

U.S. Manufacturing Competitiveness in the Global Economy

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ATP Advisory Committee
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Manufacturing Makes America Strong

2/3 of U.S. Exports of Goods and Services are Manufactured Goods

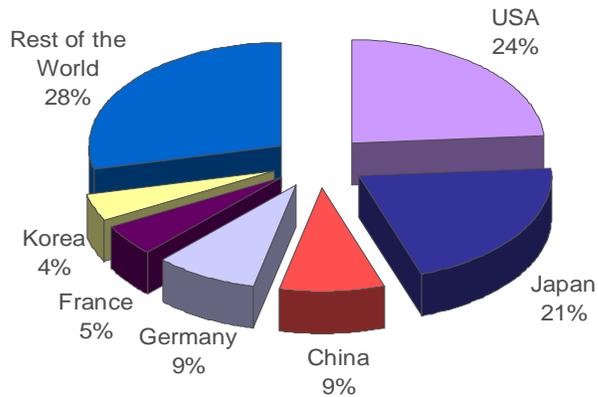
Category	Percentage
Manufactured Goods	62%
Services	30%
Agricultural Goods	5%
Other	3%

- Manufacturing Accounts for Vast Bulk of U.S. Research and Development
- Manufacturing Produces the Innovations to Fuel Rest of Economy
- Manufacturing Pays Higher Wages and Benefits
- Manufacturing is the Basis for U.S. Global Strategic Leadership

Source: NAM calculations based on U.S. Census Bureau data

U.S. Still Leads in Manufacturing

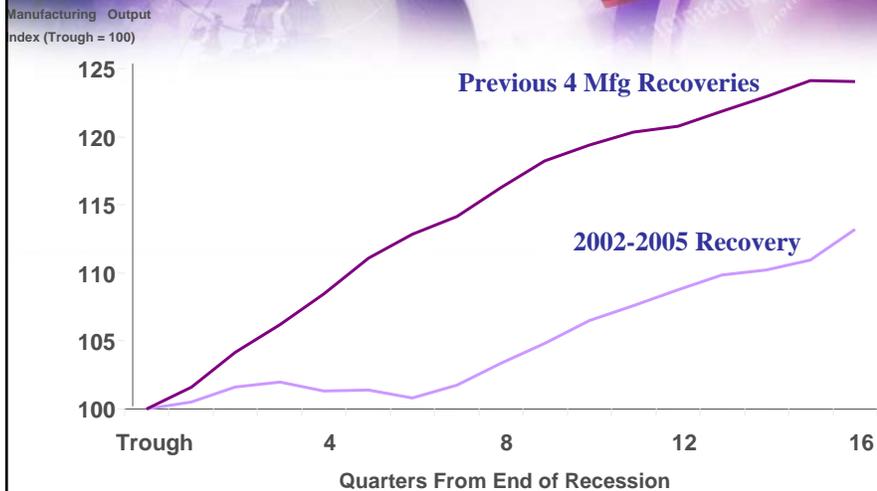
Share of Worldwide Manufacturing Output, 2004



Source: World Bank and Economy.com

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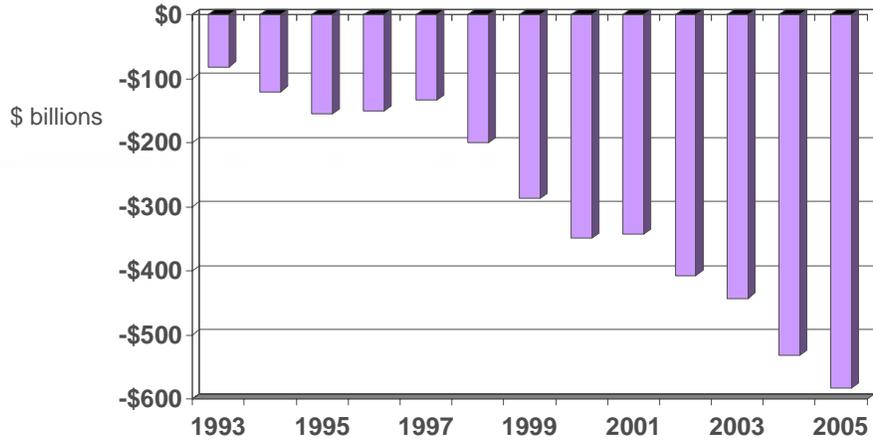
U.S. Manufacturing Output Has Recovered ... But Less Than in Previous Upturns



SOURCE: NAM Estimates from Federal Reserve Board data

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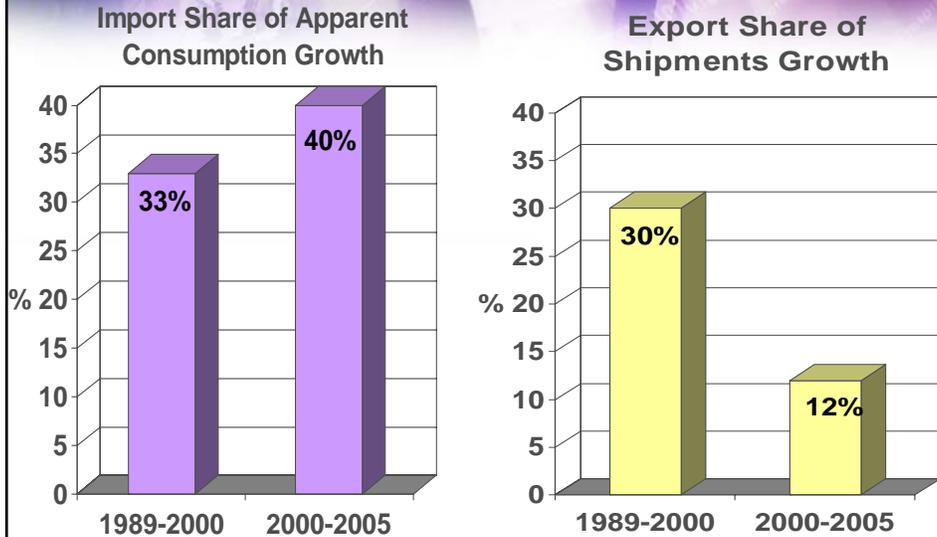
We Have a Huge and Growing Deficit in Manufactured Goods Trade



Source: Commerce Department



Both Exports and Imports are Factors in the U.S. Manufactured Goods Trade Imbalance



Source: NAM calculations based on Census and Commerce Department data



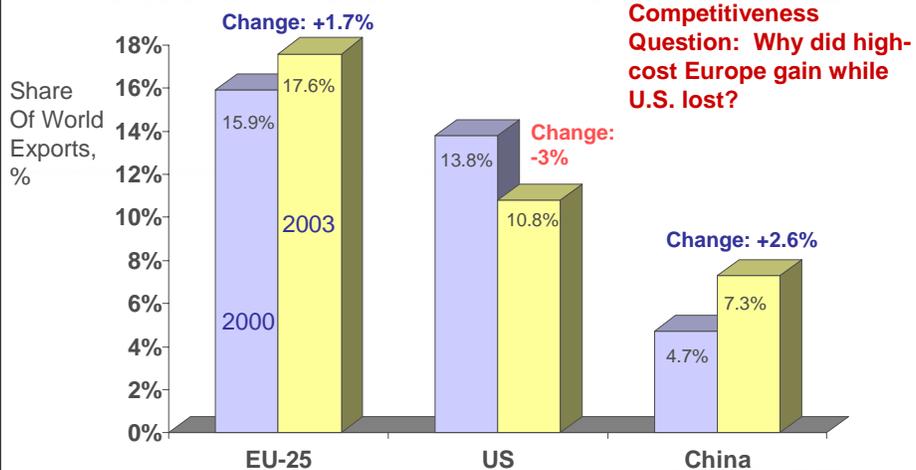
U.S. No Longer #1 Manufacturing Exporter Have Been Passed By Germany, and Soon by China



Source: Comtrade

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The U.S. is Losing Share of Global Manufactured Goods Trade

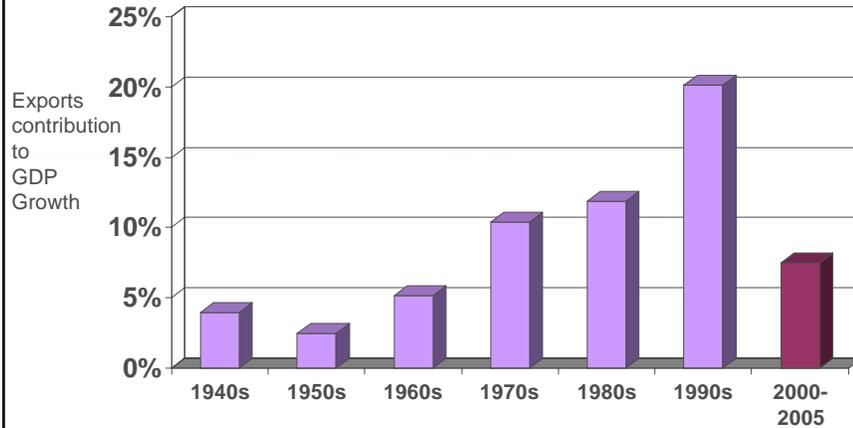


**Competitiveness
Question: Why did high-cost Europe gain while U.S. lost?**

Source: WTO International Trade Statistics, 2005
EU-25 trade does not include intra-EU trade

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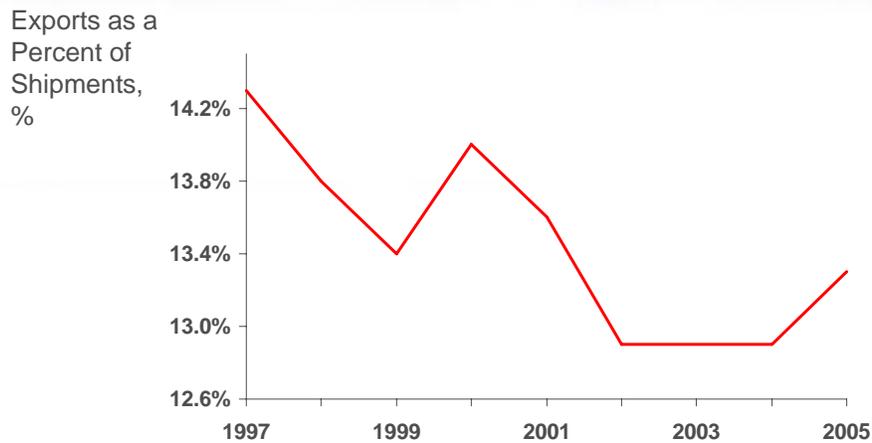
Exports Have Stopped Being a Key Driver of Economic Growth



Source: NAM calculations from U.S. Bureau of Economic Analysis

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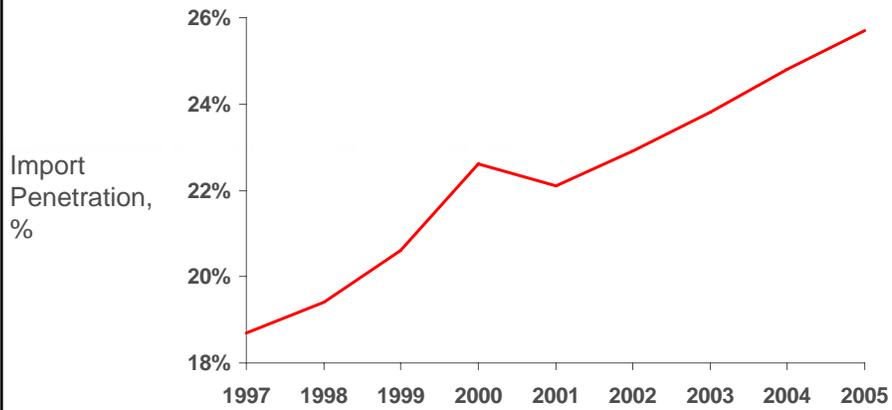
Exports as a Percent Shipments Have Been Struggling



Source: NAM calculations from U.S. Department of Commerce data

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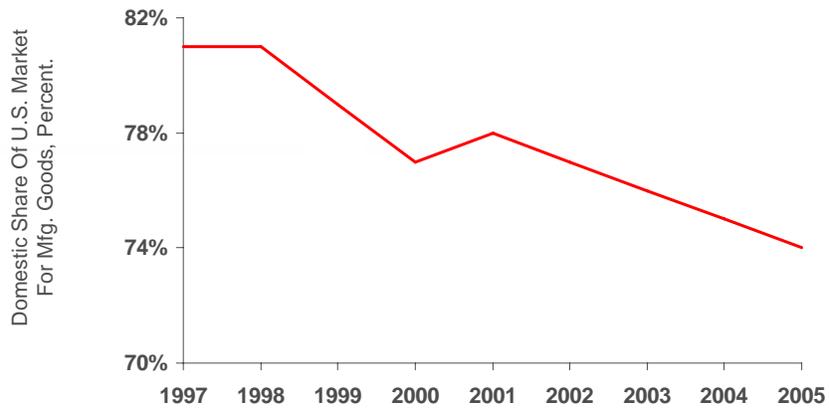
Import Penetration of Manufactured Goods Keeps Rising



Source: NAM calculations from U.S. Department of Commerce data

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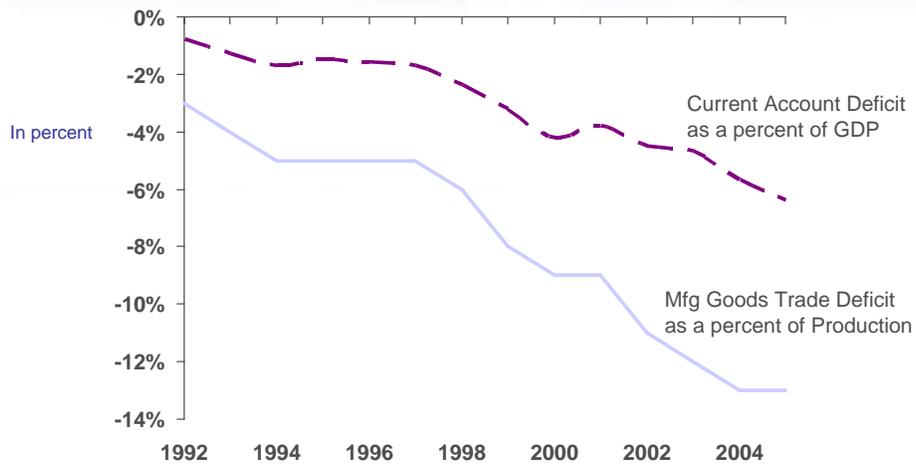
Domestic Share of U.S. Market is Sliding



Source: NAM calculations from U.S. Department of Commerce data

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The Trade Deficit Hits Manufacturing the Hardest



Source: Commerce Department

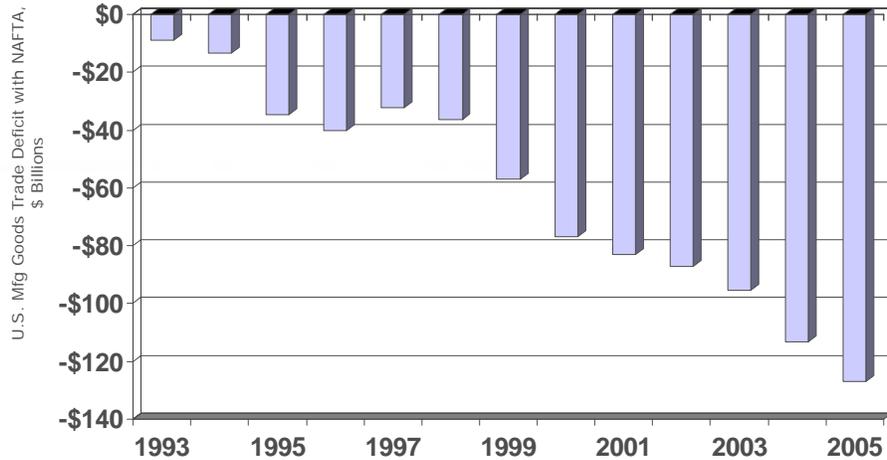
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Many Say Our Deficit is Because of U.S. Free Trade Agreements – and Especially NAFTA...



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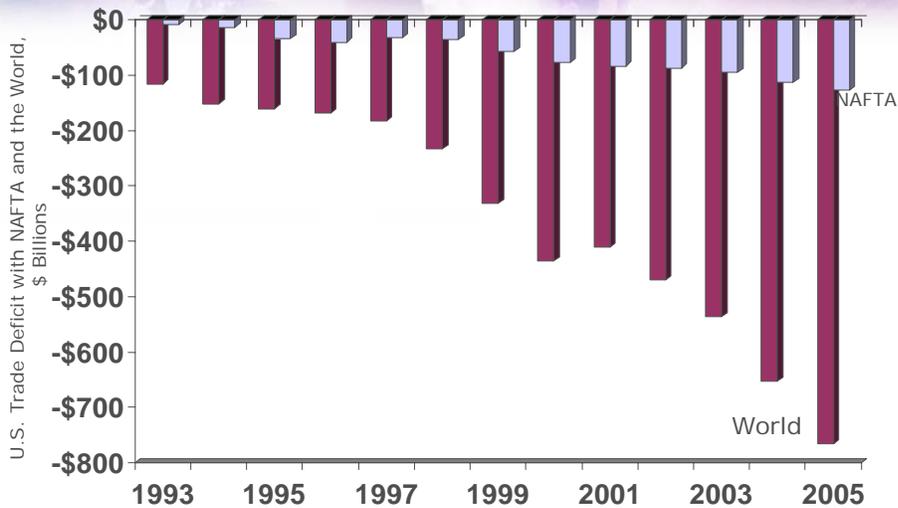
They See NAFTA as a Primary Cause of the U.S. Trade Deficit...



Source: NAM calculations from U.S. Census Bureau data



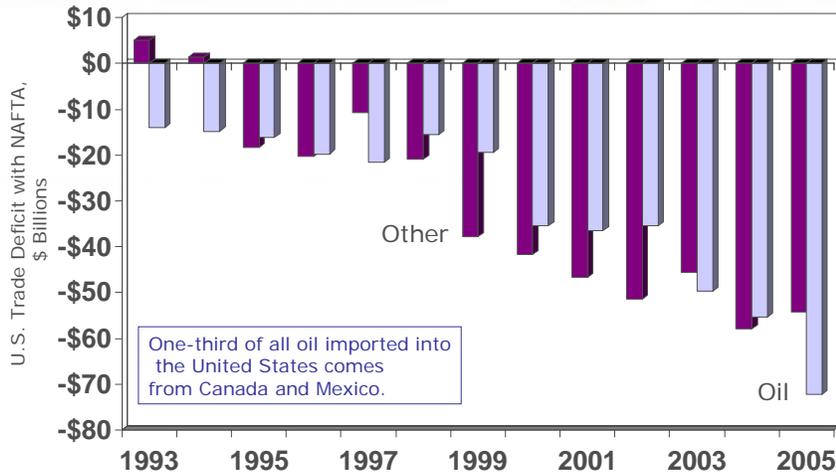
...But they are Wrong NAFTA is Actually a Very Small Part of the U.S. Trade Deficit



Source: NAM calculations from Census Bureau data



Moreover...More than HALF of the Entire Trade Deficit is with NAFTA is Solely Because of Oil Imports



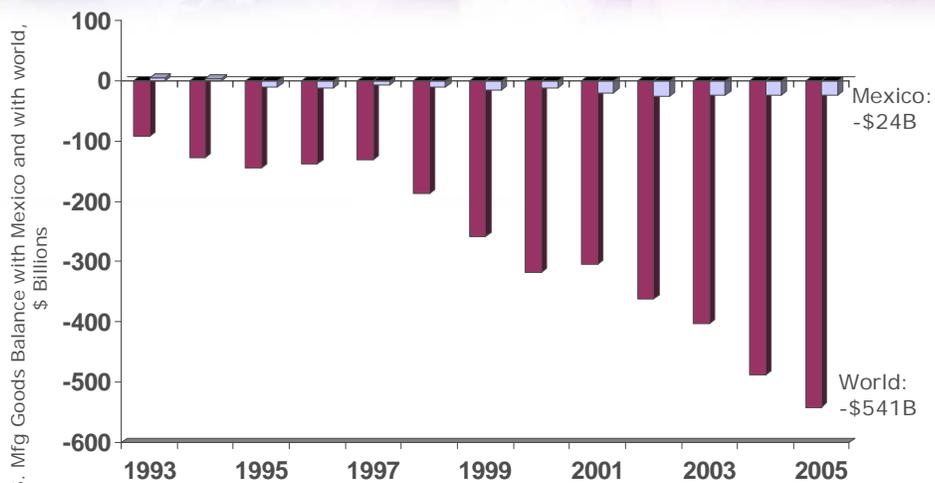
One-third of all oil imported into the United States comes from Canada and Mexico.

Source: NAM calculations from U.S. Census Bureau data



Mexico is Only 4% of the U.S. Mfg Goods Trade Deficit

What Sucking Sound?



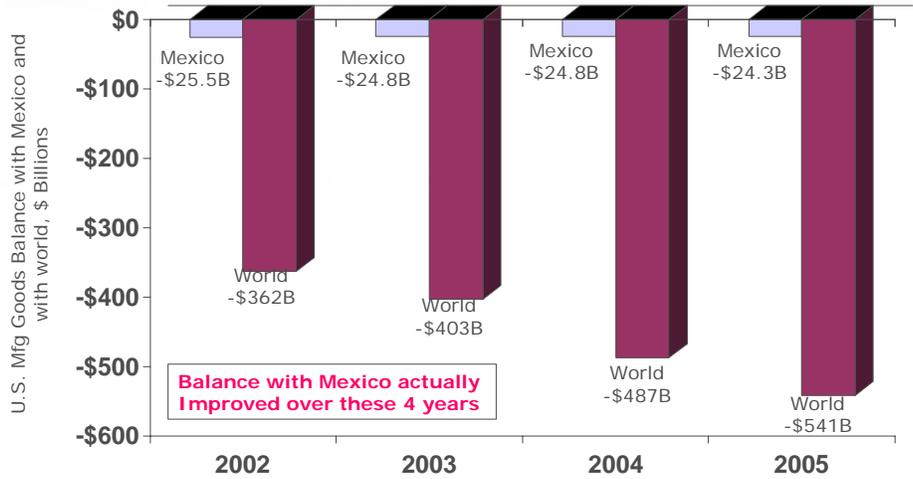
Mexico: -\$24B

World: -\$541B

Source: NAM calculations from U.S. Census Bureau data



**Our Mfg Goods Deficit Grew \$179 Billion in the Last 3 Years
 – But Not a nickel of it came from Mexico!**

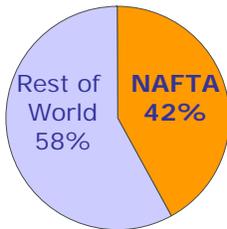


Source: NAM calculations from U.S. Census Bureau data

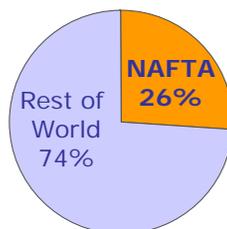


**NAFTA Provided 42% of U.S. Manufactured Goods Exports...
 26% of Import Growth...and only 8% of the Deficit**

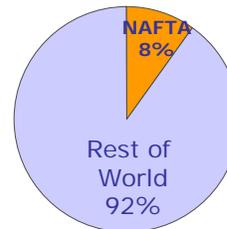
Share of Growth in U.S. Manufactured Goods Exports, 1993-2005



Share of Growth in U.S. Manufactured Goods Imports, 1993-2005



NAFTA Share of U.S. Manufactured Goods Trade Deficit, 1993-2005



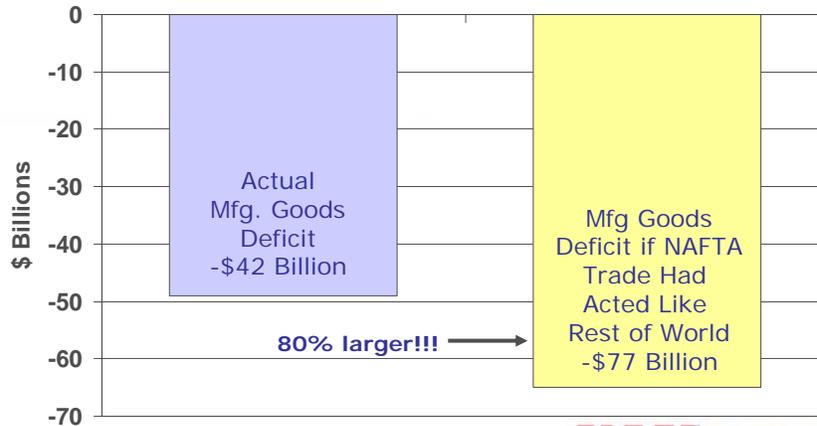
Source: NAM calculations from U.S. Census Bureau data



U.S. Manufactured Goods Trade with NAFTA Performed Much Better Than with the Rest of the World

Imports from NAFTA grew 20% faster than U.S. imports from the rest of the world,
but U.S. exports to NAFTA grew 50% faster than to the rest of the world.

This made the U.S. deficit with NAFTA much smaller than it would have been!

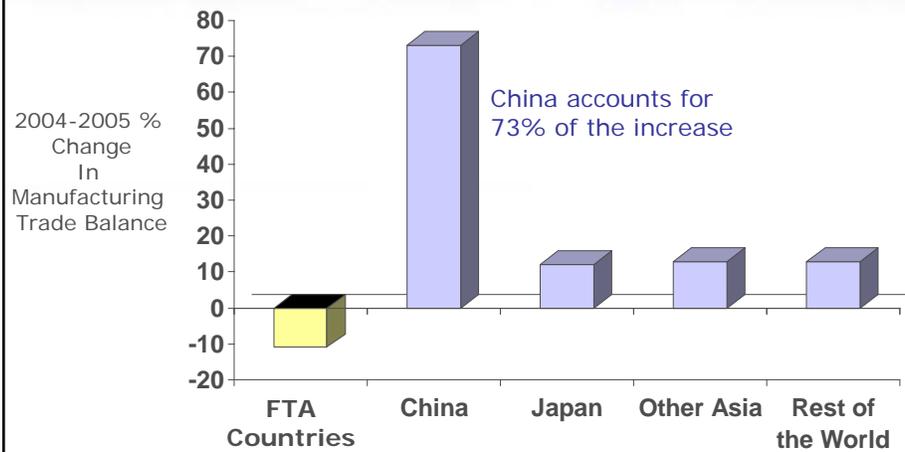


Source: NAM calculations from Census Bureau data

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Free Trade Agreement (FTA) Partners Are the Brightest Spot in 2005 Manufactures Trade

Our Trade Deficit with FTAs is Falling, While it is Rising with the Rest of the World

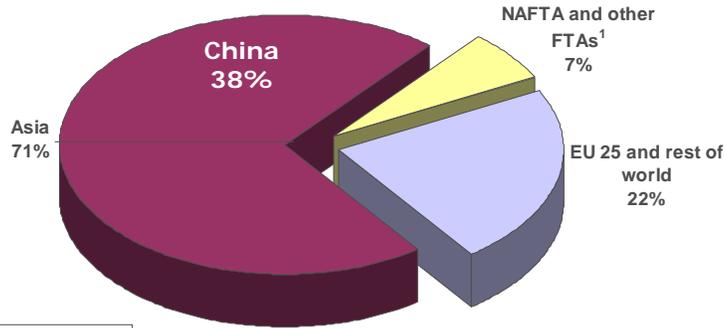


Source: NAM calculations from U.S. Census Bureau data
FTA countries include Australia, Canada, Chile, Israel, Jordan, Mexico and Singapore

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More than Two-thirds of the U.S. manufacturing trade deficit is with Asia 2005

93% of U.S. Manufacturing Trade Deficit is with countries whom the U.S. does not have FTAs

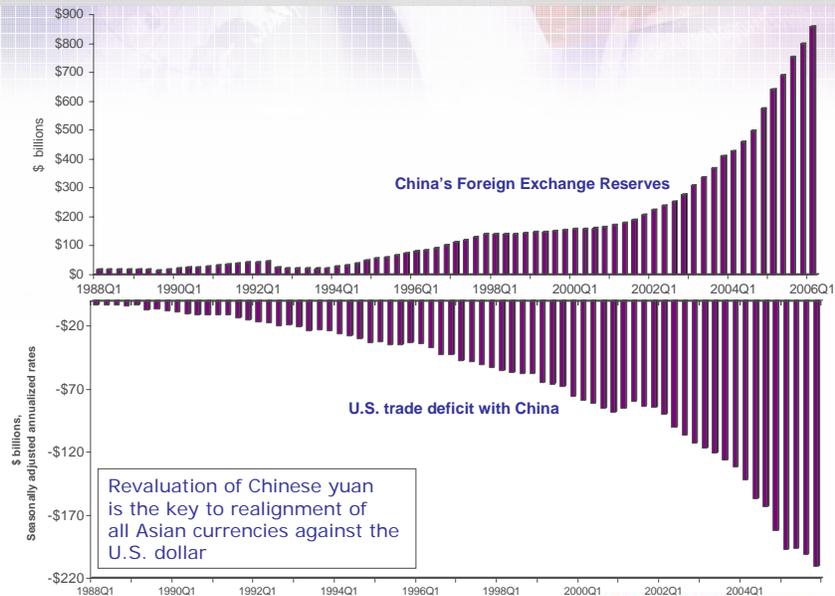


China is half the total Asian trade deficit

Source: U.S. Census Bureau. NAM calculations based on NAICs codes 31-33.
1/ Other FTAs include Australia, Canada, Chile, Israel, Jordan, Mexico and Singapore



Comparison of Growth in China FX Reserves and US-China Trade Deficit

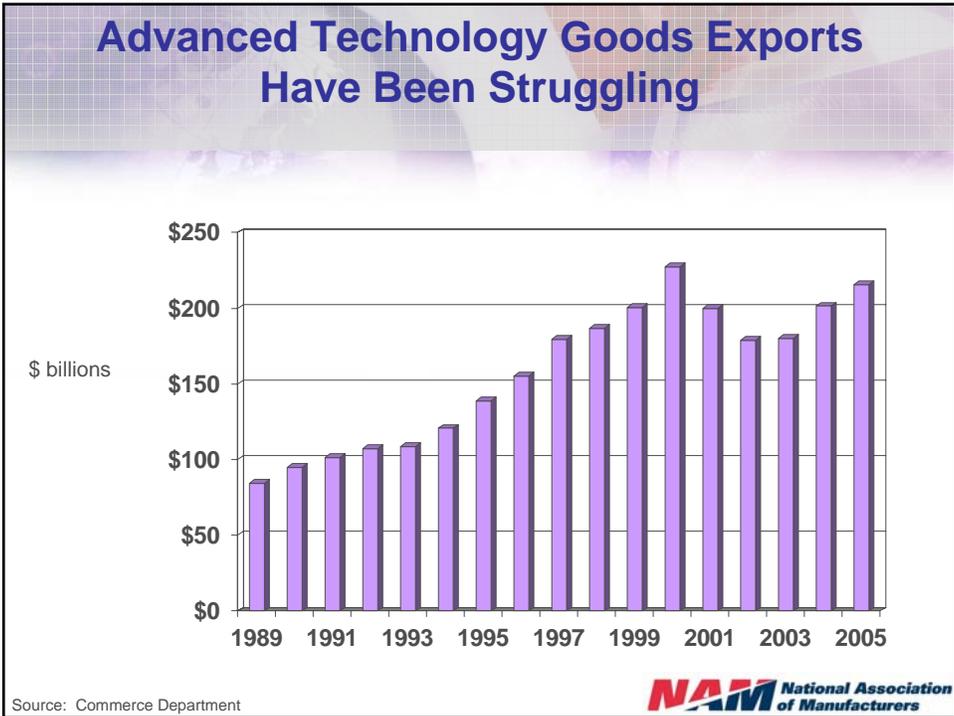


Revaluation of Chinese yuan is the key to realignment of all Asian currencies against the U.S. dollar

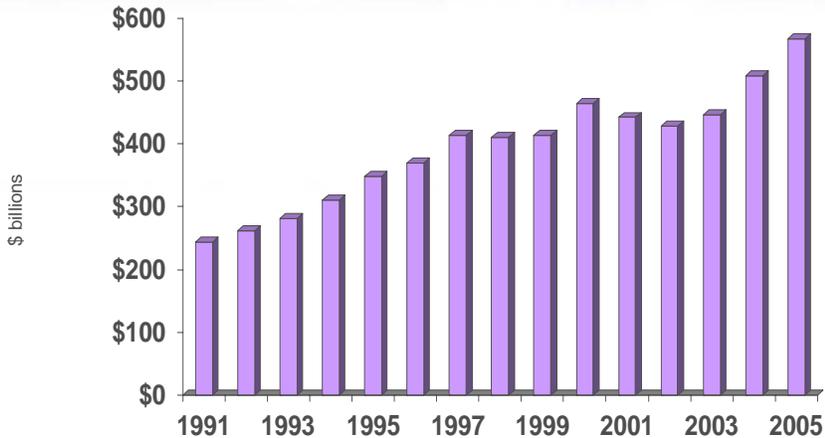
Sources: U.S. Census Bureau and International Monetary Fund



The Surprising Problem with U.S. Exports of Advanced Technology Products

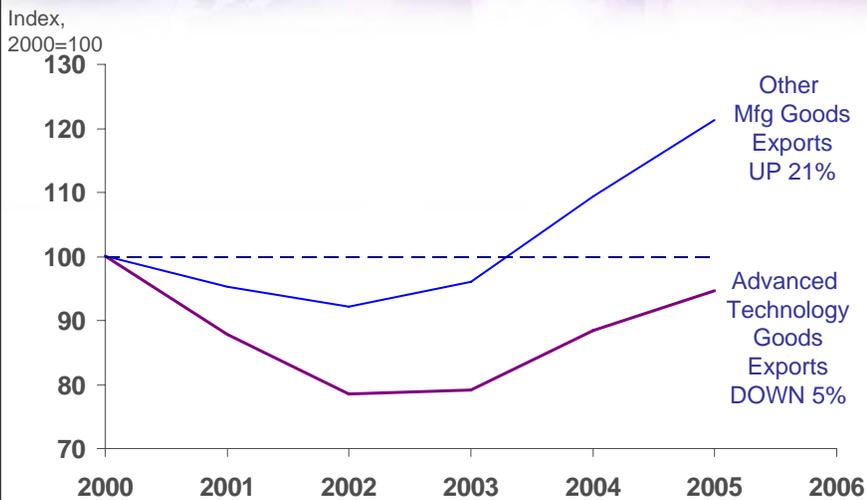
While U.S. Exports of Other Manufactured Goods Have Been Showing Good Growth



Source: U.S. Census Bureau, FT900
 "Other Manufactures" defined as Total Exports of Manufactured Goods less Advanced Technology Goods



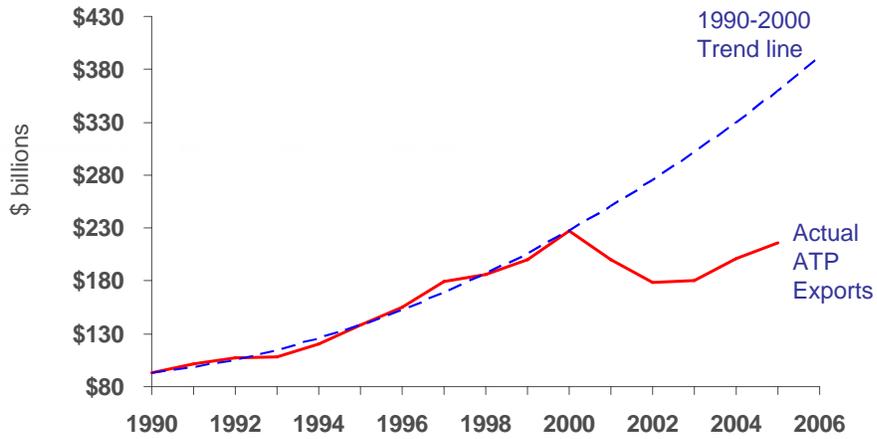
Most Believe U.S. Advanced Technology Goods Are the Strongest Part of Our Exports ... But For the Past Five Years They Have Not Been a Source of Strength



Source: U.S. Census Bureau FT900,



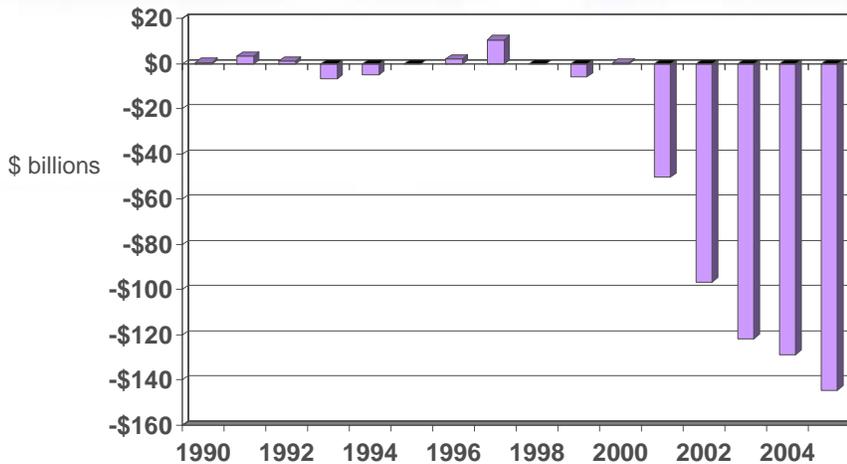
U.S. Advanced Technology Exports Are Way Below Trend



Source: FT900, U.S. Census Bureau, Trend calculated by NAM

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In Fact ... Advanced Technology Exports Are \$140 Billion Below Trend



Source: FT900, U.S. Census Bureau, trend calculated by NAM

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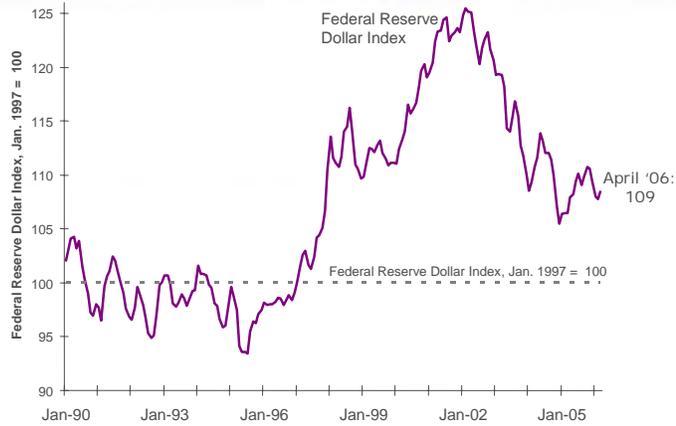
We Have to Level the Global Playing Field and Must Address our own Structural Impediments

- Excessive corporate taxation
- Escalating health and pension costs
- Out-of-control litigation costs
- Rising regulatory compliance costs
- Soaring energy costs
- Need More Trade Agreements
- Need More Trade Enforcement
- Need Market-Determined Currencies
- And Need More Attention to Developing and Disseminating Technology and Innovation

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Dollar Value Is Still Pricing U.S. Goods out of World Markets

Dollar still 9% higher than when it began to get overvalued in 1997



Source: Federal Reserve

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Excess Burden of “Overhead Costs” on U.S. Manufacturers Hampers America’s Competitiveness



Source: NAM

Top Trading Partners are comprised of Canada, Mexico, Japan, China, Germany, UK, S. Korea, Taiwan, France

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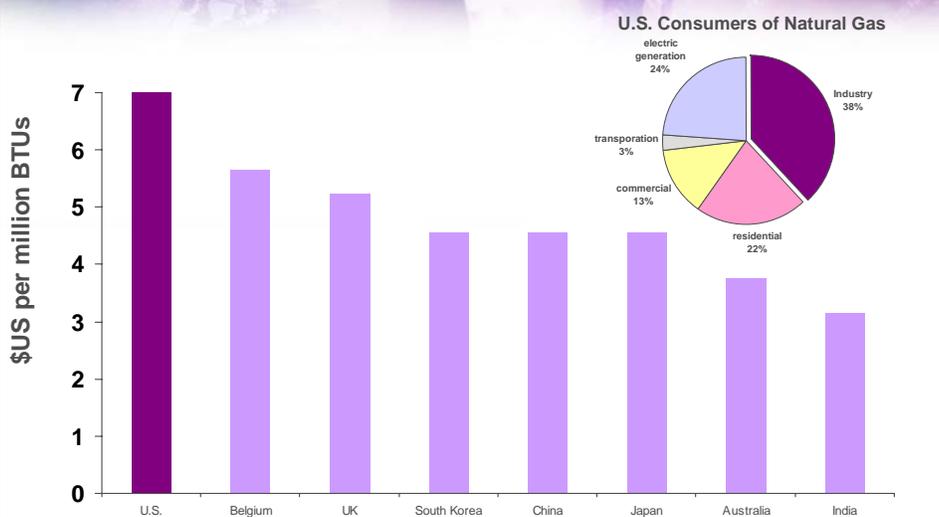
We Have to Address the Tax Burden: Corporate Tax Rates Are Falling Worldwide Except Here

Country	2000 Corp. Tax Rate	2005 Corp. Tax Rate	% Reduction Change
<i>United States</i>	39.4%	39.3%	0.3%
Germany	52%	38.9%	25.2%
Ireland	24%	12.5%	48%
Canada	44.6%	36.1%	19.1%
OECD Average	33.6%	29.2%	13%

Source: OECD



We Have to Address Energy Prices: High Natural Gas Prices Hamper U.S. Industrial Competitiveness



Source: U.S. Department of Energy, EIA



U.S. Needs More Drilling, Alternative Energies, and More LNG Import Terminals

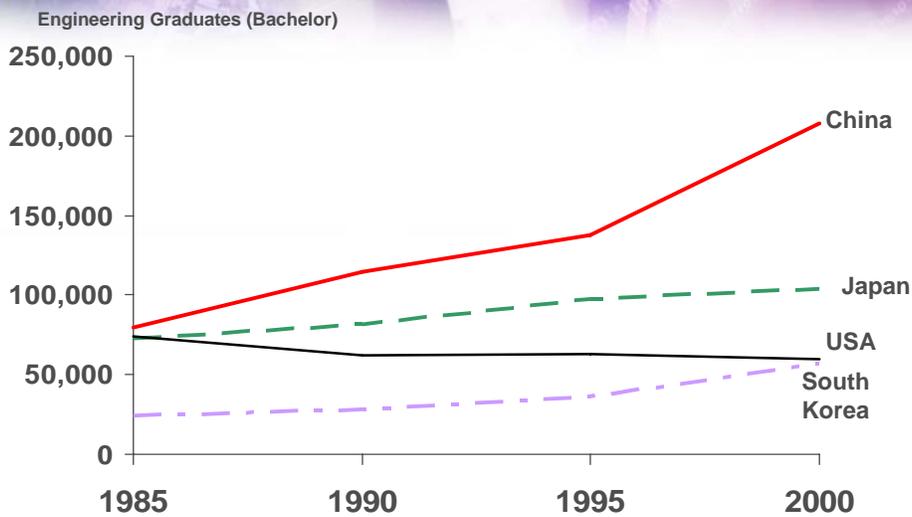


**U.S. has 4 LNG Terminals in Operation ...
While Japan has 24, with 3 More Under Construction!**

Source: Department of Energy, Energy Information Administration

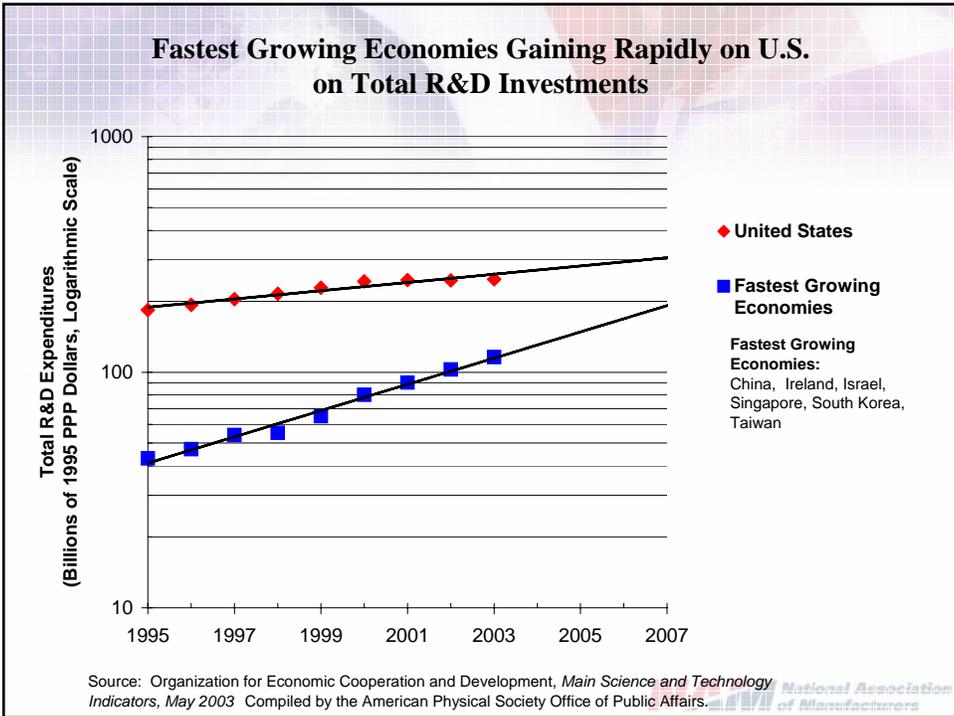
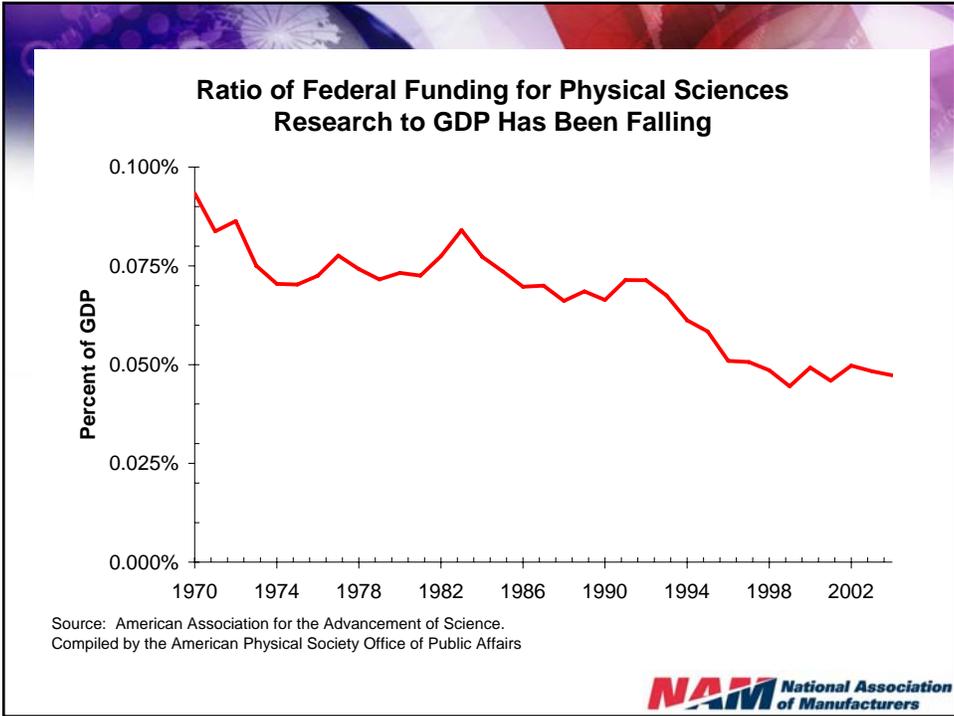
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U.S. Falling Behind in Engineering



Source: National Science Foundation

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NEEDED FOR OUR HIGH-TECH FUTURE:

- Focus foreign trade barrier reductions on high-tech, high unit value goods with low labor content, where trade barriers are a more important factor in whether to produce in the United States or offshore.
- Emphasize stronger global protection for intellectual property
- Provide stronger incentives for R&D in the United States
- Improve programs that disseminate technology
- Focus on government-academic-industrial cooperation to develop new innovative technologies and production techniques
- Strengthen the innovation infrastructure base
- Emphasize science and math education

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