UNITED STATES MANUFACTURING COUNCIL

June 15, 2016

The Honorable Penny Pritzker
Secretary of Commerce
United States Department of Commerce
Washington, DC 20230

Dear Madam Secretary:

The Manufacturing Council (Council) desires to communicate its findings, support, and recommendations related to three areas of concern that not only impact the U.S. manufacturing industry today but also affect the future competitiveness of U.S. businesses:

I. The requirement for allocated resources regarding trade enforcement;
II. The strong support and need for the China Bilateral Investment Treaty;
III. The need for a long-term strategy to improve the Department of Commerce's brand awareness specifically related to all small-and-medium-sized enterprises (SMEs) that are considering exporting.

I. Trade Enforcement

U.S. manufacturers invest billions of dollars each year to research, develop, and manufacture innovative products; products that are inputs in the manufacturing process, or finished consumer goods sold domestically and exported throughout the world. These investments strengthen the U.S. economy, drive innovation and jobs, and support local communities. When foreign competitors enter the U.S. market and violate U.S. and international trade laws, U.S. investment is diminished. Free and fair trade increases the global reach of U.S. manufacturers. Enforcement of U.S. trade laws such as the Section 301, anti-dumping, and countervailing duty laws to protect against unfair pricing and foreign subsidies are paramount to protecting domestic growth, development of technology and U.S. jobs. Open, rules-based trade ensures the highest level of innovation, encourages competition, broadens choices for consumers, and rewards investment and the associated jobs. When foreign manufacturers willfully skirt the law, they stifle innovation, investment, and choice for consumers and most importantly threaten U.S. jobs.

The Council recommends the Department of Commerce aggressively pursue trade enforcement by:

- Creating a long-term strategy in partnership with the U.S. Congress;
- Allocating financial and human resources for compliance and enforcement officers in the International Trade Administration's Enforcement and Compliance Unit;
- Vigorous policing of repeat offenders as outlined in the annual 301 report and vigorous investigation of alleged unfair trade practices in AD/CVD cases; and
- Recommending penalties and imposing appropriate AD or CVD duties when foreign manufacturers and governments violate the U.S. trade remedy laws.

II. China Bilateral Investment Treaty

A bilateral investment treaty (BIT) is an agreement between two countries that sets up "rules of the road" for foreign investment in each other's countries. BITs give U.S. investors better access to foreign markets - and on terms which are fairer. The United States currently has BITs with 42 countries and is in the process of negotiating one with China.

A BIT with China is an essential tool for facilitating growth, making the United States more competitive internationally, and creating a stronger economy here at home. A high-standard U.S.-China BIT would give American companies better access to China's market and equivalent rights as Chinese firms. These guarantees would provide American companies with a better opportunity to expand in China, the world's second largest economy, with a middle class that will soon be larger than the population of the United States. U.S. companies overwhelmingly invest in China to reach these customers rather than to export back to the United States. Companies cannot make everything in the U.S., ship it to China, and be competitive there - transportation costs, lead times, and other factors prevent that. According to U.S. government statistics, American companies in China sell only seven percent of goods they make in China back in the United States - the rest is sold in China or other foreign countries.[1]

In addition, a BIT with China would also help attract increased foreign investment to America and create new opportunities here for American workers. U.S. government analysis shows that foreign investment not only supports 5.6 million jobs in the United States - one-third of which are in the manufacturing sector - but that U.S. companies with foreign investments provide more highly paid jobs than do their counterparts without overseas investments.[2] Chinese investment in the United States remains relatively small compared with investments from other foreign countries.[3] The United States and China are the two largest economies in the world and, importantly, a bilateral investment treaty increases certainty in the investment environment, drives growth, and would link Chinese companies more strongly into the global economy.

A BIT is an important tool for the United States to address many of the level-playing field issues U.S. companies' face in China. For a BIT with China to be viable, China must significantly reduce its foreign investment restrictions, create meaningful new market access for American companies and ensure equal treatment of domestic and foreign companies. The inability of many industries to succeed in China has been directly related to China's unwillingness to open its market more fully to investment and to its unfair roadblocks to foreign companies which have invested in China. The bilateral investment treaty is valuable because it would require reduced ownership barriers, opens up markets and levels the playing field for American companies.

In addition, the BIT would:

- Establish equal treatment for U.S. investors in China, for example limited market access, discrimination when applying for business licenses, etc.;
- Prohibit foreign governments' ability to expropriate U.S. investments in an unfair or discriminatory manner or to demand access to intellectual property as a condition of market access;
- Establish a neutral, third-party arbitrator when a problem arises with another investor or the host government; and,
- Prohibit unfair competition by state-owned enterprises.

[1] US Bureau of Economic Analysis, *Activities of U.S. Multinational Enterprises: U.S. Parent Companies and Their Foreign Affiliates*, U.S. MNE Activities: Preliminary 2013 Statistics, Table II.E 2. Goods and Services Supplied by Affiliates, Country of Affiliate by Destination

[2] The White House, *Foreign Direct Investment in the United States*, 2013, https://www.whitehouse.gov/sites/default/files/2013fdi_report_-_final_for_web.pdf

[3] The US-China Business Council, *Bilateral Investment Treaties: What They Are and Why They Matter,* 2014, https://www.uschina.org/reports/bilateral-investment-treaties-what-they-are-and-why-they-matter

The Council strongly supports and recommends that the Department of Commerce, in concert with other federal agencies and stakeholders, prioritize the importance of finalizing negations of the China Bilateral Investment Treaty. This treaty will reduce ownership barriers for U.S. investors and bring together the world's two largest economies, which is critical for the U.S. in remaining competitive in the global market.

III. Department of Commerce's Brand Awareness

The Trade, Tax Policy, and Export Growth subcommittee members conducted various discussion panels and then sent a follow up survey which indicated that many U.S. manufacturers are not aware of available data, reports, or government assistance that exist for their benefit and use. The feedback received from the small-and-medium-sized enterprises (SMEs) indicated they rarely visit the government websites, and many local and state Chambers of Commerce may be unreliable as a reputable source of government assistance. SMEs found it difficult to locate and interpret the information for their benefit.

Based on the feedback from the SMEs, and following up on a previous recommendation from the Council to "Increase the number of exporting companies by maintaining or expanding current promotion assistance programs by the Department of Commerce," the Council recommends that Secretary Pritzker consider the following as a long-term strategy to strengthen the relationship between the private sector and the Department of Commerce:

1. Establish a Chief Marketing Officer (CMO)

Implement a dedicated CMO at the executive level who would be responsible for increasing the brand awareness of tools and support for all U.S. businesses. The CMO would create and implement a strategic plan to simplify and streamline information, bridge the communication gap from the government to state and local levels, develop relationships with each state's economic development partners, target all manufacturing organizing bodies, and formalize a marketing plan based around outreach and education.

2. Continue to improve relevance of reports

The Council suggests the Top Markets Report industry segments be reassessed, as a review by selected SMEs considered the scope of information to be either too broad or lacking in information regarding their particular industry sector. A long-term strategy to improve these reports could include utilizing metrics such as e-commerce analytics to measure the success, awareness, and the most sought after segments. It is also recommended to implement a signup form to capture and track user data as part of the analytics. The data reports provided by International Trade Administration (ITA) should also consider the following recommendations to improve the usefulness of the reports to SME's: implement an annual review of the reports to determine current value by surveying users, utilizing social media channels for feedback, and monitoring emerging segments for inclusion to ensure U.S. manufacturers stay competitive on a global level.

3. Increase awareness at the local and state levels

The Department of Commerce should evaluate how the state and local governments create awareness of the programs and assistance available for U.S. manufacturers. There should be a consistent communication plan from the top down with a structured outline of available government programs, reports, and contacts. Implementation of a standard plan should be used as a guide and should establish expectations at the local and state levels regarding website, social media, outreach, webinars, etc. The Department of Commerce should also communicate directly with all manufacturing organizing bodies regarding available programs, reports, and assistance.

4. Simplify and centralize information for easier navigation

The Department of Commerce website offers access to multiple agencies but requires the user to know what they are looking for when visiting. The Council recommends simplifying its web presence by creating a call to action in the upper right hand corner – a "Get in Touch" tab/button that streamlines communication to the state and local offices. During research today, a visitor must visit multiple sites to find relevant contact information, creating unnecessary extra steps and/or redirection to other websites. Unfortunately, the websites do not mirror each other. A long-term recommendation is to offer a live web chat service to quickly answer questions and direct visitors.

The Council respectfully submits these recommendations to protect and support U.S. manufacturers and the U.S. economy by allocating resources for trade enforcement, creating fair and equal trade with China, and improving the Department of Commerce brand awareness for U.S. businesses as they consider exporting.

As Council members, we truly appreciate the opportunity to serve in partnership with you for the vitality of our nation and the future of all Americans.

Respectfully submitted,

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