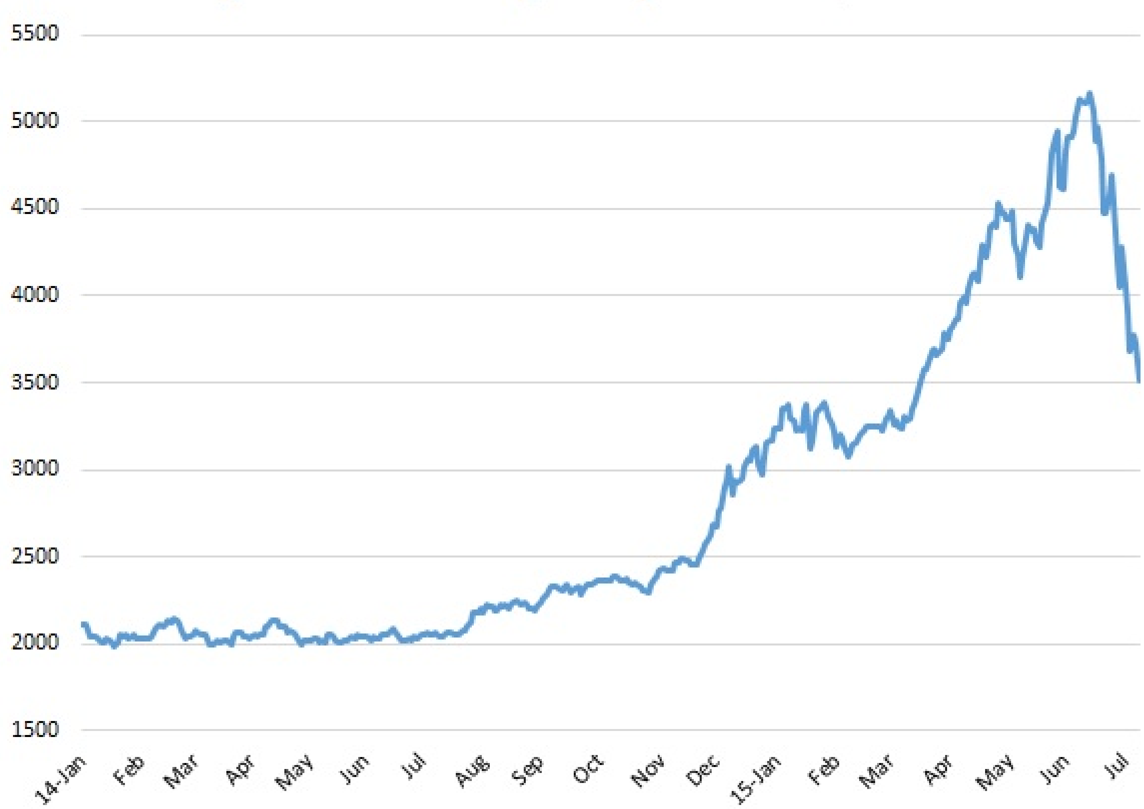
A Publication of the National Association of Manufacturers

GLOBAL MANUFACTURING ECONOMIC UPDATE

July 9, 2015

Shanghai Stock Exchange Composite Index, 2014–2015



Global markets have been rocked over the past week by ongoing developments in China and Greece. Chinese equity values have plummeted by more than 30 percent since peaking at 5166.34 on June 12. Since then, the speculative bubble has burst, with the Shanghai Stock Exchange Composite Index closing at 3507.19 on July 8. To address this downturn, the People's Bank of China began injecting more liquidity into the marketplace to help prop up equities, which has had limited effect to date. The burst in the Chinese stock market bubble, which was fueled by extension speculation, comes at a time that its economy is slowing. There is anticipation that real GDP will slow to 6.9 percent year-over-year in the second quarter (to be announced on July 14), which would continue a deceleration trend. In the United States, we can see the negative impact of China particularly on commodity prices, with West Texas Intermediate crude closing down at $51.85 per barrel on July 8.

The larger headlines, at least up until now, have come from Greece and its continuing struggles for debt relief. With the Greek people voting "no" to more austerity in a July 5 referendum, European and international creditors are grappling for a possible solution to the crisis. Of course, one outcome might be for Greece to leave the euro, even as each side is trying to avoid that possibility.

The irony of these challenges is that we were starting to see modest improvements in the overall Eurozone economy. Eurozone manufacturing activity grew at the fastest pace since April 2014, buoyed by accelerating output and employment levels. Retail sales data have been encouraging, and we expect positive growth in industrial production for the Eurozone in May as well, when the data are released on July 14. Moreover, the unemployment rate remains at a three-year low—albeit at an elevated 11.1 percent—and annual inflation has turned positive, helping to ease deflationary concerns. To be clear, the Eurozone recovery remains far from robust, with real GDP up just 0.4 percent in the first quarter, but there are "green shoots" of progress—or at least there were prior to the Greek challenge.

All of this turmoil is not helpful for growing international demand, generating additional anxieties and sending the U.S. dollar higher. The euro closed at $1.1107 on July 8, appreciating somewhat after being buoyed by better economic fundamentals in Europe over the past few weeks. On June 18, the euro had exchanged for $1.1404, which still represented a significant weakening from the $1.3925 seen on May 6, 2014, its peak last year. Along those lines, the trade-weighted U.S. dollar index against major currencies from the Federal Reserve Board has risen from 75.6968 on July 1, 2014, to 90.5923 on July 3, 2015, a 19.6 percent increase. (The data are revised each Monday and do not reflect the strengthening seen during the past week.) This index reflects currency units per U.S. dollar, suggesting that the dollar can now purchase more than it could before and vice versa. Nonetheless, the stronger dollar hampers the ability of manufacturers in the United States to increase exports.

Despite the many headwinds in the market right now, the global economy continued to expand very slowly in June. The J.P. Morgan Global Manufacturing Purchasing Managers' Index (PMI) edged slightly lower, down from 51.3 in May to 51.0 in June. Moreover, manufacturing activity expanded in six of the top 10 markets for U.S.-manufactured goods in June, up from five in May and four in April. This was mostly modest progress, with Canada, our largest trading partner, expanding for the first time since January. Nonetheless, export growth has been sluggish at best, with manufactured goods exports down 4.5 percent year-to-date relative to the same time period last year. The U.S. trade deficit also edged slightly higher in May, with the decline in goods exports outpacing the decrease in goods imports. On the positive side, petroleum imports were at their lowest levels since February 2002.

Trade Promotion Authority (TPA) legislation was enacted, setting the stage for final negotiations on the Trans-Pacific Partnership (TPP) and progress on the Transatlantic Trade and Investment Partnership (TTIP), environmental goods and potentially other negotiations. President Obama also signed into law renewals of trade preference programs and trade adjustment assistance (TAA) and other trade legislation. Congress, however, failed to reauthorize the Export-Import (Ex-Im) Bank before the June 30 deadline. Intensive efforts are underway to move forward a long-term reauthorization this month. Action on Cuba, export controls and other trade issues also are moving forward.

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Global Economic and Trade Trends

The global economy continued to expand very slowly in June.
The J.P. Morgan Global Manufacturing PMI edged slightly lower, down from 51.3 in May to 51.0 in June. This returned the headline figure to where it was in April, which was nearly a two-year low. In June, the pace of growth slowed for new orders (down from 51.5 to 51.3), output (down from 51.9 to 51.3) and employment (down from 51.0 to 50.9). At the same time, exports (up from 49.9 to 50.8) shifted from being essentially stagnant in May to expanding ever so slightly in June. The good news is that the international economy has grown for 31 straight months, albeit at a rate that remains far from robust.

The country-by-country analysis reflected similar trends. Manufacturing activity in four of the top 10 markets for U.S.-manufactured goods contracted in June, down from five in May and six in April. As such, there has been some modest progress over the past two months. Most notably, Canada (up from 49.8 to 51.3) expanded for the first time since January, which is welcome news for our largest trading partner. Nonetheless, Brazil (up from 45.9 to 46.5), China (up from 49.2 to 49.4), Hong Kong (up from 47.6 to 49.2) and South Korea (down from 47.8 to 46.1) continued to experience declines in their manufacturing sectors in June despite some improvements in all but the latter. Each has seen falling activity levels for several months now.

Meanwhile, the other five expanding markets were mixed in June. The Netherlands (up from 55.5 to 56.2) continued to be the bright spot in the top 10, experiencing decent growth overall and growing at the fastest pace since December 2013. Growth was more modest in Germany (up from 51.1 to 51.9), Mexico (down from 53.3 to 52.0) and the United Kingdom (down from 51.9 to 51.4). In contrast, manufacturing activity in Japan (down from 50.9 to 50.1) slowed to a crawl, with new orders declining and production easing.

Debt uncertainties in Greece come at a time when Europe had been making some nascent progress.
With the Greek people voting “no” to more austerity in a July 5 referendum, European and international creditors are grappling for a possible solution to the crisis. Of course, one outcome might be for Greece to leave the euro, even as each side is trying to avoid that possibility. The irony of these challenges is that we were starting to see modest improvements in the overall Eurozone economy. The Markit Eurozone Manufacturing PMI rose from 52.2 to 52.5, its fastest pace since April 2014, buoyed by accelerating levels of output (up from 53.3 to 53.6) and employment (up from 51.6 to 51.7). New orders (unchanged at 52.7)

and exports (down from 53.2 to 52.7) also continued to grow modestly despite not advancing in June. Overall, Eurozone manufacturing activity has now expanded for 22 consecutive months, which is encouraging.

Retail sales increased 0.2 percent in May, with year-over-year gains of 2.4 percent. While this was slower than April's more robust 0.7 percent growth rate, the data tend to show that Europeans are beginning to spend more. We anticipate positive growth in industrial production for the Eurozone in May as well, which will be released on July 14. Meanwhile, the unemployment rate was unchanged at 11.1 percent in May, continuing to be the lowest level in three years. Still, even with somewhat better figures of late, it is important to keep these numbers in perspective. Real GDP rose just 0.4 percent in the first quarter, which remains far from robust, and the Greek situation injects another level of uncertainty into financial markets. For its part, the European Central Bank will continue to try to spur economic growth through quantitative easing measures, which will last at least until the second half of 2016. We hope this will help boost prices as well, with annual inflation increasing by only 0.2 percent in June, down from 0.3 percent in May, according to preliminary estimates.

Looking at specific European markets, the strongest was the Netherlands (up from 55.5 to 56.2), with strong growth in new orders and exports increasing its PMI to the highest level since December 2013. Ireland (down from 57.1 to 54.6), Italy (down from 54.8 to 54.1) and Spain (down from 55.8 to 54.5) also had decent expansions despite some easing in their growth rates in June. Spain's hiring rate grew at the fastest pace since February 2007. Meanwhile, growth was more modest for Austria (up from 50.3 to 51.2), France (up from 49.4 to 50.7), Germany (up from 51.1 to 51.9) and the United Kingdom (down from 51.9 to 51.4). The data points represented differing perspectives, however. French manufacturing activity grew for the first time in 14 months, whereas orders and production were at their lowest levels since early 2013 for Great Britain. In contrast to those countries, Greece (down from 48.0 to 46.9) continues to decelerate as noted above, with its PMI declining at its fastest pace in more than two years.

The Chinese stock market has plummeted by more than 30 percent in recent weeks.

The Shanghai Stock Exchange Composite Index peaked at 5166.34 on June 12 before falling to 3507.19 on July 8. To address this downturn, the People's Bank of China began injecting more liquidity into the marketplace to help prop up equities, which has had limited effect to date. The burst in the Chinese stock market bubble, which was fueled by extension speculation, comes at a time that its economy is slowing. There is anticipation that real GDP will slow to 6.9 percent year-over-year in the second quarter (to be announced on July 14), which would continue a deceleration trend. 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, fixed asset investments and retail sales data—also due out next week—are expected to ease as well.

The HSBC China Manufacturing PMI (up from 49.2 to 49.4) has now contracted in six of the past seven months, albeit at its slowest pace of decline since March. Chinese manufacturers reported stronger levels of new orders (up from 49.1 to 50.3) and exports (up from 46.7 to 50.3), with the orders index positive for the first time in four months. Output (up from 49.3 to 49.7) and employment (down from 48.7 to 46.6) were both negative, however, but production neared the neutral mark. Hiring, which worsened for the month, has contracted for 20 consecutive months. In contrast, the official manufacturing PMI numbers from the National Bureau of Statistics of China show an ever-so-slight expansion in the sector for the fourth straight month, unchanged at 50.2. These figures suggest a modest growth in production, with medium-sized and large manufacturers faring better than their smaller counterparts.

The U.S. dollar remains strong, and the price of crude oil fell once again.

Events over the past week have strengthened the U.S. dollar, which had pulled back a little of late. The euro exchanged for $1.1404 on June 18, buoyed by better economic fundamentals in Europe. However, uncertainties surrounding Greek debt have reduced that to $1.1107 on July 8. In general, the dollar has appreciated significantly across the past year, particularly after it peaked on May 6, 2014, at $1.3924 for each euro.

Along those line, the trade-weighted U.S. dollar index against major currencies from the Federal Reserve Board has risen from 75.6968 on July 1, 2014, to 90.5923 on July 3, 2015, a 19.6 percent increase. (The data are revised each Monday and do not reflect the strengthening seen during the past week.) This index reflects currency units per U.S. dollar, suggesting that the dollar can now purchase more than it could before and vice versa.

Meanwhile, the price of petroleum fell again during the past week, the result of a stronger dollar and weaknesses in China. The price of West Texas Intermediate crude reached a recent peak of $61.36 per barrel on June 10 and ended June at $58.34. The recent events, however, have negatively impacted these prices, with crude oil selling for $51.85 per barrel on July 8. In the larger context, the current price is less than half of the 2014 high of $107.95 per barrel observed just over a year ago on June 20, 2014.

Canadian manufacturing activity has stabilized in June.
The RBC Canadian Manufacturing PMI increased from 49.8 to 51.3, the first expansion in activity reported since January. The rebound stemmed from stronger growth for new orders (up from 49.2 to 50.9), exports (up from 50.1 to 52.0), output (up from 51.1 to 52.9) and employment (up from 49.7 to 50.4). The output index expanded at the fastest rate so far in 2015. However, growth varied widely from region to region, with Ontario demand and production expanding at decent paces while Alberta and British Columbia continue to experience softness from lower crude oil prices.

While sentiment numbers reflect improvement, other economic indicators remain weak. Manufacturing output fell 0.2 percent in April, declining for the fourth straight month and mirroring the 0.1 percent decrease in monthly real GDP growth for April. Retail sales were also off 0.1 percent in April, but if you exclude automobiles (which were up 1.2 percent), that decline would have been worse, down 0.6 percent. Meanwhile, the unemployment rate held steady at 6.8 percent for the fourth straight month in May. Manufacturers added 21,500 net new workers for the month, with 17,300 additional employees year-over-year. June labor force data will be released on July 10.

Mexico’s manufacturing sector grew more slowly in June.
The HSBC Mexico Manufacturing PMI declined from 53.3 to 52.0, its slowest pace of expansion since July 2014. Activity eased across-the-board, including new orders (down from 55.2 to 53.1), output (down from 53.8 to 52.3), exports (down from 53.0 to 52.1) and hiring (down from 52.5 to 51.0). We will get new industrial production numbers for May on July 10, which are expected to continue to decelerate. Output growth eased from 1.8 percent at the annual rate in March to 1.1 percent in April. The unemployment rate edged higher, up from 3.9 percent in March to 4.4 percent in May.

Manufacturing growth in the emerging markets continued to contract.
The HSBC Emerging Markets Manufacturing Index decreased from 49.7 to 49.5, its lowest level in nearly two years. It was also the third straight monthly decline in activity for the emerging markets, with mixed indicators in June. Exports (up from 48.5 to 49.9) nearly stabilized, and new orders (unchanged at 49.7) and output (down from 49.8 to 49.5) were only barely negative for the month. On the other hand, the decline in employment (down from 49.3 to 48.4) accelerated. However, manufacturers remain cautiously optimistic about the coming months, albeit with sentiment down for the fourth consecutive month. The forward-looking output index (down from 63.0 to 62.0) remained relatively strong despite falling in June.

A number of countries had contracting levels of manufacturing activity in May, many of which have been declining for several straight months. This included Brazil (up from 45.9 to 46.5), China (up from 49.2 to 49.4), Hong Kong (up from 47.6 to 49.2), Indonesia (up from 47.1 to 47.8), Russia (up from 47.6 to 48.7), South Africa (down from 50.1 to 49.2), South Korea (down from 47.8 to 46.1), Taiwan (down from 49.3 to

46.3) and Turkey (down from 50.2 to 49.0). Many of these nations saw the rate of decline in activity ease for the month across-the-board, with the exception of South Africa and Taiwan. South Korea's PMI was the lowest since September 2012. In contrast, India (down from 52.6 to 51.3) and Vietnam (down from 54.8 to 52.2) continued to grow modestly, but at a reduced pace of expansion. The bright spots in the emerging markets were the Eastern European countries of the Czech Republic (up from 55.5 to 56.9) and Poland (up from 52.4 to 54.3), each of which had strong demand and production growth in June.

The U.S. trade deficit edged slightly higher in May.
The trade deficit increased from $40.70 billion in April to $41.87 billion in May. The deficit has been highly volatile so far this year, ranging from $37.25 billion in February to $50.57 billion in March, but the year-to-date average of $42.57 billion in 2015 is nearly identical to the $42.36 billion average in all of 2014. The May increase stemmed largely from a decline in goods exports (down from $129.34 billion to $127.72 billion) that more than offset the decrease in goods imports (down from $189.65 billion to $189.23 billion). At the same time, the service-sector trade surplus inched up marginally, from $19.62 billion to $19.64 billion.

On the positive side, the petroleum trade deficit narrowed from $6.82 billion to $5.78 billion, which was the lowest level since February 2002. Petroleum imports were $15.30 billion, down 45.8 percent year-over-year from $28.24 billion in May 2014. Much of this decline is price, which fell from an average of $96.12 per barrel in May 2014 to $50.76 per barrel in May 2015. Still, the quantity of barrels imported was also lower, down from 212.98 million barrels to 201.88 million barrels. Meanwhile, petroleum exports increased from $8.55 billion in April to $9.52 billion in May; this represents progress from the $7.67 billion level in March but remains lower than $13.04 billion in May 2014.

The goods exports data were pulled lower by reduced levels for nonautomotive capital goods (down $2.44 billion) and consumer goods (down $80 million). This was somewhat counteracted by higher exports for industrial supplies and materials (up $804 million), foods, feeds and beverages (up $181 million) and automotive vehicles and parts (up $106 million). On the other side of the ledger, the goods imports figures were largely mixed. Increased imports for automotive vehicles and parts (up $847 million) and consumer goods (up $16 million) partly offset decreases for nonautomotive capital goods (down $781 million), industrial supplies and materials (down $604 million) and foods, feeds and beverages (down $382 million).

Manufactured goods exports have declined so far this year.
Manufacturers have struggled from global headwinds through the first five months of this year. Manufactured goods exports totaled $466.45 billion year-to-date using non-seasonally adjusted data, which is down 4.52 percent from the $488.53 billion in the same time period last year. This trend extends to the top four markets for U.S.-manufactured goods: Canada (down from $127.07 billion year-to-date to $119.01 billion), Mexico (down from $98.30 billion to $96.83 billion), China (down from $49.20 billion to $46.22 billion) and Japan (down from $27.57 billion to $26.90 billion).

This is yet another reminder that manufacturers need policies that help to reduce trade barriers for its products, helping to make our goods more competitive globally. Building on the recent bipartisan signing of TPA legislation, this includes passage of market-opening and high-quality new trade agreements with terms meaningful for manufacturers, reauthorization of the Ex-Im Bank and the enactment of the Miscellaneous Tariff Bill (MTB).

International Trade Policy Trends

TPA enacted into law.
After years of groundwork and months of intensive activity by the NAM and its members and business partners, manufacturers in the United States scored a significant victory when TPA was passed by the House and Senate and signed into law by President Obama on June 29. The Senate passed the Bipartisan Congressional Trade Priorities and Accountability Act (H.R. 2146) on June 24 by a vote of 60–38. The

House had passed the TPA legislation on June 18 by a vote of 218–208 after an earlier attempt to pass a combined TPA and TAA bill was blocked by a lack of votes for TAA (but was later passed as described below). The TPA legislation sets forth trade-negotiating objectives consistent with the priorities that the NAM identified in 2013 and puts in place new procedures to ensure that negotiators are held accountable and share information on the negotiations with Congress and private-sector stakeholders. Ultimately, TPA enables the United States to secure the best possible deal in its trade negotiations by ensuring an up-or-down vote on a final trade agreement. TPA applies to eligible trade agreements for up to six years, including potentially the TPP, TTIP and Environmental Goods Agreement (EGA) talks. Amendments to TPA-negotiating objectives and procedures are included in the House-passed Trade Facilitation and Trade Enforcement Act (H.R. 644) discussed below.

Congress failed to reauthorize the Ex-Im Bank before its charter expired.

Congress recessed for the Fourth of July holiday without extending the charter of the Ex-Im Bank, which expired on June 30, despite bipartisan efforts demonstrating strong support for the agency. The NAM released a statement on June 30, as did the Exporters for Ex-Im Coalition. President Obama hosted a conference call on June 30 with interested stakeholders to urge for continued support of reauthorization, and he also discussed the Ex-Im Bank during a meeting with Senate Democrats this week. The *Los Angeles Times*, Bloomberg, *The New York Times*, *USA Today* and other outlets reported on the impact of the charter's expiration to manufacturers. The NAM is working with coalition partners to urge members of Congress to address the reauthorization as soon as possible in July. Before the Ex-Im Bank expired, the Senate expressed strong bipartisan support for reauthorization with a test vote on June 10. Note that the Ex-Im Bank released its 2014 Competitiveness Report last month, highlighting a drastic increase in export financing from the world's major economic powers, including a rise in trade-related overseas financing programs that operate outside the disciplines of the OECD [Organisation for Economic Co-operation and Development] arrangement.

Customs bill heads to conference, which provides critical opportunity for the MTB, intellectual property and trade enforcement legislation.

The Trade Facilitation and Trade Enforcement Act of 2015 (H.R. 644) passed the Senate in May and the House in June, but with differing provisions in a number of critical areas, including regarding the following NAM priorities:

- **MTB.** The Senate included new MTB process provisions in H.R. 644 that had originally been introduced by Sens. Rob Portman (R-OH), Claire McCaskill (D-MO), Pat Toomey (R-PA) and Richard Burr (R-NC) at the strong urging of the NAM and more than 185 businesses and associations. The House failed to include any MTB provisions in its version of the legislation approved in June. The NAM is working extensively through meetings on Capitol Hill, blog posts and other activities in support of the inclusion of a predictable and transparent MTB process in the final customs conference report.
- **ENFORCE Act.** The Senate also included the Enforcing Orders and Reducing Customs Evasion (ENFORCE) Act in H.R. 644 to put in place strong, enforceable, transparent and inclusive customs and border protection (CBP) provisions to prevent growing foreign efforts to evade trade-remedy orders that have been put in place in accordance with existing law. The House included a different and new, unvetted set of procedures that would have the Commerce Department seek to conduct border enforcement activities that are normally the role of the CBP. The NAM continues to support strongly the ENFORCE Act and issued a joint business letter last week urging the inclusion of these provisions in the final conference report.
- **Intellectual Property Provisions.** While both versions of the bill include intellectual property –related language, the Senate version includes provisions that provide additional tools and guidance to the Obama Administration for improving intellectual property protection and

enforcement overseas, which the NAM is also seeking to be included in the final conference report.

Other differences between the bills include Senate-only provisions to include currency undervaluation as part of trade-remedy determinations and House-only provisions on TPA-negotiating objectives on human trafficking, immigration and climate change. The House and Senate are expected to conference the legislation in July and quickly move to final consideration before the August recess period.

Generalized System of Preferences (GSP) and the African Growth and Opportunity Act (AGOA) are back in business; other trade legislation passes.

After nearly two years since its expiration, GSP was reauthorized through December 31, 2017, as part of the Trade Preferences Extension Act of 2015 (H.R. 1295). The reauthorization of GSP includes retroactive duty-free treatment for eligible products imported after the program expired on July 31, 2013. To restart the program, the Office of the U.S. Trade Representative (USTR) will conduct a review of product coverage and related issues, with a July 31 deadline for requests to change product eligibility. On August 11, the USTR will hold a public hearing to review product petitions. The deadline to submit post-hearing comments is August 18. Similarly, the AGOA was extended through September 30, 2025, with some changes to monitoring, eligibility and other program components. The AGOA provides additional duty-free entry for eligible sub-Saharan African nations and sets in place programs like the annual AGOA forum to boost U.S. –African trade and investment.

Also included in H.R. 1295 are the following provisions:

- An extension of trade preferences for Haiti through September 30, 2025, with some changes to product eligibility
- Changes to the tariff classification provisions related to recreational performance outerwear and duty-free treatment for protective active footwear
- Title V of the Senate-passed Trade Facilitation and Trade Enforcement Act (H.R. 644) that makes changes to U.S. trade-remedy provisions
- An extension of the TAA program through June 30, 2021, providing training assistance for manufacturing and other workers, including workers at firms supplying component parts, who have lost jobs as a result of certain trade flows

The NAM worked in support of key pieces of this legislation, including through co-leading a multi-association TAA letter to Congress and sending an NAM letter on GSP to the Senate.

TPP negotiators gear up for final stages of negotiations in late July.

The enactment of TPA legislation creates momentum for the final stages of TPP talks. Chief negotiators will meet starting July 24, with a TPP ministerial meeting scheduled July 28–31 in Maui, Hawaii. The United States and the other 11 TPP countries continue to conduct bilateral meetings as they seek to resolve as many issues as possible before chief negotiators and ministers meet in Hawaii. The NAM is focused on a number of manufacturing priorities as negotiators seek to conclude negotiations, including strong, new market access for manufactured goods, intellectual property and investment protections, cross-border data, competition and comprehensive enforcement provisions.

10th round of TTIP talks moving forward next week.

Two years after the TTIP talks were launched in 2013, U.S. and European Union (EU) negotiators will meet in Brussels, Belgium, July 13–17 for the 10th round of talks. Negotiators will seek to advance discussions on a range of issues important to manufacturers, including market access, regulatory coherence, intellectual property and customs measures. The EU Parliament voted 436–241 yesterday to approve recommendations on the TTIP talks, which included an emphasis on market access, protection of personal data and a new system to resolve investor-state disputes. On the investor-state dispute settlement issues, the Parliament's nonbinding recommendations focused on creating a new system that would not undermine public policy objectives and that would be characterized by transparency, the use of judges and an appellate mechanism. The NAM submitted comments to the European Commission last month in response to a new EU proposal on several of these issues.

The WTO reviews EU trade policies.

This week, the World Trade Organization (WTO) released its Trade Policy Review Mechanism report on the EU. In addition to providing an in-depth look at the EU's trade practices, the biannual review provides an opportunity for WTO members to provide input on the EU's adherence to international agreements and standards. The report noted the EU's macroeconomic struggles and fragile growth numbers. Click here for the full WTO report.

WTO environmental goods negotiations continue to make progress.

The seventh round of talks to create an EGA took place June 15–19 in Geneva, Switzerland, where negotiators again went through each of the approximately 660 products nominated by the United States and other countries. During the round, discussions intensified around where convergence may exist in terms of export priorities, countries' import sensitivities and customs-related challenges regarding implementation of such an agreement. The eighth round will be held July 27–31 in Geneva. As co-chair of the Coalition for Green Trade, the NAM is continuing to push for ambitious product coverage in these talks.

WTO Information Technology Agreement (ITA) expansion seeks July endgame.

The United States and other countries negotiating ITA expansion will make another attempt to conclude an agreement on product coverage in talks July 13–17 in Geneva, Switzerland. More than 80 industry associations, including the NAM, released a letter July 6 calling on parties negotiating ITA to conclude a strong tariff-elimination agreement during the round. A completed ITA expansion will boost the production and consumption of information and communications technology equipment that plays an important role in enhancing the productivity and competitiveness of manufacturers in the United States.

Congress seeks to avoid retaliation over Country-of-Origin Labeling (COOL) dispute.

In the wake of a final judgment on May 18 by the WTO against the United States in the COOL dispute, the House on June 10 passed the Country of Origin Labeling Amendments Act of 2015 (H.R. 2393) by a vote of 300–131. The legislation would repeal the COOL statute for beef, pork and chicken. The Senate has not yet taken up any legislation but held a hearing on COOL on June 25, for which the NAM submitted this statement. In June, Canada requested retaliatory measures of $2.5 billion against the United States, and Mexico announced that it is seeking $713 million in retaliatory measures. Canada and Mexico may be authorized to retaliate against U.S. exports as early as mid-August.

Obama Administration seeks to reopen a U.S. Embassy in Cuba.

President Obama announced on July 1 that the United States would re-establish diplomatic relations with Cuba, effective July 20. The State Department also announced this week that it notified Congress of its intent to convert the U.S. Interests Section in Havana to a U.S. Embassy, effective on the same date. Chief of Mission Jeffrey DeLaurentis will be the most senior official in the new embassy and will serve as *chargé d'affaires ad interim*. The last time the United States had an embassy in Cuba was in January 1961. President Obama also sent a letter to Cuban President Raúl Castro about re-establishing diplomatic relations and permanent diplomatic missions in the United States and Cuba. The Senate Appropriations Subcommittee on State, Foreign Operations and Related Programs approved this week the FY2016 State, Foreign Operations and Related Programs Appropriations Bill, clearing it for consideration by the full Senate Appropriations Committee. The bill includes no restrictions on money for an embassy in Havana, in a split from the House bill that prohibits additional funds for an embassy in Cuba. Earlier this year, the State Department asked for about $6.6 million to make upgrades to the facility there. The embargo on Cuba is still in place, with congressional action required to lift it. In addition, rules for travel to Cuba by U.S. citizens remain in effect. The Treasury Department will continue to administer the regulations that provide general licenses for the 12 categories of authorized travel to Cuba.

State and Commerce departments accepting comments on multiple proposed rules and changes. Earlier this week, the NAM submitted comments to the State Department regarding proposed amendments to the International Traffic in Arms Regulations (ITAR) that would revise the Destination Control Statement (DCS) required under ITAR §123.9. In addition, the NAM submitted comments to the Commerce Department on a similar proposed rule to revise the DCS described in Export Administration Regulations (EAR) §758.6. In June, the Commerce Department published proposed revisions to key definitions in the EAR to enhance clarity and consistency with terms also found in the ITAR. The State Department concurrently published comparable proposed amendments to ITAR definitions, along with a fact sheet and a side-by-side comparison of the changes. Comments on both proposals are due by August 3. The Commerce Department is also accepting comments on a proposed rule to implement the agreements from the Wassenaar Arrangement's 2013 plenary meeting—imposing national security, regional stability and anti-terrorism controls on certain cybersecurity items that would require an export license to all countries except Canada. The new controls would pertain to items involving "intrusion software" (a newly defined term) and communications surveillance systems. Some of the designated items are already controlled for their information security functionality, including encryption and cryptanalysis, but others would be newly controlled solely because of their cybersecurity functionality. Comments are due by July 20. In addition, the Commerce Department published changes to the Commerce Control List to implement decisions agreed to at the December 2014 plenary meeting.

Exports in Action

Tamil Nadu: Global Investors Meet 2015

September 9–10
Location: Chennai, Tamil Nadu, India
This two-day conference will showcase economic growth and development opportunities in Tamil Nadu and provide participants with insight into why the state is a leading destination for foreign investment in India. Sessions and seminars will display Tamil Nadu's pro-growth government policies, natural resources and workforce training. Breakout sessions will focus on international investment opportunities for various industries. For more information, click here.

Trade Winds—Africa: Business Development Conference and Trade Mission

September 14–21
Location: Sandton, Johannesburg, South Africa
The 2015 Trade Winds program will provide U.S. businesses an opportunity to explore markets throughout the African continent through a business forum and trade mission stops in eight sub-Saharan nations. The business forum, hosted in South Africa, will feature U.S. senior government diplomats from 19 different African nations and focus on best practices and networking opportunities for U.S. businesses operating in Africa. In conjunction with the forum, participants can conduct business-to-business meetings with prescreened firms in Angola, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Africa and Tanzania. For more information, click here.

Discover Global Markets: Pacific Rim Consumers

October 29–30
Location: Orange County, California
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.

Green Technologies Suppliers Meetings (GTSM)

November 17–19
Location: Seattle, Washington
The U.S. Commercial Service and GTSM will host a unique opportunity for U.S. green technology manufacturers to meet with foreign governments and other customers through prearranged business-to-business meetings. Over the course of the three-day conference, participants will hear presentations on top issues facing the industry, attend workshops on new market developments and innovations and meet with preselected customers and suppliers. The event will draw entities from all portions of the supply chain, including departments of energy, international utilities, research centers and equipment suppliers. 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.