but we will not stand for unfair competition. We are going to aggressively target unfair trade practices wherever they occur.

American manufacturers can compete against any country's white collars and blue collars but we will not submit to competing against another country's choke collars.

#### Strategy Needed to Expand Innovation and Investment

Finally, manufacturers asked us to support policies that would encourage research and investment.

They recognize that the U.S. comparative advantages in innovation, flexibility, and customized production depend on continuing investment in research and development.

America leads the world on technology innovation. And we want to ensure our manufacturers remain in the forefront of the development of the cutting edge technology needed to keep them competitive.

Okay, so that's what we heard out in the field. Now, what are we going to do about it?

Let me tell how the President looks at it: The decisions this administration makes need to make it easier not harder for our manufacturers to compete both domestically and internationally.

And the President has already identified many of the key domestic challenges facing manufacturers today--and Congress needs to pass the elements of his plan:

- Making the President's tax relief permanent, enabling manufacturers to plan for the future.

- Enacting common sense class action reforms.

- Reforming the medical liability system.

- Passing comprehensive pension reform.

- Making the R & D tax credit permanent.

- Passing a national energy strategy to end the blackouts, price spikes, and shortages that stifle our economy and disrupt business activity.

And the President launched a Math & Science Partnership to improve science, technology, and mathematics education.

And at Commerce, here are a few things we'll be doing:

We're creating an Assistant Secretary for Manufacturing to focus on the needs of American manufacturers.

One person will now be on point for manufacturers within the administration.

Under this new Assistant Secretary, we're also creating a new Office of Industry Analysis to assess the economic impacts of new rules and regulations.

Toward that same end, we intend to launch an initiative to help America's small and medium-sized manufacturers gain access to global supply chains.

And, finally, creating an Unfair Trade Practices Team, within the International Trade Administration, will allow us track, detect and confront unfair competition.

These experts will monitor economic data from our global competitors and vigorously investigate evidence of unfair practices.

These are just a few of the policy proposals we'll be putting forward this fall when we release our full report.

Andrew Carnegie once said: "Watch the costs and the profits will take care of themselves."

That's essentially what our Manufacturing Initiatives does: If we cut the indirect costs created by government, we'll create the conditions for manufacturers to profit.

Taken together, these recommendations serve a common purpose: Making it easier for American manufacturers to compete both globally and domestically.

Because I know the quality of our workforce, I'm confident in the future of American manufacturing. With a square deal, we can win any contest we enter.

Thank you all and God bless you.