

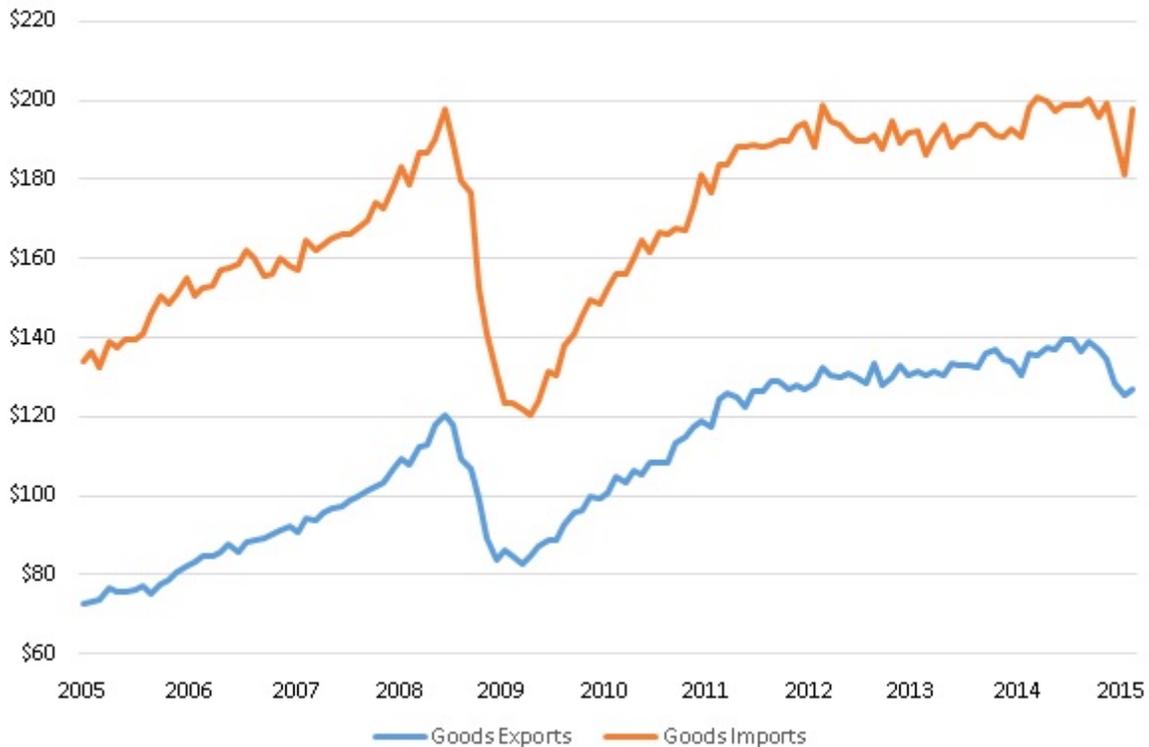
A Publication of the National Association of Manufacturers



# GLOBAL MANUFACTURING ECONOMIC UPDATE

May 14, 2015

**Goods Exports and Imports, 2005–2015**  
(in Billions of Dollars)



The global economy has garnered a lot of attention lately, with sluggish growth hampering the ability of manufacturers to increase international sales. Indeed, net exports served as a drag on [real GDP](#) in the United States in each of the past two quarters, subtracting 1.25 percentage points from growth in the first quarter of 2015. Weakened demand abroad, a stronger U.S. dollar and residual impacts from the West Coast ports slowdown have been attributed to the recent softness in export growth (as well as for the larger U.S. economy). Regarding exchange rates, the U.S. dollar has appreciated roughly 17 percent since the end of June against [major currencies](#), according to the Federal Reserve, and that was actually an improvement from the 22.3 percent gain just a few weeks ago. The net impact of these headwinds has been a widening of the U.S. [trade deficit](#) to its highest level in six and a half years, with [year-to-date manufactured goods exports](#) down 3.8 percent relative to the same time frame in 2014.

The [J.P. Morgan Global Manufacturing PMI](#) fell to its lowest level since August 2013. Most notably, exports stalled. The good news is that the manufacturing sector continues to expand, but at a pace that remains less than robust. The country-by-country analysis was also weaker in April. Indeed, six of the top 10 markets for U.S.-manufactured goods had contracting levels of manufacturing activity in April, up from two in February and five in March. Four of the six were in Asia: [China](#), [Hong Kong](#), [Japan](#) and [South Korea](#). Japan's addition to this list marked the first production decline since July 2014. [Brazil](#) and [Canada](#) were the other two contracting nations, with the latter suffering on falling energy prices and contracting for the third straight month. Outside of Alberta and British Columbia, manufacturers in Canada report modest growth in activity.

Manufacturers in China have reported contracting activity levels in four of the past five months, with the pace of decline in April at a 12-month low. Overall, China's economic data reflect slower—but still sizable—growth. [Real GDP](#) rose 7.0 percent year-over-year in the first quarter, down from 7.3 percent growth in the fourth quarter. [Industrial production](#) edged slightly higher, up from 5.6 percent year-over-year in March to 5.9 percent in April. Yet, output in the sector remains below the 8.7 percent annual growth rate seen 12 months ago, and it continues a larger easing trend over the past few months. Along those lines, [retail sales](#) and [private investment in fixed assets](#) each experienced slower year-over-year growth rates in April. To be fair, each of these paces for expansion remains at healthy rates of activity, but they are much lower than what market participants are accustomed to seeing.

Meanwhile, the [Markit Eurozone Manufacturing PMI](#) decelerated a bit in April, but growth in manufacturing activity remains better today than a few months ago. Indeed, hiring in the sector grew at its fastest pace since August 2011. The overriding story in Europe continues to be an improving situation, but one in which strong growth remains elusive. [Real GDP](#) rose 0.4 percent in the first quarter, edging up from 0.3 percent growth in the fourth quarter. On a year-over-year basis, the Eurozone grew 1.0 percent. At the same time, [industrial production](#) and [retail sales](#) were both lower in March, and the [unemployment rate](#) remained elevated at 11.3 percent. On the positive side, two-thirds of respondents expect conditions to improve in the coming months, and [annual inflation](#) was unchanged after reflecting deflation for four straight months. Some might suggest that these better indicators of late have been the result of the European Central Bank's effort to prop up the economy, but it is also true that Europe has a long way to go before it is out of the woods entirely.

Action on Trade Promotion Authority (TPA), trade facilitation and enforcement and trade preference measures takes place today, while concrete movement on a long-term Export-Import (Ex-Im) Bank reauthorization is still sought. Negotiations are moving forward with the Asia-Pacific and Europe, while the NAM seeks to tackle other important policy and commercial issues.

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## Global Economic and Trade Trends

### **The global economy remained very soft in April.**

The [J.P. Morgan Global Manufacturing PMI](#) fell from 51.7 in March to 51.0 in April, its lowest level since August 2013. Most notably, exports (down from 50.7 to 50.1) stalled. The good news is that the manufacturing sector continues to expand, but at a pace that remains less than robust. Along those lines, both new orders (down from 52.1 to 51.1) and output (down from 53.3 to 51.7) eased for the month, with the index for employment growth unchanged at 50.7.

The country-by-country analysis was also weaker in April. Indeed, six of the top 10 markets for U.S.-manufactured goods had contracting levels of manufacturing activity in April, up from two in February and five in March. Four of the six were in Asia: [China](#) (down from 49.6 to 48.9), [Hong Kong](#) (down from 49.6 to 48.6), [Japan](#) (down from 50.3 to 49.9) and [South Korea](#) (down from 49.2 to 48.8). Japan's addition to this list marked the first production decline since July 2014, with Asian activity overall continuing to decelerate. [Brazil](#) (down from 46.2 to 46.0) and [Canada](#) (up from 48.9 to 49.0) were the other two contracting nations, with the latter suffering on falling energy prices and contracting for the third straight month.

In contrast, the four expanding markets continued to reflect modest growth, but at varying paces. The [Netherlands](#) (up from 52.5 to 54.0) notched its fastest output growth in five months, whereas [Germany](#) (down from 52.8 to 52.1) and the [United Kingdom](#) (down from 54.0 to 51.9) both experienced slower demand and production for the month, particularly for exports.

Meanwhile, our second-largest trading partner, [Mexico](#) (unchanged at 53.8), had production pick up, but both employment and exports eased somewhat.

### **The Chinese economy continues to decelerate.**

The [HSBC China Manufacturing PMI](#) (down from 49.6 to 48.9) has contracted in four of the past five months, with the pace of the decline in April at a 12-month low. Output (down from 51.3 to 50.0) stagnated, while new orders (down from 49.8 to 48.7) and employment (up from 47.4 to 47.8) contracted once again. Hiring has been negative for 18 straight months. On the other hand, exports (up from 49.8 to 50.3) shifted slightly positive. Along those lines, the [official manufacturing PMI](#) figures from the National Bureau of Statistics of China also reflected stalled growth, with the headline index unchanged at 50.1. That report suggested that small and medium-sized manufacturers were experiencing a contraction in activity, with larger firms growing ever so slightly.

Overall, China's economic data reflect slower—but still sizable—growth. [Real GDP](#) rose 7.0 percent year-over-year in the first quarter, down from 7.3 percent growth in the fourth quarter. This was consistent with the [new target](#) for 2015. More importantly, other data show just how much activity has eased of late. [Industrial production](#) edged slightly higher, up from 5.6 percent year-over-year in March to 5.9 percent in April. Yet, output in the sector remains below the 8.7 percent annual growth rate seen 12 months ago, and it continues a larger easing trend seen over the past few months. Along those lines, [retail sales](#) moved lower once more, down from 10.2 percent year-over-year in March to 10.0 percent in April, and [private investment in fixed assets](#) shifted down from 13.6 percent to 12.7 percent year-over-year growth for the month. To be fair, each of these paces for expansion remains at healthy rates of activity, but they are much lower than what market participants are accustomed to seeing.

### **Despite some easing in April, Europe's economy has made some modest progress in recent**

**months.**

The [Markit Eurozone Manufacturing PMI](#) declined from 52.2 to 52.0. Growth rates for new orders (down from 52.5 to 51.8), output (down from 53.6 to 53.4) and exports (down from 52.7 to 52.3) decelerated, whereas hiring (up from 51.6 to 51.9) rose to its fastest pace since August 2011. Overall, however, the European manufacturing sector continues to be somewhat better today than just a few months ago. The headline PMI figure was 50.1, or essentially stagnant, as recently as November. In fact, Eurozone manufacturing activity has now expanded for 21 straight months, albeit not robustly.

Even with some easing in April, [Ireland](#) (down from 56.8 to 55.8) continues to be one of the stronger economies in Europe, with strong levels of demand, output and employment growth. [Italy](#) (up from 53.3 to 53.8) and the [Netherlands](#) (up from 52.5 to 54.0) also expanded at decent rates, with production growth at multi-month highs for each. In addition, [Germany](#) (down from 52.8 to 52.1), [Spain](#) (down from 54.3 to 54.2) and the [United Kingdom](#) (down from 54.0 to 51.9) expanded at modest paces for the month, despite somewhat slower growth in output for each. One somewhat encouraging note was the slight shift into positive territory for [Austria](#) (up from 47.7 to 50.1) on better production and exports data. On the other hand, [France](#) (down from 48.8 to 48.0) and [Greece](#) (down from 48.9 to 46.5) have now contracted for at least eight straight months, with Greek new orders declining at their fastest pace in just over two years.

[Real GDP](#) rose 0.4 percent in the first quarter, an improvement from the 0.3 percent growth rate in the fourth quarter. On a year-over-year basis, the Eurozone grew 1.0 percent. Still, [industrial production](#) declined by 0.3 percent in March, with [retail sales](#) down 0.8 percent. The [unemployment rate](#) remained unchanged at 11.3 percent. On the positive side, two-thirds of respondents expect conditions to improve in the coming months, according to the latest [ZEW Indicator of Economic Sentiment](#). Of course, one of the larger concerns of late has been worries about deflation. [Annual inflation](#) was unchanged in April, following four straight months with declining prices. Because of these worries and in an effort to stimulate growth on the continent, the European Central Bank is spending 1 trillion euros over the next 18 months as part of its quantitative easing program.

**Canadian manufacturers report weaker conditions due to energy markets.**

The [RBC Canadian Manufacturing PMI](#) increased marginally from 48.9 to 49.0. Nonetheless, it contracted for the third consecutive month. Activity remained negative across the board for the sector, even as some measures declined at a slower rate in April. These included output (up from 48.5 to 49.5), exports (up from 48.5 to 49.1) and employment (up from 48.7 to 49.7). New orders declined at a faster rate (down from 48.4 to 47.5). It is notable that much of this weakness stems from Alberta and British Columbia, which continue to grapple with lower crude oil prices. Outside of those regions, manufacturing activity grew modestly in April, including in Ontario (up from 53.3 to 54.0), Quebec (up from 49.9 to 51.1) and the rest of Canada (up from 52.8 to 54.4).

[Real GDP](#) was unchanged in February in Canada, an improvement after decreasing by 0.2 percent in January. [Retail sales](#) also rebounded in February, up 1.7 percent, increasing after two straight months of declining spending. The [unemployment rate](#) held steady at 6.8 percent in April, with manufacturers adding 10,400 net new workers for the month. On a year-over-year basis, however, manufacturing employment has changed little (down by 800). Moreover, [manufacturing output](#) was lower in both January and February, down 0.7 percent and 0.8 percent, respectively.

**Mexico continues to expand modestly.**

The [HSBC Mexico Manufacturing PMI](#) was unchanged at 53.8 in April. This reflects some deceleration since peaking at 56.6 in January, which had been its highest point since December 2012. Yet, the underlying data were mixed, with output (up from 55.0 to 55.9) and exports (up from 51.0 to 53.3) picking up for the month while new orders (down from 56.7 to 56.5) and hiring (down from 53.2 to 51.1) eased a bit. Note that demand and production figures were growing at decent rates, even if there still remains room for

improvement. [Industrial production](#) increased 1.7 percent year-over-year in both February and March, with 3.1 percent growth in manufacturing output over the past 12 months.

#### **Manufacturing growth in emerging markets contracted for the first time since April 2014.**

The [HSBC Emerging Markets Index](#) declined from 51.5 to 51.3, with manufacturing dropping from 50.1 to 49.6. The decrease stemmed from a plunge in new orders (down from 50.3 to 49.6), with hiring (down from 49.2 to 48.9) moving further into negative territory. New export orders among manufacturers in emerging markets were stagnant (up from 49.8 to 50.0), and output eased to being almost neutral (down from 50.9 to 50.4). Overall, however, business leaders remained mostly positive about the coming months, with the future output index measuring 62.9. (This forward-looking measure was down for the second straight month, off from 65.0 in February.)

There were a number of countries that had contracting levels of manufacturing activity in April. These included [Brazil](#) (down from 46.2 to 46.0), [China](#) (down from 49.6 to 48.9), [Indonesia](#) (up from 46.4 to 46.7), [Russia](#) (up from 48.1 to 48.9), [South Korea](#) (down from 49.2 to 48.8), [Taiwan](#) (down from 51.0 to 49.2) and [Turkey](#) (up from 48.0 to 48.5). Among those nations, Brazilian activity contracted further, with output declining at its fastest pace since March 2009, and Taiwan slipped into negative territory for the first time since July 2013. [Vietnam](#) (up from 50.7 to 53.5) was the lone Asian emerging market to pick up the pace in April. Meanwhile, the [Czech Republic](#) (down from 56.1 to 54.7), [India](#) (down from 52.1 to 51.3), [Poland](#) (down from 54.8 to 54.0) and [South Africa](#) (down from 51.6 to 51.5) decelerated somewhat for the month, with each experiencing some easing in new orders and output.

#### **The U.S. trade deficit widened to its highest level in nearly six and a half years.**

The [trade deficit](#) increased from \$35.89 billion in February to \$51.37 billion in March. This was the largest monthly trade deficit since October 2008. There were two primary factors for this. First, goods imports soared for the month, up from \$181.27 billion to \$197.63 billion. To be fair, however, the February figure was exceptionally low, with March's value essentially equal to the 2014 goods imports average of \$197.58 billion. The larger factor was on the goods exports side. Goods exports rose from \$125.59 billion to \$127.07 billion, not enough to counteract the gain in imports. Moreover, goods exports in March were well below the 2014 average of \$136.26 billion, helping to explain the large shift in the headline trade deficit number over the past few months. Indeed, sluggish growth abroad and a stronger U.S. dollar have combined to present a major headwind for manufacturers seeking to grow demand overseas.

Petroleum flows have also contributed to this shift, with lower crude oil prices reducing overall values. Petroleum exports declined from \$8.27 billion to \$7.70 billion, or down from the 2014 average of \$10.29 billion. Imports also fell, down from \$16.47 billion to \$15.37 billion. This was down significantly from the \$24.89 billion average in 2014.

Looking more closely at the goods data for March, exports were generally higher for the month (although, as mentioned before, they were lower than last year). There were increased goods exports for nonautomotive capital goods (up \$1.47 billion), automotive vehicles and parts (up \$792 million), foods, feeds and beverages (up \$332 million) and industrial supplies and materials (up \$317 million). Consumer goods exports were down \$1.70 billion for the month.

Meanwhile, goods imports were up significantly in March, rebounding from a slower February, as noted above. Consumer goods (up \$9.01 billion), nonautomotive capital goods (up \$3.98 billion) and automotive vehicles and parts (up \$2.67 billion) accounted for the bulk of the monthly gain.

#### **Manufactured goods exports have declined so far this year.**

The net result of all of these data points has been a challenging year so far for manufacturers abroad. Using seasonally adjusted data from [TradeStats Express](#), year-to-date manufactured goods exports have fallen 3.8 percent in 2015 from the levels observed in the first three months of 2014. Moreover, exports were lower

to Canada (down 4.2 percent), China (down 3.0 percent) and Japan (down 5.2 percent) so far this year. Exports to Mexico (up 0.4 percent) and the United Kingdom (up 15.5 percent) were higher year-to-date, with exports to Germany flat.

## International Trade Policy Trends

### **The Senate sets second vote on TPA legislation.**

Following the April 16 introduction of the Bipartisan Congressional Trade Priorities and Accountability Act ([H.R. 1890/S. 995](#)), introduced by House Ways and Means Committee Chairman Paul Ryan (R-WI), Senate Finance Committee Chairman Orrin Hatch (R-UT) and Senate Finance Committee Ranking Member Ron Wyden (D-OR), both the Senate Finance and House Ways and Means committees approved this TPA legislation the following week with only minor changes. The House and Senate versions differ by one provision, relating to removing expedited congressional review procedures if a country does not meet standards in combatting human trafficking that was included in the Senate bill at markup. The Senate held its first procedural vote on Tuesday, May 12, to move to debate [the bill](#), along with [trade adjustment assistance legislation](#), but it was [defeated](#) by a largely party-line vote of 52–45, which reflected procedural differences on how to proceed on other trade legislation (customs and preferences discussed below). Senate Majority Leader Mitch McConnell (R-KY) announced on Wednesday, May 13, he had reached an agreement with Minority Leader Harry Reid (D-NV) by which customs and preferences legislation would be voted on today, followed by a vote on cloture on the motion to proceed to TPA. That vote will take place at 2:00 p.m., and there seems to be momentum in securing a positive vote to begin the debate on TPA. The NAM has undertaken a focused and active campaign to build and solidify support with key members in both the Senate and House. Just this week, the NAM sent [this letter](#) from 76 manufacturing industry associations urging support for TPA. In addition, NAM President and CEO Jay Timmons and NAM Executive Committee member Chuck Wetherington, president of [BTE Technologies](#), joined a press conference on TPA with Sens. John Cornyn (R-TX) and Tom Carper (D-DE). On Wednesday, *Newsweek* published [this op-ed](#) from NAM President and CEO Jay Timmons and NAM Chief Economist Chad Moutray explaining why TPA is critical to U.S. manufacturing growth. We have also uploaded new tools and information at [www.nam.org/tpa](#), including a [call to action](#), [small business stories](#) and [polling data](#), in addition to our [state manufacturing and trade data](#) and our [TPA report](#) addressing many of the key issues that NAM members are asking on trade agreements and manufacturing. If you are not already involved, please contact NAM Director of International Trade Policy [Ken Monahan](#).

### **The NAM leads business community efforts on investor-state dispute settlement (ISDS).**

Long an advocate of strong investment treaties and provisions in free trade agreements (FTAs), backed by ISDS, the NAM recognized early on that trade opponents would use their attacks on ISDS as a key part of their effort to defeat TPA. The NAM has led business community efforts to defend and promote ISDS, coalescing more than [60 manufacturing and business associations](#) to champion strong investment and private property provisions in TPA and spearheading a targeted advocacy campaign on Capitol Hill to educate, build support and prepare for anti-ISDS floor amendments. The NAM released a new ISDS [video](#), titled “Fair Play,” during a Washington International Trade Association event. Just this week, the [Washington Examiner](#) published an NAM op-ed that explained the facts on ISDS. We have included much of our work on ISDS on our new web landing page, [www.nam.org/ISDS](#). If you want to become engaged in our efforts, please contact NAM Vice President of International Economic Affairs [Linda Dempsey](#).

### **Customs legislation moves to Senate floor vote.**

The Senate Finance and House Ways and Means committees introduced trade facilitation and enforcement

legislation on April 20. Senate Finance Committee Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden's (D-OR) [Trade Facilitation and Trade Enforcement Act](#) (S. 1015) and House Ways and Means Trade Subcommittee Chairman Pat Tiberi's (R-OH) version ([H.R. 1907](#)) differed upon introduction in several major respects, including the following:

- Provisions on trade-remedy enforcement, with the Senate bill including the Enforcing Orders and Reducing Customs Evasion (ENFORCE) Act, which the NAM [supports](#); the House bill included new provisions that would create a Commerce Department enforcement mechanism that had not been fully reviewed.
- Changes to trade-remedy standards were included in the Senate bill only.

Additional changes were made during the Senate Finance Committee markup, with the adoption of several amendments, including the new Miscellaneous Tariff Bill (MTB) review process discussed below, an amendment by Sen. Chuck Schumer (D-NY) to include currency as part of trade-remedy determinations, an amendment by Sens. Tom Carper (D-DE) and Michael Bennet (D-CO) to enhance the Treasury Department's ability to deal with currency issues and several other trade-remedy, enforcement and forced labor provisions. As noted above, the Senate will move to vote on final passage of the customs legislation at 12:00 p.m. today. Sixty votes will be required for passage. The NAM issued [this letter](#) this morning in support of several provisions of this legislation.

#### **Senate Finance Committee unanimously approves new MTB process.**

The NAM welcomed the Senate Finance Committee's adoption, by unanimous consent, of the new MTB review process, titled the [American Manufacturing Competitiveness Act of 2015](#) (S. 998), introduced by Sens. Rob Portman (R-OH), Claire McCaskill (D-MO), Pat Toomey (R-PA) and Richard Burr (R-NC). The NAM had worked extensively in support of this new legislation, including with a [letter](#) signed by more than 185 businesses and associations that Sen. Portman held up before the committee to drive home the vital importance of MTB for manufacturers and other businesses in the United States. While the MTB issue was raised during the House markup, it was not included in the trade facilitation bill. The NAM and many member companies continue to work together to educate members of Congress and the media to promote action to ensure that a predictable and regularized MTB process can begin later this year. This legislation will be included as part of the Senate vote today on the customs bill. For additional information, please contact NAM Director of International Trade Policy [Ken Monahan](#).

#### **Over congressional recess, manufacturers and governors call for Ex-Im Bank reauthorization.**

As Congress continues to debate the future of the Ex-Im Bank, it is clear that a bipartisan majority supports its reauthorization. On April 30, [House Speaker John Boehner \(R-OH\) said](#) the expiration of the Ex-Im Bank could cost thousands of jobs. Manufacturers agree, and the NAM has urged Congress to move quickly to schedule a vote on a long-term reauthorization of the Ex-Im Bank. Also on April 30, the House Financial Services and Oversight and Government Reform committees hosted a [joint subcommittee hearing](#) to examine the congressional mandates on the Ex-Im Bank, including a requirement for the bank to dedicate at least 20 percent of its financing support for small businesses. Unfortunately, no small businesses testified about their experience with the Ex-Im Bank. In fiscal 2014, the Ex-Im Bank supported about \$5 billion in exports directly from small businesses, or nearly 25 percent of its total dollar volume. The American Action Forum recently [released a new report](#) that found that Ex-Im support for small businesses mirrors the makeup of U.S. trade more broadly. In addition to the substantial direct support for small businesses, the report estimates that Ex-Im's indirect support of small businesses totals more than \$12 billion over the past decade. Small business suppliers are often involved in production of exports from large companies that utilize the Ex-Im Bank to finance expensive projects and high-value goods, such as airplanes or mining equipment. The NAM and the [Exporters for Ex-Im Coalition](#) were also actively engaged in April with the [Ex-Im Bank's Annual Conference](#), with dispatches from the conference available [here](#). Looking ahead to May 19, the House Foreign Affairs Subcommittee on Terrorism, Nonproliferation and Trade will hold a hearing to

examine the role of the Ex-Im Bank and the Overseas Private Investment Corporation in U.S. national security and foreign policy. The [nuclear sector](#), for example, needs access to the Ex-Im Bank to bid on projects overseas and sustain the industrial base as well as for research and development in the United States. You can find news and follow the conversation on Twitter with [@ShopfloorNAM](#) and [@Exporters4ExIm](#), and you can always find updates at [www.exportersforexim.org](http://www.exportersforexim.org).

#### **Senate moves to vote on extension of trade preference legislation.**

Senate Finance Committee Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden (D-OR) and House Ways and Means Committee Chairman Paul Ryan (R-WI) and Ranking Member Sander Levin (D-MI) as well as other policymakers introduced trade preference legislation ([S. 1009](#) and [H.R. 1891](#)). This legislation renews the Generalized System of Preferences, the African Growth and Opportunity Act and Haiti preferences. While the introduced bills in the House and Senate were identical, the Senate Finance Committee added several provisions in the chairman's mark (related to athletic footwear, outerwear and travel goods). In addition, two amendments were added in the Senate bill regarding an out-of-cycle review of South Africa and to promote the role of women in development. As noted above, the Senate will move to vote on final passage of the trade preference extension legislation at 12:00 p.m. today. Sixty votes will be required for passage. The NAM issued [this letter](#) this morning in support of this legislation.

#### **Review of Indian trade practices advances at the U.S. International Trade Commission (ITC).**

The ITC is conducting a [second investigation](#) into India's trade and investment practices to determine if there have been significant changes in these practices since Indian Prime Minister Narendra Modi took office. The NAM submitted this [pre-hearing statement](#), testified at the May 5 hearing and filed this [post-hearing statement](#). These statements emphasized the Modi government's public statements in support of a more business-friendly environment and its dialogue with the U.S. government, but also found that there were few positive, concrete changes and that many of the most significant concerns continued—and, in some cases, retrenchment was evident. The ITC will be continuing its investigation and is expected to release a report later this year.

#### **As potential retaliation nears over the “Country of Origin” Labeling (COOL) dispute, manufacturers push for elimination of inconsistent provisions.**

As the World Trade Organization (WTO) nears its final decision in the COOL dispute against the United States, which is expected by May 18, manufacturers in the United States are facing an increased risk of retaliation from our largest trade partners, Canada and Mexico. The NAM continues to work closely with its [COOL Reform Coalition](#) co-chairs—the Corn Refiners Association and the U.S. Chamber of Commerce—to engage Congress to build support for a legislative solution that would avoid retaliation by Canada and Mexico.

#### **Trans-Pacific Partnership (TPP) negotiations nudge closer to endgame.**

During the past month, the United States has conducted bilateral TPP negotiations with Chile, Japan, Mexico and Vietnam, and the TPP was discussed during Japanese Prime Minister Shinzō Abe's state visit in late April. Chief negotiators will meet May 15–25 in Guam, and trade ministers may meet at the conclusion of these meetings. The NAM continues to emphasize publicly and with officials from the United States and other TPP countries its key priorities relating to concrete new market access and the elimination of tariff and nontariff barriers, strong intellectual property and investment protections, new disciplines on cross-border data flows and state-owned enterprises and the full enforceability of the agreement for all products and sectors. The NAM emphasized the importance of a strong TPP and the relationship of intellectual property protections and higher-paying jobs during an April conference organized by Bloomberg as well as in an April [blog](#) post. For additional information, please contact NAM Director of International Trade Policy [Ken Monahan](#).

**Transatlantic Trade and Investment Partnership (TTIP) talks move toward the 10th round.**

Negotiators from the United States and the European Union met in New York City April 20–24 to move forward talks on a range of issues, including regulatory coherence, intellectual property and customs measures. Other important issues, including goods and services market access, have seen less progress. The 10th round is expected to take place in July. Soon after the ninth round, the European Union announced a [new proposal on ISDS](#), which included many concerning provisions that would restrict core protections and include new procedures. For additional information, please contact NAM Director of International Trade Policy [Ken Monahan](#).

**WTO environmental goods negotiations intensify.**

The sixth round of talks to create an Environmental Goods Agreement took place May 4–8 in Geneva, Switzerland, where negotiators began to go through each of the approximately 650 products nominated by the United States and other countries participating in the talks and began to determine where convergence may exist in terms of export priorities and countries' import sensitivities. As co-chair of the [Coalition for Green Trade](#), the NAM is [continuing to push for ambition in these talks](#). For additional information, please contact NAM Director of International Trade Policy [Ken Monahan](#).

**Senate approves congressional oversight of Iran nuclear deal.**

Last week, by a vote of 98–1, the Senate [passed](#) legislation to allow Congress to review and potentially reject a nuclear deal with Iran. Sen. Tom Cotton (R-AR) was the lone vote against the bill. Sen. Cotton had campaigned against the Obama Administration's negotiations with Iran and was blocked from offering amendments to the bill, after Senate Majority Leader Mitch McConnell (R-KY) [moved](#) to limit debate. The House is expected to take up, and likely pass, the measure this month. Under a compromise worked out by Sens. Bob Corker (R-TN) and Benjamin Cardin (D-MD), lawmakers would have 30 days to approve, disapprove or take no action on a final nuclear agreement. If Congress failed to act, the deal would take effect. Any vote of disapproval would be subject to a presidential veto. The White House dropped its opposition to the bill last month, and President Obama is expected to sign it.

**The State and Commerce departments publish proposed rules for fire control, optical and guidance and control equipment.**

On May 5, the State and Commerce departments released proposals to [revise USML Category XII](#) (fire control, range finder, optical and guidance and control equipment) and [to describe how articles that no longer warrant control under USML Category XII would be controlled under the Commerce Control List \(CCL\)](#). The Commerce Department's proposal would create under the CCL 600 Series new export control classification numbers (ECCNs) for military fire control, range finder and optical items. It would also revise and create ECCNs for military optical and guidance items. For certain night-vision items currently subject to the export administration regulations, the rule proposes to expand the scope of control, eliminate the use of some license exceptions and create new ECCNs for certain related software and technology. This proposed rule would also expand the scope of end-use restrictions on certain exports and re-exports of certain cameras, systems or equipment and expand the scope of military commodities. Comments are due to the U.S. government on July 6. Proposed revisions for USML Categories XIV (toxicological agents and equipment and radiological equipment) and XVIII (directed energy) as well as proposed changes to the Wassenaar Arrangement are expected later this month. The official Export Control Reform "tracker" is available online [here](#).

**The NAM is crafting a proposal to address intra-company transfers of "deemed exports."**

As part of a new Trade Security Steering Group, the NAM is working to address U.S. regulation of intra-company technology transfers, particularly for "deemed exports" to non-U.S. persons. Please contact NAM Director of Trade Facilitation Policy [Lauren Airey](#) to fill out our survey by Friday, May 15, to provide input on our proposal. In the draft proposal, U.S. parties that have adopted certain screening and technology control programs would more easily be able to release controlled technology to non-U.S. individuals in the United

States. This straightforward reform would serve the interests of regulators, large and small companies and research institutions and universities. Previous attempts to reform U.S.-deemed export regulations include a 2008 proposed rule from the Commerce Department to create a new License Exception Intra-Company Transfer. Public comments [submitted](#) to the Bureau of Industry and Security, including comments submitted by the NAM, provided an extensive set of recommended changes to the proposal, which was never finalized.

#### **Manufacturers support renewal of China 123 Agreement.**

In April, President Obama [transmitted to Congress](#) the [renewal agreement](#) for the U.S.–China Agreement for Cooperation on the Peaceful Uses of Nuclear Energy, also known as the U.S.–China Section 123 Agreement. Unless the renewal is brought into force before the current agreement expires in December, U.S. nuclear suppliers will lose their access to the world’s largest market for commercial nuclear goods and services, effectively forfeiting billions of dollars in U.S. exports and thousands of American jobs in a key sector. The NAM recently joined several other associations in [urging Congress to act](#) on a clean and expeditious approval of the renewal of the U.S.–China Section 123 Agreement. China is the world’s largest market for nuclear power plants, equipment and technology with 23 nuclear power plants in operation, 26 plants under construction and more about to break ground. Major Chinese contracts awarded to U.S. nuclear suppliers have created billions in U.S. exports and tens of thousands of American jobs. In addition to nuclear power plants, U.S. companies are supplying China with equipment and a broad range of services, including engineering and construction. The NAM has long supported efforts to facilitate exports of nuclear technology to our partners and allies around the world, and we will strongly support the renewal of the U.S.–China 123 Agreement in the coming weeks and months.

## Exports in Action

#### **Commerce Department issues 11th edition of “A Basic Guide to Exporting.”**

This guide provides businesses, particularly small and medium-sized enterprises, information to navigate foreign sales and exports and includes several examples of small businesses that have succeeded through exports.

#### **Webinar: Green Technologies Suppliers Meetings**

May 19 – 11:00 a.m. (EDT)

The U.S. Commercial Service and Green Technologies Suppliers Meetings will host a webinar to discuss the benefits of a two-day business forum in Seattle scheduled for November 17–19. The webinar will explain how the upcoming fall meeting will provide U.S. green tech firms with opportunities to meet with prospective foreign consumers. For more information, click [here](#).

#### **Webinar: Export2Europe: Understanding TTIP**

May 28 – 1:00 p.m. (EDT)

The Commerce Department will lead a webinar for American exporters on the TTIP. The webinar will provide an overview of TTIP and focus on the positive effects on and opportunities for small and medium-sized businesses in the European Union. For more information, click [here](#).

#### **2015 Global Petroleum Show**

June 9–11

Location: Calgary, Alberta

The 2015 Global Petroleum Show will be Canada’s largest energy exhibition and trade show since 1968. More than 65,000 international leaders, engineers and industry professionals are expected to attend the

show, which will feature more than 2,000 exhibits from service and supply companies in the oil and gas industries. Registration for the event is free until June 1; sponsorship and exhibition opportunities are still available. For more information, click [here](#).

### Trade Mission to Africa

September 14–21

Location: Ethiopia, Tanzania, Mozambique, Angola, Ghana, South Africa, Nigeria and Kenya

Trade Winds–Africa is an official U.S. Department of Commerce/U.S. Commercial Service conference and multisector trade mission in Sub-Saharan Africa. The program includes an Africa-focused business forum consisting of regional and industry-specific conference sessions as well as prearranged consultations with U.S. Foreign Commercial Service officers representing commercial markets in 19 countries throughout the region. Participants will have the opportunity to conduct business-to-business meetings with firms during the multiple-stop trade mission. Application deadline is June 15. For more information, click [here](#).

### Discover Global Markets: Pacific Rim Consumers

October 29–30

Location: Orange County, Calif.

The U.S. Commercial Service and the District Export Council of Southern California will host a two-day conference on consumer markets throughout Asia and the Pacific region. The program will provide in-depth market intelligence on specific countries, regions and industries; guidance on marketing, distribution and intellectual property protections; and opportunities to network with senior business leaders. For more information, click [here](#).

*For a listing of other upcoming Commerce Department trade missions, click [here](#).*

## Connect with the Manufacturers



Questions or comments?

Contact Chief Economist Chad Moutray at [cmoutray@nam.org](mailto:cmoutray@nam.org).