

MANUFACTURING, TRADE AND THE NATIONAL EXPORT INITIATIVE

***A Presentation for
Maine International Trade Day***

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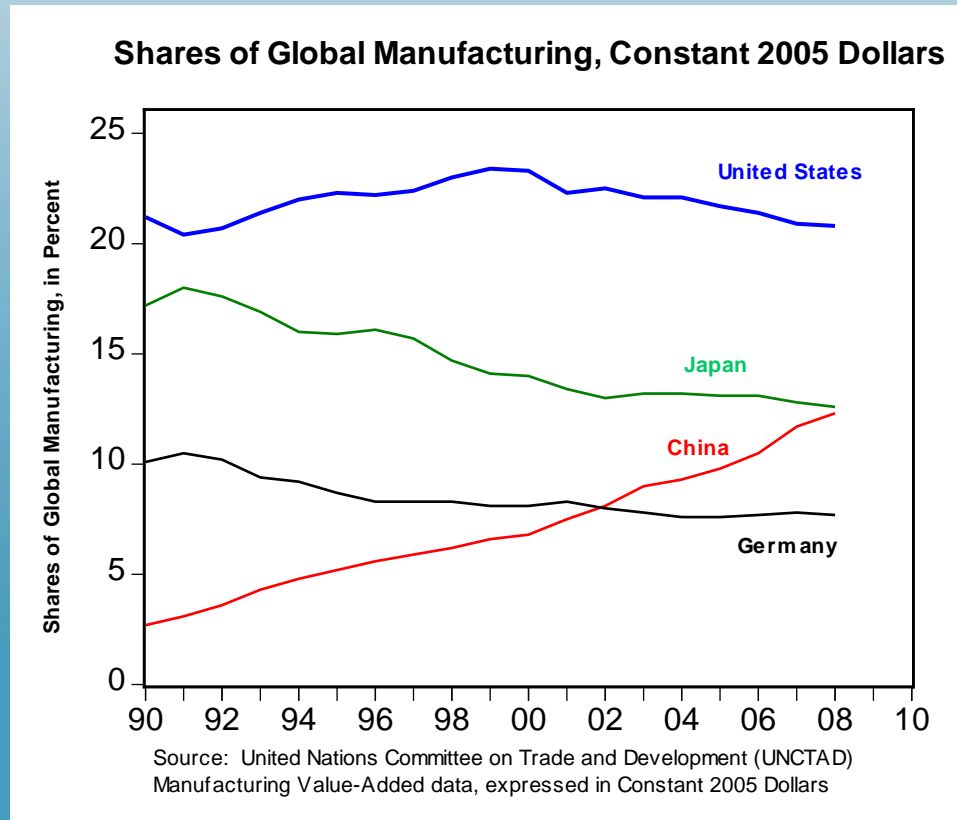
“I Never See any American Products in the Stores. How Can America be the World’s Largest Manufacturer?”

***In 2008, U.S. Factories Produced
\$5.18 TRILLION of Products, Including:***

<i>•Motor Vehicles</i>	<i>\$577 Billion</i>
<i>•Chemicals</i>	<i>\$516 Billion</i>
<i>•Computing Equipment</i>	<i>\$378 Billion</i>
<i>•Industrial and Other Machinery</i>	<i>\$347 Billion</i>
<i>•Metal Products</i>	<i>\$330 Billion</i>
<i>•Steel and Other Primary Metals</i>	<i>\$256 Billion</i>
<i>•Plastics and Rubber Products</i>	<i>\$211 Billion</i>
<i>•Processed Foods</i>	<i>\$183 Billion</i>
<i>•Pharmaceuticals</i>	<i>\$174 Billion</i>
<i>•Aircraft</i>	<i>\$152 Billion</i>
<i>•Electrical Equipment</i>	<i>\$135 Billion</i>

Source: U.S. Census Bureau

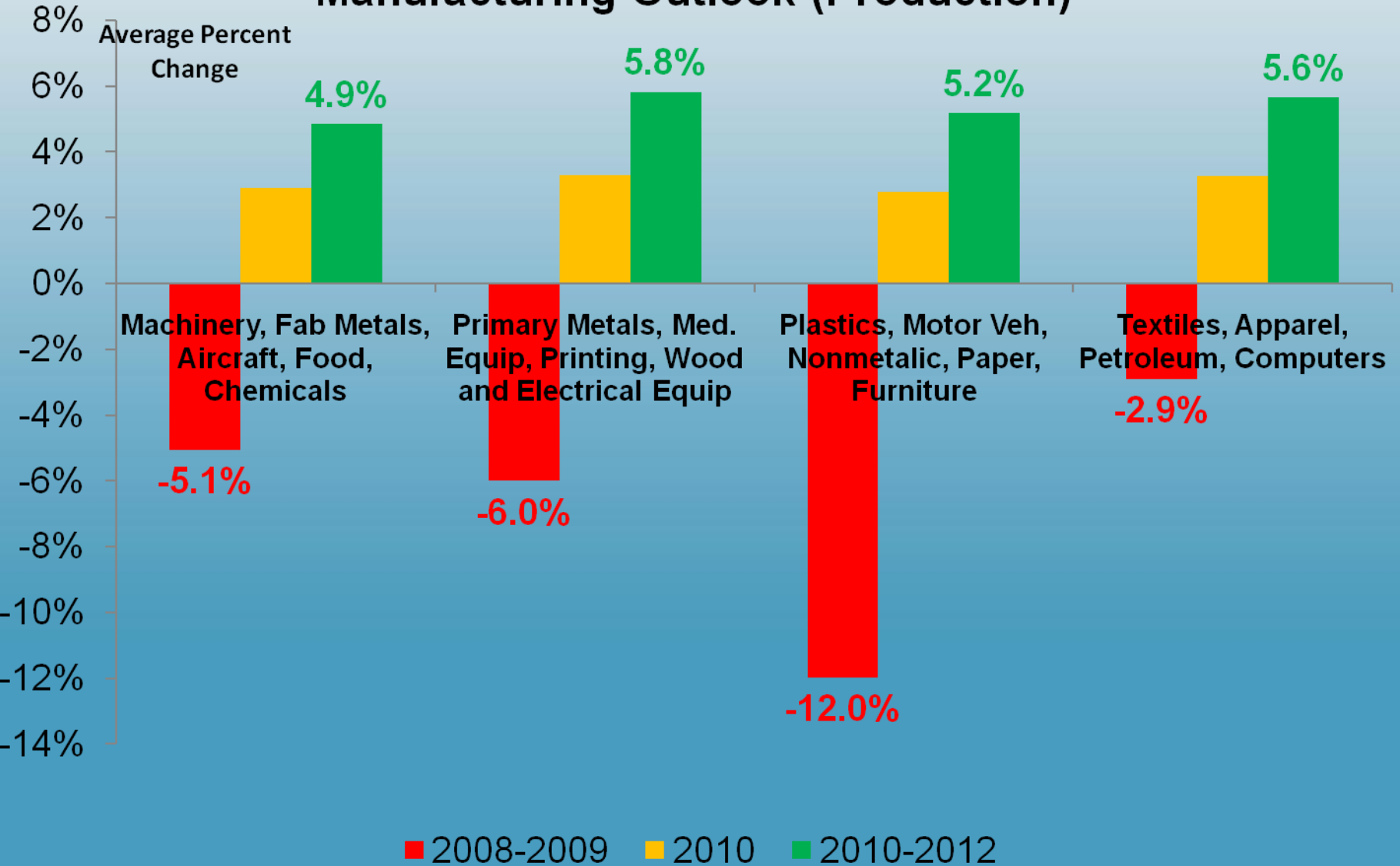
The United States is the World's Largest Manufacturer – Producing Over One in Every Five Dollars of Global Manufacturing



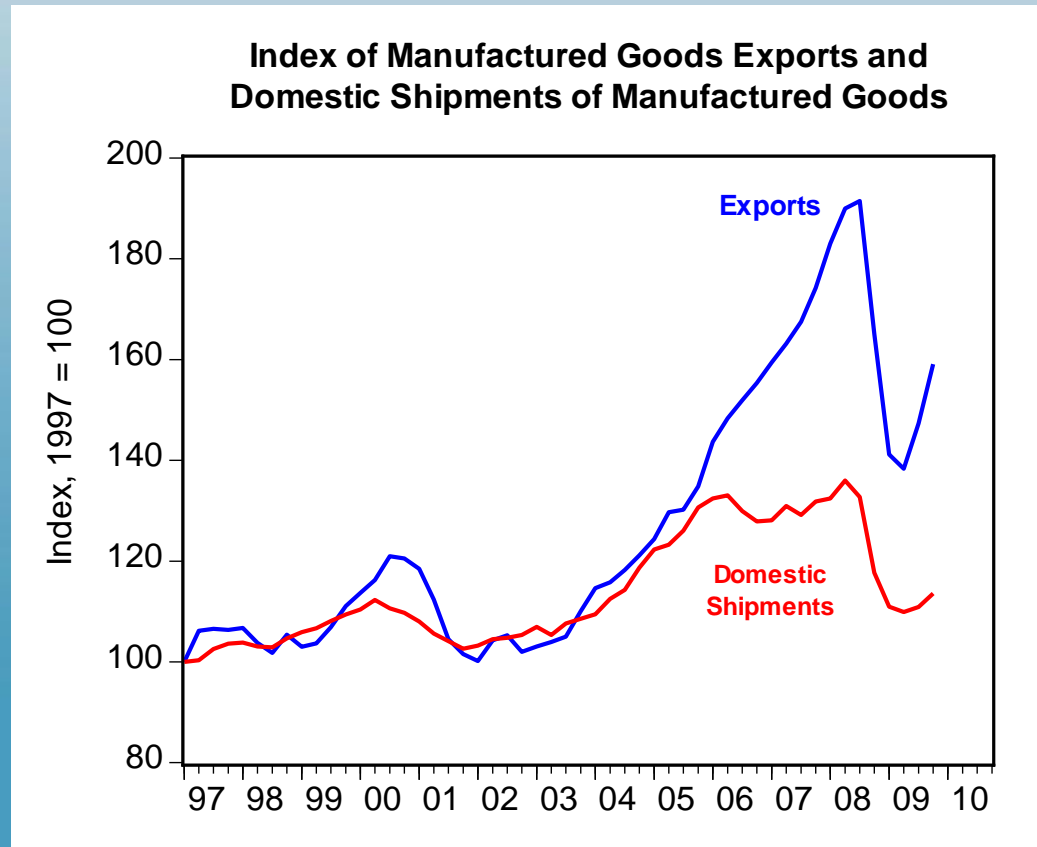
If U.S. Manufacturing Were a Separate Economy, it would be the 8th Largest Economy in the World

Manufacturing Outlook (Production)

Average Percent Change



EXPORTS HAVE BEEN VERY IMPORTANT TO U.S. MANUFACTURERS



From 2005 to mid-2008 more than 50% of U.S. Manufacturing growth came from exports

Total Manufacturing Exports from Maine

(in thousands)

Partner	2005	2006	2007	2008	2009
World Total	1,848,823	2,151,131	2,327,195	2,579,920	1,822,947
Canada	488,230	515,697	544,262	576,224	510,559
Malaysia	362,374	669,746	720,722	762,707	346,011
China	99,974	151,282	136,924	117,171	173,837
Japan	71,893,	95,393	98,923	86,182	79,600,
Saudi Arabia	4,790	2,968	33,968	160,211	66,045
France	25,490	33,580	28,781	41,032	63,191,
Ukraine	1,844	1,129	1,224	21,381	51,303
South Korea	89,940	107,784	115,635	132,637	50,610
Netherlands	47,264	49,345	73,090	59,870	48,251
Mexico	31,342	41,208	26,487	32,109	42,855

Export-Related Manufacturing Employment 2008

U.S. TOTAL 22%

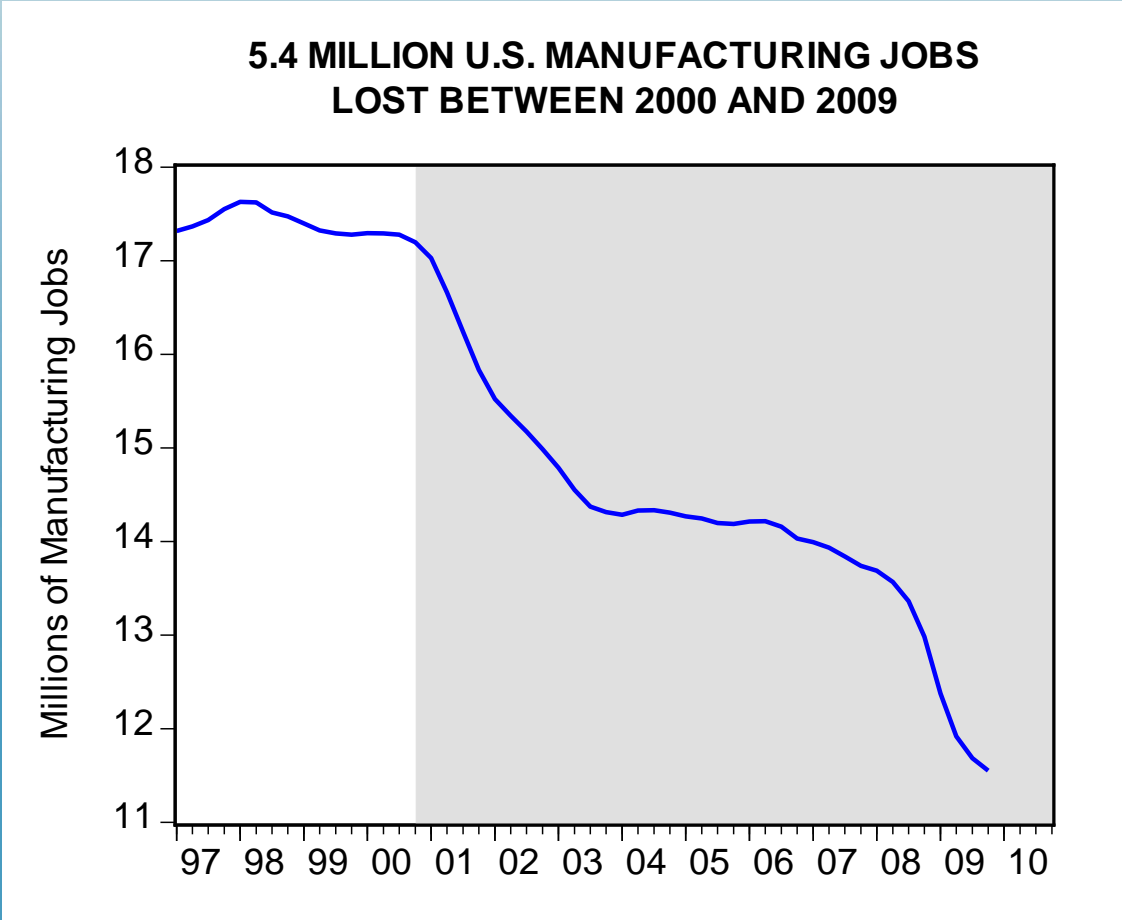
MAINE 15.6%

Not Just for Large Firms! 86% of Maine's exporters are small or mid-sized firms

1200 Maine small and mid-sized companies
export \$642 million

Over 30% of total dollar value of Maine exports

OVER 5 MILLION MANUFACTURING JOBS HAVE BEEN LOST SINCE 2000



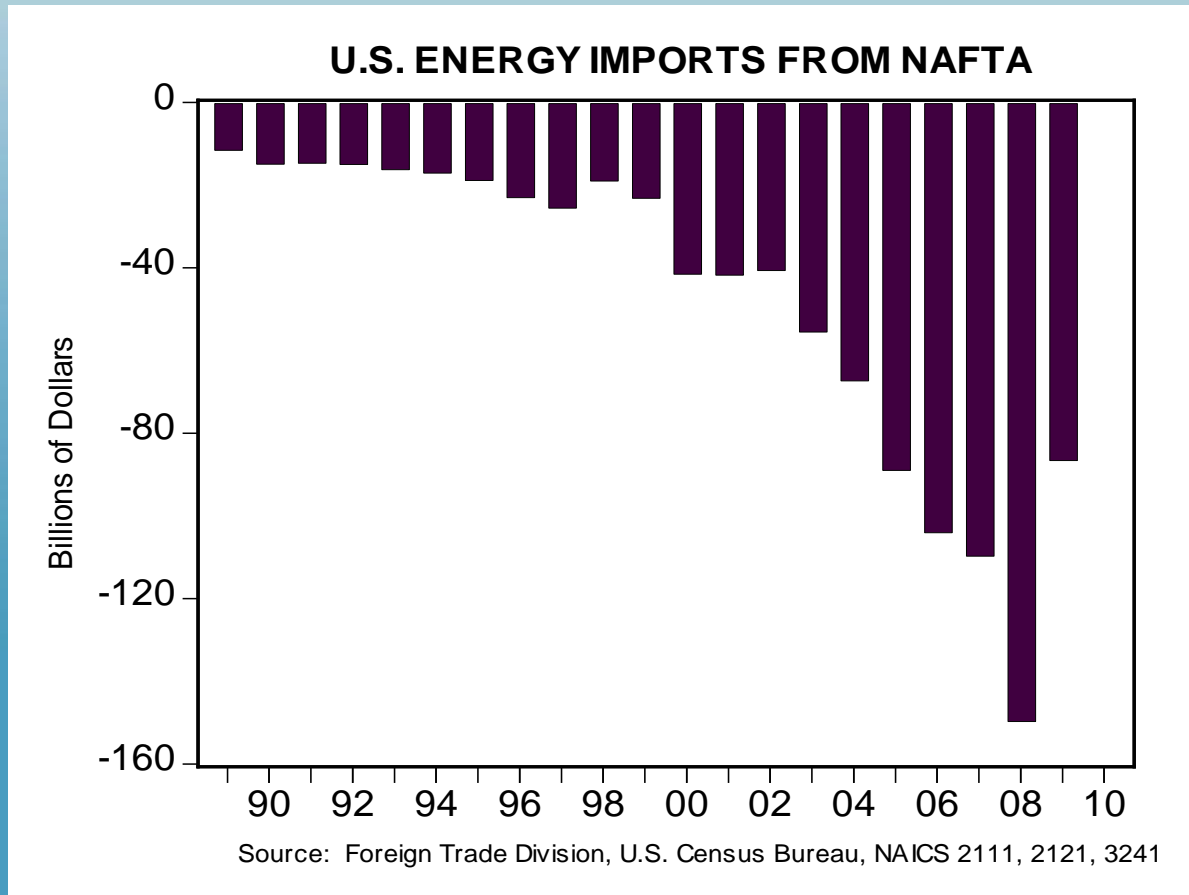
What Was the Cause?

***WAS THIS CAUSED BY NAFTA
AND OTHER U.S. TRADE AGREEMENTS?***



***This Belief is the Fundamental Reason Why Congress
Doesn't Want to Approve More Trade Agreements***

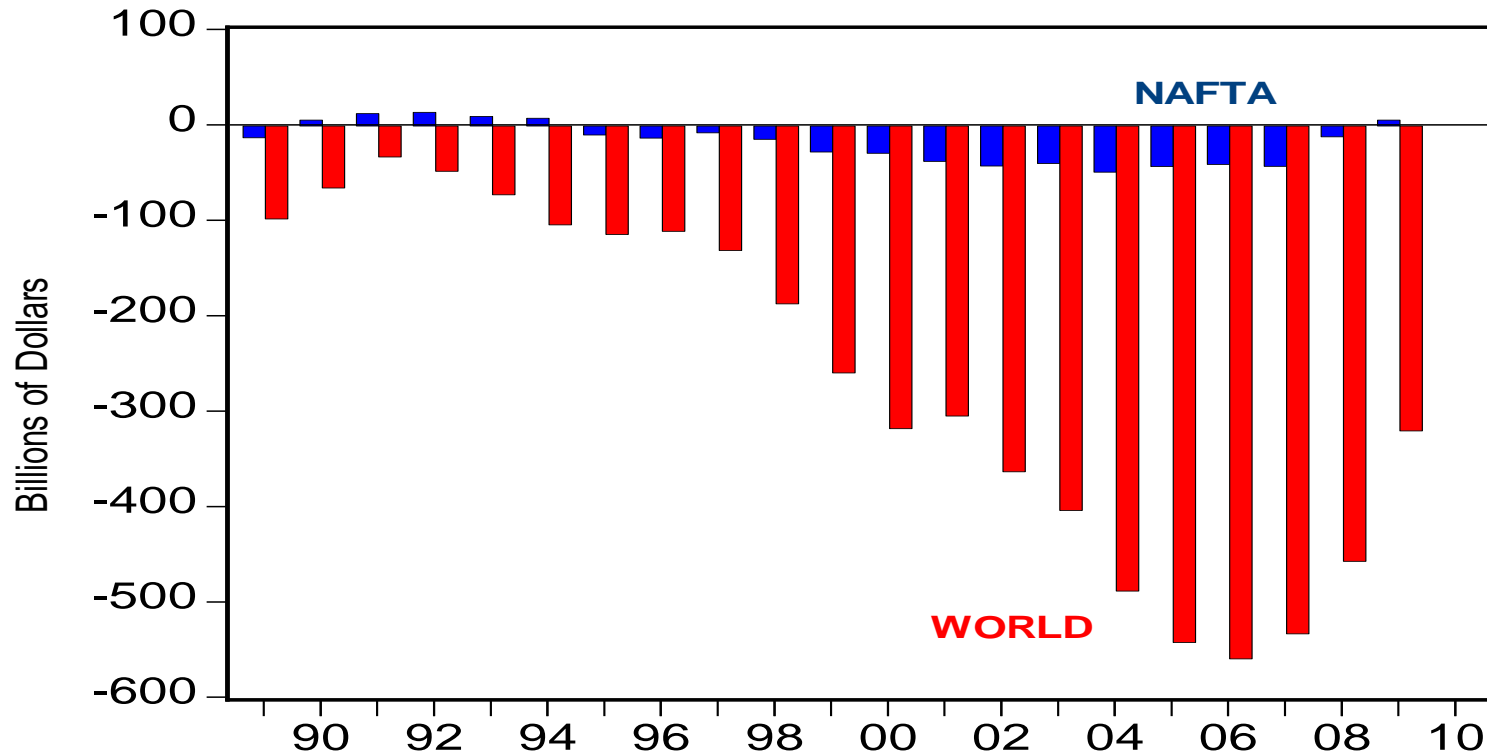
The Increase in the NAFTA Deficit is because of U.S. Oil Imports . . .



1/3 of U.S. Worldwide Energy Imports Come From NAFTA

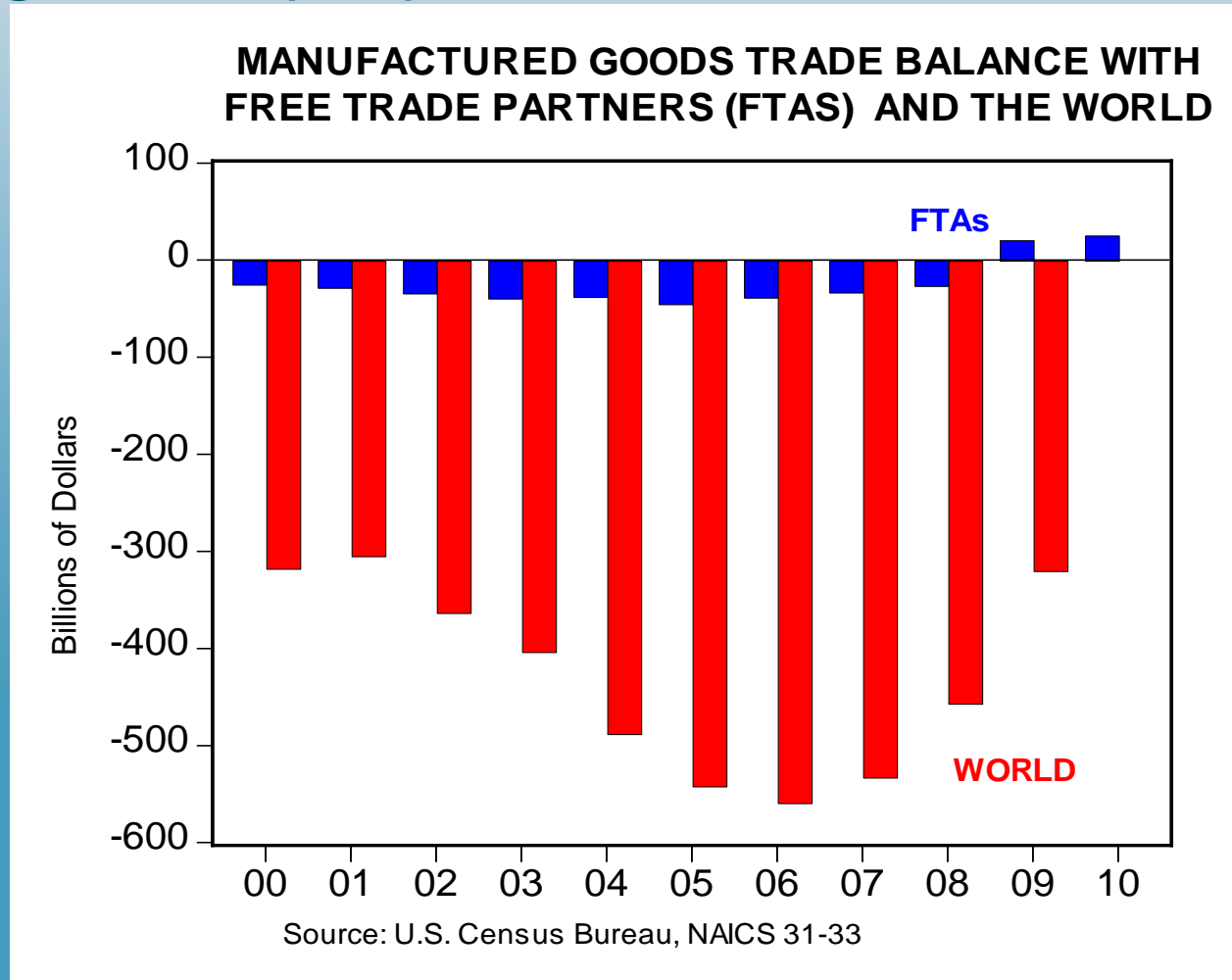
Only 8 Percent of the U.S. Manufactured Goods Deficit Has Been With NAFTA

MANUFACTURED GOODS TRADE BALANCE WITH NAFTA AND THE WORLD

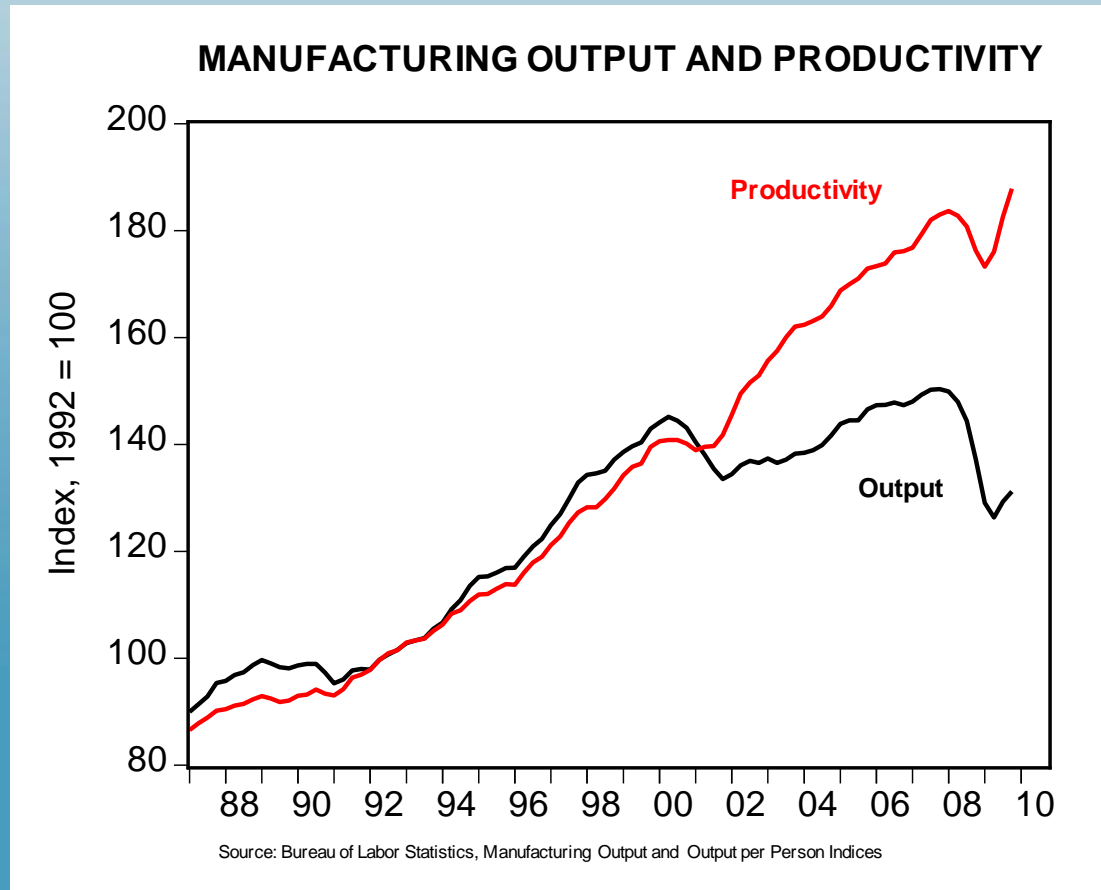


Source: U.S. Census Bureau, NAICS 31-33

U.S. Manufactured Goods Trade Now in Surplus with Free Trade Agreement (FTA) Partners for Second Year in a Row

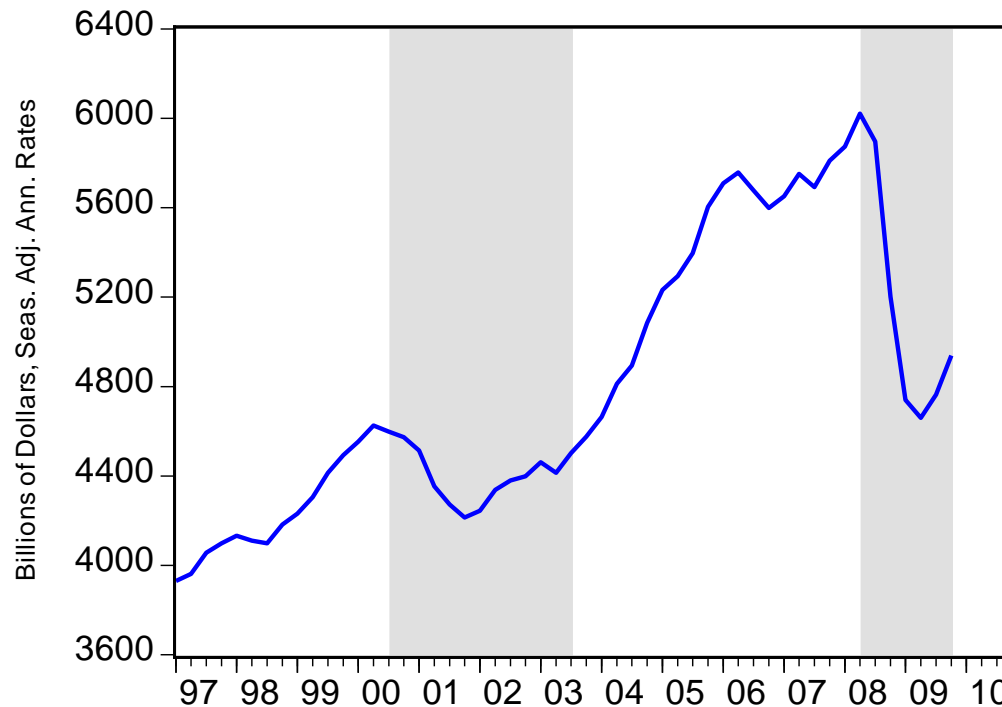


THE CAUSE WAS THE FLATTENING MANUFACTURING OUTPUT AFTER 2000



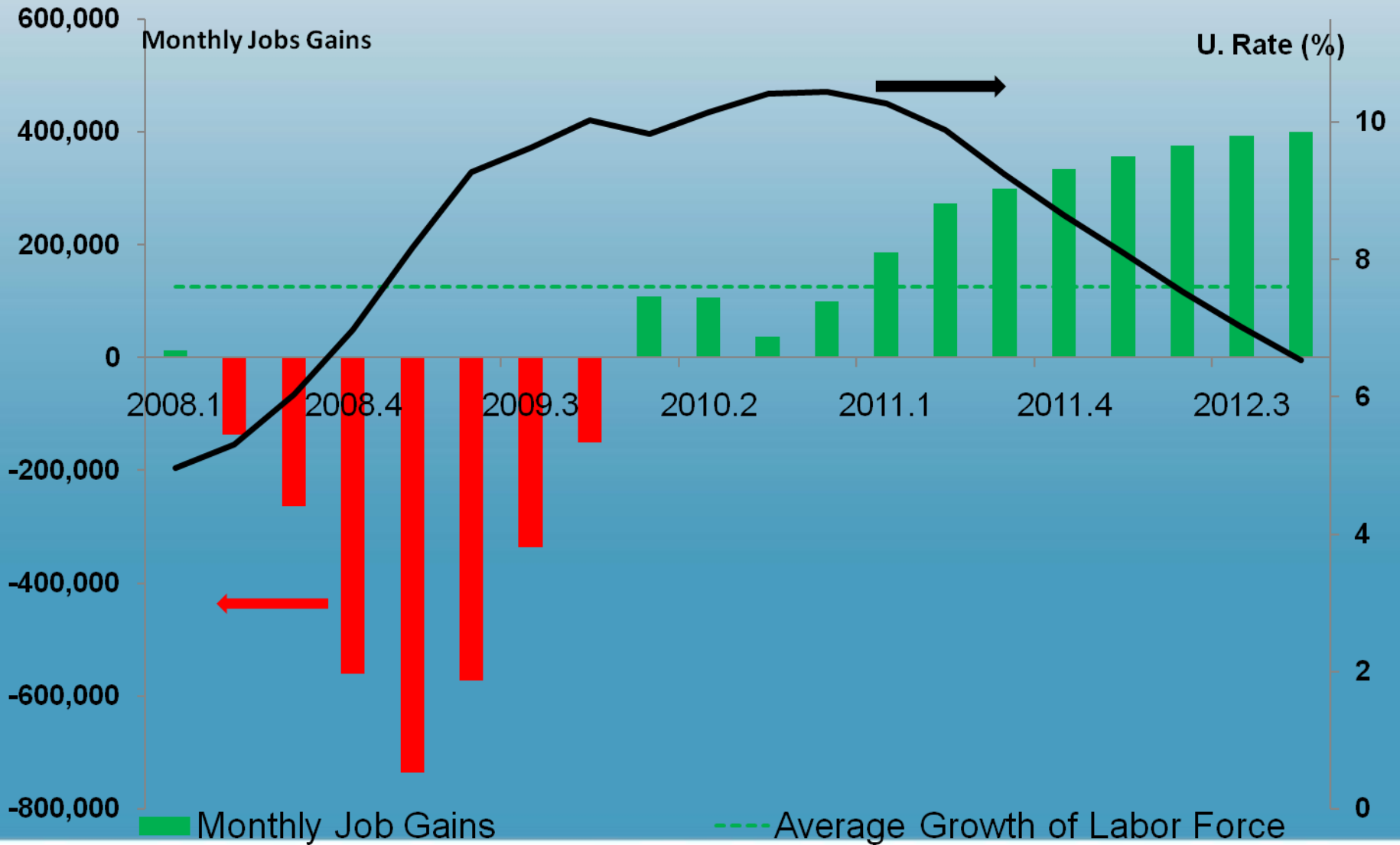
While Imports Have Been A Factor in the Job Loss, The Largest Factors Were the Two Recessions In Manufactured Goods Demand

**U.S. Apparent Consumption of Manufactured Goods
(Mfg Shipments + Imports - Exports)**

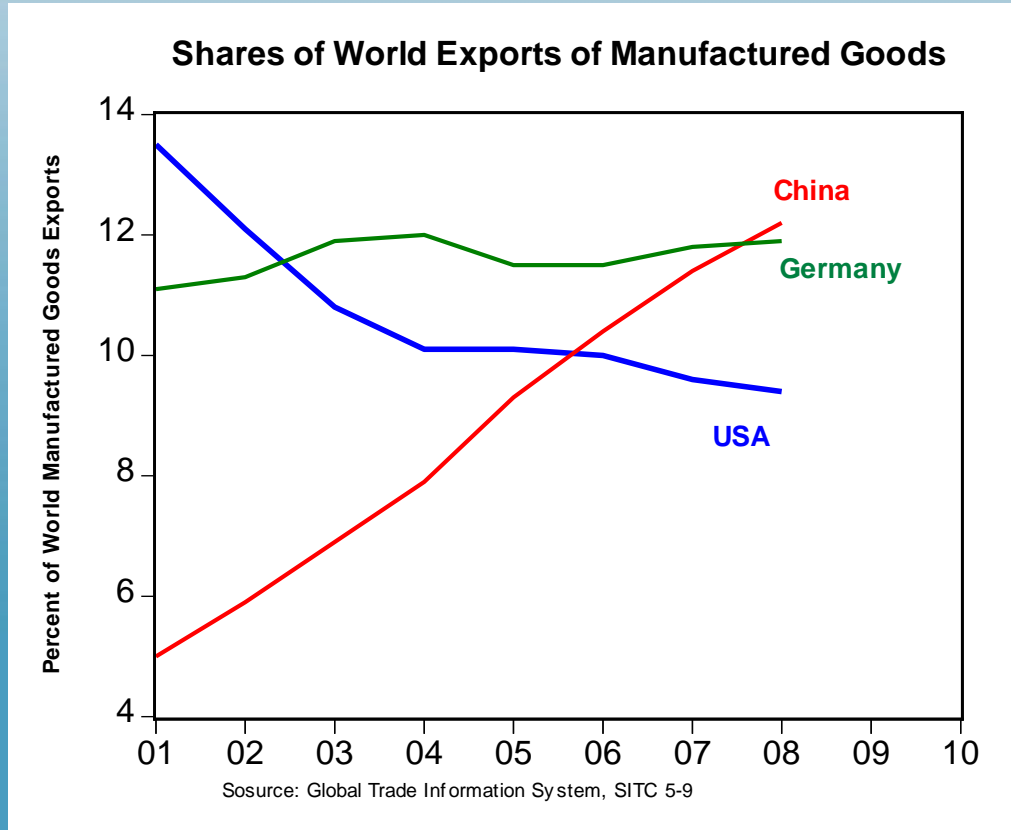


Source: U.S. Census Bureau Shipments Data, Domestic Exports, and Landed Duty-Paid Imports NAICS 31-33

The Employment Outlook



BUT U.S. MANUFACTURERS HAVE BEEN LOSING GLOBAL MARKET SHARE



That share loss is now costing \$400 Billion annually

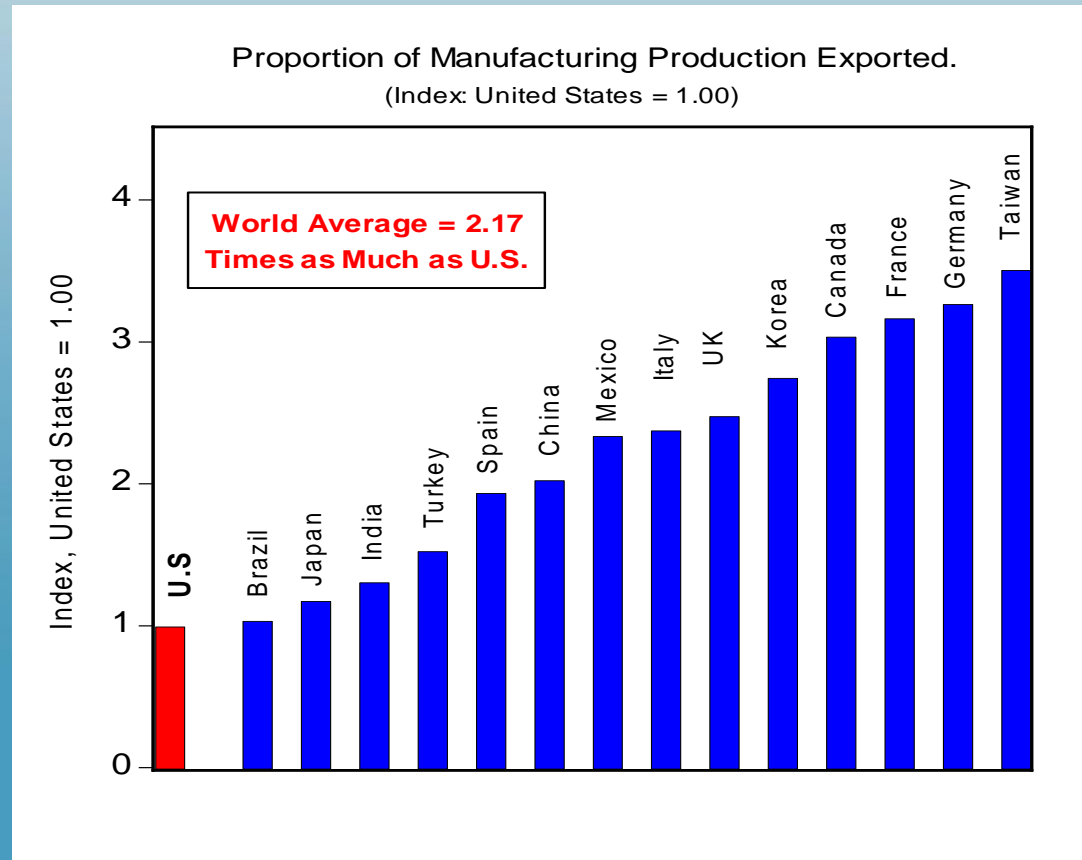
Imports Are a Factor in the Deficit, But U.S. is Not Out of Line With Other Manufacturing Countries

Imports Relative to Manufacturing Production	
Indexed to United States = 1.0	
WORLD	1.3
Taiwan	2.4
France	2.0
Mexico	2.0
United Kingdom	2.0
Canada	1.8
Spain	1.7
Australia	1.7
Germany	1.3
Italy	1.2
Korea, Rep.	1.1
<u>United States</u>	<u>1.0</u>
India	0.9
China	0.9
Brazil	0.5
Japan	0.4

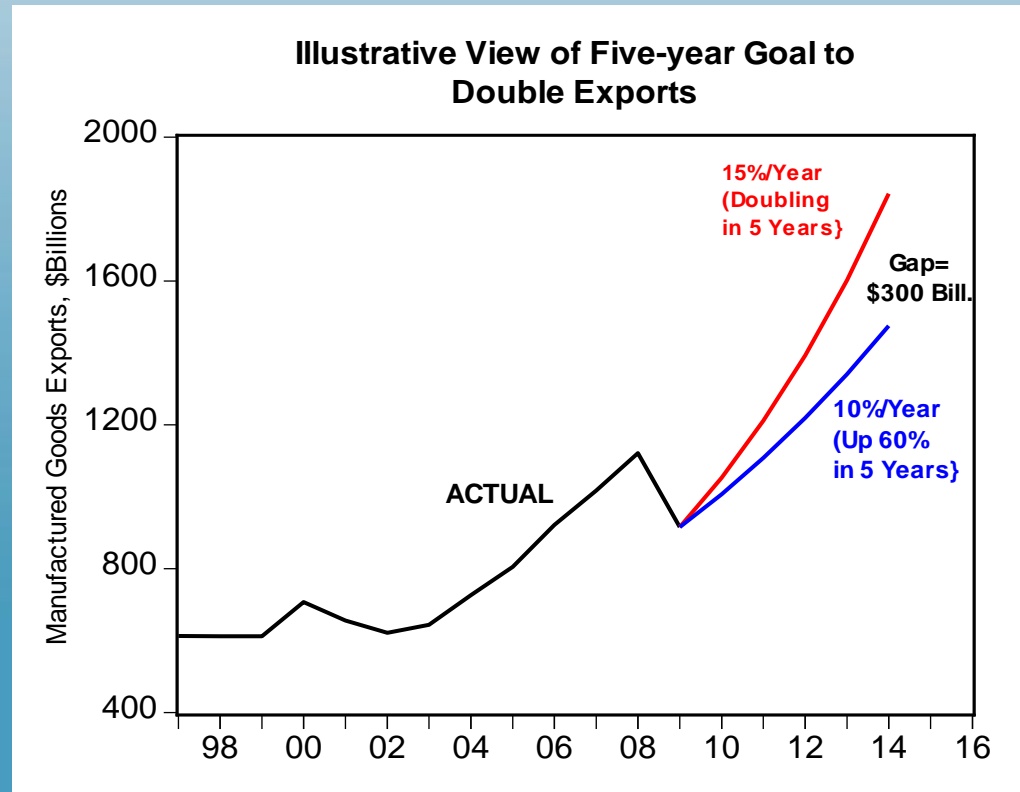
Most Other Manufacturers Import Proportionately More than U.S. Relative to the Size of Their Manufacturing

THE UNITED STATES UNDER-EXPORTS

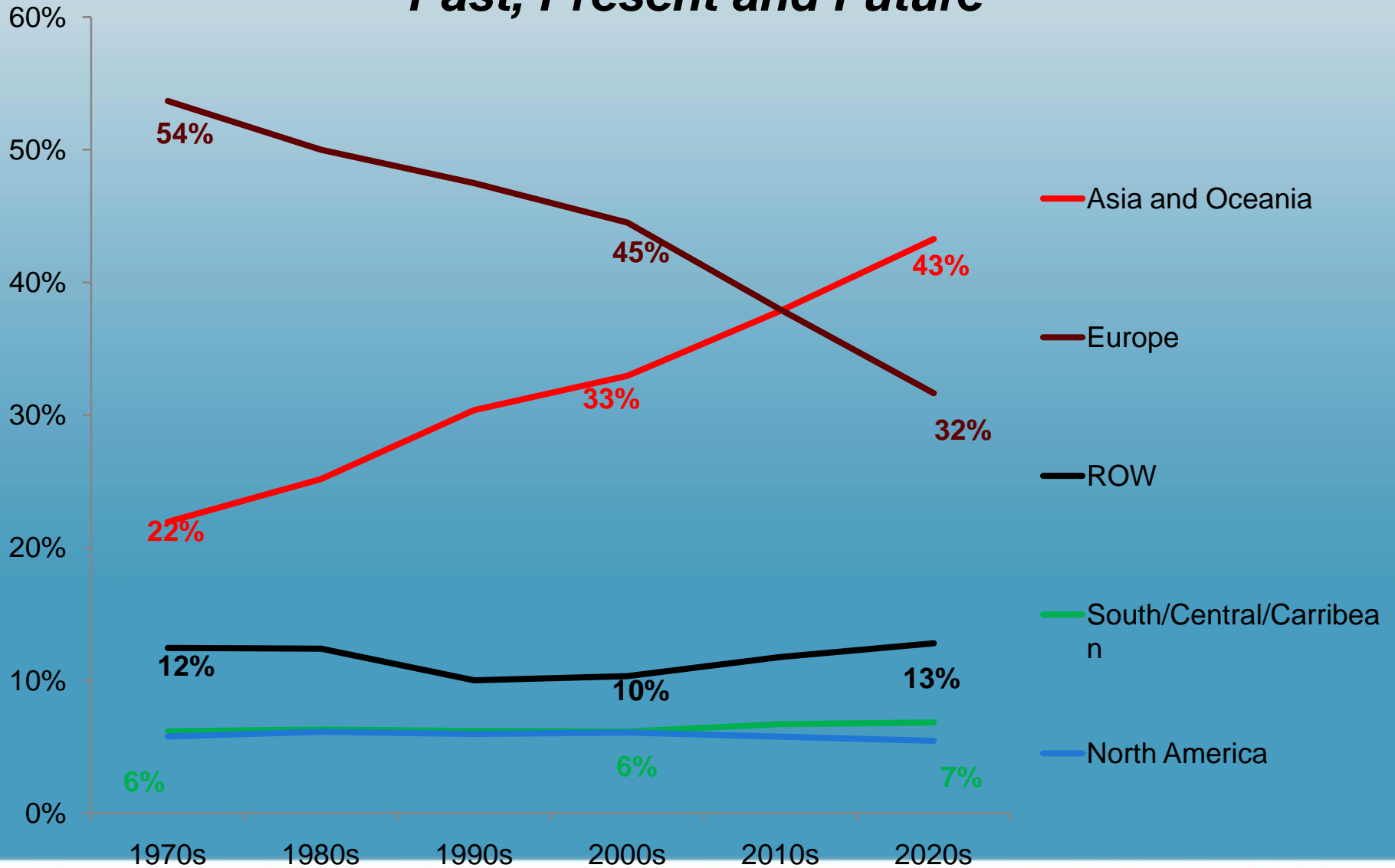
The U.S. Ranks Last Among the 15 Major Manufacturers in Export Intensity.



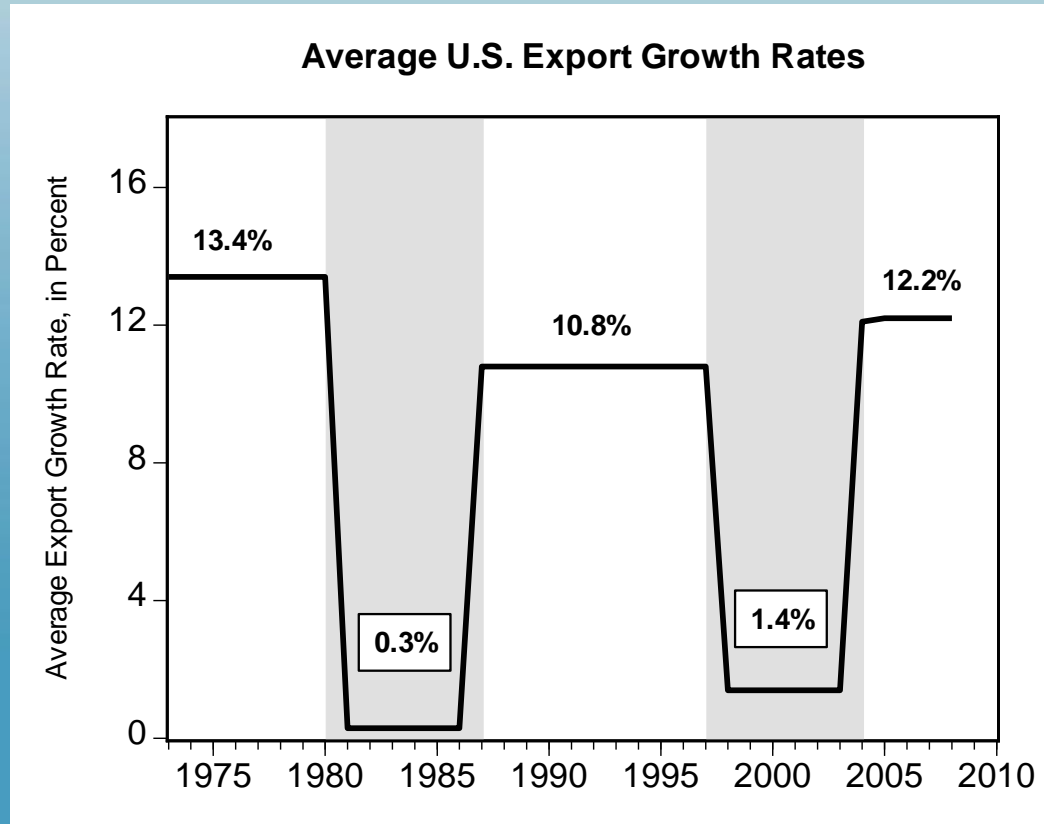
NATIONAL EXPORT GOAL TO DOUBLE EXPORTS IN FIVE YEARS WORTHY TARGET, BUT ACHIEVEMENT WILL NEED SIGNIFICANT POLICY CHANGES



The Global Economy (Outside U.S.) *Past, Present and Future*

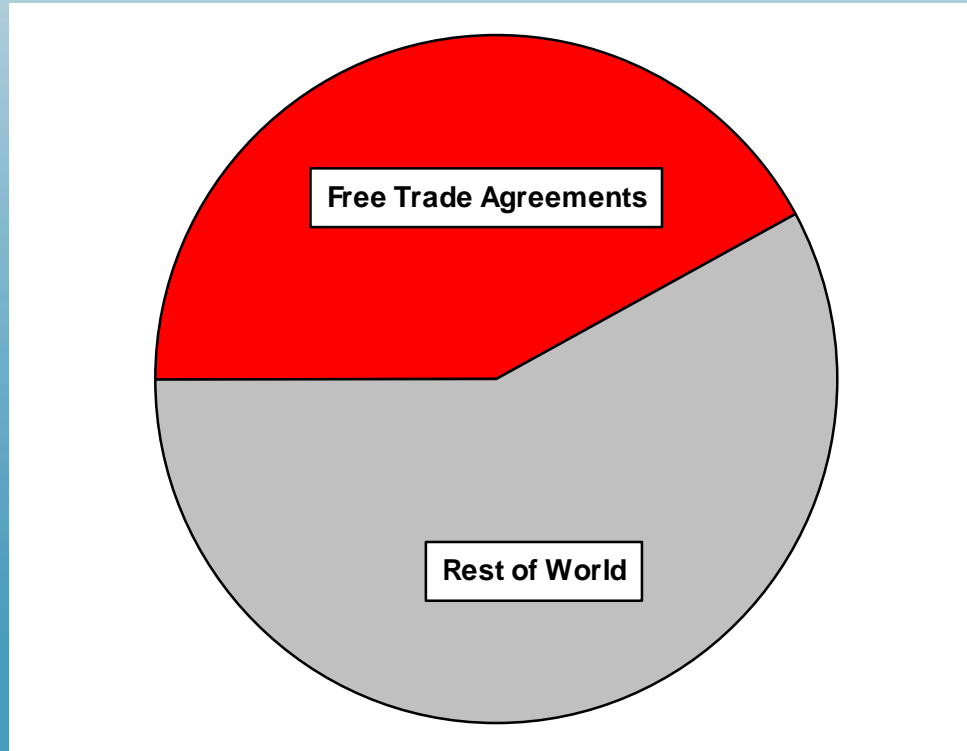


FIRST REQUIREMENT: A REASONABLE EXCHANGE RATE FOR THE DOLLAR



Shaded Areas Show Periods of Excessive Dollar Value . .

SECOND REQUIREMENT: IMPROVED ACCESS TO FOREIGN MARKETS



***U.S. FREE TRADE AGREEMENTS COVER ONLY ABOUT
40 PERCENT OF MANUFACTURED GOODS EXPORTS***

**WHILE CONGRESS HAS STALLED FOR THREE YEARS ON
TRADE AGREEMENTS WITH COLOMBIA, KOREA, AND PANAMA . . .**

**THE EUROPEAN UNION HAS WRAPPED UP AGREEMENTS WITH:
COLOMBIA, KOREA, AND PERU ...**

AND IS ACTIVELY NEGOTIATING WITH:

ARGENTINA

BRAZIL

CANADA

CAFTA

INDIA

SINGAPORE

VIETNAM

SMALL AND MEDIUM-SIZED FIRMS ARE HUGE BENEFICIARIES OF U.S. FREE TRADE AGREEMENTS

NUMBER OF SMALL AND MEDIUM-SIZED EXPORTERS (SME's)* EXPORTING TO U.S. FREE-TRADE PARTNERS				
Market	Number of SME's Exporters to Market	SME % of Total Exporters to Market	SME % of Value of Exports to Market	Average SME Company Exports to Market
NAFTA	110,408	95%	24%	\$ 630,666
Australia	22,127	90%	27%	\$ 192,023
CAFTA	17,651	89%	44%	\$ 442,621
Korea, South (1)	17,055	89%	32%	\$ 559,649
Singapore	16,211	89%	19%	\$ 265,503
Israel	11,200	88%	42%	\$ 302,155
Colombia (1)	8,509	85%	36%	\$ 257,427
Chile	8,370	84%	28%	\$ 200,058
Peru	5,474	82%	39%	\$ 181,537
Panama (1)	5,233	81%	39%	\$ 185,421
Jordan	2,027	80%	45%	\$ 114,029
Bahrain	1,456	74%	36%	\$ 83,669
Oman	1,063	73%	17%	\$ 77,591
Morocco	811	72%	24%	\$ 246,263
* Note: All small and medium-sized exporters, not only manufacturers. Includes wholesalers and others.				
1) Agreement pending before Congress				
Source: U.S. Census Bureau, Profile of Exporters				

**THIRD REQUIREMENT: MODERNIZE OBSOLETE
EXPORT CONTROLS SYSTEM**

Designed in the 1950's for the Cold War

The security risk has changed

Technology has changed

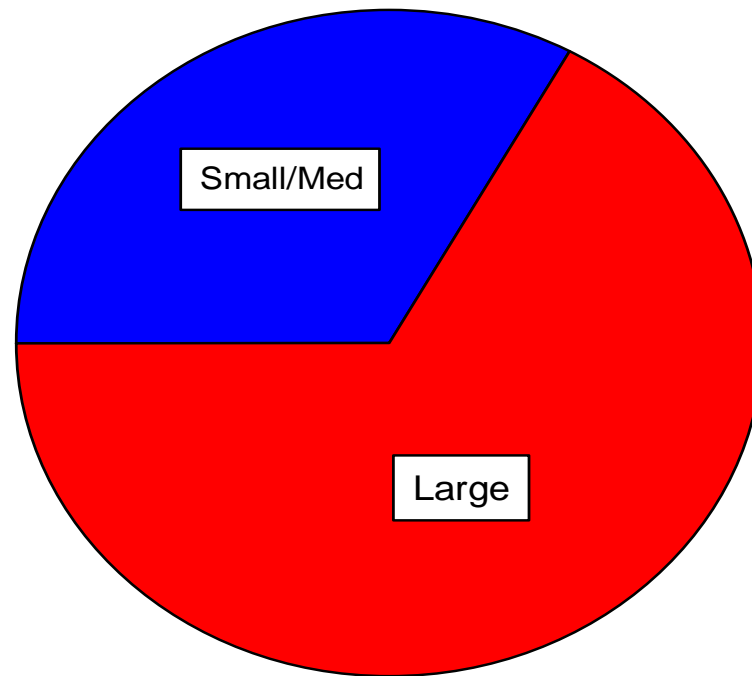
The technological process has changed

Competition and foreign availability have changed

Everything has changed but the export control system

FOURTH: GREATLY EXPANDED EXPORT PROMOTION PROGRAM FOR SMALL/MEDIUM SIZE EXPORTERS

Small/Medium Exporters Produced 1/3 of U.S. Export Growth, 2002-2006



But the United States Provides Less Export Support Than Competitors

FY 2011 BUDGET INCREASES EXPORT PROMOTION FUNDING FOR MANUFACTURED GOODS FOR 1st TIME IN DECADES.

**Increase from \$260 Million to \$320 Million
A start – but need much more.**

- Budget needs to triple.**
- Large increase in Export-Import Bank programs**
- Much closer integration of National and State programs a MUST.**

World Bank and other analyses show \$40 in Additional Exports for every added dollar of Export Promotion

FIFTH REQUIREMENT: POLICIES THAT WILL STRENGTHEN MANUFACTURING IN THE U.S. AND BOOST COMPETITIVENESS

- *Reduce Corporate Income Tax*
- *Encourage Productivity Investments*
- *Strong and Permanent R&D Tax Credit*
- *Reduced Energy Prices*
- *Reduced Regulation*
- *Ensured Credit Availability*
- *Better Infrastructure*
- *Strengthened Basic Research*

-- Manufacturing Resurgence: A Must for U.S. Prosperity