

A Publication of the National Association of Manufacturers

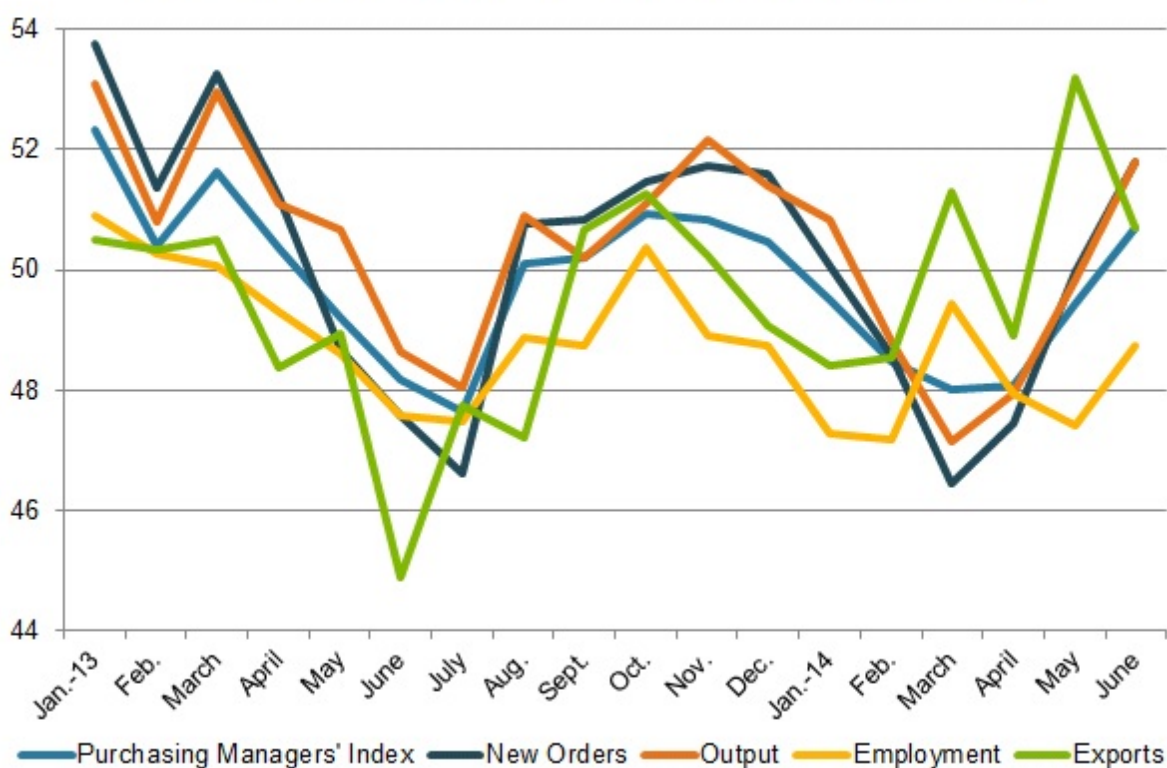


GLOBAL MANUFACTURING ECONOMIC UPDATE

July 11, 2014

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HSBC China Manufacturing Purchasing Managers' Index



The global economy improved slightly in June, showing some signs of stabilization from weaknesses in prior months. The [J.P. Morgan Global Manufacturing Purchasing Managers' Index](#) (PMI) increased from 52.1 in May to 52.7 in June, its fastest pace since February. Various measures of activity were mostly higher, including new orders, production and employment. Behind this figure, the data also reflected economic progress in countries such as [China](#), [Hong Kong](#) and [Japan](#), each of which shifted from a contraction in May

to slight growth in June. As a result, just 2 of the top 10 markets for U.S.-manufactured goods had PMI values below 50 in June, an improvement from the five that registered contracting levels in May. Our largest trading partner's values, the [RBC Canadian Manufacturing PMI](#), increased from 52.2 to 53.5, reaching its highest point since December.

Europe dominated economic headlines on July 10, with worries about a large [Portuguese bank](#) and falling industrial production figures for France (down 1.7 percent), Germany (down 1.8 percent) and Italy (down 1.2 percent). Indeed, European growth has continued to ease, with the [Markit European Manufacturing PMI](#) down from 52.2 to 51.8. On the positive side, manufacturing activity has now expanded for 12 straight months, but the economy in the Eurozone remains subpar overall. [Real GDP](#) was up just 0.2 percent in the first quarter and is expected to increase around 1 percent in 2014 as a whole. Still, growth varied widely from country to country. [France](#) sits on one end of the spectrum, with manufacturing sentiment worsening and falling to a six-month low. Meanwhile, [Ireland](#) and [Spain](#) experienced multiyear highs for sales growth, and new orders in the [United Kingdom](#) expanded rather robustly (up from 59.5 to 61.0).

In the emerging markets, manufacturers in [Brazil](#), [Russia](#), [South Korea](#) and [Turkey](#) reported contracting levels of activity in June, although Russian production grew for the first time in six months and South Korean exports began to stabilize. Overall, however, manufacturing activity in the emerging markets expanded for the second straight month, spurred higher by better news in some Asian economies. Stronger sales and output resulted in increased manufacturing PMI data for [China](#), [India](#), [Indonesia](#) and [Taiwan](#). India also benefited from greater export growth. Next week, we will get new data on Chinese GDP, industrial production, fixed-asset investment and retail sales. [Real GDP](#) is expected to pick up slightly, from the 7.4 percent annualized growth rate experienced in the first quarter, with a consensus estimate of around 7.5 percent. While this is a marginal improvement, it also continues to reflect decelerating rates of growth from what was experienced in the past.

Looking at U.S. trade flows, petroleum helped to narrow the [U.S. trade deficit](#) in May, with more exports and fewer imports improving the headline figure. This continues a trend seen over the past few years whereby improved energy production in the United States has slightly helped balance the trade picture. Outside of petroleum, the numbers were less favorable. The average monthly deficit so far in 2014 reached \$43.65 billion, higher than the \$39.70 billion average for all of 2013. In addition, U.S.-manufactured goods exports continue to grow at a disappointing rate, up just 0.5 percent year-to-date versus this time last year using non-seasonally adjusted data. Nonetheless, exports of manufactured goods increased to all five of our largest trading partners through the first five months of this year: Canada, Mexico, China, Japan and Germany. That is an encouraging sign, even if we would like to see faster growth in our international sales overall.

On the policy front, the congressional debate on reauthorization of the Export-Import (Ex-Im) Bank continues to move forward, while action on other trade legislation is currently stalled. The World Trade Organization (WTO) officially began environmental goods negotiations, while both the Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (T-TIP) continue. The U.S. trading relationship with key partners, including India, China and Russia, continues to be a focus.

Chad Moutray
Chief Economist
National Association of Manufacturers



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Global Economic and Trade Trends

The global economy has shown signs of stabilization in June after weaknesses in previous months

In May, half of the top 10 markets for U.S.-manufactured goods had declining levels of manufacturing activity. Much of that stemmed from softness in countries such as [China](#) (up from 49.4 to 50.7), [Hong Kong](#) (up from 49.1 to 50.1) and [Japan](#) (up from 49.9 to 51.5), each of which shifted to slight growth in June. Nonetheless, [Brazil](#) (down from 48.8 to 48.7) and [South Korea](#) (down from 49.5 to 48.4) continue to experience contractions in their economy, with both seeing deteriorating activity in June. At the other end of the spectrum, manufacturers in the [United Kingdom](#) (up from 57.0 to 57.5) and the [United States](#) (up from 56.4 to 57.3) continue to see strong growth, each with healthy gains in new orders and output.

The [J.P. Morgan Global Manufacturing PMI](#) reflects the somewhat better conditions worldwide, with the headline index rising from 52.1 to 52.7. This marks the fastest pace since February, which had reached the highest level since May 2011. The underlying data were mostly higher. New orders (up from 53.1 to 54.1), production (up from 53.4 to 54.1) and employment (up from 50.8 to 51.0) each picked up for the month, and inventory stockpiles (down from 49.3 to 47.0) continued to be depleted. The one weakness of note was the easing in export sales a bit, down from 51.9 to 51.1.

Manufacturing activity has picked up slightly in Asia in June, particularly in China and Japan, after contractions in May

The [HSBC China Manufacturing PMI](#) rose from 49.4 in May to 50.7 in June, its first expansion since December. Increased new orders (up from 50.0 to 51.8) helped to fuel this improvement, with the pace of sales growth at its fastest level since March 2013. Output (up from 49.8 to 51.8) was also higher. At the same time, exports (down from 53.2 to 50.7) slowed to very modest growth, and hiring (up from 47.4 to 48.7) continued its negative trend even though it improved slightly for the month. The [official government PMI](#) data (up from 50.8 to 51.0) also reflect recent gains in the manufacturing sector. Overall, it appears that China's economy has begun to stabilize, but it also continues to reflect some weaknesses from decelerating growth rates.

Next week, we will get new data on Chinese GDP, industrial production, fixed-asset investment and retail sales. [Real GDP](#) is expected to pick up slightly from the 7.4 percent annualized growth rate experienced in the first quarter, with a consensus estimate of around 7.5 percent. While this is a marginal improvement, it also continues to be slower than rates experienced in the past, with 10.3 percent growth seen as recently as the second quarter of 2010. Other indicators also illustrate a slower pace than in the past, including [industrial production](#) and [private fixed-asset investments](#). Still, growth remains strong overall, even if these figures fall well below the rates many businesses have become accustomed to seeing.

Japanese manufacturers have also started to observe better activity levels in June, with the [Markit/JMMA Japan Manufacturing PMI](#) up from 49.9 to 51.5. New orders (up from 49.4 to 52.0) and production (up from 49.2 to 51.8) shifted to slight growth, but export sales (up from 48.2 to 49.0) and hiring (down from 51.0 to 49.8) dipped into contraction territory. Fortunately, exports moved in the right direction, even if they were still negative. [Industrial production](#) also improved, increasing 0.5 percent in May and growing for the first time in two months.

Nonetheless, [retail sales](#) were off for the second straight month, down 0.4 percent in May. Spending remained somewhat suppressed due to an increase in sales tax on April 1. In terms of [real GDP](#), the Japanese economy grew 1.6 percent in the first quarter, or 2.8 percent on a year-over-year basis. This fared better than the 2.4 percent annualized pace experienced in both the third and fourth quarters of last year.

European growth continued to ease amid lingering deflationary worries; yet, manufacturers have now expanded for 12 straight months

The [Markit Eurozone Manufacturing PMI](#) eased for the second straight month to its lowest level of 2014, down from 52.2 in May to 51.8 in June. Activity decelerated across the board, including new orders (down from 52.3 to 51.9), output (down from 54.3 to 52.8), exports (down from 52.6 to 52.4) and employment (down from 50.5 to 50.3). Yet, each reflected modest expansionary levels for the 12th consecutive month—a sign that the continent continues to recover from its very deep recession. That alone provides a psychological boost.

With that said, growth varies widely. Growth in manufacturing activity in [France](#) continues to worsen, with its PMI down from 49.6 to 48.2, a six-month low. It remains one of the weakest of the European economies. Other areas of softness include [Austria](#) (down from 50.9 to 50.4) and [Greece](#) (down from 51.0 to 49.4), which both had contracting levels of new orders. In addition, [Germany](#) (down from 52.3 to 52.0), [Italy](#) (down from 53.2 to 52.6) and the [Netherlands](#) (down from 53.6 to 52.3) had positive, but eased growth for the month. In each of these three nations, though, exports showed strength. Meanwhile, three countries experienced jumps in manufacturing activity in June: [Ireland](#) (up from 55.0 to 55.3), [Spain](#) (up from 52.9 to 54.6) and the [United Kingdom](#) (up from 57.0 to 57.5). Ireland and Spain experienced multiyear highs for sales growth, whereas new orders in the United Kingdom expanded rather robustly (up from 59.5 to 61.0).

Overall, growth in the Eurozone remains subpar, with [real GDP](#) up just 0.2 percent in the first quarter and expected to increase around 1 percent in 2014 as a whole. New [industrial production](#) figures are expected to show declining output in May, down from the 0.8 percent gain experienced in April. Moreover, [retail sales](#) remained flat in May, with growth of just 0.7 percent over the past 12 months. The [unemployment rate](#) fell to 11.6 percent, its lowest level since September 2012. Still, unemployment remains quite elevated, with job and income growth worries pervasive. As a result, the [ZEW Indicator of Economic Sentiment](#) worsened somewhat in June, with nearly one-third of respondents saying that current conditions were bad and just 5.1 percent suggesting they were good.

Deflation continues to cause concern. [Producer prices](#) fell 0.1 percent in the Eurozone in April, with declines of 1.0 percent year-over-year. At the same time, [annual inflation](#) remained just 0.5 percent. Fears about deflation and slow growth have prompted the European Central Bank (ECB) to [take actions](#) at its June 5 meeting to further stimulate the Eurozone economy, cutting its main interest rate to 0.15 percent. In essence, the ECB will charge [negative interest rates](#) on bank deposits to spur lending, and there is some speculation that it might pursue a more aggressive asset-purchasing program in the future, if needed.

Canadian manufacturers reported increased activity in June

The [RBC Canadian Manufacturing PMI](#) increased from 52.2 to 53.5, reaching its highest point since December. New orders (up from 52.6 to 54.1) were also growing at their fastest pace of 2014, expanding modestly and helping to boost the top-line figure. Production (up from 51.8 to 53.8), export sales (up from 50.6 to 51.4) and hiring (up from 52.4 to 52.6) also moved in the right direction. With that said, Canadian [real GDP](#) slowed to 1.2 percent in the first quarter, down from 2.7 percent in the fourth quarter. In March, [manufacturing output](#) increased 0.3 percent, down from 0.6 percent in February and 1.6 percent in January. Earlier today, Statistics Canada reported that the [unemployment rate](#) rose from 7.0 percent in May to 7.1 percent in June, with the number of workers in manufacturing dropping 10,600 for the month.

Meanwhile, the [HSBC Mexico Manufacturing PMI](#) edged slightly lower, down from 51.9 to 51.8. The country's manufacturing activity has now expanded for nine straight months, with an average of 51.8 over the past five. The underlying data for June, however, were largely mixed. New orders (up from 53.3 to 53.8) and output (up from 51.6 to 52.0) picked up somewhat, but exports (down from 53.2 to 52.0) slowed and hiring declined (down from 51.1 to 49.3). In terms of output, it was reported that [industrial production](#) in Mexico increased a disappointing 1.6 percent in May. [Real GDP](#) rose 1.8 percent on a year-over-year basis in the first quarter. Although better than the 0.7 percent pace observed in the fourth quarter of 2013, it

represents a continued deceleration from the fourth quarter of 2012, when it grew at an annualized 3.4 percent.

The economic environment in the emerging markets marginally improved in some Asian countries

The [HSBC Emerging Markets Index](#) rose from 50.6 to 52.3, its highest level in more than a year. At the same time, the Emerging Markets Manufacturing PMI expanded for the second consecutive month, up from 50.3 to 50.8. Sales (up from 51.2 to 51.9) and production (up from 50.7 to 51.4) both accelerated, but exports (down from 52.4 to 51.1) eased. Employment growth (up from 49.0 to 49.6) remained negative, but declined at a slower rate. The index for future output (down from 64.7 to 63.3) continued to be relatively robust, even as it decelerated for the fourth straight month.

The better data stemmed largely from a few Asian economies, including [China](#) (up from 49.4 to 50.7), [India](#) (up from 51.4 to 51.5), [Indonesia](#) (up from 52.4 to 52.7) and [Taiwan](#) (up from 52.4 to 54.0). Stronger new orders and output growth helped in each of these countries, with export growth pushing India's sentiment higher. The [Czech Republic](#) (down from 57.3 to 54.7) continued to expand at a decent pace, albeit at a slower rate, and [Poland](#) (down from 50.8 to 50.3) and [Vietnam](#) (down from 52.5 to 52.3) also grew at a decelerated pace last month. Pushing against this more positive data were a few countries with contracting levels of manufacturing activity. These included [Brazil](#) (down from 48.8 to 48.7), [Russia](#) (up from 48.9 to 49.1), [South Korea](#) (down from 49.5 to 48.4) and [Turkey](#) (down from 50.1 to 48.8). Even those nations, however, had "green shoots," such as production expanding for the first time in six months in Russia and the decline in exports stabilizing in South Korea.

The trade deficit has been higher year-to-date in 2014, but it narrowed in May

The [U.S. trade deficit](#) narrowed from \$47.04 billion in April to \$44.39 billion in May. April's deficit reached a two-year peak and was a bit of an outlier; the average monthly deficit so far in 2014 is \$43.65 billion, higher than the \$39.70 billion average for all of 2013. The smaller deficit in May primarily resulted from increased goods exports (up from \$135.05 billion to \$136.69 billion) and slightly fewer goods imports (down from \$200.72 billion to \$199.98 billion). The service-sector trade surplus also widened from \$18.63 billion to \$18.90 billion.

Furthermore, the improvement in the goods trade deficit in May came largely from petroleum shifts. The United States exported more petroleum (up from \$11.79 billion to \$13.12 billion) and purchased less from overseas (down from \$29.84 billion to \$28.33 billion). This continues a trend seen over the past few years whereby improved energy production in the United States has slightly helped to balance the trade picture. The non-petroleum balance, in contrast, widened ever so slightly (up from \$46.63 billion to \$46.98 billion).

Indeed, goods exports by sector saw relatively small shifts for the month. The largest increases came from automotive vehicles and parts (up \$778 million), consumer goods (up \$421 million) and industrial supplies and materials (up \$170 million). Yet, the latter would have declined if not for petroleum, and non-automotive capital goods exports fell by \$168 million. On the imports side of the ledger, higher volumes of automotive vehicles and parts (up \$1.33 billion) and non-automotive capital goods (up \$1.03 billion) levels were more than offset by reduced imports in industrial supplies and materials (down \$1.72 billion), consumer goods (down \$456 billion) and foods, feeds and beverages (down \$198 million). Once again, the decline in petroleum imports dominated the industrial supplies figure.

Growth in U.S.-manufactured goods exports continues to disappoint

Year-to-date growth in [manufactured goods exports](#) increased from \$486.20 billion in 2013 to \$488.63 billion (using non-seasonally adjusted data) for a gain of 0.5 percent. As such, export growth for manufacturers continues to be lower than desired, with weaker global economic activity impacting our ability to grow international sales. (Note that using seasonally adjusted data from [Trade Stats Express](#),

manufactured goods exports growth ticked slightly higher for the first quarter of 2014, up 1.1 percent over last year, but still disappointing.)

Still, exports have increased in each of our top five markets in the first four months of this year relative to the same time frame last year: Canada (up \$125.22 billion to \$127.00 billion), Mexico (up from \$92.73 billion to \$98.26 billion), China (up from \$45.75 billion to \$49.31 billion), Japan (up from \$26.57 billion to \$27.66 billion) and Germany (up from \$19.86 billion to \$21.05 billion). Each of these figures is not seasonally adjusted.

International Trade Policy Trends

Ex-Im Bank reauthorization debate intensifies

As part of a broad advocacy and communications campaign, the NAM is leading a new “Exporters for Ex-Im” Coalition. You can join us online at www.exportersforexim.org and [@Exporters4ExIm](https://twitter.com/Exporters4ExIm). This coalition was [announced](#) on June 23 with the release of a [letter](#) signed by more than 850 companies and associations urging Congress to act now. The coalition also released a new “[Ex-Im 101](#)” video that explains how the Ex-Im Bank helps small, medium and large companies across the country compete successfully in global markets and an [infographic](#) for those who want to learn about Ex-Im. Ex-Im released its [2013 Competitiveness Report](#) in late June, noting the expansion of export credit in countries not bound by the rules of the Organisation for Economic Co-operation and Development Arrangement and the rapid growth of export financing from Asian competitors like Korea, Japan and China.

On the Senate side, Joe Manchin (D-WV) and Mark Kirk (R-IL) are preparing to introduce a bipartisan Ex-Im reauthorization bill, and the NAM will be working with its coalition partners to push for passage before the end of July. On June 25, the House Financial Services Committee held a hearing that ran seven hours, with a packed room and dozens of members in attendance to make statements and ask questions. You can find testimony for the eight witnesses who testified as well as the archived webcast online [here](#). Click [here](#) for NAM President and CEO Jay Timmons’ June 25 press statement about why Ex-Im is critical to growing manufacturing in the United States. During the hearing, Rep. John Campbell (R-CA) announced a [discussion draft](#) of an Ex-Im Bank reauthorization bill. Rep. Denny Heck (D-WA) also introduced the [Protect American Jobs and Exports Act of 2014 \(H.R. 4950\)](#) with 201 cosponsors.

As described above, NAM members can raise their voice on the Ex-Im reauthorization in several ways. Contact the NAM’s [Lauren Airey](#), (202) 637-3141, and [Tiffany Adams](#), (202) 637-3118, if you need more information.

The NAM launches Coalition for Green Trade to push market-opening environmental goods agreement

The NAM, joined by the National Foreign Trade Council and the U.S. Council for International Business, launched the [Coalition for Green Trade](#) this week and released a [global sign-on letter](#), with a broad range of international industry associations supporting the Environmental Goods Agreement talks. NAM Director of International Trade Policy Jessica Lemos [participated](#) in the launch and held meetings with U.S. and foreign delegations and other business organizations in Geneva.

Chief negotiators meet to move TPP talks forward as manufacturers press for tariff elimination by partner countries

Chief negotiators from the 12 TPP countries are meeting in Ottawa, Canada, July 3 through 12 to make progress on key issues. This morning, the NAM sent this [letter](#), signed by 17 manufacturing associations, to U.S. Trade Representative (USTR) Michael Froman to ensure that our TPP trading partners will eliminate tariffs. The NAM continues to push for an ambitious, comprehensive, [high-standard agreement](#) with

concrete market-opening provisions, strong protections for intellectual property rights and investment, and new disciplines relating to cross-border data flows and other issues. President Obama indicated that his goal is for the TPP talks to conclude by the end of this year, while House Ways and Means Chairman Dave Camp (R-MI) [stated](#) that Trade Promotion Authority (TPA) legislation is required before the strongest possible TPP agreement can be negotiated.

EU leadership and Parliament change hands and begin work while negotiators prepare for a sixth round of T-TIP talks

On July 1, Italy took over the EU presidency for the next six months, and the recently elected EU Parliament met for the first time to elect a new president (German Social Democrat Martin Schulz, who was reelected as the Parliament's president). On July 7, the Parliament elected committee chairs and vice chairs and started to assign members to committees. On June 26, the European Council [chose Jean Claude Juncker](#), former Prime Minister of Luxembourg, as the President of the European Commission over objections raised by British Prime Minister David Cameron and Hungarian Prime Minister Viktor Orbán. The council will meet on July 16 to complete the nominations for other major commission positions.

The EU is [hosting](#) the sixth round of T-TIP talks in Brussels from July 14 to 18, including a [stakeholder session](#) on July 16. EU papers on its initial negotiating positions in a number of areas can be found [here](#). The NAM submitted [detailed comments](#) on July 7 regarding the investment provisions in the T-TIP in response to the [EU's consultation](#) on this issue. Note that the deadline for input to the consultation has been extended to July 13 if your company or organization would still like to submit comments.

The NAM calls for constructive leadership to strengthen U.S.–Indian ties

The NAM continues working closely with the Administration and members of Congress to promote constructive engagement with India's new government and to resolve outstanding trade concerns. The NAM and others are meeting with federal agencies and Capitol Hill offices to gather information and to help shape a positive agenda that delivers real results as the Administration prepares for the September visit of Indian Prime Minister Narendra Modi to the United States and a planned meeting of the U.S.–India Trade Policy Forum later in the year. The NAM and other members of the [Alliance for Fair Trade with India](#) sent a [letter](#) to Ambassador Froman and Secretaries John Kerry and Penny Pritzker last month calling for U.S. and Indian leadership to “build a deeper and more reciprocal commercial relationship,” including through resumption of bilateral dialogues like the Trade Policy Forum. The NAM will continue working to promote a successful bilateral trade and investment partnership.

Tensions continue between Russia and Ukraine

Tensions have continued over the past several weeks between Russia and Ukraine. Ukrainian President Petro Poroshenko [called off a cease-fire](#) and ordered his country's military to end the pro-Russian rebellion by force. Soldiers retook an important checkpoint at the Russian border, routed insurgents from the occupied city of Slovyansk and were closing in on the regional capital of Donetsk. Meanwhile, the Russian government [appears](#) to have stepped back from overt military action in the Ukraine. On July 9, the Senate Foreign Relations Committee held a [hearing](#) on “Russia and Developments in Ukraine,” with witnesses from the U.S. State and Treasury Departments and former national security advisors to previous Presidents. As indicated in the [NAM Shopfloor blog](#) that same day, the NAM remains deeply concerned by the ongoing situation but urges restraint by those policymakers who would seek to impose unilateral economic sanctions that would damage U.S. economic interests while failing to effectively achieve the outcomes desired.

The NAM continues push on Miscellaneous Tariff Bill (MTB)

The NAM is continuing to push for action on the long-stalled MTB. It organized a June 17 lobby day, visiting more than 40 key House and Senate offices to urge prompt action on the bill. The NAM prepared the following materials and took these action steps to further highlight the necessity of passing the MTB as soon as possible: [MTB two-pager](#), [testimonials](#), [op-ed by Timmons](#), MTB rotator and MTB Manufacturing Minute

featured on the [NAM homepage](#), [blog post](#) and digital ads placed on 30 frequently visited websites—[Ad 1](#) and [Ad 2](#). The NAM also issued a [press release](#) and hosted a press conference call. It earned mentions in these stories: “[Manufacturers Press for Tariff Bill](#),” *The Hill*; “[Manufacturers Lobby Congress for Tariff ‘Tax Cut’](#),” *IndustryWeek*; “[Manufacturers Hustle to Bring Back Tariff Relief](#),” *Politico Pro*; and “[DuPont Seeks Tariff Relief from Congress](#),” *Wilmington News Journal*. We urge NAM members to share this [MTB Action Alert](#) with your staff to increase contact by manufacturing employees with their members of Congress on the importance of the MTB. Please also use this [social media cheat sheet](#) to keep momentum going in favor of the MTB.

Renewal of Generalized System of Preferences (GSP) program and Customs Reauthorization legislation still on hold

GSP legislation expired on July 31, 2013, and congressional action is required to restore these trade benefits. While the NAM has been [urging](#) renewal of this program, there has not been movement on this legislation. On May 7, the President [notified](#) Congress of his intent to remove Russia from the list of beneficiary countries, which will be effective 60 days thereafter (in early July). Discussions have increased since then on potential pathways for passage. The biggest hurdle is that an agreement on the offset for this legislation has not yet been reached. The NAM also continues to [urge](#) action by the Finance and Ways and Means committees to move forward customs reauthorization legislation to cut red tape at the border, improve trade efficiency and ensure strong enforcement of our trade laws. There is no recent movement on this legislation either.

The NAM testifies on need to strengthen trade secret protection

.With the trade secrets manufacturers rely on to protect their proprietary production processes, formulas and data increasingly at risk around the world, the NAM is advocating for legislation, such as the [Defend Trade Secrets Act](#), sponsored by Sens. Chris Coons (D-DE) and Orrin Hatch (R-UT), that would provide access to federal civil enforcement for trade secret theft and establish a strong foundation for U.S. trade agreement commitments. Efforts to win passage of that legislation took an important step forward during a June 24 House Judiciary Subcommittee on Courts, Intellectual Property and the Internet [hearing](#). Members of Congress on both sides of the aisle expressed broad support for a House companion bill that would provide access to federal civil court for trade secret theft. NAM Senior Director of International Business Policy Chris Moore [testified](#) at the hearing and stressed the importance of strong trade secrets protection and enforcement for manufacturers small and large. At the same hearing, Thaddeus Burns, Senior Counsel for Intellectual Property and Trade for NAM member General Electric, [testified](#) in favor of stronger trade secrets protections. The NAM will continue to work with the House and Senate Judiciary committees and others to protect trade secrets at home and abroad.

Finance and Ways and Means committees hold trade hearings

The Senate Committee on Finance is holding a series of hearings on international trade issues, starting with the June 25 [hearing](#) on “Trade Enforcement: Using Trade Rules to Level the Playing Field for U.S. Companies and Workers.” Two NAM member companies testified at this hearing: [Mario Longhi](#), President and Chief Executive Officer, [United States Steel Corporation](#), and [Bart Peterson](#), Senior Vice President, Corporate Affairs and Communications, [Eli Lilly and Company](#). The NAM submitted a [written statement](#) for the record that emphasized that “both trade agreements and domestic trade rules are critical to manufacturers’ success in the global economy.” The Finance Committee has also announced a [hearing](#) on the “Role of Trade and Technology in 21st Century Manufacturing on July 17. The House Committee on Ways and Means held a June 11 hearing on [expanding agricultural trade](#) and is scheduling another hearing for July 16 to address behind-the-border barriers.

New export control rules issued for military electronics

On July 1, the State Department published revisions to [U.S. Munitions List Category XI \(Military](#)

[Electronics](#)). It amends U.S. Munitions List (USML) Category VIII (Aircraft and Related Articles) with respect to wing-folding systems and both Categories VIII and XIX to remove three paragraphs superseded by the revision of Category XI. The NAM previously [submitted comments](#) to the State Department on proposed revisions to USML Category XI. The Commerce Department [published a corresponding rule](#) to add to the Commerce Control List military electronics, technology and software that no longer warrant control on the USML. The Federal Register Notice also addresses comments concerning four options under consideration, to address items of limited military significance for which a license is required only if destined for a terrorist supporting destination or the People's Republic of China. These rules take effect on Dec. 30, 2014, with a few exceptions. The revision to §121.1, Category VIII(h)(4) takes effect August 15. The addition of software and technology for certain wing-folding systems is effective immediately.

United States and China hold sixth Strategic and Economic Dialogue (S&ED)

At this week's S&ED meetings in Beijing, several key issues of importance to manufacturers were discussed, including negotiations regarding an expanded information technology agreement and a bilateral investment treaty, implementation of the Trade Facilitation Agreement and ongoing issues of concern related to market access in China, intellectual property protection and antimonopoly rules. The chair and ranking members of the Senate Finance and House Ways and Means committees [sent](#) a letter to the Administration highlighting these and other issues in the U.S.–China economic relationship. At the conclusion of the S&ED, Ambassador Froman [emphasized](#) that China had agreed to a timetable for the investment treaty discussions related to market access and that progress was made on trade secrets, competition and market access. He also noted there was “constructive discussion on the expansion” of the Information Technology Agreement. The Treasury Department released this [fact sheet](#) describing the outcomes of this meeting, and we expect to learn more details to be available in the coming days.

Implementation of the WTO Trade Facilitation Agreement hits hurdles

Implementation of the WTO Trade Facilitation Agreement (TFA) signed in December 2013 continues to run into difficulties, first from the African Union and most recently from India. The TFA established three categories for implementation timelines, and the report suggests a systematic approach to grouping and sequencing the 37 TFA commitments. Implementation of the TFA was threatened earlier this year when African trade ministers endorsed the concept of provisionally accepting the agreement but not implementing it until the conclusion of still-pending Doha Development Agenda items. At last week's Preparatory Committee on Trade Facilitation (PCTF), U.S. Ambassador to the WTO and Deputy USTR Michael Punke [warned](#) that countries would be making a “dangerous miscalculation” if they think delaying implementation of the TFA will provide negotiating leverage in talks on completing the long-running Doha round of talks. Renewal of the African Growth and Opportunity Act (AGOA) preference program is pending, which could provide an incentive for African countries to reverse the earlier ministerial decision. Also at last week's PCTF meetings, India indicated concerns over moving ahead with TFA implementation before making progress on the other Bali package items, most notably Bali's “best endeavor” provisions relating to agriculture and development. Ambassador Punke also pushed back on those comments, noting the difference in the detailed implementation timetable for the TFA.

Exports in Action

U.S. Embassy in Uganda to hold catalog exhibition showcasing American products and services

Date: September 25

Location: Kampala, Uganda

The U.S. Embassy in Kampala, Uganda, will hold a one-day catalog exhibition on September 25 to showcase U.S. equipment, services and technology. The Buy America event will feature products and

services made by American companies and will also display catalogues from companies interested in selling their products in Uganda. The fee to exhibit is \$100. ***For more detailed information, contact Mary Masyuko, commercial specialist, at Mary.Masyuko@trade.gov.***

Department of Commerce to host Infrastructure Business Development Mission to Morocco, Egypt and Jordan

Dates: December 3 to 11

Locations: Morocco, Egypt, Jordan

The U.S. Department of Commerce International Trade Administration is organizing an executive-led [Infrastructure Business Development Mission](#) to Morocco, Egypt and Jordan (with optional West Bank briefings) from December 3 to 11. The purpose of the mission is to introduce U.S. firms and trade associations to the three countries' rapidly expanding infrastructure markets and to assist U.S. companies in pursuing export opportunities in these markets. Delegates will receive market briefings and participate in customized meetings with key port officials and prospective partners. A maximum of 20 companies will be accepted to participate. Registration deadline is September 12. To apply, [click here](#).

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Questions or comments?

Contact Chief Economist Chad Moutray at cmoutray@nam.org.

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