

Testimony of Brian T. Petty
Chairman, ITAC 2 (Automotive Equipment and Capital Goods)
Before the Subcommittee on Trade
of the Committee on Ways and Means
of the US House of Representatives
Hearing on
The Trade Advisory Committee System

July 21, 2009

Mr. Chairman, Ranking Member Brady and Members of the Subcommittee, I am Brian T. Petty, Senior Vice President - Government Affairs of the International Association of Drilling Contractors and chairman of the Industry Trade Advisory Committee for Automotive Equipment and Capital Goods, ITAC 2. ITAC 2 is comprised of 27 members representing a wide gamut of US manufacturing interests, including automotive manufacturers, auto parts makers and industries that sell to them. In addition, our membership includes trade groups representing the largest manufacturers of goods and equipment, and those companies supplying goods and services to them. We also include significant construction, farm equipment, energy, precision tools and packaging entities.

I formerly served as vice-chairman of the Industry Sector Advisory Committee for Capital Goods (ISAC 2), which in 2004 was consolidated into ITAC 2.

Accounting for a quarter of global manufacturing output, the US is still the world's largest manufacturer. If the US manufacturing sector stood by itself, it would be the eighth largest economy in the world. Japan, Germany and China are the next largest economies, but their GDP is significantly smaller than that the United States.

In 2008, US manufacturing output was \$5.18 trillion. More goods are made in the United States today than at any time in US history. The significance of manufacturing in the economy is even greater than the macroeconomic data indicate, for the manufacturing sector is what has enabled other sectors of the economy to grow.

The industries represented by ITAC 2 represent close to one-third of US manufacturing output. In 2008, US capital goods production was \$907 billion and auto industry production was \$479 billion. These industries account for 56% of US domestic exports of manufactured goods. Capital goods are the largest single category of exports, at \$469 billion in 2008, while automotive exports were \$121 billion. Automotive products are the single largest US export, followed by aerospace and semiconductors.

More than one in six US private sector jobs depend on US manufacturing. Specifically, the manufacturing sector supports more than 20 million jobs in the United States: 14 million jobs directly within manufacturing and 6 million other jobs in sectors such as commodities, wholesaling, transportation, and finance and insurance dependent on the manufacturing sector.

I also serve on the ITAC Committee of Chairs Investment Working Group. The IWG was formed in 2003 and reauthorized in 2006. The IWG's purpose is to provide advice to the US government on legislation, policies, and issues concerning both inbound and outbound investment, as well as investment treaties and agreements. The group was formed at a time when the Administration was engaged in an extensive review of investment policy as required by the Trade Act of 2002.

Officials at USTR and the Departments of Commerce, State, and Treasury recognized that need for private sector consultation, but also realized that no single advisory committee focused on investment matters, rather, investment experts were dispersed among various ITACs. The working group was formed in response to this problem. The IWG draws its membership from the roster of cleared ITAC advisors. The main criterion for membership is that the advisor has depth knowledge and expertise in investment policy and practice. USTR and Department of Commerce seek a diversity of views by encouraging membership from all ITACs and limiting the number of members from any single ITAC.

The IWG meets and deliberates independently, but reports its findings and recommendations to the ITAC Committee of Chairs. The IWG's most recent work product was entitled "Investment Policy Outlook for 2009," submitted by the Committee of Chairs to Secretary Locke and Ambassador Kirk on April 23, 2009. Membership has ranged from 12-15; currently, there are 13 IWG members from 8 different ITACs. For the first five years of operation (2003-2007), the IWG included cleared advisors from non-business NGOs: specifically Friends of the Earth, The Mercatus Center at George Mason University, and The Pacific Environmental Resources Center. But only Friends of the Earth briefly participated. After that, none of them participated.

My history with the industry federal advisory system going back to 1997 has given me some substantial insight into its efficacy in advising the USTR and Department of Commerce on trade policy. As secured advisors, we have common sectoral interests in promoting exports and creating jobs and market value in the US.

Some are counseling adding NGOs and representatives of organized labor to the individual ITACs, notwithstanding the fact there are advisory committees created precisely to provide them the same - or even better -

access to Administration trade policymakers. For example, the Trade and Environment Policy Advisory Committee meets routinely with the USTR to express the environmental community's views about emerging trade issues. And organized labor has its own Labor Advisory Committee for Trade Negotiations and Trade Policy. Just so, US industry under the ITAC system has the opportunity to speak clearly and with an unvarnished opinion about what's in US businesses' interests, and where US economic interests lie.

The ITAC system was reorganized in 2004 after a thoroughgoing study by the GAO proposed rationalizing the sectoral system, first established in the 1970's, to reflect the 21st century American economy. From where I sit, and in this I am supported by the 26 other members of ITAC 2, this system has worked very well. Adding adverse or potentially contentious elements to the individual ITACs would certainly chill free and frank discussion, and would be a major disincentive to recruit members to the ITACs. We all give time and sacrifice something of our "day jobs" in participating. I hope the subcommittee treads lightly in promoting something which could discourage the critical input of US employers, and in particular the manufacturing sector substantially represented by ITAC 2.

Thank you for the opportunity to testify today.