Manufacturers: Blueprint to Double Exports in Five Years

The Obama Administration has recognized the importance of exports as a source of economic growth and has set a national goal of doubling exports in the next five years. Virtually all forecasts indicate that the global economy will grow considerably more rapidly than the U.S. economy, and increased U.S. exports are essential both for U.S. economic expansion and for rebalancing U.S. and global current accounts.

The National Association of Manufacturers (NAM) endorses the goal of doubling exports in five years. Achieving the goal would put American manufacturing on a much stronger growth path and, based on Commerce Department export/employment ratios, would generate an additional 2 million jobs. Manufactured goods are 60 percent of all U.S. exports of goods and services and will have to provide the bulk of the needed export increase. Manufactured goods exports were $900 billion last year; doubling them in five years means they would have to reach $1.8 trillion in 2014. Based on long-term growth rates, however, exports of manufactured goods normally would be expected to rise only to about $1.5 trillion in 2014—$300 billion short of the goal.

Based on input from NAM members of all sizes and data on export trends, the NAM believes reaching the goal is possible, but only with a radical shift in policies and programs affecting U.S. exports. The NAM's analysis shows that America exports only half as much of its manufacturing production as the world average.[1] The disincentives to manufacturing in America and to American competitiveness must be eliminated, and the global playing field must be leveled in terms of market access and support for America's exporters.

The Administration's actions under the National Export Initiative (NEI) so far—some added export promotion and financing, negotiation of new market openings and others—are a beginning, but much more needs to be done to double exports, particularly in a period in which a disproportionate share of the world's economic growth will be in developing Asia, where U.S. exporters have a small and falling share of the market. Doubling exports will require gaining share in those markets and reversing our share losses globally. The declining U.S. share of world markets has cost U.S. manufacturers $200 billion in lost exports in just the last five years.[2]

In this analysis, the NAM presents its blueprint for doubling manufactured goods exports. Where possible, we provide order-of-magnitude estimates of the export-expansion effect of some of the policy and program changes. These estimates add up to more than the $300 billion needed to meet the Administration's goal. Subsequent NAM analyses will provide greater detail on recommendations for consideration by the Administration and the Congress.

Export Policies and Programs

Free Trade Agreements (FTAs) (+ $100 billion)—NAM members—particularly smaller members—believe the most important trade policy shift for doubling exports is an immediate change in the U.S. aversion to concluding market-opening bilateral trade agreements. As competitors race to negotiate barrier-reducing trade agreements for their companies, the United States is frozen by the widespread misperception in Congress that trade agreements are harmful to the U.S. economy. The truth is that NAFTA, CAFTA and other U.S. FTAs have never been a significant factor in the U.S. manufactured goods deficit. They have given the United States a manufactured goods surplus for the last two years.

Only 40 percent of U.S. exports benefit from FTAs; the other 60 percent face trade barriers, particularly in fast-growing emerging nations. The Administration needs to quickly resolve the outstanding auto and beef issues with the Korea agreement and the remaining issues with the Colombia and Panama agreements, and then submit these pending trade agreements for congressional approval. The Administration should also press for the expansion and rapid conclusion of the Trans Pacific Partnership negotiations. Delay hurts U.S. exports and jobs. Also, the Administration must move rapidly to negotiate FTAs with all major partners, including developed countries as well as the advanced developing markets.

The United States is already a very open market, with manufactured goods tariffs averaging less than 2 percent and 70 percent of imports already entering the United States duty-free. Tariffs on U.S. exports to other countries are significantly higher than U.S. tariffs. In virtually every case analyzed by the NAM involving manufactured goods tariffs, new FTAs would lower foreign tariffs more than U.S. tariffs. Future trade negotiations must also include greater emphasis on non-tariff barriers, subsidies, raw material export restrictions and other trade-distorting practices. Given the misperceptions about existing FTAs, the Administration should call new agreements "bilateral trade agreements" or "trade promotion agreements."

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[1] The NAM's analysis benchmarking U.S. manufacturing and exports with other major manufacturers is at www.nam.org/NEI.

[2] The NAM's data on the 2003-2008 U.S. share of world markets for manufactured goods is available at www.nam.org/NEI

Using the U.S. International Trade Commission (USITC) methodology for estimating the export expansion effect of existing trade agreements, and extrapolating to the major markets where the United States does not have FTAs, the NAM estimates that a robust program of FTAs with significant trading partners could generate as much as an additional $100 billion in U.S. exports by 2014—accounting for one-third of the $300 billion increase needed to reach the export goal.[3]

Export Controls (+$60 billion)—The U.S. export controls system has become dangerously obsolete, both in terms of protecting national security and permitting the export expansion of high-technology U.S. goods in line with their potential. President Obama has said the U.S. export control system "is rooted in the Cold War era of over 50 years ago and must be updated to address the threats we face today and the changing economic and technological landscape." According to Defense Secretary Gates, "The U.S. export control system itself poses a potential national security risk… impeding cooperation... with allies and partners."[4] The NAM concurs fully and has offered recommendations for short-term and fundamental reform to make the system more predictable, efficient and transparent while still safeguarding sensitive U.S. technologies. The system is causing foreign firms to "design out" U.S. content in their product development to avoid the onerous and complex regulations.

The majority of our short-term proposals can be implemented by the Administration without any changes to existing legislation. Fundamental reform will require the Administration to work with Congress and our partners in the multilateral regimes. The NAM's proposals deal with organizational changes, process improvements, new licensing mechanisms, better regulatory interpretation and policy clarity, among others.[5]

A study conducted by the Milken Institute and sponsored by the NAM calculates that modernization would increase exports by $60 billion.[6] This estimate is only for market share losses where goods and technologies are widely available from other countries. It does not take into account the dynamic effect the current system has on innovation—resulting in a further decline to U.S. security and competitiveness. Tomorrow's military superiority and commercial competitiveness require accelerated U.S. innovation.

Export Promotion (+$60 billion)—Small and mid-sized enterprises (SMEs) account for one-third of the value of U.S. manufactured goods exports, or about $300 billion annually. Efforts to double exports in five years must include a significant increase in export promotion resources dedicated to SMEs.

U.S. export promotion programs for manufactured goods are dwarfed by those of our major competitors and by U.S. programs to promote agricultural exports. Although agricultural exports are one-tenth the size of manufactured goods, the Agriculture Department's (USDA's) export promotion program is twice the size of the Commerce Department's. Proving the efficacy of export promotion, the USDA's promotion programs are a key reason why one-third of U.S. farm production is exported, but only one-fifth of manufacturing production is.

As part of the NEI, the Administration is seeking an additional $60 million for export promotion in the 2011 budget. This is a good start but is not adequate to the task. A doubling or tripling of export promotion funding is needed to reach the export goal. The World Bank's analysis indicates that about $40 in new exports are generated for every additional dollar of export promotion—implying that a $300 million doubling of the promotion program could generate $12 billion of additional exports a year—or $60 billion over the five-year period.

In addition to new funds, a shift in the nature of the support is needed. More commercial officers need to be deployed to the rapidly growing emerging markets. There should be new programs to provide the same type of marketing support to U.S. SMEs in manufacturing as foreign governments and USDA provide—e.g., developing new markets through participation in trade shows, paying part of the cost of transportation, show fees, materials production, etc.

We urge the Administration to immediately undertake a careful analysis of the size and effectiveness of competitor nation promotion programs as the basis for deciding how best to expand and improve U.S. programs—and to obtain the concurrence of the Office of Management and Budget (OMB) that the USDA's best practices can be a model for the Commerce Department to follow. Additionally, more priority should be given to commercial advocacy. Ambassadors of other countries do much more to promote the exports of their countries than U.S. ambassadors do.

Export Financing (+$50 billion)—Export financing is an important part of being globally competitive and takes on renewed importance in today's turbulent financial environment. Exporters have more difficulty in obtaining credit and working capital, and overseas customers are financially stretched—placing a higher priority on exporters who can provide better financial terms.

The principal U.S. export credit agency, the U.S. Export-Import Bank (ExIm), operates at a scale far below major U.S. competitors. In 2009, ExIm provided $21 billion in loans and guarantees, while Export Development Canada (EDC) financed $80 billion and Japan's export credit agencies

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[3] Export Expansion Estimates for Additional Trade Agreements, www.nam.org/NEI.

[4] Quadrennial Defense Review Report, February 2010, U.S. Department of Defense, p. 84.

[5] See the Export Controls section available at www.nam.org/NEI.

[6] Milken Institute, Jobs for America: Investments and policies for economic growth, www.nam.org/media.

financed $130 billion. Additionally, the ExIm Bank is capped at supporting a total portfolio of $100 billion—less than Japan's agency supports every year.

Among NAM members, large exporters report that ExIm's limited ability to provide financing is a major factor hampering their ability to compete for the important capital goods market globally. Their most significant concern, however, is that the ExIm Bank is too risk-averse and has a lengthy processing time. Recently a U.S. manufacturer lost a $2 billion contract for communications satellites because the French competitor was able to obtain quick assurances of a loan guarantee from the French export credit agency, while the ExIm Bank was unable to come to a decision in time as it pondered the risk.

ExIm is also saddled with non-export objectives its competitors do not face. A recent case involved rejecting financing for U.S. earthmoving equipment for an Indian coal mine, citing that the Administration did not want to promote the use of coal for electric power. The net result of this decision would have been a $600 million loss and over a thousand jobless Americans—without any effect on the environment as the mine turned to foreign suppliers for the equipment.

The NAM's smaller exporters appreciate the Bank's renewed interest in working more closely with smaller firms but say ExIm's processes have to be simplified. This is especially important for SMEs who report difficulty finding banks that are willing to do ExIm's paperwork for smaller sales.

Many of ExIm's provisions that impair exports are congressionally mandated, and the Administration and Congress need to recognize these policies do not work in today's highly competitive global economy. Requiring use of U.S. shipping, economic impact tests and other requirements not faced by our competitors need to be examined carefully for their effect on export competitiveness. Increased use of the "tied aid war chest" to counter foreign subsidized financing is needed. The infrequent use of this funding puts U.S. firms at a significant disadvantage in emerging markets. Additionally, as new competitors enter the large civil aircraft market, it is imperative they join traditional exporters in adhering to the Home Market Rule to ensure a level playing field.

If ExIm's overall resources were tripled, providing an additional $40 billion in loans and guarantees annually (which would still place it below Canada), U.S. exports would be nearly $50 billion higher.[7] NAM members also support an increase in the Trade Development Agency's (TDA) funding for additional feasibility studies for projects in middle-income countries. These studies put U.S. companies in a strong competitive position as the ultimate project moves forward. Companies also would like to streamline the process of working with TDA.

Global Standards—Foreign product standards, both multilateral and unilateral, increasingly serve as barriers to U.S. exports. The European Union is particularly active in shaping standards and working with international bodies to ensure the adoption of EU standards. The United States is under-represented in these bodies, and we lack a national policy to promote U.S. standards globally. U.S. agencies need to be engaged better with manufacturers in understanding how foreign standards affect global markets and how to promote the use of U.S. standards.

Non-Tariff Barriers (+$20 billion)—In too many foreign markets, especially in some very large and fast-growing countries, U.S. manufacturers face complicated, non-transparent non-tariff barriers (NTBs). Many NTBs are attributable to foreign government abuses of product standards, regulations, labeling requirements, or conformity testing requirements to shut out safe, proven American products without any scientific basis whatsoever. Some of these NTBs impose unreasonable delays or costs simply to make U.S. and other foreign products non-competitive.

Many NTBs violate the spirit of international agreements, including the most basic World Trade Organization (WTO) intent. It is essential that the U.S. Trade Representative (USTR) and the Commerce and Agriculture Departments defend the market access we negotiated and step up their attack against NTBs through the WTO and other channels. USTR and other key agencies need to devote significantly more resources to wage this campaign and include manufacturers as full partners with the U.S. government in this enhanced effort.

NAM members particularly mention China's testing requirements—some of which require revealing production techniques and data that could be used to reverse-engineer products or seem designed to keep foreign products out of China—as a key area for the Administration to act on. China is not the only problem, however. For example, Turkey issued a regulation that will deny recognition of Good Manufacturing Practice certificates from countries that do not have mutual recognition agreements on inspections with Turkey. The policy is a de facto import ban given the small number of Turkish inspectors available to review facilities worldwide.

Argentina and others maintain a differential export tax system that distorts trade patterns and costs at least $400 million a year in lost exports of U.S. oilseeds, according to the Oilseed Processors Association. Another example is the EU's REACH chemical certification program that has so raised costs and difficulties that some exporters have restricted their exports to Europe to remain below the tonnage levels that would subject them to costlier procedures.

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[7] Because ExIm does not finance more than 85 percent of a transaction, $40 billion of additional resources actually support nearly $50 billion of added exports.

NAM members believe that NTBs are a greater trade barrier than tariffs. If we assume the same $100 billion cost for NTBs as for tariffs in FTAs, and if we could achieve a one-fifth reduction in NTBs through stronger negotiation and policing of agreements, U.S. exports could increase by $20 billion—or more if there could be even more effective elimination of NTBs.

Business Visas (+$25 billion)—Business visas also hamper the expansion of U.S. exports—particularly to China and the Middle East, but also to Brazil, India, Russia and other countries. Prospective buyers who want to visit U.S. companies or come to U.S. trade shows or scientific conferences have to plan far in advance and go through a considerable expenditure of time for a face-to-face meeting with a U.S. consular officer. Too many legitimate visa applicants are denied or so delayed that they give up and spend their money in competitor countries where their applications are quickly approved.

While there has been progress, more has to be done to remove this impediment to exports—increasing staffing at key consular posts, issuing longer validity and multiple-entry visas for trusted business travelers, increasing use of risk-management techniques and streamlining interview procedures. A 2004 survey found that over a 15-month period, $25 billion in business was lost because of visa policy.[8] Even if the negative effect of visa policy has been cut in half since 2004, that is still over $800 million in losses a month. If that amount could be cut in half again, sales would be almost $25 billion larger over the five-year period to 2014.[9]

Intellectual Property Protection (+$15 billion)—Strong intellectual property rights (IPR) protection, both at home and around the world, is vital to American export success and the ability to create good manufacturing jobs here at home. The United States is the low-cost producer of few, if any, basic, "commoditized" manufactured products. U.S. manufacturers are high-end producers, relying on IPR-intensive quality, cutting-edge design, brand loyalty, innovation and high technology.

We face serious problems in many key markets. USTR's Special 301 Report and the just-released first-ever National IP Enforcement Strategy effectively lay out the problems and some important paths forward. It is critical that U.S. industry, with manufacturers at the front of that group, be full partners with the Administration and Congress in the design of U.S. policies, programs and priorities in this war against IP counterfeiting and piracy.

When patent, copyright and trademark enforcement is inadequate in developing countries, the result is the expropriation of U.S. IP. Both the loss of IP and a growing tendency to impose compulsory licensing pose very serious risks to U.S. export growth and must be resisted through strong steps, including consideration of terminating preferential tariff treatment for imports from those countries. High priority should go to concluding and implementing the **Anti Counterfeiting Trade Agreement (ACTA)** now under negotiation.

Customs and Border Protection (CBP) also needs to ensure the enforcement and interdiction of counterfeit goods at U.S. borders. Legislation may be needed to provide the effective tools needed by CBP. The U.S. government must also play a stronger role in WIPO and other international organizations to defend valuable IP rights. Based on a recent OECD study of global counterfeiting, the NAM estimates that if current trends continue, trade in counterfeit goods may be about $425 billion in 2014, of which about $60 billion may be knockoffs of U.S. goods. If by then, ACTA and other strong steps can be taken to reduce counterfeiting by only one-fourth, that would be worth an extra $15 billion in U.S. exports.[10]

Multilateral Development Banks (MDBs) (+$10 billion)—The United States does not do nearly as much to help companies obtain business financed by the World Bank and other development banks as do other countries. The Commerce Department resources devoted to this endeavor are considerably smaller in comparison to the dedicated efforts of other countries and, as a result, America has a relatively small share of this business. Fixing this situation could bring about a large increase in exports with a relatively small increase in skilled resources. The amount of business being financed by MDBs is estimated by some at $500 billion over the next five years – an average of $100 billion annually. If the U.S. share of that business could grow by 10 percent, U.S. exports in 2014 could be at least $10 billion larger than otherwise.

Small and Medium-sized Enterprises (SMEs)—About 95 percent of all U.S. exporters are SMEs, accounting for one-third of manufactured goods exports. About $100 billion of the estimated $300 billion gain needed to reach the export goal will have to come from smaller firms. They particularly need more assistance in finding customers overseas through U.S. export promotion programs, but many are either unaware of these programs or find them too expensive. Experienced NAM SMEs point out that their competitors receive financial support to enter into foreign trade fairs, while U.S. companies receive none—and even have to pay for Commerce Department overhead. Commerce's new emphasis on helping smaller exporters find new markets is the right approach, but the requisite programs need to be developed in consultation with the SMEs that will use them.

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[8] See www.nftc.org/default/visasurveyresults%20final.pdf.

[9] If $800 million a month is being lost, that would total $48 billion for the 60 months in the five-year goal period. Half of that amount would be $24 billion.

[10] The OECD study, "Magnitude of Counterfeiting and Piracy of Tangible Products," November 2009, estimated counterfeit goods at $250 billion in 2007, growing $25 billion annually—which would be $425 billion by 2014. The U.S. share of industrial nation exports is 14 percent. If the same held true for the share of counterfeits, that would be $60 billion. A one-fourth reduction would be $15 billion.

Smaller companies also are in need of a better relationship with export finance agencies. Many smaller exporters do not provide financing or open account services for their customers and also will sell only for U.S. dollars in advance of shipment, placing the exchange risk and financing responsibility on their customers. Exports could be expanded quickly if companies sold to foreign customers in their own currency, provided 60-day financing terms and translated their brochures and instructions into their customers' languages. Other key actions could result in further large increases in SME exports, including harmonizing standards as much as possible, eliminating duplicate testing and certification requirements by accepting U.S. test lab results, and simplifying shipping and customs compliance procedures.

The Doha Round—The NAM supports an effective WTO Doha Round that significantly reduces trade barriers, particularly in the higher-tariff advanced developing countries. The current Doha texts on manufactured goods are inadequate, and the market access terms for manufactured goods and supporting services must be greatly improved. However, even if the Round were concluded tomorrow, it would have only a minor effect by 2014: under current provisions, most tariffs in advanced developing nations would not be cut until 2019.

Authoritative estimates are that the current texts would generate only an additional $7 billion of exports for the United States.[11] That is only about half of what U.S. manufacturers would gain upon implementation of the pending Colombia, Korea and Panama agreements. Advanced developing countries, especially Brazil, China and India, must offer much more market access in the Doha Round and be part of strong agreements to eliminate tariffs in major industrial sectors.

Not everything in the Doha Round has to wait 10 years for implementation. Pressing for an "early harvest" for an Environmental Goods and Services Agreement (EGSA) could provide a near-term boost for U.S. exports and promote greater worldwide conservation of energy and use of renewable energy sources.

Government Procurement—The Administration should increase efforts to bring advanced developing countries into the WTO Government Procurement Agreement. Brazil, India and others are expanding their government procurement markets but are not obligated to provide bidding and other rights to U.S. exporters. China, while negotiating access to the agreement, is moving much too slowly and offering too little. As these countries' government procurement expands relative to industrial countries, U.S. exporters are at an increasing disadvantage when they do not have transparent and rules-based access to those markets.

Trade Facilitation—The Administration should seek to identify trade facilitation (customs clearance) difficulties and bilateral arrangements to streamline exports. The trade facilitation agreement as part of the Doha Round should also be explored as a possible "early harvest." As one example of trade facilitation difficulties, the UAE requires invoices to be approved physically by the UAE embassy in Washington before imports will be accepted in the UAE. An NAM member reports it takes 7 to 11 days to receive such approval, adding significantly to the costs and difficulties of exporting to the UAE. Other exporters report they can airship exports to India in 14 hours and then have the goods sit in Indian customs for weeks.

Reducing the Cost of Inputs—Considerable gains in efficiency can be had from improved customs procedures to simplify and speed the import of components for U.S. manufacturing. The Commissioner of Customs and Border Protection recognizes this and has reached out to industry for recommendations that will facilitate trade while ensuring national security. Important steps could be taken, particularly in terms of better treatment for trusted low-risk shippers. Additionally, taxing essential manufacturing inputs that are not available domestically raises U.S. production costs and reduces competitiveness.

Congress has long recognized this and has sought to suspend import duties on such products by periodic passage of a Miscellaneous Tariff Bill, but the process has become too uncertain. At the time this paper was written, all tariff suspensions had expired—raising production costs in the United States.

The European Union, Brazil and other countries have administrative processes for suspending or eliminating import duties on inputs not available in their countries. The Administration and Congress should immediately call for an examination of those programs with a view toward the possible adoption of a similar approach in the United States, with Congress granting requisite tariff-cutting authority to the Administration for a carefully-managed program.

Logistics—Companies, especially SMEs in the Midwest, are having great difficulty in finding containers for their current exports. Addressing this immediate problem should be a top priority. The Federal Maritime Commission (FMC) is expected to provide recommendations to Congress soon, and the NAM encourages the FMC to undertake greater urgency in resolving shipper and carrier disputes as well as supporting policies to assure vessel capacity to exporters and to better align containers with exporters. An FMC action program is welcome, but with every passing week, more export orders are being cancelled. Priority must be given to finding a solution quickly.

[11] Figuring Out the Doha Round, Hufbauer, Schott and Wong, Peterson Institute for International Economics, June 2010, bookstore.piie.com/book-store/5034.html.

Infrastructure Investment—Reliable transportation services and the supporting network infrastructure such as highways, rails, inland waterways, seaports and airports are essential to ensure manufacturers reach export customers. One major exporter stated "the state and condition of the transportation infrastructure supporting our supply chain is exceptionally important" to delivering a competitive advantage. Freight distribution patterns, intermodal connectors, port inefficiencies, harbor draft limitations, truck weight limitations, interstate highway bottlenecks and other capacity constraints, rail infrastructure and aging, undersized locks along the nation's inland waterway system must be addressed to support national productivity and competitiveness. Exporters who operate in overseas markets and see "the world integrating and modernizing their infrastructure" note our failure to take a comprehensive approach to infrastructure investment.

Investment—Exports follow investment. Contrary to widely-held views, the United States exports mostly to countries where it also invests, because investments in manufacturing, distribution, marketing, finance and other facilities create a pull effect on exports. Companies tend to manufacture products for local consumption and supplement these with U.S. exports. One-third of U.S. manufactured goods exports go to U.S.-owned affiliates overseas.

The fastest-growing areas of the world are the advanced developing countries, and U.S. exports have been performing poorly in those markets. A major factor is the small amount of U.S. investment and commercial presence in those markets. Increasing U.S. investments will require strong bilateral investment treaties (BITs), but the Administration needs to resolve the stalemate over the model BIT language and agree on language providing strong guarantees for American investors. The language must also avoid burdening negotiations with social objectives so strict that other nations will not accept them—continuing to hamper U.S. investment and exports.

Proposed changes to U.S. international tax laws would make U.S. companies even less competitive in foreign markets and reduce the potential for job growth at home. The Administration and Congress should instead reduce the U.S. statutory corporate tax rate and revisit rules on taxing foreign earnings to allow U.S. manufacturers to compete more successfully with their competitors in global markets. U.S. policy stands alone among industrial nations in taxing corporate earnings on a global basis rather than a territorial basis.

Sanctions—Foreign policy objectives can impede exports needlessly by being overly broad or imposing costs and restrictions on U.S. exporters that are not imposed in a similar fashion by the governments of their competitors. The Administration needs to be very careful in implementing congressionally-mandated restrictions. While well-meaning, provisions in sanctions legislation can have a strong effect on eliminating U.S. exports by prohibiting them or by significantly raising their cost. It is critical for legislators to work with manufacturers to draft legislation that is narrowly tailored to address the problem at hand without unduly burdening U.S. exports.

International Nuclear Liability Regime—The global nuclear power market is likely to expand rapidly in the coming years. U.S. nuclear component suppliers could see rapid export gains once the international nuclear liability regime goes into effect. U.S. suppliers cannot export if there is a lack of certainty of jurisdiction for lawsuits and unlimited potential for legal liability. The regime will provide that certainty, but more countries must sign on before it can go into effect. NAM members say Japan alone, or any two of Canada, Korea and Ukraine would be sufficient. The Administration should seek to have that happen quickly.

Foreign Trade Compliance—Ensuring foreign country compliance with both WTO rules and obligations and with bilateral agreements is critical to helping achieve the U.S. export goal. The WTO's Dispute Settlement Body has prevented countries from taking actions that would distort markets and curtail U.S. exports. In cases such as those involving European subsidies for large commercial aircraft, attempts to curb the benefits to U.S. exporters negotiated in the Information Technology Agreement, Chinese steps to limit access to various parts of their market and others, enforcing the WTO rules has been vital. The Administration should ensure bilateral and multilateral tools are used expeditiously to preserve the market access negotiated in trade agreements or guaranteed under the rules-based trading system.

Complying with Obligations and Avoiding Retaliation on U.S. Exports—All nations should live up to their obligations under the rules-based trading system, including the United States. When the United States fails to comply with its obligations, U.S. exports face retaliation. One quick action that could be taken is to comply with U.S. trucking obligations in NAFTA. After years of U.S. inaction, Mexico imposed tariffs on $2.4 billion of U.S. exports. The Administration has come up with answers to all safety questions and should now insist that Congress put into place the necessary support to allow the United States to come into compliance.

Agriculture Department and Food and Drug Administration Certificates—One immediate action the Administration could take to increase exports is to provide foreign-demanded certificates of Good Manufacturing Practices and phytosanitary certificates for processed plant materials. As global concerns for food safety increase, foreign governments are increasingly demanding such certificates—but the U.S. government will not provide them. This should be changed immediately. One NAM member says this failing prevents the company from selling herbal products or protein powder to Mexico and Russia – costing millions of dollars of lost exports.

Manufacturing Competitiveness—Finally, it is important that the Administration and Congress understand no

amount of foreign market access or export support can double exports unless the United States manufactures quality products at attractive prices, backed up by reliable service. That requires a highly productive, innovative and competitive manufacturing sector that will only result if America has an effective manufacturing strategy. The NAM unveiled its "Manufacturing Strategy for Jobs and a Competitive America" in June 2010. The entire report is available on the NAM website.[12] In addition to specific trade policies, a manufacturing strategy must:

- Create a pro-manufacturing tax climate.
- Encourage a dynamic labor market.
- Implement a common-sense, fair approach to legal reform.
- Create a regulatory environment that promotes economic growth.
- Enact tax provisions that will stimulate investment and recovery.
- Encourage the federal government's continued critical role in basic research and development.
- Defend IP at all levels.
- Attract the best talent from around the world.
- Create a comprehensive approach to energy independence.
- Promote policies to protect the environment while encouraging investment.
- Invest in infrastructure that will support manufacturing.
- Encourage innovation through education reform.
- Support health care reform that drives down costs.

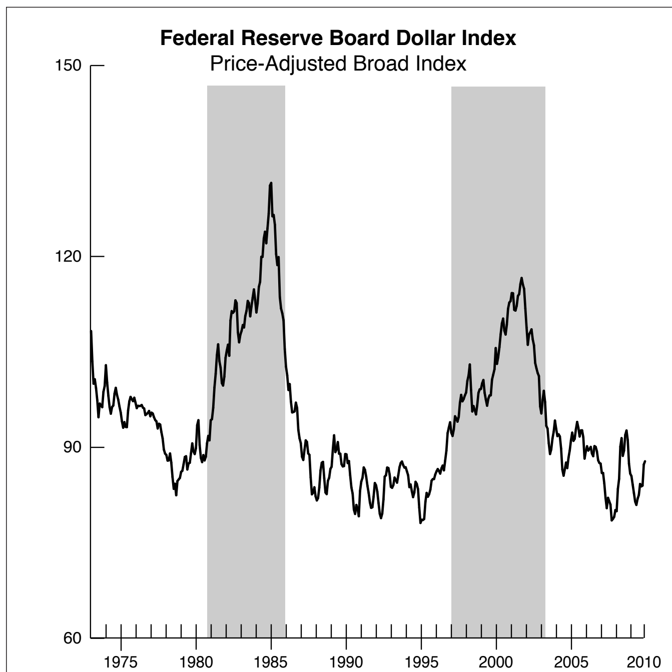
Manufacturers: Blueprint to Double Exports in Five Years

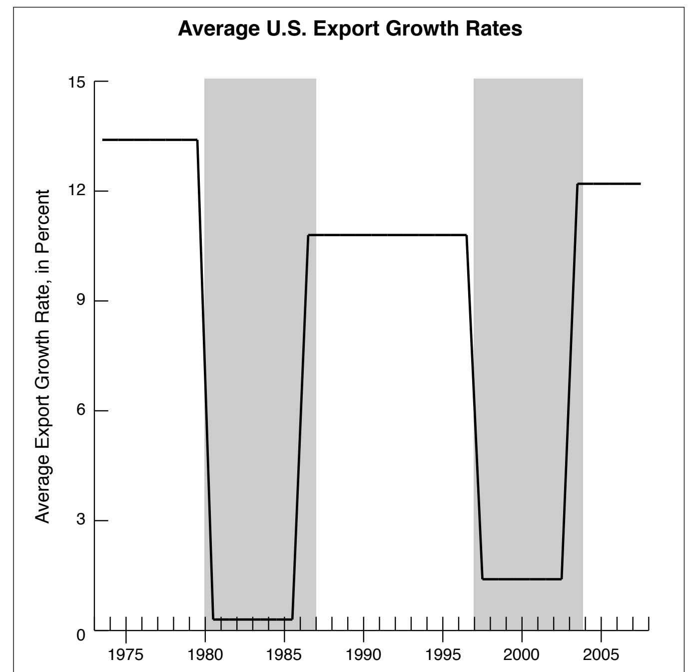
Prerequisite: Currencies Must Reflect Economic Fundamentals

There is one basic prerequisite for rapid export growth: the U.S. dollar must not be allowed to become overvalued relative to foreign currencies. The NAM is not advocating dollar devaluation. Debasing the currency is not a way to prosperity. It is key, however, that the Administration spare no effort to see that other currencies are market-determined and free of government intervention and that other major economies' currencies reflect economic fundamentals.

The five periods illustrated since 1972 (see graphs) show that when the dollar was in a normal range with other currencies, U.S. exports grew in double digits. During the periods when the dollar was greatly overpriced relative to other currencies, there was no appreciable export growth.

The excessive valuation of the dollar simply prices U.S. exports out of the market. NAM members, especially smaller manufacturers, have made it clear that the number-one factor affecting their exports is the value of the dollar. If the dollar is allowed to become overvalued, there is virtually no chance of doubling U.S. exports in five years—or even seeing any amount of significant growth.





[12] "Manufacturing Strategy for Jobs and a Competitive America," National Association of Manufacturers, June 2010, www.nam.org.