The Manufacturing Council

WASHINGTON, D.C. 20230

December 15, 2009

Dear Mr. Secretary:

At our last meeting with you in October, you asked the Manufacturing Council to recommend specific actions that can be taken by the Administration to create manufacturing jobs and revitalize the U.S. manufacturing sector. The only sustainable job creation strategies are those that strengthen the competitive advantage of US-based companies that use American workers to build their products and deliver their services. Our recommendations are focused on actions that accomplish this goal, and represent an integrated set of solutions that need to be part of our national manufacturing strategy.

We believe the two most important actions the Administration can take to create manufacturing jobs are to reduce our dependence on imported oil and to enforce existing trade rules with China.

The revitalization of US manufacturing and consequent creation of jobs requires a reduction in our trade deficit, which in turn requires a focus on the above two actions. Our trade imbalance drains critical resources from our economy and results in the loss of manufacturing jobs to overseas competitors. Since 1991, the U.S. trade deficit has increased from $67 billion in 1991 to $816 billion in 2008. Petroleum imports accounted for 43% of the 2008 trade deficit. China accounted for 33% of the 2008 trade deficit, and 46% of the year-to-date trade deficit in 2009. China was responsible for over 60% of the trade imbalance in manufacturing in 2008.[1]

Long-term economic recovery requires that the U.S. have a trade surplus long enough to substantially pay down our foreign debt. To accomplish the goal of eliminating our trade deficit, the Council recommends two core strategies:

1) **Reduce Oil Imports**

To correct the trade deficit, we will need to dramatically reduce our oil imports – making a national commitment to "energy independence." This will require two bold steps:

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[1] Sources for trade data include the International Trade Administration World Trade Atlas, and the National Association of Manufacturers report, "The Facts About Modern Manufacturing – 8th Edition."

- **Transform transportation.** Transportation of all kinds (including autos, trucks, buses, trains, planes and ships) uses virtually 100% of our imported oil. Weaning the industry off of imported oil will reduce the trade deficit by over 40%. Accomplishing this will require an integrated approach to the following four strategies: 1) improving the fuel efficiency of the existing vehicle fleet; 2) developing new domestic sources of alternative fuels for use in vehicles; 3) reengineering the vehicle fleet to use alternative fuels; and 4) developing a national distribution system to make the alternative fuels easily available to consumers.

- **Increase traditional and alternative domestic energy sources.** We need clear long-term policy support for: 1) the development of alternative energy markets to attract private investment capital to these markets; and 2) improved energy efficiency as the least-cost alternative to the development of new energy sources. Both of these actions will increase employment in domestic energy supply chains. Energy efficiency and alternative sources are long-term solutions. The Council also believes that in the interim we need to aggressively increase our traditional domestic energy supplies through exploration, investment in advanced coal, and accelerated development of new nuclear power plants.

Two significant benefits of these actions will be the stabilization of world oil prices as U.S. demand for oil imports drops, and the solution to growing global demand for reduction of undesirable emissions as fuels become more renewable.

2) <u>Correct Trade Imbalances With China</u>

In addition to reducing oil imports, the greatest opportunity for eliminating our trade deficit is through correcting trade imbalances with China, who now accounts for over 40% of the overall trade deficit and over 60% of the trade deficit in manufacturing. Correcting this imbalance will require acting to eliminate Chinese currency manipulation; eliminate subsidies to Chinese manufacturing firms; and eliminate barriers to U.S. exports into China, including business cost disadvantages faced by U.S. manufacturers. While we understand that tax reform is the responsibility of the Treasury Department and not the Commerce Department, we believe it is important for the Secretary of Commerce to advocate for tax reform that will enhance the competitiveness of domestic manufacturing.

While our top priorities are reducing oil imports and correcting trade imbalances with China, success on these two fronts will in turn require action on two supporting strategies. As our trade deficit is corrected, millions of jobs for American workers will be created as American manufacturing companies regain domestic market share and increase exports to foreign markets. Responding to this increased demand for skilled labor will require **aligning our national workforce development system to the needs of manufacturers**. As domestic and foreign markets are re-opened to

American companies, we will also need to **eliminate U.S. business cost disadvantages** by overhauling the U.S. business tax system; improving access to credit; and addressing other structural costs.

The Council is eager to work with the Administration on the goal of increasing U.S. manufacturing jobs by reducing oil imports and correcting our trade deficit. We look forward to discussing with you how best to make this happen.

Sincerely,

Fred Keller
Chair of the Council

Attachment

Summary of Manufacturing Council Recommendations

The two most important actions the Administration can take to create manufacturing jobs are to reduce our dependence on imported oil and to enforce existing trade rules with China.	
Primary Strategies	
Reduce Oil Imports	1. Adopt an Integrated Approach to Energy Independence in the Transportation Sector 2. Develop Clear, Consistent and Long-term Policy Support for Alternative Energy Markets 3. Increase Domestic Traditional Energy Sources As A Bridge 4. Support the Manufacturing Sector in Achieving Efficiency Gains and Renewable Energy Production 5. Support the Creation of Domestic Supply Chains for the Energy Sector
Correct Trade Imbalances With China	1. Eliminate Trade Barriers 2. Effectively address Currency Manipulation 3. Enforce Existing Trade Laws 4. Advocate Eliminating Trade Disadvantages from Border-Adjusted Taxes
Supporting Strategies	
Align the National Workforce Development System to the Needs of Manufacturers	1. Build Collaboration Between USDOC and USDOL on Manufacturing Workforce Initiatives 2. Assure Industry Involvement and Leadership in Skill Initiatives 3. Build Employer Engagement at the Regional Level 4. Support Industry-Defined and Competency-Based Credentialing Systems for Key Sectors 5. Support the National Career Readiness Credential as a National Work Readiness Tool 6. Build Awareness of Manufacturing Careers in Middle and High School
Eliminate U.S. Business Cost Disadvantages	1. Conduct On-Going Sector Analysis to Understand and Address Industry-Specific Competitiveness Issues 2. Reduce the Cost of Credit for Small and Medium-Sized Businesses 3. Restructure Domestic Taxes to Make Manufacturing More Competitive and Increase Domestic Job Creation 4. Focus Health Care Reform on Per Capita Cost Reduction Through Continuous Improvement 5. Avoid Increases in Energy Costs that Will Significantly Impact Domestic Manufacturing Competitiveness 6. Avoid New Un-Funded Employee Benefit Mandates 7. Continue Progress on Tort Reform 8. Undertake Cross Agency Review of New EPA Regulations 9. Implement International Harmonization