Manufacturing: Opportunities and Challenges

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Manufacturing Strengths:

12% of Gross Domestic Product

● 80% > Retail

● 62% > Construction, Mining and Agriculture

● 150% > Transportation and Utilities
Standing alone, it is:

■ The world’s 8th largest economy

■ Larger than the economies of:
  - Spain
  - Canada

■ Equal to Mexico and India combined
Manufacturing is responsible for nearly two-thirds (62%) of all U.S. exports of goods and services.

- Agriculture: $60 billion/yearly

- Manufacturing: $60 billion/monthly

■ Manufacturing is responsible for three fifths of all industrial R & D

■ Manufacturing is responsible for 90% of all patents.
Manufacturing employs **14 million people**
Manufacturing Challenges

1. Reduce the cost of doing business

2. Level the playing field

3. A tax system that encourages innovation and investment

4. A workforce ready for the 21st Century Workplace
1. Reduce The Cost Of Doing Business

-31.7% Cost disadvantages vs. Our trading partners/competitors

-Non-Wage Costs

-Doesn’t include cost of Workplace Regulations

-Highest Pollution Abatement Costs in the World

-2nd Highest Corporate Tax Rate in the World

-Highest Natural Gas Prices in the World

-Highest Tort Costs in the World
Energy Costs

Supply/Demand:
- Natural Gas: 420 Trillion Cubic Feet
- Coal: Exceeds World’s Oil Resources
- ANWR
- Nuclear
Legal Costs

-2% of GDP

-Larger than the economies of:
Hong Kong        Hungary
Vietnam          Venezuela
Portugal         Peru
Algeria          Israel
Romania          Ireland
Czech Republic   Morocco
Denmark          Nigeria
Chile            Kazakhstan
Norway           Singapore
Finland          Belarus

... and 173 others
2. Level Playing Field

■ Vis a vis China, this means:
  - No currency manipulation
  - Respect for intellectual property
  - No illegal subsidies
  - Compliance with all WTO rules

■ More Free Trade Agreements
3. Tax System That Encourages Innovation & Investment

- Make Tax Cuts Permanent

- R&D Tax Credit
The United States Leads The way in Innovation

Source: NAM calculations using data from U.S. Patent and Trade Office and CIA World Factbook.
Manufacturers Are Technology Leaders

Source: NAM calculations based on National Science Foundation data, 2002.
4. A Ready Workforce

Chart 1: Engineering Degrees

- **China**: Number of first university degrees rising significantly from 1985 to 2000.
- **Japan**: Moderate growth from 1985 to 2000.
- **United States**: Steady increase from 1985 to 2000.
- **Korea**: Consistent growth from 1985 to 2000.

Source: National Science Foundation
Chart 2: U.S. Graduate Degrees in Mathematics, Engineering and Physical & Computer Sciences

Source: National Science Foundation
Solutions

Lean Not Spoken Here
Solutions

1. Reduce Cost of doing business
   - Taxes
   - Regulations
   - Legal Costs
   - Energy
2. Level Playing Field:
   - Open New Markets
3. “Which is More Important?”
4. Stand Out of Our Light