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INVESTING IN AMERICAN JOBS: LEGISLATION TO
STRENGTHEN MANUFACTURING AND COMPETITIVENESS

THURSDAY, OCTOBER 14, 2021

House of Representatives,

Subcommittee on Consumer Protection and Commerce,

Committee on Energy and Commerce,

Washington, D.C.

The subcommittee met, pursuant to call, at 12:00 p.m., via Webex, Hon. Jan Schakowsky [chairwoman of the subcommittee] presiding.

Present: Representatives Schakowsky, Castor, Trahan, McNerney, Clarke, Cardenas, Dingell, Kelly, Soto, Rice, Pallone (ex officio), Bilirakis, Upton, Latta, Guthrie, Bucshon, Dunn, Pence, Lesko, Armstrong, and Rodgers (ex officio).

Also Present: Representatives Blunt Rochester, Carter of Georgia, Johnson of Ohio, Joyce, and Kinzinger.

Staff Present: Katherine Durkin, Policy Coordinator; Lisa Goldman, Senior Counsel; Waverly Gordon, Deputy Staff Director and General Counsel; Daniel Greene,

Professional Staff Member; Tiffany Guarascio, Staff Director; Perry Hamilton, Clerk; Ed Kaczmarek, Policy Analyst; Zach Kahan, Deputy Director, Outreach and Member Services; Kaitlyn Peel, Digital Director; Caroline Rinker, Press Assistant; Tim Robinson, Chief Counsel; Chloe Rodriguez, Clerk; Kylea Rogers, Staff Assistant; Andrew Souvall, Director of Communications, Outreach, and Member Services; C.J. Young, Deputy Communications Director; Sarah Burke, Minority Deputy Staff Director; Michael Cameron, Minority Policy Analyst, CPC, Energy, Environment; Nate Hodson, Minority Staff Director; Tim Kurth, Minority Chief Counsel, CPC; Brannon Rains, Minority Professional Staff Member, CPC; and Michael Taggart, Minority Policy Director.

Ms. Schakowsky. The Subcommittee on Consumer Protection and Commerce will now come to order.

Today we will be holding a hearing entitled "Investing in American Jobs: Legislation to Strengthen Manufacturing and Competitiveness."

Due to the COVID-19 public health emergency, today's hearing is being held remotely. All members and witnesses will be participating via video conferencing.

As part of our hearing, microphones will be on mute for the purpose of eliminating inadvertent background noise. Members and witnesses will need to unmute your microphones each time that you wish to speak.

Additionally, members will need to be visible on the screen in order to be recognized.

Documents for the record can be sent to Ed Kaczmarek at the email address that we have provided to staff. All documents will be entered into the record at the conclusion of the hearing.

We will begin now with opening statements, and the chair now recognizes herself for 5 minutes for an opening statement.

Over a year and a half into the COVID-19 pandemic, shortages of critical products and consumer goods continue to plague domestic manufacturers and American families.

Consumers across the country are finding empty shelves and longer wait times. I know I, myself, tried to get cleaning products and had a hard time doing that for my home.

Those looking to buy large, durable goods, such as furniture or cars, even face bigger challenges and wait times.

A severe shortage of semiconductors is harming vehicles, vehicle manufacturers, and causing used car prices to jump 27 percent since last year.

These marketplace disruptions harm consumers, especially the most vulnerable among us.

It is clear that we have significant supply chain vulnerabilities.

The public health crisis has created manufacturing disruptions, changed demand patterns, caused surges, and underscores America's insufficient domestic production capacity.

This is why we are here today to discuss legislation that will improve our supply chain resilience, combat the growing threat posed by foreign countries' predatory practices, and protect consumers.

We are considering critical legislation to make the online marketplaces, like Amazon, safer and fairer for consumers.

Online sales, as we all know, have increased significantly during the pandemic as consumers have sought safer purchasing options for their everyday goods and their needs.

However, Americans consumers face new dangers when purchasing goods online. Counterfeit goods are all too readily available on popular consumer websites.

Not only do these products defraud consumers, but they also pose risks to health, safety, and security.

We can't allow dangerous or stolen products sold on the online marketplaces, like Amazon, to line criminals' pocketbooks. Consumers deserve to shop with confidence and to get what they paid for.

The INFORM Consumers Act, which I introduced along with my friend and colleague, Ranking Member Bilirakis, will require online marketplaces, like Amazon, to

verify the identity of high-volume sellers that operate on their platforms.

It will protect consumers and legitimate businesses, increase trust in the marketplaces, and discourage criminals and fraudsters.

The other legislative proposals from my colleagues that will be discussed today improve America's global competitiveness, increase supply chain resilience, promote domestic manufacturing, and strengthen supply chains of critical goods and services.

So I really look forward to the testimony of our witnesses today as we explore how to improve and strengthen our supply chains, protect consumers, and ensure an economy that works for all Americans.

Now I want to yield the remainder of my time to Representative Kelly.

[The prepared statement of Ms. Schakowsky follows:]

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Ms. Kelly. Thank you, Chairwoman Schakowsky, for holding this legislative hearing today.

I have heard from small business owners, local governments, and large companies that they have struggled to obtain supplies during the COVID-19 pandemic.

It has become clear that we need to build resilient supply chains to strengthen our economy and our national security.

That is why I was proud to work with Representatives Bourdeaux and Kinzinger on H.R. 5479, the Supply Chain Health and Integrity for the Nation Act. This bill will help centralize the government's oversight to monitor supply chain gaps and vulnerabilities, as well as identify opportunities to reduce supply chain risk.

The government and private industry must work together to ensure we are better prepared for supply chain shocks in the future. I hope that my colleagues on both sides of the aisle will support this bipartisan legislation.

I would also like to enter into the record a letter from Justin Oberman, the founder of Assemble, and a letter from Rep. Bourdeaux in support of H.R. 5479.

Thank you so much. And I yield back.

[The prepared statement of Ms. Kelly follows:]

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Ms. Schakowsky. The chair now recognizes Mr. Bilirakis, the ranking member of the subcommittee, for his 5 minutes of an opening statement.

Mr. Bilirakis, you are recognized.

Mr. Bilirakis. Thank you very much.

Thank you, Madam Chair, for holding this legislative hearing.

And thank you to the witnesses for sharing your expertise today. There is a lot to cover with the four of you. So we appreciate your willingness to participate.

To begin, I want to commend my friend, the chair of the committee, Chairwoman Schakowsky, for her leadership on the INFORM Consumers Act and working with me to reach a strong bipartisan agreement.

This legislation will create a uniform national standard to provide consumers with clarity, transparency, and enhanced protections from malicious actors online who look to pawn stolen goods or sell dangerous counterfeits.

The consensus we have reached among stakeholders will benefit not just our constituents so they are protected from counterfeit or stolen products -- that is very important -- but will also serve the marketplaces and their sellers well as they do business in all 50 States with a single set of rules.

The world, as we know, has changed, as you know, drastically since the pandemic, and our reliance on e-commerce platforms has grown dramatically. That unfortunately means criminals are finding new ways to prey upon innocent consumers.

That makes the INFORM Consumers Act a timely piece of legislation, given the restrictions on visiting our favorite local retailers.

This is a sound solution that protects consumers online, while also protecting the private information of small online entrepreneurs who are looking to make a little extra

money in this tough economy.

This committee also comes together in the name of promoting the economic drivers that employ so many of our constituents in the tourism sector. Of course, you know I am from the State of Florida, and that is our number one industry.

I am glad to see the Restoring Brand USA Act on the docket today that I introduced with my friend Peter Welch. And I thank you and thank him as well for his support of this legislation.

I really appreciate your friendship, Peter, and the fact that we work together.

We worked closely to reauthorize this program last August. But no one could have foreseen that the matching fund requirement would create an impediment for companies trying to find an avenue back to normal from the COVID-19 pandemic.

This legislation will release the dollars already collected for the Brand USA program to help return our travel and tourism industry back to its former glory.

As I mentioned during a hearing with Secretary Raimondo earlier this year, the COVID-19 pandemic has drastically impacted the travel and tourism industry, obviously, a market that has contributed billions of dollars to local economies and created countless American jobs.

This was an easy bipartisan win for our committee last Congress, so there is no reason we cannot get this bill across the finish line again this year, especially as we have so many supporters of Brand USA.

I also ask for unanimous consent to enter into the record a letter of support from the U.S. Travel Association for the Brand USA program.

Can we enter that into the record, Madam Chair?

Ms. Schakowsky. Without objection.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Bilirakis. Thank you.

Given the title and purpose of this hearing, I would be remiss if I didn't highlight three bills introduced by my colleagues that would improve American competitiveness in emerging technologies, remove barriers prohibiting the growth and creation of American jobs, and incentivize investment in American companies.

The Advancing Tech Startups Act, led by Representatives Johnson, Rush, and Phillips, the Advancing Gig Economy Act, led by Representative Joyce, and the Global Investment in American Jobs Act of 2021, led by Representative Pence and Representative Rush, are three bills that promote American leadership in emerging technologies and investment into new jobs and companies.

I look forward to the discussion today so we can move to a markup, and as we review the docket, I encourage everyone to think about how we need to be thoughtful and purposeful in how we legislate, especially when it comes to the use of American taxpayer dollars and the future prosperity of our country.

I am hopeful we will continue with a regular order process on these bills so we can put them through the kind of scrutiny and improvement this committee has demonstrated in the past.

Thank you, Madam Chair. I appreciate it very much. And I yield back.

[The prepared statement of Mr. Bilirakis follows:]

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Ms. Schakowsky. The gentleman yields back.

And I now recognize the chair of the full committee, Mr. Pallone, for 5 minutes.

The Chairman. Thank you, Chairwoman Schakowsky.

Today the committee continues its work of revitalizing our economy by examining legislation to strengthen our manufacturing and competitiveness.

America's competitiveness helped build the largest, most dynamic economy in the world, but it is facing unprecedented challenges.

For three decades, the Institute for Management Development designated our Nation's economy as one of the five most competitive in the world. But since 2019, that ranking has fallen to tenth, making it more difficult for our economy to create good-paying jobs for the American people.

The decline in our international competitiveness has been exacerbated by the steady erosion of America's industrial might.

Once the envy of the world, our manufacturing base has faced steady headwinds for decades now. Between 2002 and 2016, our Nation's share of global manufacturing activity declined from 28 percent to just over 18 percent, and more than five million manufacturing jobs have been lost since 2000.

Investment in America's small and medium manufacturers, the bedrock of our industrial might, has also declined over the last 20 years by more than \$200 billion.

Now, these numbers are staggering, and they come at a time when the industrial power of our international counterparts is on the rise. China superseded the United States as the world's largest manufacturing country in 2010. And manufacturing output has grown faster in Germany, Mexico, and South Korea than it has here in the U.S.

As a result, America now relies on production in other countries for many of our

necessities, such as consumer electronics, household goods, food, pharmaceuticals.

Weak supply chains threaten our industrial and technological sovereignty, and our declining manufacturing capacity harms our national security and economic vitality.

Now, these vulnerabilities became devastatingly apparent during the COVID-19 pandemic, and ongoing disruptions of critical products like semiconductors -- computer chips essential for the production of military equipment, automobiles, and consumer electronics -- has hampered our Nation's recovery.

But adverse market forces and supply chain disruptions are not the only challenges facing domestic producers and America's competitiveness. Online marketplaces have become pervasive sources of fraudulent, counterfeit goods.

The Government Accountability Office found that 20 of 47 items it purchased from third-party sellers on popular consumer websites were counterfeit. GAO also found that 16 percent of counterfeit products seized in fiscal year 2018 posed a direct risk to health, safety, and security.

Counterfeiters steal market share from legitimate businesses and can cause severe reputational damage to the companies and products they impersonate.

Online marketplaces should know who is selling products on their platforms, and consumers should be able to know who they are buying from.

Fraudsters claiming their products are made in the USA undermine the integrity of domestic content labels and harm producers who are truly making goods in America.

These unprecedented challenges to our economic prosperity and competitiveness cannot go unchallenged.

Today we are examining legislation to strengthen the Nation's manufacturing might, economic vitality, and American competitiveness.

We will discuss four bipartisan supply chain bills and create a

whole-of-government process for identifying, monitoring, and closing supply chain vulnerabilities that imperil our national security and economic welfare.

These bills provide targeted investments to boost our manufacturing base, strengthen supply chains, and ensure that America is prepared to meet the next crisis. They counteract destructive market forces and ensure that the U.S. is shaping the global economic order with our core values.

We will also discuss the INFORM Consumers Act, which will help prevent counterfeit and harmful consumer products from entering the market. The legislation also provides small businesses and domestic producers much-needed relief during these challenging economic times.

These bills and the other legislation under consideration today can help us turn the tide.

I want to thank the witnesses for their testimony and look forward to the discussion.

And I did want to say to the chairwoman and our members that I am sure that when you are home you hear a lot about this.

Some topics that we discuss in committee get more attention in D.C., but this is something that I hear constantly from my constituents about: "Why is it that we are not manufacturing here? Why is it that we depend on China and other countries."

I mean, people really I think at home are looking for us to act. So that is why I think this is so important, Madam Chairwoman.

I yield back.

[The prepared statement of The Chairman follows:]

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Ms. Schakowsky. The chair now recognizes Mrs. Rodgers, wishing her good health, the ranking member of the full committee, for her 5 minutes of an opening statement.

Mrs. Rodgers. Thank you, Madam Chair.

And to the chairman, I would agree that this is a very important issue that we hear at home, the concern about supply chains, manufacturing in the United States, and also the recognition that American leadership and competitiveness are so important, as you said, in ensuring that it is our core values that are reflected as we lead here in the United States.

There are certainly very noteworthy initiatives that are going to be under consideration, and I appreciate the committee spending the time today.

We want to be encouraging more investment in the United States of America. We want to be increasing responsibility on e-commerce platforms, assisting the travel and tourism rebound from the pandemic, and promoting clear national strategies for emerging technology.

All of this is important to America's leadership and competitiveness.

I am encouraged to see our members working together as the supply chain challenges persist. All you have to do is look at the L.A. port or the store shelves that are empty. And even the White House yesterday admitted that they are not going to be able to guarantee that our holiday packages arrive on time, that we need to start our Christmas shopping now.

This crisis, plus labor shortages, are increasing costs on Americans, and we are seeing inflation at a 13-year high. We need to be focused on solutions that are going to strengthen America's economy and not just scoring political points with more reckless

spending.

As the Republican leader on this committee, I must raise concerns about the legislation to authorize \$40 billion of taxpayer funds. As I understand, this proposal may serve as the committee's response to the United States Innovation and Competition Act, USICA, that passed the Senate earlier this year.

While the Senate might have changed the name of the Endless Frontier to USICA, it doesn't change my view of this legislation. I am concerned about trying to beat the Chinese Communist Party at their own game through expansive government subsidies. It is not how we will win the future.

We cannot let countries like China control critical supplies, materials, and technology that drive the economy and determine the future.

Creating new, duplicative, multi-billion dollar programs and trying to outspend the Chinese Communist Party is not the solution.

We should be addressing significant challenges to the security of our manufacturing sectors and supply chains, like overregulation, permitting reform, tax burdens, and unclear rules of the road for businesses.

Creating low barriers to entry and lifting the tax and regulatory burdens will lead to economic competitiveness, leadership, and prosperity. That is what we set out to do in the American COMPETE Act, which is undergoing administrative action.

Unfortunately, time and time again we see that the majority's answer to virtually every pressing issue is to spend more money. It is unsustainable and it is going to create more problems than it solves.

These vulnerabilities in our supply chain were exposed during the COVID-19 pandemic, and they continue to reverberate throughout our domestic industries.

Not only do we see the Biden-Harris administration ignoring the underlying causes

of the rampant supply chain and domestic manufacturing crises we are seeing, the Biden-Harris administration's increasing regulations, and the reconciliation tax and spending spree, are only going to make these issues worse, make us more dependent upon China.

Whether it is the continued rush to green, forcing adoption of renewables and electric vehicles, or the price controls on prescription drug medicines, these are the priorities that are going to destroy any hope of America being the globally competitive economic leader.

Throwing another ten or hundred billion dollars to pay off industry is not going to make these issues go away, and unfortunately it is only going to make us more dependent upon China.

Instead, we should remove the barriers preventing America from onshoring our vulnerable supply chains and manufacturing emerging technologies.

We need the permitting and licensing reforms to take advantage of America's abundant natural resources so that we can secure domestic sources of critical minerals that will fuel the future.

We need to keep our competitive Tax Code in place, that was enacted under the Republican administration through the Tax Cuts and Jobs Act, that will encourage investment in the United States.

We need regulatory reforms that let the private sector innovate.

These are the solutions to this supply chain crisis that is raising costs on every family. It is how we will win the future and beat China.

So let's do the hard work now, before we move to a markup, and pass policies that are truly bipartisan coming out of this committee.

Thank you. I yield back.

[The prepared statement of Mrs. Rodgers follows:]

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Ms. Schakowsky. The gentlewoman yields back.

And the chair would like to remind members that, pursuant to committee rules, all members' written opening statements shall be made part of the record.

And I now would like to introduce our witnesses for today's hearing.

Mr. Scott Paul is president of the Alliance for American manufacturing.

Mr. Scott Lincicome is the senior fellow of economic studies at the Cato Institute.

Mr. Eric Sills is CEO of Standard Motor Products.

And Dr. Caolionn O'Connell is the senior physical scientist at the RAND Corporation.

At this time the chair will recognize each witness for 5 minutes to provide an opening statement. Please watch the clock that is on your screen and conclude when the 5 minutes allotted have elapsed.

So, Mr. Paul, you are now recognized for 5 minutes.

**STATEMENTS OF SCOTT PAUL, PRESIDENT, ALLIANCE FOR AMERICAN
MANUFACTURING; CAOLIONN O'CONNELL, PH.D., SENIOR PHYSICAL SCIENTIST, RAND
CORPORATION; ERIC SILLS, CEO, STANDARD MOTOR PRODUCTS; AND SCOT LINCICOME,
SENIOR FELLOW, ECONOMIC STUDIES, CATO INSTITUTE**

STATEMENT OF SCOTT PAUL

Mr. Paul. Thank you very much, Madam Chair, and to the chair of the committee, to the ranking members, and to the members who are here today.

I am grateful for the opportunity to testify before this important subcommittee on measures that will make our country more competitive, particularly in manufacturing, and that is where I will confine my remarks.

I believe you all have a copy of my written testimony. It runs 6 pages. That is well over 5 minutes. So I will summarize the highlights, and I will very much look forward to your questions.

I would add that over the last 15 years I have been to, I think, virtually all of your States to talk to workers and voters about these concerns and have been to a lot of these industrial towns. I share the sentiment of the chairman when he says this is a top of mind issue for voters even if it doesn't always rise to the top in Washington, D.C.

Let me set the stage by just asking a question: Do we have a problem that needs to be solved? And the answer is absolutely yes.

Obviously, there are acute supply chain challenges. As Mr. Pallone pointed out, there have been longer-term declines in the relative performance of American manufacturing.

And this should concern all of us. It should concern all of us for a couple of key reasons.

First of all, manufacturing is one of the rare drivers of upward mobility for the vast majority of Americans who don't have a college degree, a 4-year college degree. And so when we are foreclosing those opportunities, we are denying the American Dream to millions and millions of our fellow countrymen and -women.

Second of all, national security depends on the performance of American manufacturing.

From our battleships, to our guided missile systems, to the armored personnel carriers that keep our military personnel safe, we depend on a vibrant commercial market in manufacturing, since we don't have state-run defense firms, to ensure that they can succeed in the defense market as well.

And so having a fair and successful market in manufacturing in the commercial sector is vital to our national security needs.

Third, manufacturing is a tremendous driver of innovation and patents in the United States. Fully two-thirds of the research and development and 90 percent of all the patents that are filed are filed by manufacturing companies.

So even though as a percentage of the economy it is smaller than it used to be, it has an outsized share in terms of its importance in the American economy today.

And you see it in your towns as well. When the factory is doing well, the grocery stores are doing well, the hardware stores are doing well, Main Street is more vibrant, people can buy better homes and buy more services and take vacations.

I recall something that Mr. Bilirakis said. I remember visiting with voters in Florida who said to me, "We can tell the amusement parks are fuller when the manufacturing economy in the rest of the country is doing well because they have

disposable income that they can bring to our State."

And so the spillover effects of manufacturing are critically important.

Now, we face an acute crisis. Our supply chains, this pandemic has shown, have been incredibly fragile, and it is a toxic combination of overglobalization, just-in-time production, and a lack of resiliency or redundancy. And this is what happens when you offshore a lot of American capacity.

This began many decades ago. It was turbocharged by giving China a blank check in 2000 and then not holding China to account. And this was true of Democratic and Republican administrations for a number of years.

But here we are today. We have lost millions of manufacturing jobs, tens of thousands of factories, and we have diminished capacity.

I will give one example. Even if we wanted to rebuild a resilient energy grid in the United States, there is just one supplier of grain-oriented electrical steel that is based in the United States, which is one of the core components that goes into that. We have let our capacities become incredibly thin in this time -- and it showed.

So when we face these black swan events, like a public health crisis, or a natural disaster that disrupts supply chains, or political risk coming from the Communist Party of China, it shows just how exposed we are. So it makes sense to make smart policy choices when it comes to manufacturing.

Now, I strongly believe that the measures that have been proposed would make a difference. America has a long history of successful public-private partnerships that have driven growth in manufacturing. You see that from the space sector, to the defense sector, to the energy sector, to semiconductors in a wave of Japanese competition back in the 1990s.

So if we make targeted, strategic, smart investments with the partnership of the

private sector, we can have an exponentially greater effect as we look ahead.

And the stakes are very high for us. We produce a paucity of our own semiconductors now that we need for use in the United States of America, and lithium ion batteries, and solar panels, and many other types of national security goods like armor plate and grain-oriented electrical steel --

Ms. Schakowsky. Mr. Paul, you are going to have to wrap up.

Mr. Paul. So I appreciate the chairwoman's admonition there, and I will wrap up.

We have made some recommendations on how we think the legislation could move forward. We support the preponderance of these measures. And I look forward to taking your questions.

Thanks. And I apologize for running over.

[The prepared statement of Mr. Paul follows:]

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Ms. Schakowsky. No problem. The gentleman yields back.

And now I recognize Mr. Lincicome for his 5 minutes of testimony.

STATEMENT OF SCOTT LINCICOME

Mr. Lincicome. Thank you, Chair Schakowsky, Ranking Member Bilirakis, and members of the subcommittee.

My name is Scott Lincicome, and I am a senior fellow in economic studies at the Cato Institute, where my research focuses on manufacturing, industrial policy, and global supply chains.

I want to thank you, Madam Chair, for inviting me to testify today. And I want to thank Ranking Member Bilirakis, in particular, for asking me to offer my views.

Now, before I begin, I should note that the Cato Institute and its scholars do not endorse, oppose, or otherwise lobby on specific legislation. So my comments today are thus intended to be just for educational purposes.

I only have a few minutes, so I will just emphasize several themes that were in my written statement and that carry across my work and are thus relevant today. I would welcome your follow-up questions.

First, U.S. manufacturing is far more competitive and resilient than is often claimed. Data show, for example, that the sector remains among the largest and most productive in the world and had enjoyed, prior to the pandemic, a long stretch of gains in output, investment, and financial performance.

Now, like all sectors, manufacturing suffered when COVID first hit, but it quickly rebounded. This year, for example, real value-added in manufacturing has hit new

all-time highs, and spending on capital goods and R&D has also resumed its upward climb.

By contrast, declining manufacturing jobs and the sector's shrinking share of GDP tell us very little because these trends reflect long-term global dynamics shared by most industrialized nations. This includes ones like Germany and Japan with active industrial policies and trade surpluses. The trends are mainly a standard story of economic development, not reason for serious concern.

Second, there is little to suggest that isolationism or industrial policy would durably benefit American manufacturing.

History shows that government attempts to achieve strategic market-beating commercial outcomes routinely suffer from a lack of knowledge about a chosen industry, a lack of checks on political influence, a lack of discipline on project budget, scope, or duration, a lack of consideration of preexisting government policies that slow or derail projects, and a lack of a comprehensive accounting for a project's unseen costs.

More importantly, U.S. industrial policies have undermined their very own objectives. In just the last few years, for example, tariffs on metals and Chinese imports, allegedly implemented to boost American manufacturing, have deterred investment and reduced industrial output and employment.

This is a disappointing but predictable result, given that roughly half of all imports are inputs and capital goods used by American manufacturers.

Third, there is no simple cure for global economic shocks. Supply chains and economic openness inevitably risk a foreign or global shock that roils domestic supplies.

Such issues surely have arisen since last year, as has been widely reported. Far less reported, however, is how companies immediately began adjusting to whatever supply chain challenges arose.

Medical goods I think are a great example. According to a December 2020

United States International Trade Commission report, U.S. manufacturers and global suppliers acted quickly to procure or produce new drugs, medical devices, PPE, and other goods, resolving by the fall of last year shortages for all but one product examined. Other industries have done the same. But, of course, challenges remain.

This is a testament to the tireless work of manufacturers, retailers, and logistics pros. But it is also I think a cautionary tale for policymakers.

By the time Congress decides to intervene in a market, it will look much different than the one on which that decision was based, and it will change again by the time any government-supported production comes online.

Furthermore, while reshoring supply chains might insulate us from certain external shocks, those same policies can amplify shocks, too. Indeed we just saw this when an unprecedented cold snap hit Texas, knocking out domestic production and domestic supply chains.

Now we learn that Germany, a nation far more focused on manufacturing and often a model for American industrial policy, has suffered greater economic harms because of its heightened dependence on domestic manufacturing.

Finally, future government action here should focus not on trying to outsmart the market or on delivering subsidies to privileged manufacturers and workers, but instead on economic openness, diversification, and flexibility. This includes policies liberalizing trade and foreign investment and making ports and logistics operations more efficient.

Congress should also consider horizontal economic reforms, like expanded high-skill immigration and streamlined corporate tax and regulatory burdens.

Such policies would attract foreign investment and boost manufacturing by increasing efficiency, increasing companies' access to critical goods, services, and workers, dampening economic shocks, boosting economic growth, and facilitating rapid

adjustment -- precisely what America needs right now.

Thank you.

[The prepared statement of Mr. Lincicome follows:]

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Ms. Schakowsky. Thank you very much.

And now I welcome the testimony for 5 minutes of Mr. Sills.

STATEMENT OF ERIC SILLS

Mr. Sills. Thank you. And it is truly an honor to be serving as a witness here today.

My name is Eric Sills, and I the CEO of Standard Motor Products. Standard is a 102-year-old company listed on the New York Stock Exchange. It was founded by my great-grandfather, and I represent the fourth generation of family management.

The company has revenue in excess of \$1.1 billion per year in sales, most of which are here in America. And while we do have a global footprint, here in the U.S. we have 11 facilities in 8 States and employ approximately 2,500 associates.

The purpose of my testimony today is not to weigh in on the proposed bills. That is not my expertise. And my fellow witnesses I am sure are far more versed on the details than I am.

Rather, I am here to provide insights into my company's experiences over the last 18 months navigating the unprecedented challenges manufacturers like me have been facing, managing the way though the complexities of an entrenched global supply chain.

My company's primary business is manufacturing automotive replacement products, servicing the vehicle repair market. They are largely nondiscretionary repair items used in critical vehicle systems, including power trains, safety systems, and emissions controls.

It was determined by the Department of Homeland Security during the 2020

pandemic lockdowns that our industry has been deemed essential as we keep America's critical infrastructure, the 290 million vehicles on our roads, operating properly.

As you know, vehicles are used for everything, from getting responders to emergencies, to allowing everyday people to commute to work and perform their daily tasks. So, therefore, it is truly vital that our products remain in ample supply to satisfy the repair needs of America's aging vehicle population.

Right now, like so many other domestic manufacturers, we rely on a global supply chain, and needless to say, we are being impacted on multiple fronts. These issues include a combination of severe shortages, significant delays, and exorbitant cost increases.

In terms of materials, we are seeing issues across a wide range of commodities. Semiconductors get a lot of attention, and we are certainly affected by that. We are also seeing it in silicone, plastic resins, multiple metals, including steel, aluminum, and copper, even in packaging materials.

Constrained supply is causing allocations below our needs. Lead times are extending sometimes to as much as a year. And prices are increasing across the board, with many commodities up 20 percent or more from historic values.

Secondly, transportation has also been extremely hard hit. Congestion at the ports here in the U.S. as well as abroad is significant, and it is compounded by a shortage of containers.

Our transportation lead times have doubled, and the cost of shipping a container has increased an unbelievable sixfold from an historic \$3,000 per container to often over \$18,000 per container today.

Lastly, we are experiencing labor issues. While highly skilled positions, such as software and automation engineers, have been in short supply for a while, the near-term

issue is finding factory and distribution personnel.

This has caused a continued increase in wages, which is okay. But even with that, it is leaving us with many positions unfilled, especially semi-skilled ones, such as forklift drivers.

All of these issues combine for significant cost increases, some of which we absorb, while others we do pass on, which ultimately will increase the price to consumers.

But worse is the inability to satisfy demand. Certainly it is causing a degree of lost revenue, both in my company as well as my downstream customers.

But I believe the far bigger issue is that consumers are experiencing delays in getting their vehicles repaired, which again is critical to their daily lives.

All said, while my company is obviously incurring challenges on multiple fronts, I believe we have certain structural advantages that have helped us.

As opposed to some companies who rely very heavily on China for their finished products, my company has developed its footprint much more based in North America, taking advantage of the benefits of NAFTA and now the USMCA.

So while we are reliant on Asia for portions of our offering and for various components feeding our North American operations, we are somewhat less beholden to Asia and the supply chain shocks originating from there.

We have kept our more capital-intensive, higher-tech production in our U.S. plants and our more labor-intensive operations in Mexico.

We do believe that this a strong answer to remain competitive as a Nation, relying on the benefits of regional cost optimization and being less reliant on the Far East and all the challenges it presents.

No one could have anticipated this perfect storm of events that has led to this

level of disruption, and there are no quick fixes, which does leave us scrambling to find creative solutions and do our best to navigate the daily challenges.

But I applaud the committee's desire to gain insights from the lessons learned and identify potential structural changes to address our vulnerability and thereby potentially prevent recurrence.

Thank you very much.

[The prepared statement of Mr. Sills follows:]

***** COMMITTEE INSERT *****

Ms. Schakowsky. The gentleman yields back.

I now recognize Dr. O'Connell for your 5 minutes of testimony.

STATEMENT OF CAOLIONN O'CONNELL

Dr. O'Connell. Thank you, members of the subcommittee, for inviting me today.

In this oral testimony I want to highlight three aspects of my written testimony.

First, I want to briefly describe the scope of the problem.

Second, I want to highlight the role that the public sector can have in potentially improving supply chain resiliency.

And third, I want to note what I see as a critical first step in improving supply chain resiliency.

To my first point, I want to acknowledge the breadth of the problem.

Supply chain is defined as the raw materials components required to manufacture a product, what frequently has been called a Gordian knot, so large and complicated that simply understanding all the links can feel like an intractable problem.

But that definition is grossly incomplete in our modern day society. We are entering a world where cyber disruptions can easily become supply chain disruptions.

In the production of programmable integrated circuits, the supply chain should include not only the chip designer and the silicon foundry where the chip is manufactured, but also the software tools.

Using the SolarWinds hack as an example, hackers, suspected to be associated with Russia, added malicious codes to a SolarWinds software system used widely to manage the IT resources.

This was a cyber hack that resulted in a supply chain disruption. The malware allowed attackers to compromise the servers on which the SolarWinds software was installed, and about 18,000 customers were exposed to the vulnerability, including multiple U.S. Government agencies, thereby allowing hackers untold access to sensitive and proprietary information.

SolarWinds was only one supplier, and this software system is merely a single element in the supply chain. But in a very real sense, an information system is only as secure as the least secure piece of software that runs on the system.

I recognize the legislation before you are about manufacturing, but it is important to acknowledge that this is just one element of the supply chain ecosystem.

To my second point, I want to highlight the role that the public sector can have in potentially improving supply chain resiliency. Market forces do not always result in the desired outcomes. They can generate local optimizations that do not consider the problem as a whole.

Using my national security experience as a case study, consider, for example, the supply chain for joint operations that serves the Joint Force.

The military services, geographic combatant commanders, the Defense Logistics Agency, and others make independent decisions about the purchase and positioning of spare parts.

These organizations have different responsibilities, authorities, and incentives that drive their supply chain decisions, which are optimized for the individual organizations.

In practice, these competing priorities can reduce the overall effectiveness of the joint operating force that these organizations support.

The public sector's role can be to make investments to increase the overall

effectiveness of a given sector's supply chain. The public sector can shore up vulnerable supply chains that support critical national security functions and essential elements of the U.S. economy for which the private sector has an incomplete appreciation of the risk or for which the cost burden outweighs the perceived benefits.

And finally, for my third point, I want to note what I see as a critical first step in improving supply chain resiliency.

Research is necessary to determine which aspects of the supply chain pose an existential risk to the United States economy or the well-being of its citizens. If everything is considered essential, then nothing will be truly protected.

Just as businesses must assess the cost-benefits associated with supply chain resiliency, the U.S. Government also needs to understand the value proposition.

Not all supply chains merit a Federal intervention, and for those sectors that are not essential market forces should prevail.

Initial work is underway, but there is still significant analysis to be done. It is our assessment at RAND that supply chains have become a major challenge for national security and drove our decision to recently establish the National Security Supply Chain Institute so that we can help our government clients better understand and mitigate these risks.

Highly interconnected supply chains are a fact of life, bringing both benefit and vulnerabilities, and those vulnerabilities can stretch across whole sectors of the U.S. economy.

It is a national security issue in the most basic sense, a set of interests that, if disrupted, could directly affect the health and well-being of the United States and its allies. Meeting the challenges will take considerable effort, analysis, and thought.

I look forward to your questions.

[The prepared statement of Dr. O'Connell follows:]

***** COMMITTEE INSERT *****

Ms. Schakowsky. Thank you so much to all of our witnesses.

We now have concluded with the witnesses' opening statements. And at this time, we will move to member questions of our witnesses. And I will start with myself for 5 minutes.

So reinvesting in America's manufacturing base is absolutely crucial to growing the economy and creating more jobs. But to ensure that those are good-paying and secure jobs, we have to put workers at the core of our effort to strengthen our manufacturing base.

So my question first goes to Mr. Paul.

To strengthen our manufacturing base and to compete globally, do you think that we need to compromise our labor standards, such as living wages, and health coverage, and workplace health and safety?

Mr. Paul. Thank you for the question.

The simple answer is no. And I will be happy to explain.

The United States is not going to win a race to the bottom. It will find it to be self-defeating.

We have seen that. There is a concept called labor arbitrage, and there is considerable economic evidence that as we opened up our markets and reduced tariffs that it had downward pressure on wages in the United States.

There are ways to combat this. Obviously, investing in manufacturing domestically is one of those. We need to ensure that our trade laws are strong and strictly enforced, particularly when it comes to workers' rights violations in other countries. I believe USMCA made some progress on that.

But the United States, for example, in the solar panel sector, right now a lot of

polysilicon is produced in western China in the Uyghur region, and there is a great deal of evidence that it is produced with forced labor.

We don't want to be in a position of having to compete with that or have our workers compete with that. So it will take an all-of-government approach.

But the way to succeed in manufacturing is to have workers partnering with businesses to make successful innovations and efficiencies that will make them more globally competitive and not to pursue that race to the bottom, which we will never win.

Ms. Schakowsky. Thank you.

Dr. O'Connell, are there other industrialized nations that have high labor standards that have thriving industrial bases, let me ask you, and are there any lessons that we can learn from those countries?

Dr. O'Connell. Certainly. And I think it has been mentioned quite a few times, Germany has a very healthy wage for their manufacturing sector and has strategically managed their manufacturing sector.

Most notably, they have invested considerably in sort of the global good for research and development that can benefit their small and midsize enterprises to ensure that they can get access to innovation and improving their manufacturing capabilities.

Ms. Schakowsky. Thank you.

I wanted to ask a question of Mr. Sills.

The INFORM Consumers Act will require online marketplaces to verify third-party sellers and to disclose basic seller contact information. And I wanted to ask you your feelings.

How do counterfeit and stolen products impact your business? And what harm is done then to consumers, and to the vehicles that they have and the parts that they have?

Mr. Sills. Thank you for the question.

And there is really nothing new in our industry with a certain amount of counterfeit or substandard products coming into the market. Without a doubt, the acceleration of e-commerce has accelerated the issue, provided easier access to the consumer to be able to procure substandard products.

So the big issue for sure is that when we are dealing with safety-related items or to drivability issues, if a substandard product is able to find its way into a repair shop and onto a consumer's vehicle, it can have very detrimental effects.

So beyond just harming the businesses of us professional grade premium quality manufacturers, it can absolutely have a detrimental effect on the consumer and truly highway safety.

Ms. Schakowsky. Thank you so much.

And I yield back and recognize Mr. Bilirakis for 5 minutes for questions.

Mr. Bilirakis. Thank you. Thank you, Madam Chair.

First, I want to reemphasize my sincerity and thanks to you, Madam Chair, for H.R. 4594, the Restoring Brand USA Act. Thanks for the agenda and the bill today.

Of course the bill reinvigorates our travel and tourism industry. While we don't have a witness here at the hearing, I will be submitting some questions for the record so that maybe some of the presenters can talk to their colleagues with regard to these particular private sectors and how Brand USA can benefit.

The first question is for Mr. Sills.

As I mentioned in my opening statement, the recently introduced INFORM Consumers Act, H.R. 5502, is a timely and sound piece of legislation that will protect consumers while they shop online, especially from malicious products or stolen goods.

With the current supply chain shortages, have you seen an increase in counterfeit

auto parts or stolen parts, such as airbags, being sold online in online marketplaces? And do you think this legislation, this particular legislation, will help curb proliferation of online sales of such items?

Mr. Sills. Well, thank you for the question.

While I don't have any hard data on there being an increase due to the supply chain disruption we have been seeing, certainly by virtue of the fact that it is getting harder to find products, reputable products on shelves, it is providing access to the counterfeit products and substandard products.

Relative to the specifics of the bill, I don't have enough of the details to say how well it will address it. But I will say that supply chain disruption has opened some doors for sure to allow offshore importers to be able to gain access because the normal source of supply is currently unavailable.

Mr. Bilirakis. That is unfortunate.

Next question again for Mr. Sills.

On a separate note, you may be aware of the recent Reuters report on the Biden administration recently approved the semiconductor technology licensing for Huawei -- that is very troubling -- China's blacklisted telecommunications company, to purchase this particular technology, the Huawei.

This prompted me and 12 other members of this committee to send a letter to the Secretary of Transportation inquiring on what implications this recent action will have on the U.S. automotive industry and the development of next-generation vehicles, such as AVs.

You mention in your testimony millions of vehicles will not be sold in 2021 and 2022 because of the current semiconductor shortage.

While I know your industry is not the only one hurting from this current shortage,

are you concerned with the Biden administration's decision to prioritize semiconductors from Huawei when American industries, American companies, are not able to make ends meet?

If you could comment on that, I would appreciate it, sir.

Mr. Sills. I don't feel adequately informed on the Huawei issue. But what I would say is that semiconductor access is a major issue. And so anything that we can do to increase the source of supply.

And really for my industry it tends to be more on the legacy chips, which I am glad to see that there is some emphasis on creating some increased capacity to be able to provide the types of chips that are used in some of the more legacy automotive products.

But I believe that anything that we can do to ensure ongoing secure, robust supply is a positive certainly for my company.

Mr. Bilirakis. Mr. Lincicome, do you wish to comment?

Mr. Lincicome. Yes, thank you.

So I also can't speak to the specific transaction or the national security determination for Huawei.

But I do think it is important to note that, with respect to U.S. sanctions and semiconductors, that this is a fantastic example of some of the unintended consequences that can pop up from American industrial and trade policies.

Because there is some evidence that overbroad primary and secondary sanctions on chips and chip-producing equipment to China have actually contributed to the current chip shortages, because Chinese firms have hoarded chips in response to U.S. sanctions, or they have been able to produce these low-end legacy bulk commodity chips, decreasing global supply. And these didn't have any really national security nexus.

So certainly it is of course important from a national security perspective to deny

potentially national security-related products. But we do have to think, I think be acutely aware of the potential blowback for the U.S. economy and for U.S. manufacturers.

Mr. Bilirakis. Thank you very much.

I will go ahead and submit the rest of my questions for the record.

Thank you, Madam Chair. I yield back.

RPTR WARREN

EDTR ROSEN

[1:01 p.m.]

Ms. Schakowsky. Thank you.

The gentleman yields back.

And now I recognize the chair of the full committee, Mr. Pallone, for 5 minutes of questioning.

The Chairman. Thank you, Chairwoman.

I wanted to ask Mr. Paul. Globalization protectionist policies and market interventions by other countries have profoundly changed the global economic landscape. But how have these market forces affected our manufacturing sector and American competitiveness, if you will?

Mr. Paul. Thank you for the question, Mr. Chairman.

These -- both broadly globalization, and specifically some elements of it have had profound consequences for American manufacturing over the last two decades.

Your own opening statement pointed out that our relative performance to other leading industrialized countries has declined. We find that in key sectors within the United States, as well, import penetration or the amount that we are dependent on imports to satisfy our domestic consumer demand has increased extraordinarily as well, in things, again, that have strategic importance like semiconductors, photovoltaic cells, and many other -- many other types of items and components that go into American manufacturing.

Now, this is not a naturally occurring event. There were state interventions by the Chinese Communist Party to bolster its own industry and to prop up state-owned enterprises that are, in fact, opened by the state, or by subFederal entities to gain market

share globally.

That, in combination with a trade policy that was far more about liberalization than it was about enforcing the rules in the United States over a period of decades, led to some serious declines.

These have been documented by economists at MIT like David Autor at the New York Federal Reserve and at Yale, a seminal study called, "The Surprisingly Swift Decline of American Manufacturing," that can all be traced back to this combination of globalization and then the rules that were laid out to do it.

Now, there is a way to unwind some of this. It is not easy. There is no single solution. But first of all, having the intent to bolster manufacturing is important. And that does include public-private partnerships and smart and strategic investments in industries that are of importance for national security, as well as industries that we want to grow in the future as well.

The Chairman. Well, let me ask you on the same vein, Mr. Paul. I mean, obviously, you need -- you think we need some targeted Federal investments to restore the market conditions necessary to improve our industrial sector. But so just comment on that.

And then as an alternative, deregulation, or tax breaks, will deregulation and tax breaks restore our manufacturing strength, or do we really need to have some targeted Federal investments? That would be my question.

Mr. Paul. Thank you, Mr. Pallone.

Well, we have some evidence. There were periods of deregulation and increased taxes during some administrations. The performance of manufacturing generally did not increase during those times.

And what we have seen, however, that if we -- if we can gain leverage in the

global economy, if we are making smart, strategic investments in industries that have value chains and having those value chains concentrated in the United States, it makes a great deal of sense.

The tax cuts that were passed in the last administration had a sugar rush for manufacturing. There is no question about that. There was some pent-up investment, but that got spent very quickly. And manufacturing employment was suffering, even before the pandemic took effect.

Now, if we do chart a new course, and this is obviously beyond the scope of the committee here, but with respect to trade policy, along with the public-private partnerships and strategic investments that you are suggesting, we can certainly have a better outlook. And we can do this better. We don't need state ownership. We are more entrepreneurial than Germany, and we are flexible. And I have every confidence that we can gain some lost market share at the global level.

The Chairman. I only have 20 seconds. I was going to ask Mr. Sills if he wanted to share any thoughts, but there is only 15 seconds left. Is there anything you want to say in 15 seconds or 10?

Mr. Sills. The clock is ticking, but what I would say is that I do believe that there are benefits that having a global supply chain. Each region has some inherent benefits. And, so, it is a matter of optimizing and, as I mentioned in my preliminary statement, shifting as much here to North America, but then taking advantage of the different markets and benefits that they have within the region, rather than trying to force things into an area where it will always be difficult to be competitive.

The Chairman. All right. Thank you so much.

Thank you, Madam Chair.

Ms. Schakowsky. The gentleman yields back.

And now I recognize the ranking member of the full committee, Congresswoman Rodgers.

Mrs. Rodgers. Thank you, Madam Chair.

Mr. Lincicome, I wanted to ask you about your testimony, because you referenced in your testimony that government-directed industrial policies have often undermined the very objective that they seek to achieve. And, for example, you point to government subsidies of green technologies often crowding out the private investment.

I believe that our approach needs to be to remove barriers that impede investment in American innovation and ingenuity, and lift the regulatory burden and continue to keep taxes low.

I will note that according to the Tax Foundation, under the reconciliation package that is being promoted right now by the majority, our tax -- our tax levels in the United States of America would become the highest, or the third highest, third highest corporate tax rate if that package is passed. Now, those are the funds that are being meant to pay for this manufacturing program.

I wanted to ask you: How do you suggest that we address supply chain security and resilient manufacturing without resorting to this approach?

Mr. Lincicome. Thank you, Congressman.

You are right. I think it is right to be concerned about the Tax Code changes. Research shows, for example, that higher corporate taxes actually discourage innovation and a lot of it falls on workers and consumers, not shareholders. But in terms of supply chain resiliency, I think the Federal Government should prioritize several things.

First, we really need to remove the current legal and regulatory obstacles to companies' ability to access essential inputs and capital goods at globally competitive prices.

This includes not only reforming tariffs and taxes but also taking a hard look at maritime labor and transportation regulations that make U.S. ports and logistics networks less flexible and efficient, thus exacerbating supply chain shops.

In fact, I think Mr. Sills is a fantastic example of a globalized company that needs more efficient access to these types of inputs.

Second, the United States needs to reengage with the world, particularly with friends in the Asia-Pacific region but also at the World Trade Organization, seeking to lower barriers to U.S. goods and services, and to provide those nations with a consumer-and-supply-chain alternative to China.

And, finally, I think we need to reform our domestic regulatory regime to make it easier for manufacturers to locate and invest here. Most notably, we need to examine closely our environmental regulatory regime. This is permitting and litigation under the National Environmental Protection Act, for example, which even the Biden administration itself has acknowledged has deterred or delayed indefinitely certain types of essential manufacturing and mining here.

Do those things, not hire corporate taxes, and I think we might actually move the needle.

Mrs. Rodgers. Okay. Thank you.

Mr. Sills, I appreciated in your testimony, you pointing to the importance of us prioritizing policies like that would deploy artificial intelligence and autonomous vehicles. I thank you for being here with us today.

A national framework for autonomous vehicles has been a priority for this subcommittee now for 3 years, and I believe it is very important that we are enacting legislation. And, in fact, this subcommittee, House passed legislation that was led by this committee several years ago now.

But if we don't act quickly, we are going to cede this lifesaving technology and really the future of automobiles to China. And what that would mean for the United States is -- would mean a loss of countless jobs, control of the autonomous vehicle supply chain, and the benefits that we would like to see for seniors and people with disabilities.

So, as a business owner in the automotive sector ecosystem, would you speak to how we would be impacted in the United States if we failed to enact a national standard for autonomous vehicles, that framework that China wants to dominate?

Mr. Sills. Thank you for the question.

And we have [inaudible] the past 100 years in the world in automotive, not just from a manufacturing, design, development standpoint, but it is from the motoring public standpoint it is such a core part of how we operate as a country is our transportation. And we are much more of a vehicle-based transportation country than many.

So I do believe, fundamentally, it is very important that America maintains its position as a global leader. Certainly vehicle technologies is somewhat an inflection point, whether it has to do with electrification or a move towards autonomous vehicles or other significant advancements in transportation technologies. It would be a true shame for sure if we as a country ceded that leadership.

So I think it is something that we need to look at all the different elements to make sure that we can continue to lead, remove those where we can, because it would, as I said, be a real shame if we were to cede this leadership.

Mrs. Rodgers. Thank you. Thank you. I have more questions, but I ran out of time.

I yield back. Thank you.

Ms. Schakowsky. The gentlewoman yields back.

And now I recognize Congresswoman Castor for questions.

Ms. Castor. All right. Thank you, Chairwoman Schakowsky, for organizing this important hearing on American competitiveness and manufacturing. Thanks to our witnesses.

Right now, all across America, clean energy and energy efficiency are saving consumers and businesses money. They are creating jobs. They are reducing pollution. It is clear that Americans will be demanding more efficient heat pumps, electric vehicles, solar panels, and more. And we want these products to be made in America.

In the Climate Crisis Action Plan introduced last year, we identified a number of opportunities to accelerate clean energy, the clean energy transition and manufacturer, clean energy technologies in the U.S., and ways to cut industrial pollution, all while securing more resilient supply chains and bolstering competitiveness.

The good news for consumers and businesses is that clean energy actually saves a lot of money. A recent analysis by Vibrant Clean Energy found that a clean electric grid with expanded distributed solar and storage is \$88 billion less expensive than business as usual.

So cleaning up electricity is cheaper than doing nothing. But to secure this transition, we need to make these clean energy technologies here in America.

Mr. Paul, several critical products, materials, and minerals from lithium in electric vehicle batteries to the steel in a wind turbine to the polysilicon in a solar panel are key to the production of renewable energy. You mentioned one at the top in your testimony as well. How can supply chain resilience help ensure that the continued transition to lower-cost renewable energy creates family-sustaining jobs and strengthens manufacturing in the U.S.?

Mr. Paul. Thank you for the excellent question, Representative Castor. I

appreciate it.

The transition to clean energy is a very important one. There is no question that there are laudable goals from an environmental perspective to do it. There is also a jobs imperative as we make this transition. And I think for the average American, simply trading foreign oil for made-in-China solar panels is not the tradeoff they want to make.

They need good jobs. If there are men and women who are working on the oil rigs who are earning a good union wage, they need to be offered a just transition to careers in clean energy that are going to be providing those good jobs as well.

Now, some of those will be in installing, but many of those will be in manufacturing. And that is where the United States can possess extraordinary capabilities.

We first invented many of these technologies a generation ago, and then we didn't build the demand here. We offshored much of the production. We lost that capability. With the right interventions, we can get that back.

And part of that is the demand side. But part of that is through procurement, through tax incentives, and through other measures that will drive investment into this sector. And we know it is possible. We can be successful in this.

And in addition to the critical materials that you're talking about, including some rare earth, some lithium, there are very basic materials that go into these as well. There are thousands of tons of steel in wind turbines. There are extraordinary amount of tonnage of metals in solar panel installations, as well.

And the more the supply chains are based in the United States, the better it is for the jobs outlook for us. It makes no sense to build a clean energy economy on the backs of forced labor from the Uyghur population in China, but that unfortunately is the model that could take shape unless we take drastic steps to shape this in a way that is going to

advantage workers in the United States.

Ms. Castor. Well, I agree. There is no reason we should be seeding our manufacturing base in these important technologies in China and other countries, but we have got to top sensible supply chain and resiliency provisions to help give it a push.

Mr. Sills, there is a lot of excitement among American auto workers, the American auto manufacturers, about the new electric vehicles. I mean, this is what the wave of the future is going to be. There is a very significant competitiveness issue because we want to be the world leader on electric vehicles, buses, transit vehicles as well.

But we have to keep -- be mindful of the supply chains and how they are going to change over time. There were a couple of recent great announcements in Tennessee and Kentucky on new manufacturing plants.

But what do you recommend here for the automobile manufacturing sector building and maintaining the competitive advantage for EVs and their components?

Ms. Schakowsky. I am afraid he is going to have to answer that in writing because the gentlewoman's --

Ms. Castor. Thank you. I yield back.

Ms. Schakowsky. -- time has passed.

And now let me recognize mister -- and how time flies -- to Mr. Upton for his 5 minutes.

Mr. Upton. Thank you. Thank you, Madam Chair. Thank you.

As the -- I got the wrong -- you are looking out my window here. Well, you are looking at my bird feeder. There. I got it. I got it. A beautiful day here in rainy southwest Michigan. I think you have got me now. Come on there. It is a beautiful day in rainy, southwest Michigan.

As the -- first of all, thanks for the hearing. And as the top Republican on the

Subcommittee on Energy, where many of our discussions have focused on the new technologies and sources of energy that we need to use, in many of those discussions, we have talked about the materials that we need and the supply chains that are required to obtain those very materials, it is certainly most critical.

I introduced H.R. 1599, Securing America's Critical Minerals Supply Act, last April, which focuses on critical minerals and securing American energy. The legislation is going to require the Department of Energy to conduct assessments of, and secure any energy resource that is essential to the U.S., and has a vulnerable supply chain.

So, Mr. Lincicome and Dr. O'Connell, what role should we see from the Department of Energy, which has subject matter expertise on the critical materials that supply our Nation's energy infrastructure? What role should they play in securing our critical supply chains, particularly as we look at -- and I know that Ranking Member Cathy McMorris Rodgers mentioned this from the Chinese Communist Party. What are some of the things that we need to do?

Mr. Lincicome. Please, Caolionn.

Dr. O'Connell. So, from a national security perspective, I think an important aspect of critical minerals is understanding sort of our time to survive and time to recover metrics, meaning time to survive, how long can we consume our strategic reserves of critical materials, given an environment where let's say we are at war and guarantee that access. And then, what is the time to recover as in pivot to another location or another supplier for those minerals?

Some of these minerals are just manufactured and produced in certain countries, and there is no way around it. Niobium in Brazil is a big example of that where Chinese state-owned enterprises have invested in those mines in Brazil for niobium.

So we need to have a policy in place for assuring that we have access to the

minerals that we need for the essential products that rely on those.

Thank you.

Mr. Upton. So would you say this is a more of Department of Commerce role, a Department of Energy? Are we seeing real cooperation between those?

Dr. O'Connell. I do not know the extent of cooperation between Commerce, Energy. I think there is an element of DOD in there. USGS is also an element. I mean, this is -- this requires multiple agencies to engage and understand the need to then make sure that we have resilient supply chains, given the various circumstances we can imagine confronting.

Mr. Upton. Thank you.

Mr. Lincicome. Thank you, Congressman. I would just add a few things.

First, I think the government has a role in stockpiling, for sure, in terms of assuring adequate domestic supplies in times of national emergency or whatever.

Second, though, I mentioned before and I will mention it again. The domestic regulatory environment is really essential when it comes to the domestic production of critical minerals.

Again, looking at something like lithium, for example, the Biden administration's own supply chain report started looking at foreign sources for lithium in the near term, because environmental regulation in the United States is quite onerous.

And it is not just NEPA litigation, but also simply permitting process, which is longer than in developed countries like Australia and Canada, for example. And that gets to the third point.

We really should examine international partnerships with close allies for critical minerals, Canada and Australia being excellent examples of that.

We have a long history through the NTIB and other programs of creating

domestic, defense-related supply chain resiliency with our close allies. And that is something that we should, I think, expand and that, I think, past legislation, like the NDAA last year, actually looked to do that.

Mr. Upton. Well, thank you both.

And, Madam Chair, I would like to submit the testimony of Dr. Michelle Foss of Rice University before the Energy Subcommittee on the critical mineral supply chain for the record.

And with that, I yield back the balance of my time. Thank you.

Ms. Schakowsky. Without objection.

[The information follows:]

***** COMMITTEE INSERT *****

Ms. Schakowsky. And now I recognize Mr. McNerney for his 5 minutes of questions.

Mr. McNerney. Well, I thank the chair.

This is really a timely and important hearing as we are seeing in our shelves in our stores get emptied and people worried about the holiday season, but it goes much deeper than that. It is a national security issue. The supply chain gaps can't be addressed if they aren't identified or addressed, but many of our supply chain vulnerabilities go ignored until a crisis emerges. And that is really sort of human nature.

Dr. O'Connell, in your testimony, you discussed the complexities of globalized supply chains. Are the private firms and the Federal Government effectively identifying supply chain vulnerabilities?

Dr. O'Connell. I would argue that most -- so the Federal Government has insight into the primary contracts and some degree of insight into their subcontracts. Same with private firms. They know who they do business with, who their primary suppliers are. And they might have some insight into their tier 2 subcontracts.

But without a comprehensive understanding of the interrelationships, and really interconnected world and global economy, I think we have accepted risk in places that maybe we haven't appreciated.

Mr. McNerney. Thank you.

Mr. Paul, should the Federal Government play a more active role in monitoring critical supply chains so we can identify the vulnerabilities before they become a crisis?

Mr. Paul. Mr. McNerney, thank you for the question.

Yes, it should. It is doing so in some cases. The Department of Defense, again, has some emphasis on it. But it does have limitations. Those limitations are

compounded by commercial, off-the-shelf requirements, and other sorts of things that make supply chain tracing a little more difficult.

I think that there has been more attention on a bipartisan basis paid to this recently, beginning with the last administration and carrying into the Biden administration with the Supply Chain Task Force, as well as the supply chain executive order that have been established to look at four absolutely critical technologies, and then to broaden the scope a little bit. I think that that information will be valuable.

I will also say that some of that already exists. We published records written by former Governor and Homeland Security Secretary Tom Ridge in 2012, and by retired Brigadier General John Adams in 2013 about significant supply chain vulnerabilities with respect to goods that are critical for Homeland Security, as well as to national security. We presented those findings to the Obama administration, to the Trump administration, and as well as to the Biden administration. We are pleased that this attention has been played. I think that is the first step.

The second step is to get solid recommendations and then to take action that will both secure the supply chains, to encourage the reshoring of those that we deem feasible to do so, and to make some progress on this, because the pandemic was not a one-off. We know that we can expect black swan events in the future. We just don't know what form they are going to take, but we need to be prepared for that.

Mr. McNerney. So we should have seen this coming then?

Mr. Paul. In many ways, yes. I mean, our systems run on just-in-time inventories, on very, very fragile globalized supply chains that depend on everything going absolutely right all the time. And we don't build in either the redundancies, the stockpile, or the types of flexibility that we need when things aren't going right.

And that can appear at any time through a natural disaster, through a global

health crisis, through some political risk or military risk that is established. We haven't done a great job of mitigating against those, no.

Mr. McNerney. Well, thank you.

Mr. Sills, thanks for your testifying this morning. Could -- well, this morning in California. Could the supply-chain resilience of domestic manufacturing improve if the Federal Government played a more active role in monitoring the current supply chains and identifying vulnerabilities?

Mr. Sills. Thank you for the question.

And the notion of better visibility through monitoring superficially, of course, sounds great. But the devil is in the details. It is going to depend on the quality and, frankly, the timeliness of the data. And, so, I think it will be effective if you wanted to look more towards the future.

So, for example, if we had been monitoring the vulnerability of microchips 3 years ago, maybe we would have been able to do something. But if it only hit the radar 9 months ago when we started to be in short supply, it would not have been something that was going to be particularly actionable.

So, I think a lot depends on the quality of the data and the timeliness and the usability of the data. I also think it is important to recognize that there are a lot of interdependencies in the supply chain, and to monitor just one link in the chain and ignore the interdependencies could actually lead to some misleading information.

So, for example, if we spent all of our time worrying about the ports but didn't think about container availability or drivers to take product away from the ports, you are only to going to be monitoring one chain in the whole link -- one link and the whole chain could fall.

Mr. McNerney. Thank you.

My time has expired, but I was going ask Mr. Paul to answer in writing if he thinks the legislation we are considering today would have mitigated some of the problems we are seeing in our supply chain. Thank you.

I yield back.

Ms. Schakowsky. The gentleman yields back.

And now I welcome Mr. Latta for his 5 minutes of questioning.

Mr. Latta. Well, thank you very much, Madam Chair. I really appreciate it.

And thanks to our witnesses for being with us today. And I am very proud of the fact that according to the national manufacturers' latest numbers, I have 86,000 manufacturing jobs in my district.

Recently Peloton, which is, of course, the exercise bike company, is going to be building their first plant in the United States in my district. And there will be about 2,200 jobs.

And then for Solar, which is the largest solar panel manufacturer in the Western Hemisphere, also is breaking ground to expand their facility. And that is going to add about 500 employees. So we have a lot going on in northwest Ohio.

Mr. Lincicome, if I could ask you a couple of questions here. The United States is the top designation for global manufacturing investment. One of the pieces of legislation we are considering today is Mr. Pence's Global Investment in American Jobs Act. It would enhance America's competitiveness on the global stage for direct -- or foreign direct investment, FDI, and reduce barriers to investment.

How can encouraging FDI create stronger supply chains and allow U.S. manufacturers to make more -- make them more globally competitive products right here in the United States?

Mr. Lincicome. Thank you, Congressman.

I totally agree that FDI is a -- should be a priority. Studies show that foreign direct investment in the United States not only boosts the manufacturing in other industries in which these companies invest, but actually benefits the surrounding communities and the surrounding companies as being potentially input suppliers or servicing those companies.

Foreign-owned companies in the United States tend to pay more, tend to trade more, tend to do all the -- and have these established supplier networks and knowledge that I think can actually boost supply chain resilience.

So, you mentioned First Solar as a German company. That is really a great example of that. You mentioned Peloton as well. These are companies that have a global footprint. And, of course, they have domestic production and domestic jobs. But they also demand on access to global inputs and global work, a global workforce.

And, so, to the extent that the United States can remove regulatory and other barriers to foreign investment including trade barriers, giving these companies access to the raw materials, inputs, and workers they need is, I think, an excellent, excellent endeavor.

Mr. Latta. Well, and First Solar is a very interesting company because it was formed by three individuals right here in my home county. And it is a great story of American ingenuity and investment right here in our own backyard.

But you bring up a point that I have heard from a lot of different companies that are looking at committing to the United States. One of the things they say is that when our energy costs were lower -- unfortunately, we were seeing them go up in this past year -- that they looked at the United States as great place to come because of the energy that we have to offer.

But also, Mr. Lincicome, we all know that with COVID 19 pandemic it stressed -- it

has really stressed our global supply chain. And we learned areas where it can be strengthened. However, the U.S. manufacturing sector stepped up to the plate and met increased demand quickly and efficiently. This is like Spartan Chemical, which is also in my district in Maumee, Ohio, increased production, invested in new product capabilities to get cleaning supplies out for businesses and consumers, especially at the height of the pandemic.

How would regulatory barriers and government mandates prevent manufacturing industries from responding to future supply-chain shocks?

Mr. Lincicome. It certainly prevents -- creates an impediment, Congressman, because it denies these ability -- these companies the ability to adapt on the fly. What really is essential for our domestic, legal, regulatory tax regimes is maintaining or maximizing flexibility and adaptability in times of whatever shock comes down the road, because we really never know. Your shocks happen pretty often in the supply chain, and you never know what the next one is going to be.

And, in fact, I mentioned that USITC report from December of last year, and it said that in the medical goods space, one of the primary complaints for domestic manufacturers was having to try to navigate existing rules and regulations for certain types of medical goods.

Now, look, of course, product safety is important. But at the same time, there has to be a consideration of how these types of regulations really inhibit our manufacturers from not only adapting but from competing globally with manufacturers in China or anywhere else.

Mr. Latta. Well, thank you very much.

Madam Chair, my time is about to expire. And I will submit my last question to the witness as we go forward. So thank you very much.

I yield back.

Ms. Schakowsky. Thank you.

The gentleman yields back.

And, Mr. Cardenas, you are recognized for 5 minutes.

Mr. Cardenas. Thank you, Chairwoman Schakowsky and Ranking Member Bilirakis, for having this important meeting.

I just want to emphasize that we can't have a strong supply chain without the right workforce, and I have been engaged as a former small business owner myself. I was not a manufacturer, but I respect and appreciate that southern California is one of the manufacturing juggernauts of the world, even though it is only a small -- a subset of the state of California. We are dominant because of the workforce that we have. But this workforce is not matching today's environment.

That is why I make sure that I am constantly in touch with the manufacturing associations, manufacturers in my district. And I have actually brought them together with high schools and community colleges to make sure that they actually learn from each other and realize that there are jobs out there right now, good-paying jobs, that are not being filled because we have a mismatch problem.

On any given day in America -- anybody can look at the statistics. On any given day in America, there are just as many Americans looking for a job as there are job openings, give or take about the same. But what we have is a mismatch problem. And that means we have people looking for work, but they are not matching well with the jobs that are being offered today.

That is why I think it is very important that we make sure that at every level, at the local level, the State level, and the Federal level, that we recognize that we need to right-size what we are teaching in our schools, how we are educating people, et cetera,

for the jobs of today and tomorrow.

For example, I have the Expanding Opportunity through Pre-Apprenticeships Act. The bill provides grants to serve participants from nontraditional apprenticeship populations with preference to women, people of color, veterans, those impacted by the youth or adult criminal justice system, and individuals who have barriers to employment. These are the kinds of things that we can and should do.

A great country to look at in this manner is Germany. Germany is very innovative. Like America, we are very innovative. But if we don't pay attention to down-line issues, we are going to have a mismatch. And we are going to have a lot of activity that is waiting to happen. But we don't have people to fill those jobs that are going to create that activity.

So, Mr. Sills, can you describe the challenges your company has faced when it comes to recruiting or hiring or retaining workers? And how does the -- how do these challenges affect your manufacturing and your competitiveness?

Mr. Sills. Thank you for the question, Congressman. And it -- very well said. Your entire remarks are what I live all day long. There is that mismatch of those who are looking for work and the types of work that is being made available, and some does have to do with workforce development and training, and making sure that America's youth are coming up with the right skills for the jobs of the future. And we do, as a country, need to address that.

There is even a matter of today's current workforce, deciding what type of work that they are interested in doing. And there are no easy answers. I think that we need to look at all options to make sure that we are encouraging, first of all, everybody to enter the workforce, and then to provide good opportunities with good career growth so that we can grow it.

But you are right. We have openings in every level of our organization from the simplest unskilled order filler in the distribution center, up to engineers and IT folks and business analysts. And there is just -- there is a shortage.

If you go downstream two levels in my industry's channel where you are at the independent repair shops, there is a huge shortage of automotive technicians. And it is a wonderful career. It could be a six-figure career. But it still has the reputation of America's youth of being a mechanic, of being a grease monkey. But it is being a technician of a very sophisticated computer.

How do we overcome that? How do we get more people who are interested in associate degrees and vocational training? This is a major issue for America, and you ask all the right questions. I don't have the right answers.

Mr. Cardenas. Okay. Well, thank you for doing what you do every single day and putting people to work and moving our economy in the private sector.

And I think government does have a role. I think that we should make sure that we the enhance our apprenticeship programs. Again, I think Germany does that incredibly well. So they have a better right-size fitting for their populace and what is going on in their economy.

Mr. Paul, do you believe that apprenticeship programs could be improved in our country?

Mr. Paul. I absolutely do. I identify myself with your remarks and those of Eric Sills as well, and I will be happy to answer in a lengthier form, I guess in a written submission, as I know we are out of time.

Mr. Cardenas. Thank you so much.

Madam Chairwoman, I yield back. Thank you.

Ms. Schakowsky. I thank you so much.

And I now recognize Mr. Guthrie for 5 minutes.

Mr. Guthrie. Thank you, Madam Chair, for the recognition. I appreciate it.

And one of the great announcements that was mentioned earlier for manufacturing is BlueOval SK, which is Ford Motor Company, they are going to put their giga plant -- it is going to be twice the size of the Tesla giga plant -- in Kentucky. So we are all excited, and my districts is excited to have them here.

Mr. Lincicome, I was -- it is good that we are, as much as we regret not being in person, being in our districts before we have these hearings. It is helpful this morning.

I was at a manufacturing plant and talking to a logician, and he was talking about the issue with California isn't just the 30 or 40 days it takes to unload the material. And hopefully yesterday, the President meeting with some people to get some of the work rules straightened out so we can get our ports more productive.

And he said it is not just the lack of truck drivers. He said that is a problem. He said, But I can hire trucks to go pick up my stuff. He says what takes about 30 to 35 days to get stuff off the ports, is California different than 49 other States have truck regulations, that I can find a truck driver with a truck that is willing to go pick up my stuff. But a truck that you can drive in 49 other states, you can't drive into California.

And also, we talked about German manufacturers as well. You won't hear this from multinational business leaders in Germany. But if you have access to talk to German middle-level manufacturers, family businesses, people -- probably businesses like Mr. Sills operates in Germany.

If you are able to talk to them, they are terrified of what is going to happen this winter with the cost of energy prices because the decisions that the German Government has made to go to a certain level of renewables when the technology is not there to do so. And they are really, these are real fears that are coming from German business

leaders.

So, Mr. Lincicome, have you heard about the issue with not truck drivers, just the type of trucks? And as we as a Congress are debating some things moving forward, all of us on this committee, Republicans and Democrats, want better and more manufacturing because it produces the best jobs.

And I am for more apprenticeships with Mr. Cardenas, as we talked about. But the problem is we are going to do other things that are going to counter the ability to manufacturer in this country.

Would you like to talk about the environmental requirements? We want a cleaner environment. But just throwing out arbitrary standards is going to -- there are some German businesses that are really terrified about their ability to survive this winter.

Mr. Lincicome. Thank you, Congressman.

Yes, I think, even for a Libertarian like me, I think there is, obviously, I can say there is a role for the Federal Government ensuring that we have efficient cross-State-border trade as well, and that regulatory impediments in one State don't prevent the free flow of interstate commerce, which is perfectly a constitutional authority in the Federal Government to examine.

I would note, however, also that, in the truck situation in the United States, we are having a chassis shortage of sorts, which chassis are what trucks hook up to. You put the container on the back of the chassis. Well, one of the reasons why we have this chassis shortage is we have imposed 220 percent tariffs on chassis from China, which is the largest producer.

Now, China, we can have our significant concerns about Chinese subsidies in the West. But the problem is that U.S. trade remedies law doesn't allow us to consider in any way perhaps pause -- at least pause during the shipping crisis these types of tariffs.

And truckers and logistics pros that probably haven't slept in 18 months routinely mention the chassis shortage and these tariffs affecting the situation.

And so this, again, is why I caution that while nationalist policies sounds great, it sounds easy to protect, subsidize workers and industries, but when you -- the devil, as Mr. Sills said, is in the details. And occasionally, you can end up -- quite often you can end up doing more harm than good in these areas.

Mr. Guthrie. I want to talk about. You mentioned, Mr. Lincicome, foreign direct investment. We have to be careful with that because Toyota Camry is an American-built car. It is a Kentucky-built car. It is not in my district, but a lot of suppliers are. So would you talk about foreign direct investment with nations that share our values and we have to continue to work together on that as well?

Mr. Lincicome. Most definitely. You know, the United States remains one of the largest destinations for FDI in the world. But the -- to continue that top ranking, we really need to consider how our trade, regulatory, and other tax environments might discourage companies from locating here.

You know, you mentioned automotive. The south, of course, has had an explosion of automotive jobs and automotive plants over the years. But a lot of those foreign-owned companies depend on having unfettered access to other markets in either Japan or Europe or Mexico and Canada. And to the extent that government policy starts to thwart those types of voluntary cross-border transactions by companies, then people aren't going to invest here as much. And that is going to impact our jobs.

Mr. Guthrie. Yes, thanks for that answer.

My time has expired.

Madam Chair, I yield back.

Ms. Schakowsky. The gentleman yields back.

Mr. Guthrie. Thank you.

Ms. Schakowsky. And now I recognize Congresswoman Dingell for her 5 minutes of questions.

Mrs. Dingell. Thank you, Chairwoman Schakowsky, for holding this important hearing. This subject is one of the most important ones to me in this year and to all of you for testifying today.

The COVID-19 pandemic has laid bare the significant vulnerabilities in our domestic supply chain, and I think we all are recognizing it is crucial we take immediate steps to address these issues. But this unprecedented crisis has reverberated across almost every sector of our economy and continues to impact American workers and consumers every day. From medical supply challenges that we saw during the pandemic to the ongoing semiconductor shortage, it is clear hardening our domestic supply chain is as much a national security issue as it is an economic issue.

I want to discuss direct measures to assure the security and resilience of our domestic supply chain, although I can't follow my colleague and friend, Mr. Guthrie, and not say I am happy the auto companies are staying here. It was sad to lose some of them to Kentucky and Tennessee.

And, Mr. Lincicome, I appreciate your comments. But the fact of the matter is other countries really do support their industries, and it is important that our industries be supported by government, too.

So the backbone, I think, of the American manufacturing is the automobile sector. And we have all seen the devastating impact the semiconductor shortage has had on automotive manufacturers and their suppliers. This chip shortage has dealt a huge blow to autoworkers in districts like mine that have significant numbers of auto-related jobs, not to mention negative impacts on consumers across the country.

You may be familiar -- all of you may be familiar with the CHIPS Act funding passed in the Senate, which includes \$2 billion for semiconductor chips used by our auto industry. Over the past year, I keep raising the critical importance of improving this funding, and I have introduced identical legislation in the House.

Mr. Sills, can you provide your thoughts on how funding in the CHIPS Act to increase American conduction of semiconductors would help support American manufacturing?

Mr. Sills. Thank you for the question, Congresswoman.

And I believe I did speak to it briefly earlier in this meeting that our industry is highly reliant on the -- that older CHIPS Act that the \$2 billion as part of the CHIPS Act.

Mrs. Dingell. Legacy. Legacy. I hate the word "old."

Mr. Sills. Me, too. Me, too. The legacy chips.

And we have been dealing with the significant shock of having shortages. As everyone is well aware, it has new vehicles, mostly manufacturing, now sitting on lots, waiting to be finished, because they don't have access to the chips. And that is devastating to the industry.

But it is also very harmful to the consumer who, as I said, needs the vehicle. It has caused increased pricing in used vehicles because they can't get the new vehicles. And it has created a surge in demand for maintenance of the existing vehicles because that is, again, how people go about their daily lives.

So it was definitely laid bare through this the importance of having stable and secure supply of these legacy chips. And so anything we can do to secure that I think is very beneficial, not just to the industry, but to the American consumer.

Mrs. Dingell. Thank you, Mr. Sills. I am going to ask you to talk in writing to expand upon that and why supporting that -- supporting it matters.

But let me move to another issue. I have got 1 minute left. Critical shortages of critical products, during the COVID-19 public health crisis, demonstrate that the private sector alone can't identify, monitor, and address supply-chain vulnerabilities.

The Biden administration's comprehensive supply chain review found that focusing on maximizing capital returns has led to the private sector's underinvestment in long-term resiliency. That underinvestment led to a declining share of corporate income going into R&D, new facilities, or resilient production processes.

Mr. Paul, do you agree with the Biden administration's assessment that the private sector has not appropriately valued supply chain resilience and it is why we are in the mess we are in?

Mr. Paul. Absolutely, Representative Dingell, I completely agree with it. I look forward to the supply-chain work that the White House is doing as it continues, but you have hit the nail on the head. The incentives that are built into our system, particularly for manufacturers, which is capital intensive, and which may have a lower rate of return for shareholders, particularly for things like supply chain resilience, is especially vulnerable because of the financialization of our economy.

That is why there is a role for the Federal Government to help provide the right kind of incentives and markets so that we can develop more resilience. There has been a market failure, and it does need to be addressed.

Mrs. Dingell. Madam Chair, I am out of time. I have many more questions. So I will be submitting them for the record. Thank you.

I yield back.

Ms. Schakowsky. The gentlewoman yields back.

And I now recognize Mr. Soto for 5 minutes.

No, I am wrong. I am sorry. Excuse me. Of course.

Congressman Bucshon for 5 minutes. Excuse me.

Mr. Bucshon. Thank you, Madam Chair.

Ms. Schakowsky. Sorry.

Mr. Bucshon. Thank you for holding this legislative hearing on ways to strengthen and support American manufacturing and competitiveness.

In 2019, the year prior to the pandemic, Indiana manufacturing formed the backbone of the State's economy, accounting for over 17 percent of the jobs in the State, and exporting over 38 billion in goods, ranging from automobiles to pharmaceuticals, around the globe.

However, since the beginning of the COVID-19 pandemic, I have heard from manufacturers, businesses, and consumers across Indiana, as many of you have in your States, about various supply-chain shortages and their impact on businesses and communities, whether it was the inability to purchase toilet paper at the store early on, or a Toyota plant in my district having to temporarily halt production just last month. So this is a big issue, and I am glad we are having this hearing.

Mr. Lincicome, given these struggles, do you believe businesses will be incentivized to voluntarily share the types of information advocated for in some of the bills before the committee today without the presence of strong liability protections?

Mr. Lincicome. It is a great question. I don't know, Congressman.

Quite frankly, I left the law behind when I joined CATO a few years ago. But I can say that we already have some indications that companies are extremely hesitant to share proprietary supply-chain information with the government without really strong protections, not merely on the liability side but on the business confidential information and proprietary nature of this.

You know, back a couple of years ago, when the Trump administration was

investigating automobiles under -- for national security purposes, automakers across the United States were extremely concerned about divulging this type of data.

And so, to the extent that supply chain transparency and the government sees a role there, it is really going to need to get multinational manufacturers comfortable with sharing this type of information and on their business practices which are, of course, highly proprietary.

Mr. Bucshon. Yeah, I would agree. And I think that that is, unfortunately, going to be a big hill to climb, because proprietary information on not only their supply chain but the rest of the way they run their businesses is going to be a challenge.

I am also glad we are considering measures to ensure American competitiveness in hard-hit industries like travel and leisure, with bills such as the Restoring Brand USA Act that I cosponsored.

Known as the crossroads of America, Indiana has a thriving travel industry with designations including, of course, the Indianapolis Motor Speedway, home of the Indy 500, the Indiana Dunes National Park along the shores of Lake Michigan, and Holiday World in Santa Claus, Indiana, and numerous local festivals that attract millions of visitors annually, such as currently ongoing Parke County Covered Bridge Festival.

Holiday World, for example, a theme park in my district, is a prime example of supply chains and sectors besides manufacturing have also been majorly impacted over the pandemic. In the times that has even been allowed to operate -- at times, they have been allowed to operate during the COVID, the park has struggled to fill open staff positions. And lodging and travel costs increased partially, due to their own supply-chain woes.

Additionally, replacement parts for vehicles and roller coasters have become unpredictable and difficult to source. While food and beverages are more expensive

and still suffer from major shortages, and as we have more inflation, this gets worse.

As Congress is looking for ways to secure and support our supply chains, we must keep in mind the lodging and tourism industry, and keep them competitive as guests are finally making their way through the parks and resorts thanks to quick work distributing a safe and effective vaccine.

Mr. Lincicome, what work can Congress do to show establishments like Holiday World in southern Indiana, who we really failed to provide substantial relief for during the pandemic due to the high number of seasonal workers they have that were factored into that equation, what can we do to work towards showing this type of industry that we are there to help possibly, with the supply chain issues they are facing, not only -- this isn't just manufacturing, as they get their feet back on the ground after the pandemic?

Mr. Lincicome. Thank you, Congressman.

I now really want to take my daughter to Holiday World.

Mr. Bucshon. You should.

Mr. Lincicome. She would love it, I am sure.

In terms of the specifics of the tourism industry, I really can't speak to that. But what I can say is that, to the extent that American companies in that industry are reliant on access to imports, whatever it is, I think the government really has a role to ensure that that access is available.

An example, I think, is the section 301 exclusion process that has been shut down and just restarted that a lot of American companies in services and elsewhere really need to utilize so they can get the stuff they need to keep business open.

Mr. Bucshon. Thank you very much.

Madam Chairwoman, my time is expired.

I yield back.

Ms. Schakowsky. The gentleman yields back.

Now I recognize Mr. Soto for 5 minutes.

Mr. Soto. Thank you, Madam Chair.

We are at a crossroads with American manufacturing. We have the opportunity to change our trajectory, to boost domestic manufacturing, and stop this manufacturing decline especially in areas of strategic and national security interests.

In central Florida, my constituents are ready to work. We have production jobs that constitute about 13 percent of what we do here in Florida's 9th congressional district such as aerospace defense and boat manufacturing in east Orange County, beverage manufacturing in Polk County, including the largest manufacturing plant in North America. And we just started making microchips in Osceola County.

So passing the bills that we are hearing on the agenda today will make critical investments in places like central Florida to boost domestic manufacturing, fix supply-chain gaps, and protect production of critical national security, areas like medical supplies, communications, defense, microchips, and other tech products.

And as for central Florida's top tourism industry, we rebounded fairly steady, boosted primarily by domestic tourism. We have tourism attractions such as Disney World, Universal, SeaWorld, Legoland, and others. You may have heard of them. And for a full recovery bill, we need to have international travel as well rebound.

So we applaud the Biden administration for ending the pandemic travel bans for Canada, Mexico, Europe, Brazil, India, China, South Africa, and other areas over the next few months. This will greatly help.

But the committee needs to go further, which is why I agree with my fellow Floridian, the ranking member, Gus Bilirakis, that we must support the Restoring Brand USA Act to make \$250 million in unobligated funds available for Brand USA travel

promotion.

Thank you, Madam Chair, for agendaing it today.

Mr. Paul, you had some interesting initial conclusions. We have our goals of boosting manufacturing and having a just transition to a green economy. And you mentioned that deregulation tax cuts aren't the only things that we can do to get there. It is going to take targeted investments and key industries.

We saw the Senate pass the U.S. Innovation and Competition Act. Eighteen Senate Republicans voted for that bill, along with 50 Democratic Senators. So, while it is a surprise for a few of our colleagues on the other side of the aisle to criticize it, obviously, it has got overwhelming bipartisan support. And this is the House's shot at this.

We see the Supply-Chain Health and Integrity for the Nation Act, Manufacturing Economy and National Security Act, Building Resilient Supply Chains Act, Supply Chain Security and Resilience Act.

Are bills like this the kind of targeted investment that you are referring to, to help give a lift to domestic manufacturing?

Mr. Paul. Congressman Soto, thank you so much for the question. Yes, they are.

And I will say -- and I will say this as someone who worked in the House of Representatives some time ago -- that I wouldn't defend the wisdom of the Senate in every case or rarely. But in this case, it was a product of they compromised. There were a number of -- number of extraordinary individuals who came together to make that happen. I have confidence that the House can do the same thing.

I do think that it fulfills a need. And I think that is the important thing, that there is this demonstrated market failure in semiconductors, and that there is this need to

bolster our supply chains and to make them more resilient and, when possible, to reshore more of them to provide well-paying jobs for future generations as well.

And so, this, is not legislation that is in search of a problem. I want to be clear about that. This is legislation that has been introduced with some intent. And that is to ensure that the manufacturing sector in the United States, which is broad and deep in every State, can thrive, as we also transition to technologies, to energy sources, and to new innovations that we haven't even imagined yet in the future.

We have been caught behind in the competitiveness game for a variety of reasons, and this is a chance to help level set.

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[2:00 p.m.]

Mr. Soto. As we are coming up with our bills and eventually going to be negotiating with the Senate, what is in the U.S. Innovation and Competition Act that we may be lacking in the House so far that you think would be helpful?

Mr. Paul. Again, that is a great question. I will say the USICA was not perfect. I wouldn't just rubber stamp it. I do think that the --

Mr. Soto. They are not going to.

Mr. Paul. Yeah. Please don't.

I do think that there were some provisions in there that I think would be less effective and some that were more. I don't know that there is enough time to talk about all of them right now.

But I do think that it makes sense for the House to take a targeted approach, and specifically to ensure that the funds that you are offering go to jobs and innovations that are going to be produced in the United States. So there need to be some guardrails established that would do that.

Mr. Soto. Thank you so much. My time has expired.

Mr. Paul. Thank you.

Ms. Schakowsky. The gentleman has completed his questions.

And now, Mr. Dunn, you are recognized for 5 minutes.

Mr. Dunn. Thank you very much, Madam Chair.

I appreciate the opportunity to discuss manufacturing competitiveness and supply chain resiliency today.

We are all acutely aware of the ways in which the COVID lockdowns disrupted our

supply chains and affected our constituents. Unfortunately, public policy never seems to get ahead of the impending "everything" shortage that we are hearing about every day. So I am sure there will be more lessons learned in the coming months.

In the wake of a global pandemic, it is more important than ever to ensure that we have a secure medical and pharmaceutical manufacturing industry, from PPEs, to APIs, to complex pharmaceuticals. Our time is short, and so I want to get right into the questions.

Mr. Lincicome, you mentioned in testimony that the National Science Foundation data shows that private sector R&D expenditures have reached an all-time high by 2019 prepandemic. And I am certain that we all want to stay on that track by ensuring the United States remains an attractive place to do business.

Maintaining U.S. manufacturing competitiveness is going to rely on diversifying supply chains, lowering barriers to trade among the free world, public-private partnerships in the generic space I think, and ensuring adversarial nations such as China do not continue to be sole source providers for basic and complex resources.

So can you illuminate for us what led to the increased productivity of U.S. R&D expenditures, most especially as it relates to biotech and pharmaceutical industries, prior to the pandemic?

Mr. Lincicome. Thank you, Congressman. It will be difficult to speak to the biotech sector in particular. I will note a couple of things.

Mr. Dunn. Make it general then. Make it general.

Mr. Lincicome. Well, I think that it is clear over the last -- if you look at the trends, the private sector really has stepped up in terms of United States R&D. With U.S. R&D spending hitting for the first time ever 3 percent of GDP, this was primarily a private sector initiative and driven I think by, as I mentioned, when you lighten regulatory

and tax, particularly corporate tax burdens --

Mr. Dunn. Okay. That is where I was hoping you were going to go with this.

Mr. Lincicome. Studies show that you have, with lighter corporate tax burdens, you have more innovation, you tend to have that.

Mr. Dunn. I am so shocked. I am so shocked.

I am short on time.

What specific -- Mr. Lincicome again -- what specific current regulatory barriers or trade barriers, regulatory or trade --

Mr. Lincicome. Yes.

Mr. Dunn. -- do you think are the worst for our Nation's manufacturing industry?

Mr. Lincicome. Well, going back to the pharmaceutical space, for example, I think that we have a really tremendous opportunity to strengthen partnerships with Europe, which actually has a substantial biotech industry as well.

And there was a thing back when -- a little while ago -- called the TTIP that we were actually looking to lower trade barriers, harmonize regulatory barriers with Europe. You look at something like the Pfizer vaccine is a great example of that type of multinational partnership.

Mr. Dunn. It was. It was. We are running out of time. And I am going to submit some questions, by the way.

But here is what I would like to know. What can Congress do to encourage companies to commit resources to our Nation and to participate with our free world allies in medical industries instead of our adversaries, like China.

Mr. Lincicome. Yes, sir. I think negotiating international agreements with our allies is really an essential aspect of this that has seemed to kind of been put by the wayside for the last 5 years or more. So I think that is certainly one area.

But the other thing I think that is critical is consistency and predictability in our tax and regulatory environment. If we are consistently changing the Tax Code, changing the regulatory environment every couple of years, it makes it very difficult for investors in the United States and elsewhere to have the predictability they need to make those massive capital investments.

I think full expensing is a great example of that. The TCJA did that for a couple of years -- or 5 years. That really needs to be made permanent, because investors need that type of certainty to really lay down the cash and do the things that we want the private sector to do.

Mr. Dunn. So as a guy who has actually planned some businesses and built some businesses -- and I could tell you, you are right, stability in the Tax Code, it would be a very, very nice thing to do, because you are gaming the will of Congress, which is, as I found in the last few years, more difficult even than it looks like.

So with that, Mr. Lincicome, I don't have enough time left to ask any questions. So I am just going to say thank you, and I will submit some questions in writing.

Madam Chair, I yield back.

Ms. Schakowsky. The gentleman yields back.

And Congresswoman Rice is recognized for 5 minutes.

Miss Rice. Thank you, Madam Chair.

Ms. O'Connell, you mentioned in your -- I don't know if you said this specifically in your oral statement, in your opening statement, but in your submitted written statement you talked about how global supply chains are often opaque to private and public decisionmakers, which is a really frightening concept, especially when you go on to talk about the need for us to really invest in a system that has reliable resiliency.

You talk about the 2021 executive order on America's supply chain, which stated

that the United States needs resilient, diverse, and secure supply chains to ensure our economic prosperity and national security.

And you go on to talk about how important it is for the U.S. Government to make the investments necessary to ensure that outcome. And you also say that businesses cannot be expected to shoulder the burden of this task without recompense.

I think this idea of resiliency is so critically important. I think that what I am hearing a lot of today, which is an agreement on both sides of the aisle that we need to shore up supply chains in various different aspects, but the resiliency of those supply chains is incredibly important.

So if you could just kind of expound on what your thoughts were in terms of going into, whether it is research and development, investment in human capital, vocational schools, if you could just kind of expound on how important it is for the U.S. Government to invest in those aspects of supply chain and resiliency.

Dr. O'Connell. Yes. So I think the biggest concern that I would have is the fact that we have accepted risk in all sorts of places, but we have no idea where they are. We are sort of flying blind, quite frankly. And we will continue to be surprised.

And resiliency will depend on creativity. And that is not to say that we will always be able to muddle through, because I think under some circumstances muddling through is just not going to cut it.

And so I think the real priority is understanding what is the priority that needs to be protected, and then, given that priority, understanding the supply chains that underpin that particular sector or that particular interest. And I think getting more insight into that would be crucial.

Miss Rice. Well, in your opinion, what are the top three areas that we need to focus on of national security importance? And then take it from there.

Dr. O'Connell. So I think when people think of national security, they are thinking sort of the large, cleared defense contractors like your Boeings, your Lockheeds, your Northrop Grummans. But nearly a quarter of DOD contracts by value go to small businesses. And when we have insight into subcontracts, nearly 40 percent also go into small businesses.

So when I am talking national security, the breadth and scope of what that means really touches across multiple sectors, and getting a handle on that, and even trying to make that problem a little bit more tractable, I think would be sort of the first step.

And also, just to appreciate, when we say national security, I think people think of guns, and missiles, and fighter jets. But a lot of these national security interests have IT, regular aerospace, just broadly covers a lot of different industries.

And I think the breadth and scope of that, we just basically need to spend more effort in understanding it and then figuring out where we don't have that resiliency and try and build it into the system.

Miss Rice. So how can we do better? Does this legislation get us there or on the right track? Or how can we make it better? What are your thoughts on that?

Dr. O'Connell. I am not a legislative analyst, so I will not comment on the particular legislation before you.

I think that the critical thing -- and of course I am an analyst, so my priority is we need to understand the problem. And just sort of investing money blindly might not produce the results that you are looking for. And having some clear insights on where that money could be most useful I think would be incredibly important.

Miss Rice. Mr. Paul, your thoughts on that?

Mr. Paul. Thank you for the question.

I agree that we shouldn't throw money blindly. I do think it will take investment,

because there has been a market failure. There are not the right market incentives in place. The security of our country, resiliency, is a good that is hard to measure for profit-seeking companies.

But I am encouraged by the steps that the White House, that the Senate, and the House may be prepared to do to move us in the right direction, because it does extend beyond these security goods. It goes to a lot of things that we take for granted as consumers or that we depend on as workers as well.

Miss Rice. Agreed.

Thank you, Madam Chairwoman.

And thank you to all the witnesses for coming today.

Ms. Schakowsky. The gentlelady yields back.

And now, Congresswoman Lesko, it is your 5 minutes.

Mrs. Lesko. Thank you very much, Madam Chairman.

I represent part of Arizona, and it will be the site of the new Taiwan Semiconductor Manufacturing corporation, will be in my district. And also, of course, on the other part of the Phoenix metropolitan area, Chandler, Intel in Chandler will be expanding their semiconductor chip manufacturing as well.

I think that we can all agree that we have a major problem with our supply chains. And the question is, how do we fix it?

One of my concerns is that there is a lot of legislation out there that wants to subsidize certain types of industries, like let's say there is more priority on clean energy industries than maybe other supply chains that need help.

And at the same time, in the same proposal, it is proposing higher taxes on these same corporations. So we want to give them Federal money, but then we want to tax them more money, tax them more.

The administration wants to ban mining of critical minerals that are needed for the manufacturing in the United States, and they want to squash production of oil and gas energy in the United States. It doesn't make sense to me.

And so, Mr. Lincicome, can you tell me if that makes sense to you?

Mr. Lincicome. No, it certainly doesn't. Thank you, Congresswoman.

And I think that one of the real concerns I have, aside from some of the incoherence of the approach, is that if you look at the history of these subsidy programs -- and I have delved into this a lot in my research -- you see that there are really two big reasons for concern.

The first is that a lot of times these subsidies end up being captured by large companies with the lobbying, legal, and financial resources to navigate and afford the process -- and to afford the subsidy's conditions, whether it is Buy American rules, or labor mandates, or whatever.

In fact, studies show that in past green energy subsidies, there is a strong connection between lobbying expenditures and loan amounts, and that most loans actually went to large businesses that didn't need government help and could have gotten private funding themselves.

The second concern is that there is a long history of these types of programs raising producers' costs and actually delaying, if not thwarting outright, prioritized government projects.

So even subsidy recipients that successfully navigate the process end up bogged down in the bureaucratic details or they have high costs that make them totally uncompetitive versus their global peers.

And so it is that type of unintended consequence that pervades a lot of past industrial policy.

Mrs. Lesko. Thank you very much.

And, Dr. O'Connell, you and others at RAND are familiar with China's ambitions in artificial intelligence. I think autonomous vehicles will happen with or without U.S. leadership.

And my question to you is, how concerned are you that China will set the standard for AVs, thus compromising an important area of national and economic security for the United States?

Dr. O'Connell. That is an excellent question.

I think that the first statement is, I don't think they will set the standards with our application of autonomous vehicles in the United States. And certainly there are a lot of hurdles currently that are in the United States for that progressing.

It is a delicate balance between sort of international research and fostering innovation broadly and globally and sort of ensuring that we have the investments made to be a leader in innovative sectors and technologies that we find to be critical.

And so I am not sure if I have actually answered your question, mostly because I am not an autonomous vehicle expert. But I think there is a delicate balance. And I know we are walking that balance as well with quantum technologies. And I think we don't want to stifle the innovation, but we also want to protect nascent industries.

Mrs. Lesko. Thank you.

And in my last 17 seconds, I just went to make a statement that obviously the Port of Los Angeles, there is a backflow, and other ports. So that is causing part of the problem. But there is a huge trucker shortage, too.

I have a huge -- I have Knight Transportation, which is a huge trucking organization in my district. And they were talking about the push for electric -- all-electric trucks.

Well, all-electric trucks only go 200 miles versus a diesel truck that goes 1,500

miles. So every 200 miles you would have to stop and charge the truck.

So I guess what I am trying to say to some of my colleagues is, we need to be strategic on how we spend taxpayer dollars to solve this problem.

And with that, I yield back.

Ms. Schakowsky. The gentlewoman yields back.

Next would be Bobby Rush.

I don't see you on camera, however. Are you there?

If not, I call now on Congresswoman Trahan for 5 minutes.

Mrs. Trahan. Thank you, Chairwoman Schakowsky.

And thank you to the witnesses today.

Access to loans and other financial instruments at reasonable rates is critical for manufacturing products that are important to our national and economic security. But the cost of capital for lower margin goods in this country can be far more expensive than our economic rivals, which may drive production overseas.

Many American manufacturers are expected to produce 12 to 14 percent returns for such products to be able to repay loans and stay profitable. European manufacturers are expected to produce nearly 7 to 9 percent returns, and many Asian firms only need to get 5 to 7 percent.

Mr. Paul, has access to affordable capital posed challenges to manufacturing products in the United States?

Mr. Paul. Representative Trahan, that is an excellent question, and, indeed, yes, it has. And that is not just myself. That is Federal Reserve observations over the years, particularly among small and midsize enterprises, and even among the larger corporations.

Manufacturing is capital intensive. The rate of return may be slower if you have

the option of developing an app that may take a couple of people and no physical infrastructure. That is where the capital may go. It is a difficult road for manufacturing.

And it is a competitive environment. As you just mentioned, manufacturing uniquely in the American economy is in global competition, every single firm, which makes it particularly exposed.

That is why assistance programs at the State or Federal level that can help with respect to loan guarantees, to interest rates, or in some cases for outright grants are critically important.

We face extraordinary pressures, whereas, in Germany for instance, a lot of small and midsize firms have access to that more patient capital that exists. In China, the loans are often forgiven by the state government and act as a direct subsidy.

So it is particularly challenging for American manufacturers in that environment. Ensuring that there is access to affordable loans, or to subsidized interest rates, loan guarantees, or direct subsidies in a targeted way is going to be crucial as we move ahead.

Mrs. Trahan. Do you see that some of the supply chain legislation under consideration today corrects these market failures?

Mr. Paul. Yes. I think it gets us on the road to progress absolutely.

Taken as a whole, the body of bills that have been presented would represent, again, an intent to do something about the problem, identification would start to develop those public-private partnerships that are necessary and would direct some much-needed investment in supply chain resiliency and in sectors that are critical to the functioning of our economy, as well as to our homeland security, national security sectors as well.

Mrs. Trahan. Great.

Other nations are investing heavily in their industrial bases. You mentioned

Germany's investment and development bank, which provides financial assistance to German small and medium manufacturers, provided \$100 billion of loans and \$5 billion in grants in 2020. South Korea provides financial assistance to support industries critical to their economic and national security as well.

Dr. O'Connell, are there lessons that can be learned from these international models? I mean, after all, the manufacturing output of countries like Germany and South Korea is growing far faster than the manufacturing output of the United States.

Dr. O'Connell. I think what is notable from these other countries is the fact that you don't have to sacrifice quality or a standard of living for your workers, and you can still have an established and strategically managed sector.

It is not a perfectly rosy picture and there are certainly aspects of it that want to be considered. But I think there is something to be said for the collective good that the public sector can offer these private companies.

Mrs. Trahan. Great. I appreciate that.

Mr. Paul, did you want to expound on that at all or --

Mr. Paul. No. I completely agree. As I said before, the race to the bottom is not a race the United States is going to win. We are never going to be able to underregulate or undertax compared to some other countries. But making smart investments, working collaboratively with the workforce is going to be a strategy that should have measured progress as we move ahead.

Mrs. Trahan. Thank you.

Well, I am the daughter of a union iron worker, and I know how important manufacturing jobs are to families. And I think as Members of Congress it is essential that we pass legislation that incentivizes U.S. manufacturing jobs.

Representative Curtis and I recently introduced the Reinforcing American-Made

Products Act, which would clarify the national Made in the USA standard so that companies and consumers can easily support U.S. manufacturing. In order to reclaim our title as a world leader in manufacturing, we need historic investments and economic incentives.

Thank you so much for being here today and for all your expertise.

I yield back.

Ms. Schakowsky. The gentlewoman yields back.

And now I recognize for 5 minutes Mr. Pence.

Mr. Pence. Thank you, Madam Chair.

Before I begin my remarks, I would like to ask for unanimous consent to enter into the record a letter of support for my bill, H.R. 2907, the Global Investment in American Jobs Act. The letter is from the Global Business Alliance.

Ms. Schakowsky. Without objection, so ordered.

[The information follows:]

***** COMMITTEE INSERT *****

Mr. Pence. Thank you, Chair Schakowsky and Ranking Member Bilirakis, for holding this hearing.

And thank you to all the witnesses today for the time you have taken and the testimony you have given.

To grow manufacturing jobs, we need a welcoming business environment for companies to invest in American innovation and of course ingenuity.

One opportunity we are discussing today is foreign direct investment, a key driver for jobs in the State of Indiana. In my own hometown, we have Toyota, Clawson (ph), Enkei, and across my district we have Honda and Subaru and other companies.

Over 250,000 Hoosiers are employed as a direct result of international investment, half of which is in the manufacturing sector. That is why I introduced the bipartisan Global Investment in American Jobs Act with my colleague, Congressman Bobby Rush, to ensure that the U.S. remains a premier destination to invest, innovate, hire, and manufacture.

This legislation would review the attractiveness of foreign investment into the U.S. and identify bureaucratic barriers -- which we have discussed is an issue -- that are holding back American competitiveness.

Earlier this year, I urged the Secretary of Commerce to help us prioritize foreign direct investment. I am encouraged and report to you today the Secretary committed to working with us to advance this bipartisan legislation.

While I applaud the discussion today on addressing long-term strategies to improve our domestic manufacturing sector, we need to consider the underlying issues we are already dealing with today.

Supply chains that are relying on adversarial countries like China face steep delays

and increased costs for necessary production materials.

I will continue to champion initiatives to improve opportunities for manufacturing investment into the U.S. But before solving long-term outlooks, we need to address issues that are already facing U.S. consumers and producers right now. We saw some of the information that came out today from the government.

Mr. Lincicome, over the past year the impact of inflation and supply chain disruptions are affecting both supply and demand in the market, as we said. Month after month, job reports are indicating poor economic growth, as we all know. I am concerned that we may be moving forward without accurately identifying the real cause of the problems in our economy.

In your opinion, and here are a number of questions, do we have an accurate understanding of the underlying economic factors affecting PPI, CPI, labor shortages, and supply disruptions? What if we are misidentifying the problem? What if the real issue is prolonged demand destruction and supply pricing manipulation by China in an OPEC-like model?

Mr. Lincicome. Thank you, Congressman.

It is a complex question. I would just say that I am not very concerned about PPI and CPI, quite frankly. I am more concerned about labor shortages and what is causing that.

It seems to me that there has been a natural assumption, by myself included, that everybody who was in the labor force prepandemic is going to be in the labor force now, and it really doesn't seem like that is the case. It seems that, for whatever reason it is, whether it is early retirements, or change in lifestyle, or geographic mismatch, or government payments that have given people the financial comfort and stability to stay home, it doesn't matter.

But what does appear to be the case is fewer workers now available.

Mr. Pence. What if the jobs are disappearing as well? Like, you have been to restaurants. They have reduced their hours, the number of seating. What if the jobs are actually disappearing as well because of demand?

I am concerned that demand is causing a lot of these problems, the reduction in demand. China may not be producing as much. Have we looked at that?

Mr. Lincicome. Not that I am aware of, Congressman.

Mr. Pence. With that, I am running out of time. I wish I had more time to talk to you about it.

Thank you again for holding this hearing. I yield back.

Ms. Schakowsky. The gentleman yields back.

We have one more Republican who is on the subcommittee, Mr. Armstrong, who will be next. And then we are going to move to people who have waived on.

So, Mr. Armstrong, you have 5 minutes.

Mr. Armstrong. Thank you, Madam Chair.

I am going to start with a couple of specific questions and then just have some general comments. That is what is nice about getting to go towards the end.

The Generalized System of Preferences and Miscellaneous Tariff Bill programs both reduce tariffs on products that aren't available from U.S. suppliers. Both programs have long enjoyed bipartisan support. However, Democrats did not prioritize reauthorization before these programs expired at the end of 2020. The lapse of both programs effectively acts as a tax increase, which is particularly difficult for smaller businesses to handle.

Mr. Sills, do you agree that the resulting tariffs are an unnecessary burden that worsens inflationary pressures?

Mr. Sills. Thank you for the question.

Let me speak specifically to the 301 tariffs, because those are the ones that affected my company and my industry the most. And while perhaps the intent was to make America more competitive by making imports more expensive, I do not believe it had the intended effect. I believe that the vast majority of the cost of those tariffs was borne by the American importers and not by the Chinese companies.

And speaking for myself, but I think I can also fairly speak for a lot of my peers in the industry, we passed those tariffs on. And so, ultimately, it ended up in increases at the cash register.

I do not believe it caused much, if any, reshoring. It perhaps created a certain amount of shifting of production from China to other low-cost countries. But I don't believe that it had the intended consequences. I believe it really mostly just increased cost.

Mr. Armstrong. I think Mr. Lincicome is agreeing with you. So I am going to ask him the same question.

Mr. Lincicome. Yes, I am definitely going to ditto everything that Mr. Sills said. That is certainly confirmed by my research as well.

Now, specifically on GSP and the Miscellaneous Tariff Bill, these are relatively narrow programs in the sense of causing macro effects like inflation. But they do affect small businesses, particularly those that are reliant on these products and have come to at least expect the resumption of GSP and the Miscellaneous Tariff Bill, which usually happens.

But Congress has a way of taking these programs I think for granted, because they are not huge programs. But they do affect a lot of small businesses in the United States, and certainly I think reauthorization is indeed appropriate.

Mr. Armstrong. Well, and for me I represent a State that essentially doesn't have large businesses. It is North Dakota. It is all small businesses. We are the geographic center of North America. We produce a lot of things we don't consume here, we want to get them out.

And that is kind of my point to this. Like, even pre-pandemic, when you start looking at supply chain. I am old enough to remember when we cared about the cost of prescription drugs, not where they were sourced from.

Steel, perfect example of dealing with tariffs. Obviously, there are a lot of bad actors in the steel trade, moving, flooding the market, dealing with those issues. We have steel companies ramping up in the U.S. We obviously want to buy American. But, for example, essentially Turkey is the only place that makes real pipeline steel.

So in the process of trying to shore up our domestic supply and all of that, how do we deal with the situation where we are not capable of producing it?

I mean, and this isn't a matter of higher cost or lower cost. These are oil pipeline companies. They will pay to put it in the ground. They just couldn't get it. Like, they physically couldn't get it. They couldn't work the waiver provisions.

And, Mr. Lincicome, you had said something earlier about when we do these incentives and deal with this, about only really large companies are able to navigate the bureaucratic land mines that exist to do this. They have whole floors of companies of compliance officers and lawyers, where smaller businesses take the hit.

But I think we also have to view this in a way of like what is made in America and how that works. I think USMCA actually got a bunch of this right. Ford Expeditions are made in Mexico. Toyota Tundras are made in Michigan. The parts come from everywhere all over the world.

And we have to be able to deal with that, not only in being able to get them

quickly, but also to be able to get them and have a redundancy set in place and make American companies competitive. And I just often find that when we try and put a government program in place or a government regulation in place, we do the exact opposite of what we are trying to do.

That was a lot. It is towards the end. Do you have any comments?

And then I would ask Mr. -- actually, I am going to ask Mr. Sills that.

You haven't got to talk as much today, and you are the one who does this on the ground every day.

Mr. Sills. I am not sure what is the question.

Mr. Armstrong. A comment on whatever you want for the last 4 seconds.

Mr. Sills. I am out of time. I am sorry. It is too open-ended. I would rather not speak to it. Thank you.

Mr. Armstrong. Thank you.

I yield back.

Ms. Schakowsky. The gentleman yields back.

And now we will begin. I have never seen this before. This is a tribute I think to how important this topic is, many topics that we have been hitting today about manufacturing and our economy. But we have five people who have waived on to our subcommittee.

First, let me recognize for 5 minutes Congresswoman Blunt Rochester.

Ms. Blunt Rochester. Thank you so much, Madam Chairwoman. Thank you to Chairman Pallone, as well as yourself, for calling this important meeting, hearing.

And thank you to the panelists. I think you are right, there is a lot of interest because all of us are being touched by this.

And amongst the most pressing issues that I hear about from my constituents, as

well as employers here in Delaware, whether they are large, medium, or small, are supply chain disruptions and workforce challenges.

And so I am so proud that our committee is working toward solutions, and also proud to have worked alongside Representatives Malinowski and Kinzinger to introduce two bipartisan pieces of legislation, the Building Resilient Supply Chains Act and the Manufacturing Economy and National Security Act.

Both bills take important steps to stabilize and make more resilient our supply chains by providing financial support to develop, diversify, restore, and expand our supply chains and ultimately strengthen our national and economic security.

In Delaware, every industry has been impacted in some way -- healthcare, agriculture, restaurants, car dealerships, and housing. Not only are these supply chain disruptions impacting our access to critical goods, but these disruptions are also creating price hikes at a time when we continue to build toward economic recovery. Passing these bills will be an important step in Building Back Better.

With that, I ask the chair for unanimous consent to submit into the record a letter of support from Representative Malinowski for the Building Resilient Supply Chains Act.

Ms. Schakowsky. Without objection, so ordered.

[The information follows:]

***** COMMITTEE INSERT *****

Ms. Blunt Rochester. Thank you, Madam Chair.

In Delaware, despite our economy reopening, our restaurants continue to suffer the effects of the COVID-19 pandemic. Food costs are extremely unstable and rising gas prices are impacting restaurants' ability to deliver food.

A recent survey found that 75 percent of restaurants were forced to change their menu items due to supply chain issues. And the Biden administration has identified that supply chains for agricultural commodities and food products are critical.

Mr. Paul, how could stabilizing our supply chains prevent sticker shock and inflation in the future?

Mr. Paul. Thank you very much for the question.

Obviously, sometimes there is whiplash after unpredictable events, with respect to supply and demand, and you will see temporary increases. That is obviously not uncommon.

The question is whether this is transitory or whether this is going to be a longer state of play here, which is why it makes sense to invest in productive capacity.

This is a good time to do it, to ensure, particularly for items in which the supply chains are tremendously globalized or supply categories where there is a lot of import penetration in the United States, that we take a look at where we can make a difference, to offer an adequate supply, particularly in a time of need, or to have companies that have ramp-up capability here at home so that it doesn't have to sit on a ship for 73 days and get to the United States.

So will these bills obviously solve the problems that exist this day? They won't. But this is a chronic condition as well.

And so that is why I believe that the committee, that the House of Representatives

should take action on a set of competitiveness bills. I think that that would do a great deal to help those in the food industry and other categories that are dependent on getting supplies in a timely and efficient way.

Ms. Blunt Rochester. Thank you.

And just to follow up, the Building Resilient Supply Chains Act actually will not only use Federal funds to strengthen our supply chains, but also ensure employers who receive the funds allow workers to use their voice to form a union if they choose to do so.

Can you talk about why you think creating good-paying union jobs is important when the government provides significant Federal support to manufacturers?

Mr. Paul. I think it is absolutely important to reward companies that are doing the right thing by workers and sharing some of their profits with their workers. It makes a great deal of sense.

Too many of the gains over the last couple of decades in our economy have benefited a certain class -- shareholders -- and others have been left behind. And particularly in industries that we are trying to grow, we find that they are underrepresented by women and people of color. And so this is an opportunity to ensure that workers are a part of the beneficiaries of the policy choices that are being made.

Ms. Blunt Rochester. Thank you. My time is up.

Mr. Sills, I will follow up with you later. But thank you very much for your testimony. And specifically I will follow up to ask you about how these shocks have affected your ability to compete internationally, even though North America is your primary market.

So thank you so much, Madam Chair. And I yield back.

Ms. Schakowsky. The gentlewoman yields back.

And, Mr. Johnson, you are recognized now for 5 minutes.

Mr. Johnson. Well, thank you, Chairwoman Schakowsky. I really appreciate you waiving me on to your subcommittee today.

I am very pleased that my legislation, H.R. 5476, the Advancing Tech Startups Act, was included in today's legislative hearing. I am also pleased that this legislation has received bipartisan support from my colleagues Bobby Rush and Dean Phillips.

This legislation promotes a national strategy for encouraging more tech-focused startups and small businesses in all parts of the United States. I mean, you don't have to be in Silicon Valley to successfully launch a tech startup. The talent, sustainable cost structure, and opportunities are available in many locations across the country.

Specifically, H.R. 5476 requires the Secretary of Commerce, in coordination with the heads of other appropriate Federal agencies, to conduct a study within 2 years on the impact of technology startup companies on the United States economy.

This study must establish a list providing descriptions and the locations dedicated to the creation, development, and growth of tech startups, in addition to a list detailing the activities of public-private partnerships focused on promoting tech startups.

Furthermore, this study requires the development of a comprehensive list of Federal agencies asserting jurisdiction over entities and industry sectors dedicated to the creation and growth of all tech startups, and to also identify all Federal rules and regulations as they relate to States, cities, or geographic areas committed to the creation of technology startup companies.

This information can really help identify barriers that may hinder technology and small business startups from taking root all across the country.

Additionally, in order to identify emerging risks, long-term trends, and to assess the severity of risks posed to relevant marketplaces and supply chains, this study must

also include a survey of relevant marketplaces and supply chains impacting the creation, growth, and development of technology startups.

As we all know and are continuing to experience, the pandemic has served as a painful lesson about the importance of creating products, supply chains, and intellectual capital right here at home. We can't rely on China or anyone else -- and we don't need to.

While we must ensure our supply chains are resilient in a global economy, we must also be self-sufficient in critical areas. And it is time to fully unleash the American spirit of innovation and entrepreneurship across the entire United States.

As I mentioned, you don't have to be in Silicon Valley to successfully launch a tech startup. Some of my colleagues on both sides of the aisle may already know that both Columbus and Cincinnati were named in Forbes' list of top 10 rising cities for startups. For instance, Columbus-based READY Robotics empowers manufacturers to be more competitive through a line of easy-to-use industrial robotic systems.

Additionally, Physna, short for "Physical DNA," is a fast-growing software company based in downtown Cincinnati that offers industry-leading geometric deep learning technology, including a geometric search engine that allows users to search, store, share, and collaborate on 2.5 million 3D models.

And from Youngstown, just outside my district, JuggerBot 3D is an additive manufacturing machine builder whose mission is to design and build the finest 3D printing solutions in the world while delivering technology solutions that meet their customers' criteria for performance, reliability, and value.

Their goal is to deliver innovative products that break down barriers and open doors to new possibilities for their clients. By enabling companies to utilize readily available production materials for their additive manufacturing applications, JuggerBot is

helping to push 3D printing to the forefront of production.

And this is just a small sampling of the innovation taking place through tech startups in Ohio.

Madam Chairman, it is time to tap into the American spirit of ingenuity and entrepreneurship that is expanding and thriving well beyond Silicon Valley so that we can ensure that all parts of the United States can benefit from these tech startups.

I did have a question for Mr. Lincicome, but I see that my time has expired. So I will yield back at this point.

Thank you, Madam Chairman.

Ms. Schakowsky. Go Ohio and go Midwest. And the gentleman yields back.

And now I recognize Mr. Joyce, who has waived on to the committee, for his for 5 minutes.

Is he here? I don't see him.

So I am going to move on to -- okay. Last chance. Mr. Joyce? No.

I am going to move on then to Mr. Carter.

You are recognized for 5 minutes.

Mr. Carter. Thank you, Madam Chair, for allowing me to waive on to your subcommittee.

And thank everyone, all the presenters. I appreciate you being here.

The bills that we are discussing today fail to address domestic manufacturing and competitiveness of medical products.

One thing that we have recognized during this pandemic -- and I think there is a difference between knowing something and realizing something. We have known for a long time that we were too dependent on other countries for our PPE, for our drugs, and the pharmaceutical ingredients. All of that we have known.

We realized it during the pandemic. We realized that we were too dependent on that, particularly China, and particularly India. In the case of China, I mean, 90 percent of all antibiotics that we have here in America are made in China. Ninety percent of all the Ibuprofen, made in China.

We had 26 drugs that were held back by India for their own use until they made sure that they didn't have to have them before they would send them to us. Same thing happened with China.

We spoke, the Doctors Caucus had the former Secretary of ASPR, the Assistant Secretary of Preparedness and Emergency Response, Dr. Kadlec, at one of our meetings a couple weeks ago, and he told us that we noticed a downturn in the amount of PPE that China was sending us way back in September of 2019 -- in September of 2019. Not when we first recognized we had the pandemic back in the first of 2020, in the early months of 2020, in February and March, but in September of 2019, which is a whole nother story.

It tells us, first of all, they knew what was going on. But the point is, is they decreased the amount of PPE that they were sending us.

So we know that we have got to have manufacturing of medical products here in America. That is why I have introduced a bipartisan bill, the MADE in America Act, manufacturing aids to pharmaceuticals and drugs and excipients here in America, trying to repatriate those companies back to America so that we are not dependent on other countries for our pharmaceutical needs.

That is bipartisan legislation. And I hope that we will get the opportunity to look at that bill. And I hope we will get the opportunity to call that bill up.

I want to ask you, Mr. Lincicome, I have the honor and privilege of representing the entire coast of Georgia. It includes two major seaports, the Port of Savannah, the

number three container port in the country, the fastest-growing port in the country, the Port of Brunswick, the number two roll-on/roll-off port in the country.

All of these ports are extremely important. And we recognize, and you have even said it, many of you have said that we receive goods through a global supply chain and they come through our ports. I mean, even the leader of the committee has said that the Biden administration's message to many Americans is that we may not receive our Christmas and holiday gifts this year on time because of the supply chain issues that we are experiencing in our ports.

Mr. Lincicome, I wanted to ask you, what do you see as the largest issue at our ports currently? And how can we address that issue?

Mr. Lincicome. Thank you, Congressman.

I mean, I think it is first essential to understand that some of this is just the pandemic doing its thing. Massive supply and demand imbalances all over the world are going to wreak havoc on global shipping. And then these things tend to build on each other as containers get locked up at port.

That said, there are significant, I think, systemic problems facing the United States' logistics in port infrastructure. The United States, our ports, according to the World Bank, not a single U.S. port ranks in the top 50 in terms of efficiency in the world. The Port of L.A. in Long Beach out West, one of the largest -- the largest in the country -- is around 335th in the world in port efficiency.

Now, why is this? Well, if you actually start digging into the issues you see one of the reasons is that port unions over the years have opposed automation of U.S. ports and have specifically demanded that they not be as efficient and productive as possible.

U.S. maritime law, the Jones Act and other things, make dredging ports prohibitively costly. And they also push coastwise shipping -- so, for example, bringing

oranges from Florida to Boston -- they push that onto our highways, further clogging up trucking capacity.

It is those type of long-term systemic issues, along with our trade rules -- I mentioned the chassis tariffs -- that we really need to think about for the next potential supply chain crisis. And this is about maximizing efficiency and flexibility, not just picking winners and losers in the market.

Mr. Carter. Well, you are absolutely right, and I appreciate that.

And also the regulations that we have to go through. We are dredging the Savannah port right now, and the Savannah Harbor Expansion Project, started it in 1996. China has started and completed three ports since that time period. So that is a big problem, too.

And I am out of time, Madam Chair, and I yield back.

Ms. Schakowsky. The gentleman yields back.

And last but not least, I recognize as a waive-on to this great subcommittee Mr. Kinzinger for 5 minutes.

Mr. Kinzinger. Thank you, Madam Chair.

And to the witnesses, thank you for being with us.

And, Chairwoman, thank you for allowing me to waive on.

As the spread of COVID-19 began accelerating, the U.S. quickly came to understand just how debilitating some of our overlooked or underaddressed supply chain vulnerabilities had become.

My office spent 14 months developing and consulting with experts, culminating in the introduction of bipartisan legislation, which is the MADE in the Americas Act, to address these national security issues posed by countries of concern.

This bold and ambitious legislation takes many of the painful lessons we learned

from the pandemic and aims to strengthen the security of our Nation and our economy.

While my original bill is not being considered today, my MEANS Act, which is, aims to accomplish much of the same. The MEANS Act would provide financial tools to manufacturers operating in countries of concern to move their manufacturing operations to the United States or, when it would be financially impossible, to other allied nations or key partners.

Whether it is China threatening to withhold lifesaving goods from the U.S. in the middle of a pandemic or the record number of freighters waiting off the coast for entry to port, it is clear that action is needed.

A legislative hearing on these bills represents a major step in addressing these challenges.

I believe my colleagues would agree that these bills are not yet perfect, and each measure would require further negotiations and consultations with stakeholders and experts.

But I am proud of the work each office has done to this point. I look forward to keeping up the momentum through Congress.

Mr. Lincicome, I appreciate your testimony. You are clearly pessimistic about Federal industry policy. But I think you and I have more in common than not on policy preferences.

I agree that the U.S. must make itself internationally competitive. This should be done by keeping corporate tax rates low, immediate full expensing, and lightening regulatory structures.

We should also be engaging in more bilateral and multilateral trade agreements, reducing tariffs, and otherwise eliminating as many nontariff trade barriers as possible.

In fact, the bipartisan supply chain bill I introduced in May, the MADE in the

Americas Act, sought to accomplish these goals.

My bill under consideration was developed to fit solely within this committee's jurisdiction. And while there is overlap between the MADE and MEANS, pretty much all the tax, trade, and foreign policy provisions from the former are absent. For the record, I stand by those provisions.

Where you and I differ is on the matter of industrial policy and the idea that there is little to no role for the government in this space.

You mentioned how the pandemic led to a shortage of PPE, medical equipment, and pharmaceutical ingredients, and how resilient the market was in filling that void. I couldn't agree more. It is a testament to America.

But we need to consider the real world impacts of those shortages both from a practical standpoint and as a matter of national security and foreign policy. We cannot ever allow another nation, China or otherwise, to have the power to withhold exports of critical goods.

While I agree it would be best for the market to self-correct, we have to look at it primarily from a national security standpoint and not as an academic or theoretical exercise. The Federal Government's primary role is to protect its citizens from foreign threats.

Let me ask you, do you happen to know by chance how many Americans died because we didn't have enough masks, ventilators, cleaning products, drugs?

Mr. Lincicome. No, Congressman.

Mr. Kinzinger. Yeah, I don't think that is a figure anyone can have. And I think the point is we can all agree that the answer is definitely too many.

We are not looking to one-up these market corrections. We are looking to provide tools to replicate them for other critical goods, particularly those related to

critical infrastructure, because major supply chain shocks cost lives. And in order to preserve life, we have to be proactive and not reactive.

The rate at which China is cornering the markets, ranging from rare earth minerals, to semiconductors, to industrial chemicals, combined with the strained nature of our bilateral relationship, is making a future crisis increasingly likely.

So when we have seen such major vulnerabilities in certain supply chains, we can't stand idly by putting all our faith in purely just market-driven forces.

Let me close that by saying, I don't mean to be adversarial. You are clearly well informed on these matters and we agree on a lot. We just simply differ on a few approaches.

So I would like to ask you, are you willing to work with my office to make any improvements to the policy proposals under consideration today and have an open conversation?

Mr. Lincicome. Yes, Congressman. Of course I am happy to help. Of course, again, Cato does not specifically lobby on specific pieces of legislation. But in terms of the principles and the ideas, I am happy to lend my knowledge.

Mr. Kinzinger. Excellent.

Well, Madam Chair, I have got some more, but we are coming up on 20 seconds left. So I will yield that back.

Thank you to everybody for being here.

Ms. Schakowsky. I thank the gentleman, who yields back.

And I want to now just give a really big shout-out and thank you to our witnesses. I am on a number of committees and subcommittees and rarely see five individuals actually ask to waive on to a conversation like this.

I want to see if my ranking member just wants to say a few closing words of

thanks as well.

Mr. Bilirakis. Well, I just want to say thank you, Madam Chair. I want to thank the presenters of course and all the members who stayed on with this, and also the people that waived on. Thanks for your patience. And I think it was very productive. So I appreciate you holding the hearing.

And with that, I yield back.

Ms. Schakowsky. The other thing I just want to say to the witnesses, this was incredibly bipartisan also in most situations. And so there are a number of bills that we are considering, and hopefully we will have your support, and help, and advice as we move forward.

I want to remind all members that, pursuant to committee rules, that they have 10 days to submit additional questions for the record.

And I want to say to the witnesses, we ask you -- that those inquiries that are clearly going to come to you, people referred to them. I have never seen 5 minutes also go by as fast as in this particular hearing that we have had.

So you are going to get questions. And we are asking that these questions be answered by the witnesses who have appeared as quickly as possible.

And with that, let me just say that we do have to submit for the record three letters, a letter from the Premier Healthcare Alliance, a letter from the U.S. Travel Association.

And without objection then, that would be so ordered.

[The information follows:]

***** COMMITTEE INSERT *****

Ms. Schakowsky. And at this time the subcommittee is adjourned.

[Whereupon, at 2:59 p.m., the subcommittee was adjourned.]