Rep. Phil Gingrey
Opening Statement for the Globalization of R&D and Innovation
Committee on Science & Technology
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Mr. Chairman, thank you for holding this hearing – the third in this series – on the incredibly important issue of the locations of research & development, science, technology, and engineering intensive facilities of private companies. In the technology-based economy of the 21st Century, it is vital that we enact policies that continue to make the United States a viable and attractive option for companies when they decide where they place these essential facilities. Our panel this morning will provide us with a wealth of information on this issue – both from academia and the private sector – to help us shape future policies that will inevitably affect our economy for generations to come. I want to thank each of the witnesses for being here, and I am looking forward to hearing from you.

For companies, there are a multitude of factors that are considered when choosing to locate R&D facilities, whether that location is in the United States or elsewhere in the world. Our country is seen as being on the cutting edge of R&D, yet we continue to see the emergence of companies choosing offshore locations as an alternative to the United States.

Other countries have used the U.S. as a model for economic prosperity through attracting investment in available resources, including human capital. These countries have invested in their own intellectual infrastructure by placing an extra emphasis on science and engineering to the point where a large percentage of graduates are in these fields.

According to a recent study, 50% of students in China receive their undergraduate degrees in natural science or engineering; in Singapore, that number is 67%, and 38% of South Korea's graduates fall into these fields. Unfortunately, the United States is lagging behind with a staggering 15% of graduates in natural science or engineering. I am glad that the work of this Committee, through the America COMPETES Act, begins to address this shortcoming, but we still have a large gap to close in this area.

Furthermore, we have seen that China has made some of the most aggressive steps in advancing R&D while we have chosen to place our federal priorities elsewhere. China has founded the Chinese Science Foundation that is modeled after the United States, and China is increasing its investment in science. R&D activities rose 500% in China between 1991 and 2002, from $14 billion to $54 billion; while, during that same period, domestic R&D spending only increased by 140% from $177 billion to $245 billion.

Additionally, countries have also mimicked our technology transfer programs. A number of companies that locate their facilities abroad place them near universities so that they can work in collaboration with those laboratories. Many companies report that overseas universities are more cooperative than their U.S. counterparts and much more willing to seek common ground on intellectual properties rights. At the same time, companies are finding current Bayh-Dole laws overly burdensome on facilitating domestic investment.

Unfortunately, we have seen that a company can move its operation abroad in a short time period and end up with a much more generous contract. As we move forward, this Committee must address these problems and find ways to provide the proper incentives for R&D investment to remain in the United States.

Mr. Chairman, if imitation is the sincerest form of flattery, we should be very flattered when it comes to R&D. Unfortunately, all of this flattery has had a profoundly negative affect for our economy. For example, according to *Site Selection* magazine, 22 of the 25 largest facility investments in semiconductor plants since January 2006 occurred in Asia, including nine of the top ten. These are jobs that very easily could be held by hard-working Americans and stimulating the domestic economy. Instead, we are watching these jobs go overseas and United States fall behind in an area of such importance to the future of our nation.

The United States has historically been a leader in high-tech, cutting edge innovation. Through a combination of increased domestic STEM education, facilitation of domestic investment in R&D and collaboration on R&D policy, the U.S. can reclaim its leadership role. I await the testimony of our witnesses on how we can address these critical issues facing our Committee. With that Mr. Chairman, I yield back.