

Beyond Our Borders

Getting it in gear | Manufacturing is a way to fuel job growth and prosperity

By Janine Bisailon-Cary
August 22, 2011

Everyone seems to be talking about U.S. manufacturing these days — a topic we in the international trade field hold near to our hearts. When economic figures were released recently showing that the U.S. economy grew by just 0.4% between January and June, the U.S. purchasing managers' index dropped from 55.3 in June to 50.9 in July (originally forecasted at 54.9), and the index for new orders fell below 50, the markets truly reacted negatively. The release of this data surprisingly marked the cascade in stock prices nationally and internationally when such manufacturing data generally is not considered a major financial indicator. The uncertainty caused by the U.S. debt-ceiling debate, coupled with Europe's financial difficulties, seems to have eroded global economic confidence, and perhaps was the cause for such a strong reaction to the manufacturing indicators. In any case, the health of U.S. manufacturing has taken front stage and is worth discussing.

The National Association of Manufacturers reviews U.S. manufacturing vis-à-vis global markets each year and reports on the health of the sector. Its reassuring news is that the U.S. remains the world's largest manufacturer producing over one in every five dollars of global manufacturing output. NAM explains that exports have been one of the bright spots on the U.S. manufacturing front, representing over 80% growth in sales from 2002-2008, and that U.S. manufacturers should be focusing on overseas growth markets as part of their business development strategy. From 2005 to 2008, more than 50% of U.S. manufacturing growth came from exports, and in some states such as Florida, Georgia, Massachusetts and Maine, NAM reports that exports accounted for all manufacturing growth.

Exports have also been a driver in manufacturing employment. Whereas manufacturing employment for domestic markets was down 18% from 2002 to 2008, manufacturing employment due to exports increased by 11% over the same period. In addition, recent January-through-June 2010 data released by the Department of Labor indicates that manufacturing accounted for almost 40% of total job creation and 25% of new jobs in the under-35 age category in Maine. Last month, economist Chuck Lawton indicated that not only is manufacturing accounting for many of the new jobs in Maine, but compared with its non-manufacturing

brethren, the manufacturing sector is paying up to 60% more for new hires under 19; 70% higher for the 19-to-21 age category; and a 50% premium in the 22-to-34 age categories. In a time when we are looking to increase our job growth in the state and nationally, this employment data tying export growth to jobs, and showing that the manufacturing sector is playing a major role in job creation at higher salaries, is significant.

There is still much we can be doing as a nation and as a state on the manufacturing and exporting fronts. Though we have had great successes here in Maine and in the United States in terms of export growth in the last year (Maine is currently up 36% in exports through May 2011 over 2010), we still fall far behind many of the industrialized nations in export development. As a country, the United States currently exports half as much as Taiwan, Germany, France, the U.K. or Canada in terms of export intensity. And we are losing market share at a rate of \$400 billion annually, with China and Germany outpacing us in growth.

Our lack of coordinated export efforts and funding support in comparison to other industrialized nations is very apparent as you travel to international trade shows and see the presence of the many international pavilions of some of our more export-oriented competitors. These export-oriented countries understand that selling overseas, diversifying sales and bringing in income from the outside is essential in this ever-developing global marketplace.

When discussing obstacles with manufacturers, some of the basic requests we hear at the Maine International Trade Center are for better international credit and financing tools, reduced duties and trade barriers, and the need to simplify and align regulatory processes and requirements. There are some new beefed-up resources available in export trade finance with U.S. Small Business Association (Export Express, Export Working Capital and Co-Guarantee Program, to name a few) that our local banks are now just starting to help market and implement with our small- and medium-sized manufacturers. In addition, trade associations such as the Maine Manufacturing Extension Partnership have been particularly helpful getting manufacturers export-ready with proper certification for selling into Europe, ISO certification for exports to OEMs, and providing grants to participate in overseas trade shows and trade missions. This year, more than ever, international markets will play a major role in our Maine manufacturers' successes and growth. We need to work cooperatively as a state and a nation to support our manufacturing businesses, offer opportunities and deliver export successes.