

**Remarks by
U.S. Secretary of Commerce Donald L. Evans
Minnesota and St. Paul Chambers of Commerce
November 6, 2003**

[As prepared for delivery]

Thank you, Governor Tim Pawlenty, for the introduction...

Thank you, Scott Thiss, Chamber chair, and David Olson, Chamber President, from the Minnesota Chamber, and the Saint Paul and US Chambers for inviting me to Saint Paul...

Last week I spoke to the American Chambers in two other capital cities – Beijing and Tokyo.

It's good to be back in Minnesota.

I was here with Labor Secretary Chao and Treasury Secretary Snow in August... The weather was a bit warmer then...

We met with folks at the Saint Paul Chamber– just a couple of blocks away. Back then, the President's tax relief was just taking hold – I told folks the checks were in the mail... They really were...

I asked one of the entrepreneurs I met to join us here today, Sid Larson... In August Sid told me he was going to use the President's tax relief to expand his manufacturing company.

I received an e-mail from him a few weeks ago that I want to share with you. He wrote:

"Dear Secretary Evans -- [We are] investing approximately \$1 million in our small \$2.5 million dollar company.... It feels good to have improved our business in preparation for the brisk rise of our economy. I feel blessed to be a growing business...."

ECONOMIC UPDATE

Our economy is growing because millions of entrepreneurs like Sid are using the President's tax relief to expand their businesses...

A week ago, the Department of Commerce reported the American economy expanded at a 7.2 percent pace in the third quarter this year.

It's the strongest growth in nearly 20 years. While we can't expect to keep this pace, we should continue to see above-average growth.

After the shocks of the stock market decline, recession, terrorism, corporate scandals and the war on terror, there are lots of reasons for optimism:

- Disposable Personal Income is up 5.8% at an annual rate this year
- The stock market is up \$2 trillion this year
- Business investment was up 15.4% in the third quarter
- And my Texas friend, Red McCombs, tells me his Minnesota investment is better than ever...

As the President said last week, "All of us can be optimistic about the future of the economy, but we cannot be complacent."

The President and his Administration will not rest until every American seeking work can find a job.

MANUFACTURING INITIATIVES

One of the sectors we're working hard to grow jobs in is manufacturing.

Folks in Minnesota – the home of great manufacturers like 3M – understand that for a full recovery — to make sure every Minnesotan can find work — we've got to have a strong manufacturing sector.

That's why this spring the Bush Administration launched a Manufacturing Initiative. We held over two dozen roundtables around the country.

Our manufacturing roundtables were like the roundtables Governor Pawlenty hosted last month around Minnesota.

So it shouldn't surprise you to hear that both the Governor and I heard the same things. Manufacturers said we can compete against anybody's blue collars and white collars, but not if we're wearing choke collars.

We both heard about the rising health care costs and junk lawsuits that are driving up the costs of business.

We heard that small business owners spend too much time meeting regulations.

We heard about the need for affordable energy, permanent tax relief and new markets for exports.

HEALTH CARE

Governor Pawlenty and President Bush both came to office to solve problems, not pass them on to future generations.

Governor Pawlenty recently asked Senator Durrenberger to head a task force to look for ways to make health care more affordable.

I'm sure they'll find that junk lawsuits are driving a lot of good Minnesota doctors out of business. This problem is not limited to Minnesota: It's a national problem that

needs a national solution. That's why the President is proposing medical malpractice reform to make health care more accessible and affordable.

TWIN CITIES DIE CASTING

Earlier today, Governor Pawlenty and I visited a Minnesota manufacturer, Twin Cities Die Casting. It's an 84-year old family business that employs about 300 Minnesotans.

The brothers who own the company, Steve and Doug Harmon, told me their earnings are good. Like Sid and millions of other entrepreneurs, they used the expensing provisions in the President's tax relief to invest in over a \$1 million of new equipment, so their employees could be more productive...

Like manufacturers around the country, they're doing their part to stay competitive:

- They are 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.

PERMAMENT TAX RELIEF

In other words, the President's tax relief is helping them stay competitive.

But under the law passed by Congress, some taxes will increase in a few years. That makes it hard for businesses and families to plan for the future.

For the sake of businesses like Twin Cities Die Casting, the Congress needs to make the President's tax relief permanent.

BEIJING REPORT

But even with the tax relief, the new equipment, and the skilled workforce, the folks at Twin Cities Die Casting said they were worried about unfair international competition, especially from China. It's what I hear from manufacturers wherever I travel.

As the Governor mentioned, I just returned from China, where I raised the concerns of American manufacturers like Steve and Doug Harmon.

MESSAGE TO CHINA

Let me put my trip in context: The Bush Administration believes both China and the U.S. can benefit greatly from a healthy trading relationship. In recent years China has lifted hundreds of million of people out of poverty by moving toward free-market capitalism.

While other economies are struggling, the U.S. and China account for most of the world's economic growth. Since 2001, China has also been the fastest growing export market for the U.S.

Visiting China, you can tell it's a changing place. You see fewer bikes and more cars... They are busy preparing for the 2008 Olympics. There is tremendous national pride in their recent astronaut launch – and their making plans for a moon landing.

But I told them: "If China can put a man in space, then it can trade fairly with the US."

Free trade only works if both sides play by the same rules.

And right now, China is not competing on a level-playing field: This year imports from China will be five times greater than U.S. exports, and our trade deficit could reach \$130 billion.

MARKET ACCESS

Closed markets, trade barriers, state subsidies and rampant intellectual property theft are making it difficult for American businesses to compete in China.

We have been patient, but America's patience is wearing thin. While China has made some progress in moving into compliance with its obligations under the World Trade Organization, we have seen a loss in momentum.

The AmCham-China chose 14 benchmarks to test China's WTO Commitment performance. As of July, China has made good on two, had made some progress on seven, and had significant problems with the other five.

INTELLECTUAL PROPERTY RIGHTS

Walking through China's shopping districts is like walking through the Mall of America – except the American brands are counterfeit; the Made in China products are subsidized; and the prices are free from market forces.

Some of you may have paid \$10 to see "Intolerable Cruelty" in a movie theater recently. In a couple of months, you'll probably be able to rent it for \$5, or buy it for \$20. But you can buy it on the streets of Beijing right now for \$1.

RISING PROTECTIONISM

The Bush Administration is keeping the pressure on China. And we're seeing some results. During my trip, the Chinese leaders committed to closing the trade deficit and working towards a level-playing field.

But some members of Congress are already proposing to repeal normal trade relations status for China and imposing a 27.5 percent tariff on Chinese exports to the U.S.

Let me be clear: the Bush Administration opposes these proposals because free trade is the best policy for American workers in the long run.

But – the tariffs should serve as a warning to the Chinese government that progress, not promises, is required.

WINNING IN CHINA

The Bush Administration opposes tariffs against China because we know US companies can succeed with free trade.

About a year ago, I met with a great Minnesotan, Erik Ajax, in Washington. Erik is here today.... Erik runs E.J. Ajax & Sons along with his brothers Tom and David, a manufacturing company that was started by their grandfather.

Ajax and Sons makes metal hinges that are sold all over the world. They are competing in the global market – and winning. I'm told they recently competed for a contract against 20 Asian manufacturers – and won.

They are winning in Minnesota, because of our skilled workforce. That's a story that should give us all confidence...

BAGHDAD UPDATE

Traveling around the world, I'm optimistic about our future. Wherever I go in America, I meet business owners that are expanding. In China, I saw a huge emerging market for American exporters.

And, as we strengthen our economic security, we are strengthening our national security.

In my recent trip to Baghdad, I witnessed how the power of freedom can transform lives for a better society and a more peaceful world.

Driving through Iraq, I saw young schoolchildren in uniforms walking to school. Their parents feel safe enough to let them walk to school. And, thanks to Coalition efforts, almost every school is now re-open.

Security does remain an issue on the ground in Iraq. As freedom advances, the terrorists are growing increasingly desperate and brutal.

But I gotta tell you, talking to the American troops serving in Iraq, and listening to their stories of sacrifice and determination, I have never been more proud to be an American...

They're committed to the cause, because they know that a free and peaceful Iraq will make America more secure.

Our nation has been through a lot. Yet we remain strong, determined and united. Our economy is growing; our nation is more secure; and our future is bright.

Thank you.... Questions