

**Statement of U.S. Secretary of Commerce Carlos M. Gutierrez  
Before the United States House Committee on Energy and Commerce  
Thursday, March 13, 2008**

Chairman Dingell, Ranking Member Barton, distinguished Members...it is my pleasure to come before you today to talk about the Department of Commerce. While I have had the privilege to meet with you before, today is likely the last time I will come before you as the Secretary of Commerce.

It has been a great privilege to serve the American people and I am grateful for the confidence President Bush had in my ability to lead this great agency. It has been without a doubt the most rewarding experience of my professional life, and it is my sincere hope that I leave the agency in a better place than where I found it, and as a result the American people better off for my having served there.

The Commerce Department has a broad mandate to “foster, serve and promote the Nation’s economic development and technological advancement.” Our efforts are focused on strengthening our economy, measuring American life and being good stewards of our natural resources. The means by which we achieve both goals are vast and varied, and the 38,000 public servants under my watch work daily to achieve them.

Over the next year, the Commerce Department will continue to focus on American competitiveness, growing American exports and protecting America’s environment. The President’s FY 2009 discretionary Budget request of \$8.18 billion for the U.S. Department of Commerce is reflective of those efforts and today, I would like to highlight a few of the key activities of Commerce’s bureaus and agencies to support them. I would like to start with a few comments on our economy.

***A Fundamentally Sound Economy***

As you know, we have recently faced strong economic headwinds and as a result, growth has slowed. Forecasters expect this quarter to be our weakest quarter of growth.

Our unemployment remains low at 4.8 percent, and, until recently we had a record 52 months of uninterrupted job growth. But we were disappointed with the recent employment report. Our gross domestic product (GDP) grew at a solid 2.2 percent last year, but slowed in the fourth quarter. Consumer spending has moderated. Businesses continue to invest, but the cost of oil and other commodities are increasing rapidly. And, housing starts and housing permits are down sharply.

Because of these challenges, President Bush and the Congress recently came together to pass the bipartisan economic stimulus plan. The plan puts money in the hands of American consumers and provides incentives for businesses to invest. It is large enough to help our economy grow—amounting to more than \$152 billion this year, or about one percent of GDP.

While this stimulus package will help in the short term, in the long term we need to continue to nurture a pro-growth, pro-jobs environment of lower taxes, less regulation and more export opportunities.

Trade is playing an increasingly significant role in the overall economy with exports accounting for more than 40 percent of the increase in real GDP last year. In fact, America's growing exports have helped offset the economic effects of the housing downturn. Exports were the second largest contributor to GDP growth after consumer spending. Even when imports are factored into the equation, net exports accounted for 26 percent of GDP growth.

We are the world's No. 1 exporter, and 2007 was a banner year, with more than \$1.6 trillion in goods and services exported. This represents a 12.6 percent increase over 2006, and marks our fourth consecutive year of double-digit export growth. And, for the first time since 2001, our trade deficit declined. The growth in exports is widespread across our economy.

The surplus in our services exports was up 34 percent last year, and has almost doubled in the last four years to a record \$107 billion. Twenty percent of America's manufactured goods and more than 20 percent of our agricultural production on a volume basis was exported last year. Simply put, open markets contribute to America's prosperity.

### ***Breaking Down Barriers and Expanding Global Markets***

In the future, as in the past, our long-term economic growth will be enhanced by supporting international trade, by opening world markets to U.S. goods and services and by keeping our markets open. The President's FY 2009 Budget requests \$420 million for the International Trade Administration (ITA), which supports U.S. commercial interests at home and abroad by promoting trade and investment, ensuring fair trade and compliance with domestic and international trade laws and agreements and strengthening the competitiveness of American industries and workers. This request includes a net increase of \$3.8 million for enforcement of the countervailing duty law with China and other non-market economies, as well as a decrease of \$3.0 million to reflect streamlining of Trade Promotion and Foreign Commercial Service domestic offices.

To continue our record export growth, America must maintain its posture as a leader in the global economy, committed to breaking down economic barriers and engaging with countries around the world. Free Trade Agreements (FTAs) are one of the best tools we have to do so. FTA partner countries (including pending FTAs with Colombia, Panama and South Korea) accounted for nearly 46 percent of U.S. goods exports in 2007, and nearly 30 percent of our export growth in 2007. The fact is that our exports have grown with each and every FTA.

Since January 2001, the United States has put into force seven FTAs with 11 countries. The United States now has FTAs in effect with 14 countries (Israel, Canada, Mexico, Jordan, Chile, Singapore, Australia, Morocco, Bahrain, Dominican Republic, El Salvador, Guatemala, Honduras and Nicaragua). Congress has approved agreements with three more (Costa Rica, Oman, and Peru) and they will take effect once our partner governments are ready to implement them. All of our FTAs, except those with Israel, Mexico, and Canada were negotiated or implemented during this Administration.

Between 1999 and 2007, U.S. merchandise exports to these 11 countries have increased 75.1 percent, while U.S. merchandise exports to the rest of the world have increased only 66.7 percent.

This Administration has been, to the benefit of the U.S. economy, a strong advocate of free trade. And, while we were pleased by the strong bipartisan support for the Peru Trade Promotion Agreement implementing act, which President Bush signed in December, there are three remaining agreements that deserve a vote of approval in Congress. These agreements, with Colombia, Panama and South Korea, would open up combined markets of 100 million consumers and a GDP of \$1 trillion to America's exporters.

The economic case for opening these markets is clear. Congress has already given Colombia and Panama preferential access to the U.S. market. These agreements would simply level the playing field and give American businesses, farmers, ranchers, service providers and workers the same preferential access.

The U.S.-Korea Free Trade Agreement (KORUS FTA) is the most commercially significant bilateral free trade agreement the United States has concluded in the past 15 years. The KORUS FTA will eliminate tariffs on nearly 95 percent of bilateral trade in consumer and industrial products within three years, and almost two-thirds of U.S. agriculture exports to Korea will become duty free immediately.

Opening these markets is good for America's exporters and workers, and will continue to make our nation more competitive in the global economy. However, these agreements are more than economically significant; they are a matter of national security. The pending agreements in Latin America and in Asia are with allies who border countries whose leaders share visions far different than our own.

### ***The Case for Colombia***

Let me focus for a moment on Colombia, a nation that has had a history of violence and upheaval, but has made enormous strides on a path to peace and prosperity—strides which have been made possible by the bipartisan support of the United States.

Colombia is a stunning example of bipartisan foreign policy success. The United States has contributed more than \$5.5 billion to Plan Colombia, an initiative to promote the peace process, combat the narcotics industry, revive the economy and strengthen democracy. Since 2002, kidnappings are down by 83 percent, terror attacks by 76 percent and homicides by 40 percent. And, Colombia has made great strides in the healthcare and education of families and children.

Colombia has transformed its criminal justice system and, as a result, cases move from arrest to verdict in months instead of years, and conviction rates have soared from less than three percent to over 60 percent.

I have just returned from leading my fourth bipartisan congressional delegation to Colombia. Each and every time I have been awed by the turnaround that country has made. Once on the verge of being a failed state, Colombia has fought back against the narco-terrorists and drug lords and is reclaiming its country. Importantly, the country, led by democratically elected president Alvaro Uribe, has made the turnaround while staying true to democratic principles. Given the recent tensions in the region, it is increasingly important that we stand by Colombia. All of Latin America is watching closely to see if the U.S. stands by Colombia in these challenging times.

Colombia is a key strategic ally in our own hemisphere and the Administration has a strong desire to work with Congress to get the FTA with Colombia, as well as Panama and South Korea up for a vote of approval.

### ***Making the Transition to Digital Television***

A key responsibility for the National Telecommunications and Information Administration (NTIA) is the administration of the Digital Television Transition and Public Safety Fund (DTTPSF). During fiscal year 2009, NTIA estimates obligating \$592 million from the DTTPSF to support several one-time programs created by the Deficit Reduction Act of 2005, most notably \$472 million for the Digital-to-Analog Television Converter Box Program (Coupon Program). In addition, NTIA will continue working with the Department of Homeland Security to implement the Public Safety Interoperable Communications grant program.

The Commerce Department also has a special role to play in the next year in helping our nation make the transition to digital television (DTV).

This year, NTIA continued to work with its Federal and industry partners to educate the public about the transition to digital television, which is now less than one year away. On February 17, 2009, consumers who receive television reception over the air without a digital television, who have not purchased a converter box for their analog television, or who have not subscribed to cable, satellite or other pay television service will lose their television signals.

Changing from analog to digital makes sense for America. DTV provides consumers a better viewing experience, including sharper images and clearer sound. It also frees up additional airwaves for first responders so they can better communicate with each other during emergencies. Moreover, DTV creates a world of new opportunities for innovation. The newly available spectrum will make airwaves available for the development and use of innovative telecommunications technologies and advanced wireless services.

The good news is that the public education campaign to alert consumers about this dramatic change is well underway and the word is getting out. More than 15 Federal agencies are working with the Department of Commerce, the Federal Communications Commission, and our industry and non-profit partners to inform the public about the transition and the Coupon Program.

To complement the general public awareness campaign, we are proactively working to reach and address specific concerns of consumers most likely to be impacted by the transition such as seniors, minority communities, people with disabilities, the economically disadvantaged and those in tribal and rural areas. By partnering with social service and community organizations, and actively working to address challenges that arise over the course of the transition, we are helping to ensure the digital transition does not leave any American without TV service.

The Coupon Program, which Congress created for households wanting to use their analog sets to receive over-the-air broadcasts after the transition, is providing consumers with coupons worth \$40 toward the purchase of converter boxes. The NTIA-administered program was launched on January 1 of this year. Nearly two million coupons were requested in the first week. Since then demand for coupons continues to be strong with more than seven million coupons requested to date. Requests have come in from every state and coupons are being mailed to households across the Nation. Of course consumers have options other than purchasing a converter box. They can subscribe to a cable, satellite or other pay service, or buy digital TV.

We look forward to keeping the Committee apprised on the progress of this important effort. America is a leading innovator in the world. This transition is another in a long line of technological advances that will more efficiently use our resources, increase our competitiveness and improve our quality of life.

### ***Commerce Budget***

Trade and the transition to digital television are just two of the many components of Commerce's overall mission. From weather prediction to conducting the 2010 Census, the Department plays an important role in many aspects of American life. Our FY 2009 budget request demonstrates the many ways in which we serve the public.

The President's FY 2009 Budget request of \$8.18 billion in discretionary funds reflects a balance between the Administration's commitment to the Department's mission to promote and sustain economic growth, and the need to restrain discretionary federal spending. Enactment of this budget will enable the Department to continue to support the innovative and entrepreneurial spirit of America and increase our competitiveness in the international marketplace.

The President's FY 2009 Budget request of \$4.1 billion for the National Oceanic and Atmospheric Administration (NOAA) reflects the Administration's commitment to environmental stewardship. It represents an increase of \$214 million above the FY 2008 enacted level. NOAA encompasses the National Weather Service, which provides critical observations, forecasts and warnings; the National Environmental Satellite, Data and Information Service, which provides timely global environmental satellite data; the National Marine Fisheries Service, which provides stewardship of the Nation's living marine resources and their habitat; the National Ocean Service, which measures and predicts coastal and ocean phenomena; the Office of Oceanic and Atmospheric Research, which provides research for understanding weather, climate, and ocean and coastal resources; and the Office of Marine and Aviation Operations, which operates a variety of aircraft and ships providing specialized support for NOAA's environmental and scientific missions.

The request continues support for development and acquisition of the next-generation Geostationary Operational Environmental Satellite (GOES R), with an increase of \$242 million as we enter the main procurement phase for the spacecraft and the ground control system. There is also a \$32 million increase to continue improving fishery management under the Magnuson-Stevens Act that was reauthorized in 2006. The Budget includes new requests of \$74 million to restore climate sensors that were demanifested during the Nunn-McCurdy review of the tri-agency National Polar-orbiting Operational Environmental Satellite System (NPOESS) Program, and \$12 million to replace the Satellite Command and Data Acquisition station in Fairbanks, Alaska.

Building on last year's investment in Ocean Initiative related activities, the FY 2009 President's Request includes new increases of \$49.1 million for NOAA over the FY 2008 President's Request to support the President's Ocean Initiative. This ocean initiative includes more funding to advance ocean science and research; protect and restore marine and coastal areas; and ensure sustainable use of ocean resources through the development of offshore aquaculture and better management of fish harvests, supporting the priorities laid out in the President's Ocean Action Plan of 2004.

New investments in ocean science are aimed at monitoring and better understanding marine ecosystems as well as facilitating the safe transport of ocean commerce. We are increasing investments in regional ocean observation systems and in our mapping and hydrographic survey activities, which will help NOAA update the nautical charts provided to mariners navigating on U.S. waters in a more timely fashion. In addition, NOAA seeks increased funding for the PORTS® program, to improve and expand the delivery of real-time and forecasted navigation information. A recent economic benefits study of the Houston/Galveston PORTS® program, released in May 2007, showed that the program brought the Houston/Galveston area significant economic benefits and has helped to achieve a 50 percent reduction in groundings.

The Economics and Statistics Administration (ESA) promotes the understanding of the U.S. economy and its competitive position. ESA's Census Bureau is the leading source of quality data regarding the Nation's population and economy, and the President's FY 2009 Budget requests \$2.6 billion in discretionary funds for the Census Bureau. This includes a program increase of \$8.1 million to provide policymakers, business leaders, and the American public with comprehensive and timely data on the service economy, which now accounts for 55 percent of economic activity.

The largest increase requested, for both the Census Bureau and the Department, is \$1.3 billion for the 2010 Decennial Census to fund critical operations and preparations for 2010, improve accuracy of map features, and continue the American Community Survey on an ongoing basis. The Census Bureau is currently experiencing significant challenges in the management of the Field Data Collection Automation (FDCA) project for the 2010 Census. I can assure you that not only the Census Bureau but the Office of the Secretary is devoting all of the resources at our disposal to resolve the IT-management issues with FDCA and develop a successful way forward. We will keep you informed of our progress.

ESA's Bureau of Economic Analysis (BEA) promotes understanding of the Nation's economic condition by providing policymakers, business leaders, households, and individuals with essential economic data. These data includes the GDP as well as other regional, national, international, and industry-specific information. The President's FY 2009 Budget requests \$91 million for ESA Headquarters and BEA. This request includes an increase of \$5.7 million to improve measurement of the health care sector and to incorporate the impact of research and development investments into the GDP.

The Economic Development Administration (EDA) assists states, regions, and communities in promoting a favorable business environment through capacity building, planning, infrastructure investments, research grants, and strategic initiatives. The President's FY 2009 Budget requests \$133 million for EDA. The request reduces funding for the Economic Development Assistance Programs (EDAP) by \$149 million in order to support other Commerce and Administration priorities.

The Bureau of Industry and Security (BIS) regulates the export of sensitive goods and technologies to protect the security of the United States. The President's FY 2009 Budget requests \$84 million to enable BIS to effectively carry out this mission. The request includes \$2.4 million in program increases to upgrade export enforcement and to ensure compliance through validating end-users in foreign countries.

The Minority Business Development Agency (MBDA) focuses on accelerating the competitiveness and growth of minority-owned businesses by assisting with economic opportunities and capital access. The President's FY 2009 Budget requests \$29 million to enable MBDA to continue its activities to increase access to the marketplace and financing for Minority Business Enterprises.

The President's FY 2009 Budget request of \$638 million for the National Institute of Standards and Technology (NIST) will advance measurement science, standards, and technology. The request includes increases of \$71 million for research initiatives at NIST Laboratories and National Research Facilities, and \$62 million for Construction and Major Renovations as part of the President's 10-year American Competitiveness Initiative (ACI). This will put us back on track to double the funding by 2016 for NIST's basic research in the core physical sciences and engineering, thus ensuring continued U.S. leadership in this area, a major goal of ACI. The National Technical Information Service (NTIS) collects and preserves scientific, technical, engineering and other business-related information from federal and international sources and disseminates it to the American business and industrial research community. NTIS operates a revolving fund for the payment of all expenses incurred and does not receive appropriated funds.

Furthering the mission to promote the research, development, and application of new technologies by protecting inventors' rights to their intellectual property through the issuance of patents and trademarks, the President's FY 2009 Budget requests \$2.1 billion in spending authority for the U.S. Patent and Trademark Office (USPTO). The USPTO will use these funds to reduce application processing time and increase the quality of its products and services. Consistent with prior years, the Administration proposes to fund the USPTO budget exclusively through offsetting fee collections, and to provide USPTO full access to the estimated fee level. Fee collections for FY 2009 are projected to cover the proposed increases.

Departmental Management (DM) funds the Offices of the Secretary, Deputy Secretary, and their support staff. Staffs in these offices develop and implement policy, administer internal operations, and serve as primary liaison to other Executive Branch agencies, Congress, and private sector entities. The President's FY 2009 Budget requests \$20.8 million in discretionary appropriations for DM, which includes a \$48.6 million rescission from the Emergency Steel Guaranteed Loan Program. Proposed increases include \$7.1 million to upgrade IT security and ensure mission-essential communications and \$3.6 million for blast mitigation windows and other renovations to the 76-year-old Herbert C. Hoover Building.

The Office of the Inspector General (OIG) strives to promote economy and efficiency, and detect and prevent fraud, waste, and abuse in Departmental programs and operations. The President's FY 2009 Budget requests \$24.8 million to enable the OIG to continue to effectively meet these mandates. Also, the Budget requests \$1 million to improve the OIG's ability to evaluate and improve the security for the Department's information technology assets.

The Department of Commerce is a diverse group of agencies, with varied expertise and differing needs, all engaged in a common commitment to keep the United States at the global forefront of competitiveness and innovation. The President's FY 2009 Budget effectively meets those needs, while exercising the fiscal restraint necessary to sustain our economic prosperity. I look forward to working with the Committee to keep our nation's economy growing and strong, and to promote technological advancement and environmental stewardship.

Thank you for the opportunity to come before you today to discuss the Department of Commerce. I look forward to your questions.