

**TESTIMONY BEFORE THE
SENATE COMMITTEE on COMMERCE, SCIENCE, and TRANSPORTATION
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Washington, DC**

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Good afternoon and thank you Chairman Rockefeller and Senator Hutchison for inviting me to join you this afternoon.

It is an honor and my pleasure to join you today to share some thoughts on how to grow domestic manufacturing in a way that increases our nation's exports—in the near- and long-term, while reducing our trade deficit and strengthening America's competitiveness in a rapidly changing global marketplace. I should note at the outset: much of what I want to share with you today is not targeted specifically to this Committee. Instead, I hope to articulate a suggested framework for thoughtful policymaking in the areas of manufacturing, exports, and jobs creation.

As some of you know, Dow Corning is a Michigan-based Company that has become one of the world's leading providers of silicon-based materials that enhance the products of such industries as:

clean energy,

automobile production,

personal care products,

construction—including in the areas of green building and energy efficiency,

electronics

and health care technologies.

I am proud to say that Dow Corning has more than doubled its sales since 2003. Last year, our sales increased by about a billion dollars to nearly \$6 billion, and our net income was 45 percent higher than in 2009.

We are seeing record growth; we are exporting; and we are creating jobs.

We have achieved that growth in part because we believe that you only can export what customers around the world want to buy — and, to sustain this growth, we know that we must

not simply cater to the markets of today... we must also anticipate the shape and demands of the global marketplace of tomorrow.

We study the trends — *the megatrends* that will shape the world economy and humankind in the decades to come— and then we unleash our innovators to find the products and solutions that will meet the needs and challenges posed by these megatrends.

The innovation necessary to meet these emerging global demands leads us to invest 5 to 6 percent of our sales every year in research and development. Then we risk the capital to manufacture those solutions-based materials. We take great pride in the fact that 10 to 15 percent of our silicone sales are from products and services less than five years old.

I applaud this Committee for taking the time to explore the root causes of the loss of U.S. manufacturing muscle and the ways that government and industry can work together to strengthen manufacturing so more American workers can enjoy the well-paying, family-supporting jobs that *making things* provides. But I would urge this Committee to thoughtfully consider, as well, the linkage between the profound and long-term trends that even today are shaping the world in which we live and the companies and industries that are innovating *daily* to meet a changing world.

I should tell you that my company traditionally has thrived on a culture of quiet innovation. We've only recently joined the public discussion because we know that the power of a vibrant manufacturing sector is critical to maintaining and enhancing the quality of life in our nation. We know that forward-looking government policies *are essential* to encouraging innovative, eyes-on-the-future companies to take the risks necessary for success.

At Dow Corning, we are convinced that one path to future success will meld good business practice with meeting the needs of the billions of people in the world who are not sharing in the lifestyles of what we have come to call “developed” societies.

For example:

- An estimated 3 billion people lack access to sustainable and affordable modern energy. Many live off the electricity grid in the darkness of energy poverty.
- A billion of our global neighbors do not have access to safe drinking water.
- Every day, 200,000 people move to big cities, many of which already are overwhelmed by the demand for housing and other essentials of dignified life.

Our executive,
chemistry,
engineering

and marketing teams see opportunities in these megatrends to do good while doing well by exploring what we think is the unlimited potential for solutions hidden in the silicon atom — all the while creating jobs for Americans and making a profit for our owners.

So, what are these megatrends to which I have been referring? At Dow Corning we are focusing on the following:

- First, energy scarcity and the need for clean energy solutions. Our materials enable solar and wind energy generation; energy efficiency and energy storage.
- Secondly, the rapid urbanization of the developing world. Our green building and energy efficiency technologies are complemented by high-performance building materials — that, for example, make glass more resistant to fire, vibration and impact — and new-technology insulations that — by squeezing more protection from the elements into fewer inches — allow architects to add square feet to urban dwellings.
- And, thirdly, aging populations and the corresponding challenges related to the provision of health care. We are innovating our silicones, for example, to enable improvements in wound care and transdermal and topical treatments to enhance patient comfort and care.

I'm sure other companies are exploring these and other megatrends through the lenses of their competencies and business plans. And I am also sure that companies that play into—and not resist—these trends will be the jobs engines of the coming decades. If the United States is to maintain its global economic leadership it must strive to be home to these kinds of companies and industries...these innovators. To be sure, that means having a competitive corporate tax structure and regulatory regime, as well as incentives for investment in innovation and growth. *But*, it also means having smart, forward-looking policies that invite investment from manufacturers poised to meet changing global demand.

Take, for example, the challenge of energy scarcity and the unabated global demand for renewable energy.

About two years ago, Dow Corning proposed a four-point plan for accelerating America's adoption of solar energy – with a key plank of that program dedicated to the need for tax incentives to stimulate manufacturing investment and create much-needed jobs in recession-ravaged places like our home state of Michigan.

Dow Corning's plan focuses on solar power because, as one of the world's largest producers of the base material needed to convert the sun's energy into clean and sustainable electricity, that is among the technologies we know best.

But our suggestions, nevertheless, also address many of the manufacturing, legislative, regulatory and workforce-related factors that influence America's ability to develop a thriving advanced manufacturing base.

First, we are encouraging Congress and the Obama Administration to enact federal policies and regulations that will increase domestic consumer demand for renewable energy, energy efficiency products and the manufacturing of those products here at home. Not surprisingly, the solar supply chain wants to be where the market is. So, growing domestic demand for solar is key to realizing the enormous jobs potential that the growing market for solar promises.

Other nations have adopted aggressive policies to support the growth of their renewable-energy marketplaces, and, not coincidentally, during the past 12 years, the U.S. global market share of solar manufacturing has dropped from 45 percent of the total to only 7 percent.

Meanwhile, other nations are aggressively courting solar manufacturers. With China, Germany, India, Malaysia, and the Philippines luring American manufacturers with roughly 40 percent manufacturing tax credits and high demand markets, the U.S. risks losing this growth industry unless it puts into place strategic, short-term, demand-side incentives. But it is also time to uncap the 48C advanced manufacturing tax credit to stimulate immediate manufacturing investments here in the U.S.

Second, we are advocating increased federal funding for research and development — as the government does for many other industries — to accelerate technological innovation and advanced manufacturing capabilities. Making the R&D tax credit permanent is critical.

Third, we support training and education to develop a “green collar” workforce. We won't have exports without manufacturing. And we won't have manufacturing without a ready workforce. Other nations have undertaken *massive* expansions of educational assets in recent years — some nearly tripling their share of GDP devoted to it. These countries are ramping up the construction of colleges and increasing the number of college students as much as five fold to accelerate their manufacturing development.

We applaud the efforts of the Science, Technology, Engineering and Mathematics Education Coalition. It is doing the important work of supporting training for teachers and students through activities of the U.S. Department of Education, the National Science Foundation and other agencies. Rigorous education is essential to developing an American workforce that can compete in the global marketplace.

Fourth, Dow Corning urges our government — at the federal, state and local levels — to “lead by example.” If designers of new government facilities incorporated renewable-power options,

the change in the landscape would remind our citizens in big cities and small towns that solar energy has arrived in our lives.

My company is doing its part to encourage a climate of collaboration, creativity and commitment to greater energy security. We know it is fundamental to protecting our nation's competitiveness in the decades to come. Generations of future Americans deserve nothing less than our *best* effort. We hope Congress will continue to do its part by enacting policies and incentives to encourage private sector investment.

At Dow Corning, we look forward to working with each of you as we enter a marketplace that is full of incredible opportunities for American manufacturing.

Business and government *must* work together to lead the economic transformation to a growing and exporting manufacturing base. So, let's play to our strengths. For U.S. manufacturers, which channel the human capital and R&D that emanates from our world-class universities, that means opening markets that are currently closed to U.S. goods and services.

Emerging economies offer unbridled opportunity to those companies that have access to those markets.

I take this position not only as the head of an American company selling to the world but also as a member of the President's Export Council. The 20 private sector members of the Council, whose companies represent a large swath of the American manufacturing and service sectors, have urged President Obama to prepare and submit to Congress as soon as possible the pending free trade agreements.

Leaders on both sides of the aisle know that free trade can play a major role in our nation's economic recovery and the revitalization of our manufacturing sector.

Finally, I applaud President Obama for making the case for trade in his State of the Union address when he announced his National Export Initiative, which seeks to double U.S. exports within five years to support an additional *2 million* American jobs.

Innovative,

flexible,

strong,

courageous

and collaborative public-private partnerships *can* lead to a recovery that creates engaging, well paying, worthwhile work for Americans ... as well as exports that serve the increasing demand of our global neighbors for products that enhance their quality of life.

I'm confident that if we were to share these ideas with the people in the coffee shops and diners of your communities, they would agree.

Thank you for your kind attention.