



*Manufacturing in the
United States
of America*

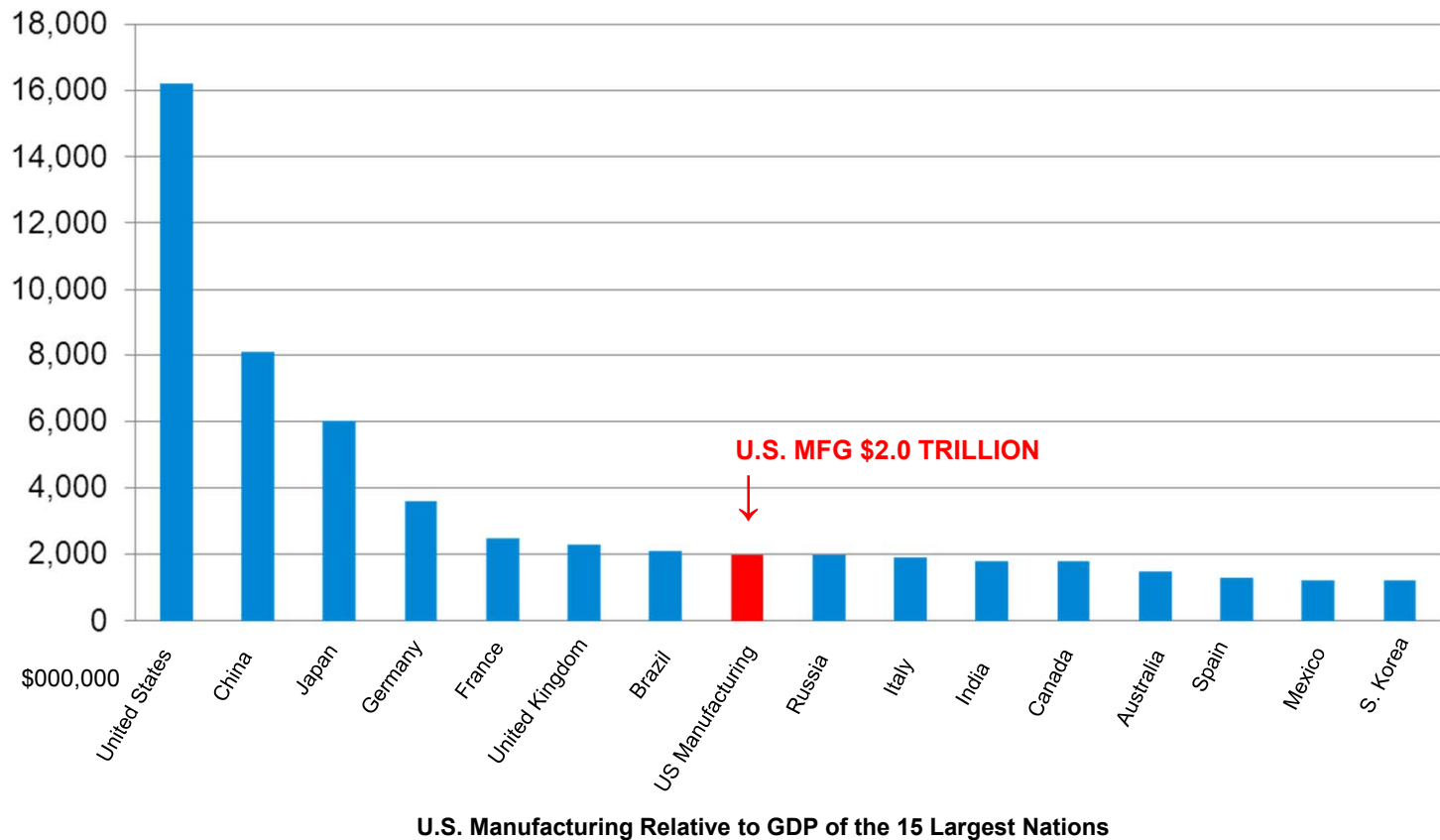
*A Vehicle for National
Economic Prosperity*

Prepared March 31, 2014

Manufacturing in the United States of America.....A Vehicle for National Economic Prosperity

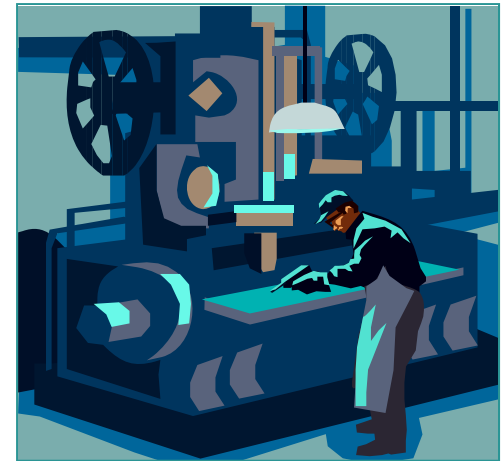
- U.S. manufacturing is the eighth largest economy in the world, and the U.S. remains the largest manufacturing economy in the world.
 - ⇒ \$2.0 trillion of value add
 - ⇒ 12.5% of the GDP
- U.S. percent of global manufacturing has remained steady at approximately 20% share since 1980. (Currently 21% of global manufactured products.)
- Almost 2/3 of U.S. exports are in manufactured goods.

Source: Bureau of Economic Analysis, International Monetary Fund (2012 Data)



Manufacturing Fuels Economic GROWTH

- ⇒ For every \$1.00 spent in manufacturing, another \$1.32 is added to the economy, the **highest multiplier** effect of any economic sector.
- ⇒ Manufacturers in the United States perform **two-thirds** of all private sector R&D in the nation, driving more innovation than any other sector.
- ⇒ Manufacturers in the United States are the **most productive in the world**, far surpassing the worker productivity of any other major manufacturing economy, leading to higher wages and living standards.



Manufacturing CREATES Good Jobs

Workforce:



Total Employment

Manufacturing supports an estimated **17.4 million jobs** in the United States - about one in six private sector jobs. Nearly 12 million men and women in the United States (or 9 percent of the workforce) are employed directly in manufacturing.

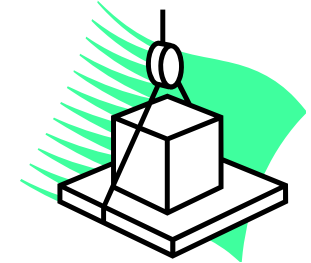


Average Compensation

In 2011, the average manufacturing worker in the United States earned **\$77,505 annually**, including pay and benefits. The average worker in all industries earned \$62,063.

What Has Happened

Since 2000, the U.S. share of global manufactured goods exported declined from 14% in 2000 to 8% in 2011. Had the share not fallen, our exports of manufactured goods in 2011 would have been more than \$600 billion larger than they actually were, and we would have virtually no manufactured goods deficit.



China overtook the U.S. as the leading exporter of manufactured goods during this period.

The U.S. trade deficit increased from \$436.1 billion in 2000 to \$727.4 billion in 2011. It was \$479 billion in 2013.

5.29 million manufacturing jobs were lost between January 2000 and December 2012.



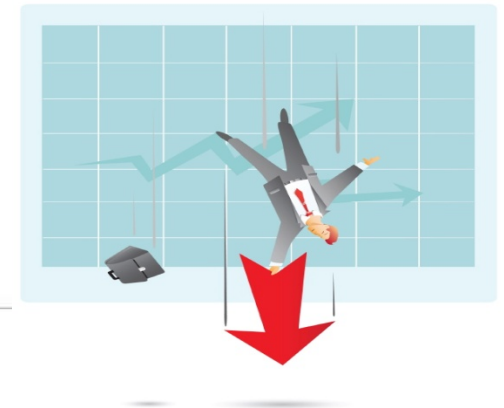
During The Last “GREAT RECESSION”

Manufacturing production fell by 20.4% between December 2007 and June 2009.

During the same period, exports fell 14.4%.

From December 2007 through December 2009, an additional 2.3 million manufacturing jobs were lost.

- *Given the manufacturing jobs multiplier effect, the total jobs lost during this period was upwards of 4 million.*



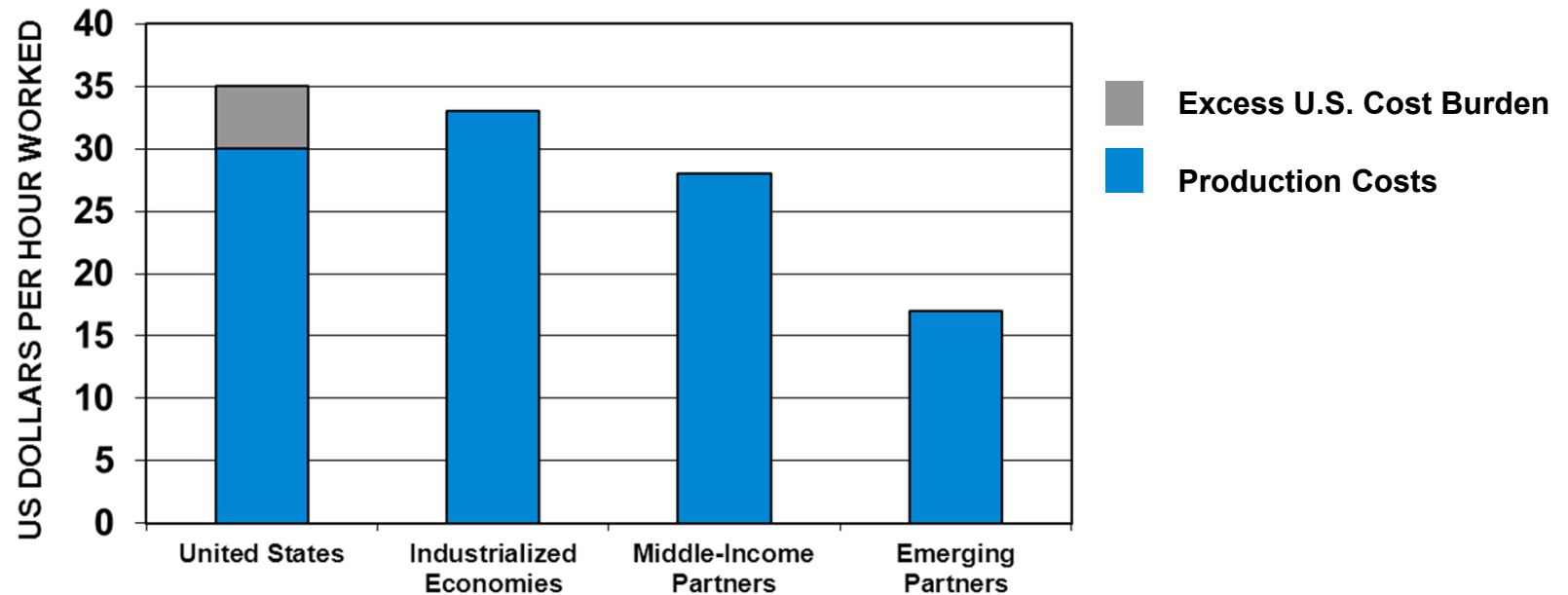
U.S. Manufacturing Disadvantage

Structural Costs

- *Corporate taxes, healthcare and pensions, regulations and compliance, energy, tort litigation and others.*
- *Add 20% additional costs to U.S. based manufacturing relative to our top nine major trading partners.*

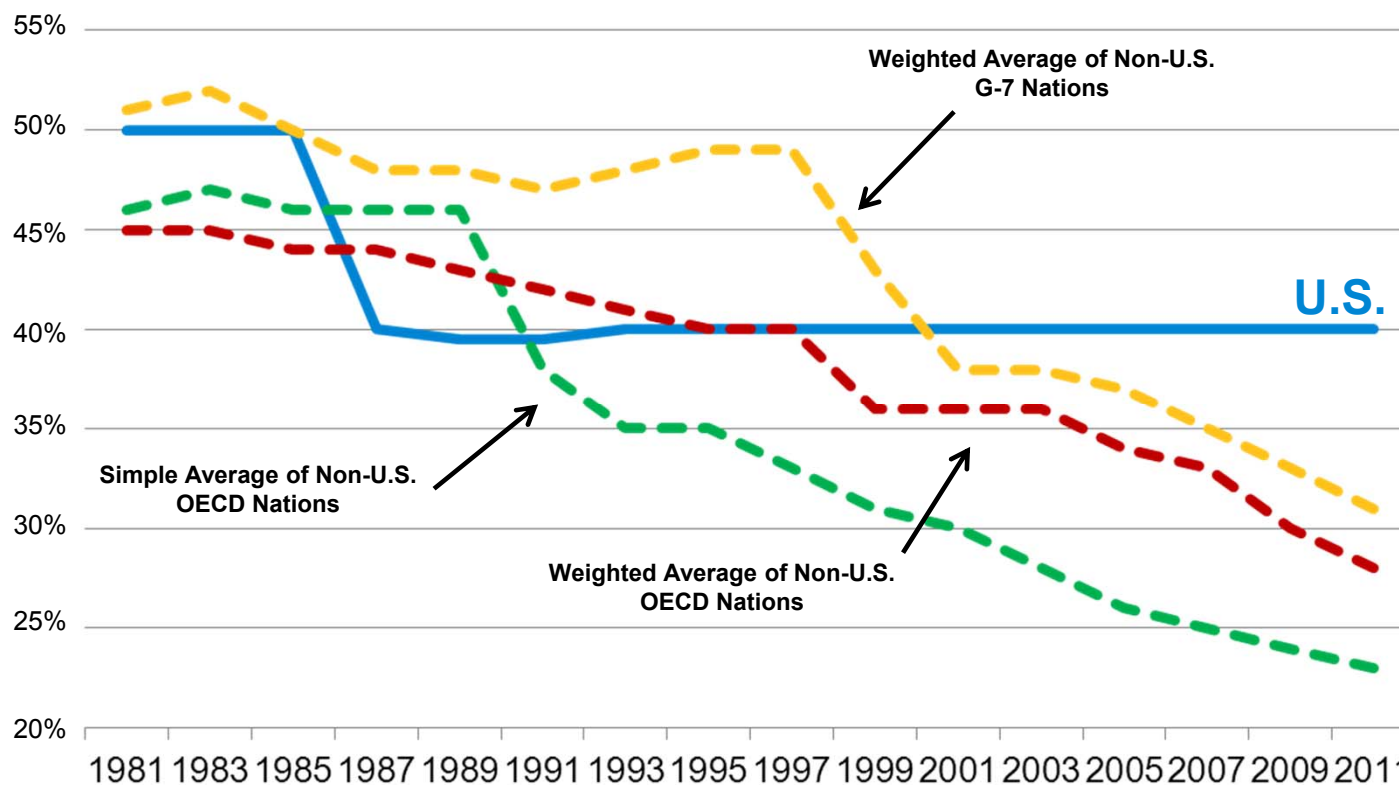
External Costs Hamper U.S. Manufacturing Competitiveness

Compared to our nine largest trading partners, U.S. manufacturers face higher costs in the areas of taxation, employee benefits, tort claims, and government regulation.



The U.S. now has the highest corporate tax rate among developed nations at 40%

**Statutory U.S. Corporate Tax Rate
Compared to OECD Averages (1981 to 2012)**



Tax Changes That Took Effect January 2013

Marginal Rates for Ordinary Income	2012	2013
	35.0%	39.6%
	33.0%	36.0%
	28.0%	31.0%
	25.0%	28.0%
	15.0%	15.0%
	10.0%	15.0%



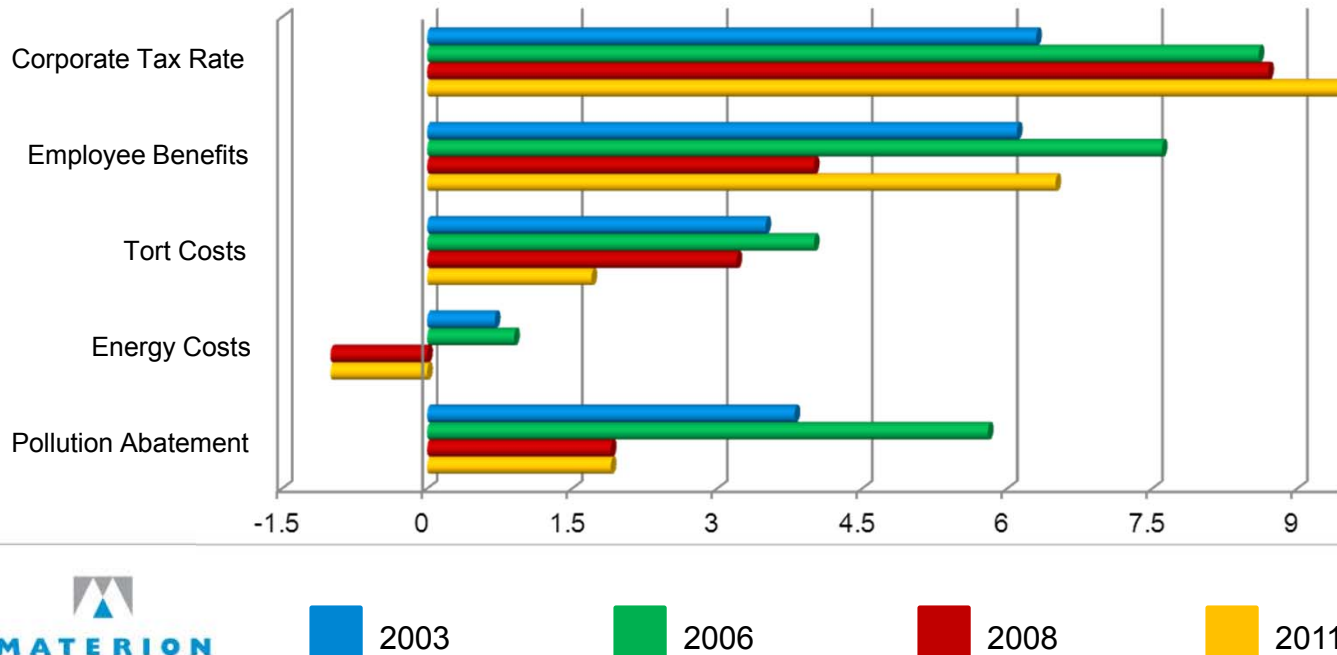
Changes To Current Tax Rates

- ▶ The total top tax rate on dividends tripled from 15% to 43.4%
- ▶ The total top tax rate on capital gains increased from 15% to nearly 23.8%
- ▶ The estate tax rate jumped from 35% to 40%
- ▶ Small and medium-sized manufacturers operating as a flow-through face top marginal tax rates of nearly 40% or more.
- ▶ 3.8% surtax on investment income for taxpayers earning above \$200,000 for individuals and \$250,000 for couples will have a negative impact on investment
- ▶ 0.9% Medicare surtax on wage income earned above \$200,000 for individuals and \$250,000 for couples will impact many small businesses

The Cost Disadvantage Hampers COMPETITIVENESS

Washington is holding manufacturers back

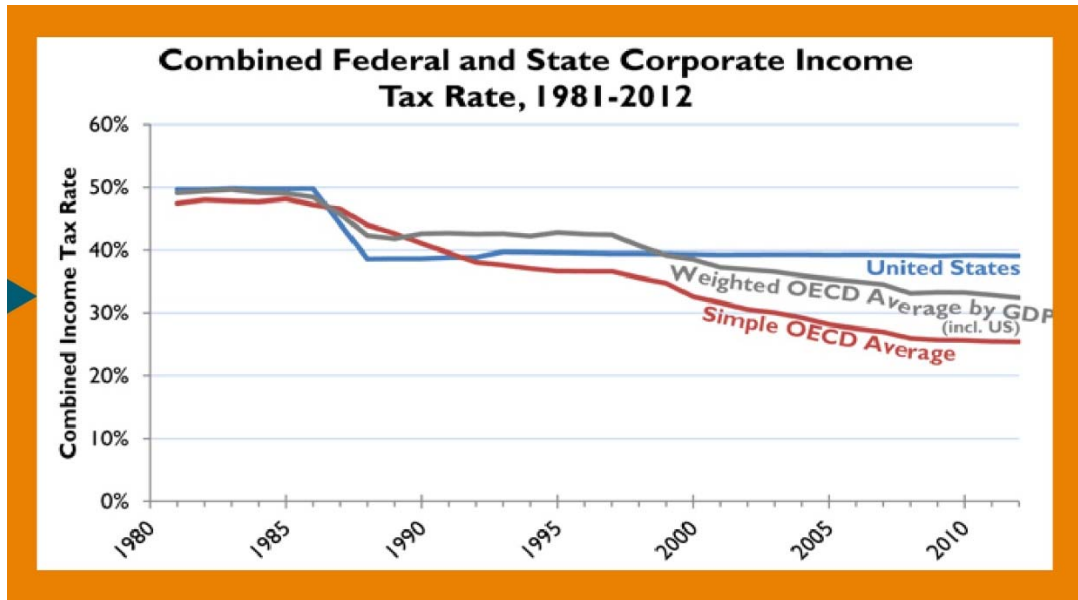
It is 20 percent more expensive to do business in the United States than it is in the countries that are our nine largest trading partners - and that excludes the cost of labor.



Tax

The United States has the **highest corporate tax rate** among major industrial countries.

Nearly **two-thirds** of manufacturers pay income taxes at individual rates. Therefore, any tax increase on individuals is a tax increase on manufacturers.



Primary Current Business Challenges

(First Quarter 2014)



Source: NAM/Industry Week Survey of Manufacturers

Note: Respondents were able to check all that apply. Therefore, responses exceed 100 percent.

***The United States needs a
comprehensive plan for
economic growth
and competitiveness.***



Manufacturing in the United States of America.....A Vehicle for National Economic Prosperity

Manufacturers
have the
Answer.



So What Do We Do To Bring About A MANUFACTURING RENAISSANCE

Tax reform is needed, both corporate and individual

- *U.S. now has the highest corporate tax rate*
 - *Congress must lower the corporate tax rate to 25% or less*
- *Over 2/3 of manufacturers pay tax at the individual rate*
 - *Congress must enact permanent lower tax rates for individuals and small businesses*

Trade: We need FTAs

- *200 FTAs now being negotiated globally. We are party to **two**.*
- *Where we have FTAs, we actually have trade surpluses.*
- *Level the playing field and make sure WTO partners play by WTO rules.*

Regulations: We must insure that our regulatory agencies do not jeopardize our ability to compete globally

- *EPA, OSHA, NLRB and State agencies must do a global economic cost analysis before putting oppressive, cost-incurring regulations in place*



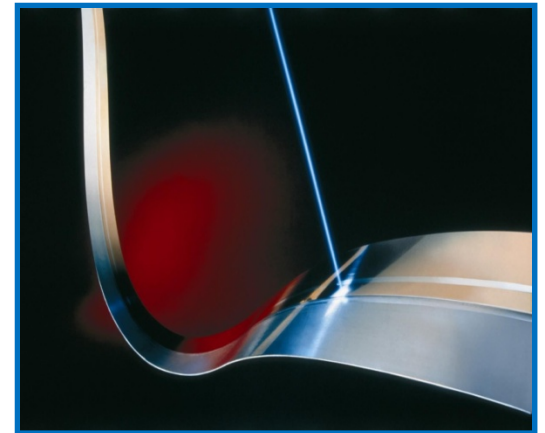
So What Do We Do To Bring About A MANUFACTURING RENAISSANCE

Energy: A comprehensive strategy and logical energy policy that develop all forms of energy and utilize our natural resources must be put into action. We cannot afford to only focus on “green” energy. Start by approving the Keystone XL Pipeline.

Workforce Development: We must educate and develop our workforce to provide for the talent we need to manufacture in the 21st century high-technology manufacturing workplace.

Simply....

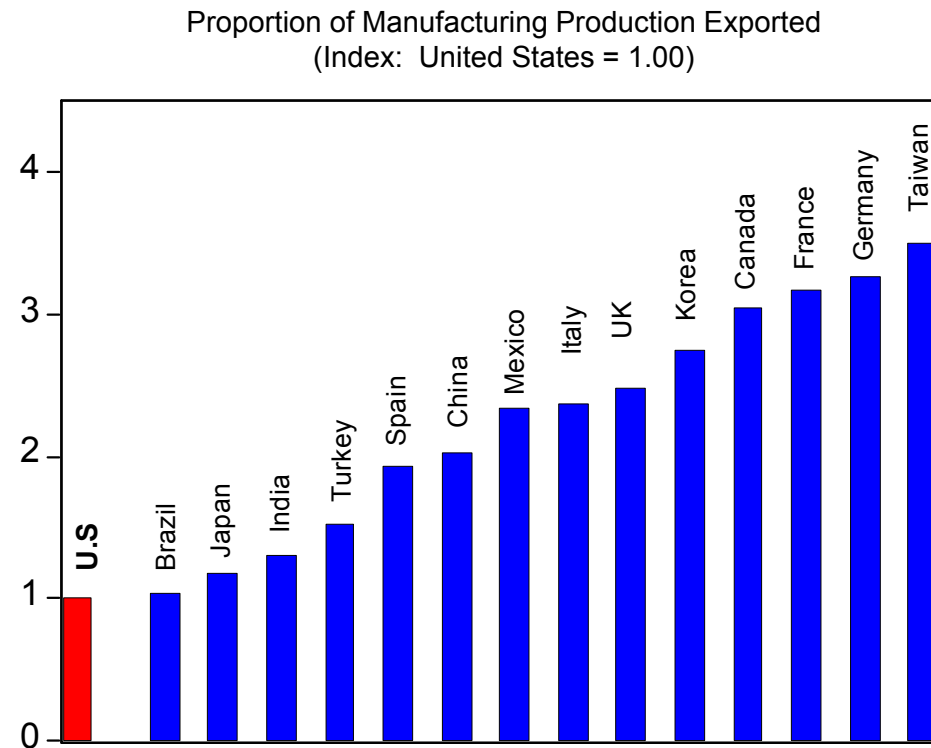
- *If manufacturing in the U.S. isn't competitive globally, jobs are not created.*
- *If capital isn't invested, jobs are not created.*
- *Without jobs, economic recovery and prosperity is not sustainable.*



The United States Under-Exports

The U.S. ranks last among the 15 major manufacturers in export intensity

**World
Average =
2.17
Times As
Much As
U.S.**



Source: World Bank, Global Trade Information Service

If the U.S. exported at the world average, U.S. manufactured goods exports would double, eliminating the trade deficit.

Manufacturing in the United States of America.....A Vehicle for National Economic Prosperity

***The national goal was to double exports in five years.
A worthy target, but achievement will require significant policy changes
and the ability to compete in global markets.***



Sources: Foreign Trade Division, U.S. Census Bureau, "Jobs Supported by Exports in 2012: An Update",
Industry Analysis, International Trade Administration

***By the end of 2014, \$1.5 trillion in additional exports would be
required to meet the goal of the President's export initiative.***



The Goals For The Manufacturing Growth Agenda

GOAL 1

The United States will be the best place in the world to manufacture and attract foreign direct investment.

Manufacturers have an array of attractive options around the world when deciding where to invest, conduct research, build new facilities and create jobs.

- Create a pro-manufacturing tax policy.
- Embrace an “all of the above” approach to energy production.
- Modernize and invest in infrastructure.
- Ensure that the benefits of regulations justify their costs to manufacturers in the United States.
- Implement common-sense, fair legal reform.
- Reduce health care costs for both patients and providers.



GOAL 2

Manufacturers in the United States will be the world's leading innovators.

Innovation propelled the United States to its global leadership position in manufacturing. But other nations are eager to take our place and are establishing more attractive R&D incentives than those offered by the United States.

- Provide a strong, permanent and competitive R&D incentive.
- Support Federal research agencies and public and private sector research.
- Recognize IP as the basis of America's innovative economy.
- Develop appropriate general and industry-specific best practices for improved cybersecurity.
- Support the growth of a healthy information and communication technology ecosystem.



GOAL 3

The United States will expand access to global markets to enable manufacturers to reach the 95 percent of consumers who live outside our borders.

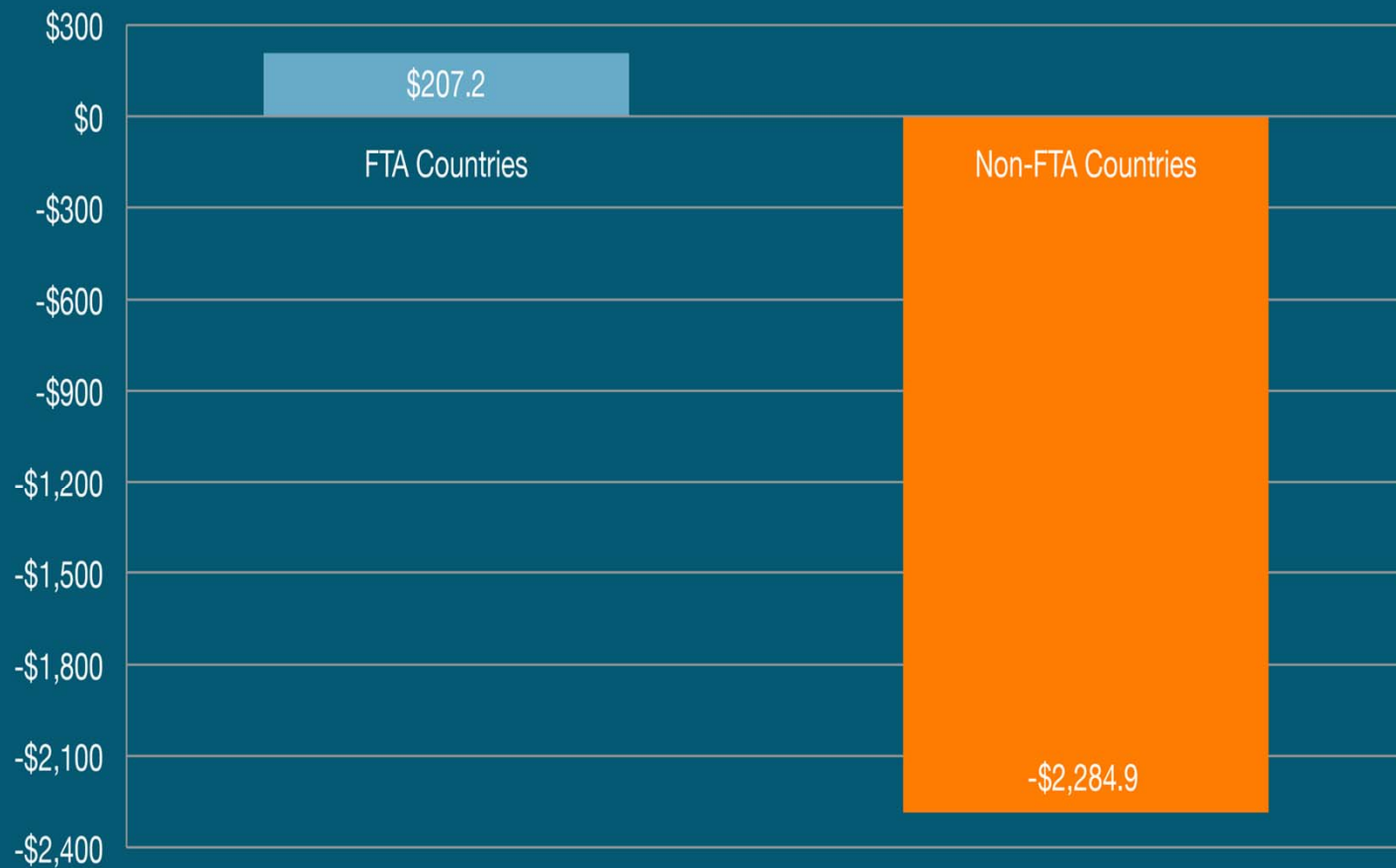
- Promote a global trade policy that opens international markets, enhances competitiveness, and reduces regulatory and tariff barriers.
- Reduce trading costs, domestic export barriers, and unnecessary red tape.
- Boost exports through improved export promotion programs and export credit assistance for both small and large manufacturers.
- Ensure a level playing field for manufacturers by enforcing trade laws and international agreements.



MATERION

U.S. Manufacturing Trade Balance, 2009-2013

FTA vs. Non-FTA, Billions of Dollars



MATERION



GOAL 4

Manufacturers in the United States will have access to the workforce that the 21st-century economy demands.

- Address regulations and mandates that undermine employer flexibility and ultimately discourage the hiring of new employees.
- Develop a more productive workforce and encourage innovation through education reforms and improvements.
- Enact comprehensive immigration reform.
- Attract the best and brightest to the United States.

Manufacturing in the United States of America.....A Vehicle for National Economic Prosperity

Summary

- ★ *Manufacturing is critical to a healthy U.S. economic recovery and to long term economic prosperity.*
- ★ *Manufacturing offers its employees a higher wage and better benefits than many other jobs and creates additional private sector jobs in the process.*
- ★ *With 95% of consumers living outside the U.S., exports and free trade are critical to our economic recovery.*
- ★ *We must have fair free trade and WTO member countries must be held to the rules and regulations.*
- ★ *Structural costs, including taxation and Federal and State regulation in the U.S., must allow us to be competitive with our global trading partners.*
- ★ *Remedies to deal with “cheating” countries must be identified and applied in order for manufacturing, the economy and our country to succeed.*