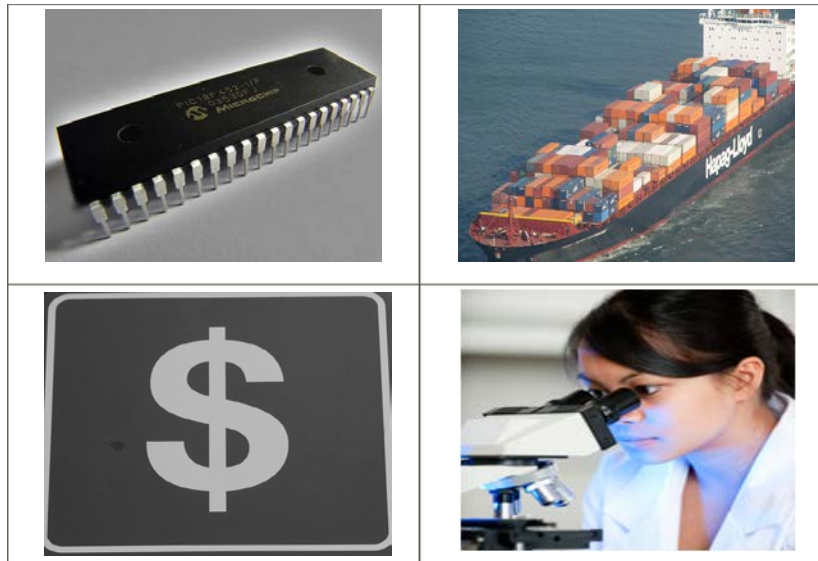


A CHARTER FOR REVITALIZING AMERICAN MANUFACTURING



Manufacturing is indispensable to the health of the U.S. economy, for four key reasons: 1) Without a robust manufacturing sector, the U.S. will have great difficulty balancing its foreign trade; 2) Manufacturing is a key source of above-average-paying jobs; 3) Manufacturing, R&D, and innovation go hand-in-hand. In fact, manufacturing is the principal source of innovation and R&D activity in the U.S. economy, and; 4) Manufacturing is vital to U.S. national security and defense.

While the United States retains important strengths in manufacturing, U.S. manufacturing firms continue to face many challenges as international competition has intensified. We need a coherent national manufacturing strategy centered on U.S.-based investment, innovation, and production. The strategy should be based upon the Four T's: Technology, Trade, Tax, and Talent, as this *Charter for Revitalizing American Manufacturing* describes:

The United States needs a coherent national manufacturing strategy. It should:

- Expand the Administration's goal from doubling exports to transforming the U.S. into a net exporter of manufactured goods again.
- Make the U.S. the world's best manufacturing environment, in part by ensuring that U.S. manufacturers have access to the world's best technology, talent, and infrastructure.
- Promote a set of policies that support the entire lifecycle of technology development—from R&D, invention, and innovation, to scale-up for efficient production and market development—to take place in the U.S., so U.S. establishments and workers can capture maximum value-added.

The link between manufacturing and U.S. economic and employment growth must be made explicitly:

- Had U.S. manufacturing grown at the same rate as the overall economy over the past decade, the U.S. economy would have as many as 8 million more jobs today.
- Manufacturing jobs pay 9% more in wages and benefits than jobs in the overall economy.
- Manufacturing accounts for 57% of U.S. exports. While services are important, the U.S. cannot achieve net exports, and therefore net job creation from trade, without substantially expanding domestic manufacturing.

Policy Recommendations

Policy Recommendations: Support SME Manufacturing and Entrepreneurship

- Congress should expand Export-Import Bank credit authority, with a particular focus on boosting the export activities of SME manufacturers.
- Congress should expand funding for NIST's Manufacturing Extension Partnership (MEP).
- The Administration should view MEP's clustered centers as a "distributed network" for support of SME manufacturing and drive more programs through it.
- The Administration should expand MEP's ExporTech program to provide global trade and best practices information to SME manufacturers.
 - And strengthen alignment with other government agencies providing export assistance services (e.g., DoC's Foreign Commercial Service).
- Since there is a gap in the ability to identify and introduce new manufacturing technologies to SMEs, NIST should develop prototyping and technology introduction centers within industry clusters.
 - This would include the creation of "teaching factories" for manufacturing as well as creation of actual shared production facilities.
- Congress should create a "Start-up Visa" (a temporary visa for foreign immigrants that can become permanent for foreign immigrants who start companies in the U.S.).

Policy Recommendations: Finance/Credit Provision to Support U.S. Manufacturing

- Congress should establish a "deferred investment" program for U.S. SME manufacturers allowing them to make tax-deferred investments if the money is used for training or capital equipment investments.
- Congress should authorize the Ex-Im Bank to provide direct SME loan assistance to U.S. manufacturers, particularly for scale-up activities.
- Congress should require that a significant share of SBA lending (both guarantee and direct lending) go to fund scale-up activities for technology-intensive SMEs, and the SBA should work with the manufacturing sector in designing better programs, better credit vehicles, more outreach, etc.

Policy Recommendations: Craft a U.S. Trade Strategy that Effectively Combats Unfair, Market-Distorting Foreign Mercantilist Practices

- The Administration should establish strategic trade priorities and policies designed to provide a fair playing field for U.S. manufacturers to compete. It should view success not as number of deals signed but as results achieved.
- Congress should increase funding for and focus on trade enforcement at USTR and customs/border protection agencies—including with regard to IP theft, forced technology transfer, currency manipulation, counterfeiting, dumping, etc.—while heightening focus on countries, such as China, which continue to implement egregious mercantilist practices.
- The Administration should develop a framework for addressing state capitalism as part of a U.S. national trade strategy.
- Congress and the Administration should review export control policies that unnecessarily inhibit U.S. exports without contributing to national security.

Policy Recommendations: Craft Effective Tax Policy to Support U.S. Manufacturing

- Congress should simplify the corporate tax code while expanding provisions that incentivize investments in R&D, workforce training, and capital equipment and machinery.
 - In particular, Congress should transform the Alternative Simplified Credit for R&D into an American Investment Tax Credit that allows expenditures in excess of 50 percent of base calculation on R&D, workforce training, and capital expenditures to qualify for a tax credit of 20%. (But Congress should make companies' ability to receive the full 20% credit contingent on some portion of resulting production occurring in the United States.)
 - Congress should expand the collaborative R&D tax credit to cover more sectors beyond energy.
- Congress should explore a WTO-legal border adjustable tax that would neutralize the bilateral trade disadvantage U.S. enterprises face due to foreign consumption taxes, substantially improve trade competitiveness, spur U.S. manufacturing production and investment, and help pay for expanded tax incentives and overall tax rate reduction.

Policy Recommendations: Craft Talent Policy to Bolster U.S. Manufacturing

- Congress should increase funding for Perkins vocational education and training programs (with states matching those investments).
- States should increase credentialing for manufacturing workforce members in part through expanding use of credentials produced by the Manufacturing Skills Standards Council and in part by reinventing voc-ed programs, including reprioritization of money through WIA or Perkins to programs that result in these credentials.
- Congress should reauthorize the Workforce Investment Act to allow WIA funds to support multi-employer training efforts (e.g., support regional skills alliances). Congress should also allow states to use layoff aversion funds in a multi-firm format.
- Congress should enable high-skill foreign students graduating with PhDs or Masters in STEM fields who graduate in the United States to stay here.

Policy Recommendations: Support U.S. Manufacturing through Public Procurement

- Congress should remove regulations that prohibit certain government agencies from purchasing remanufactured goods.
- The Department of Defense should build upon the Defense Production Act and defense procurement to better support advanced manufacturing research and processes.
- The U.S. government should not procure products or services made in nations that have not signed the WTO Government Procurement Agreement.

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