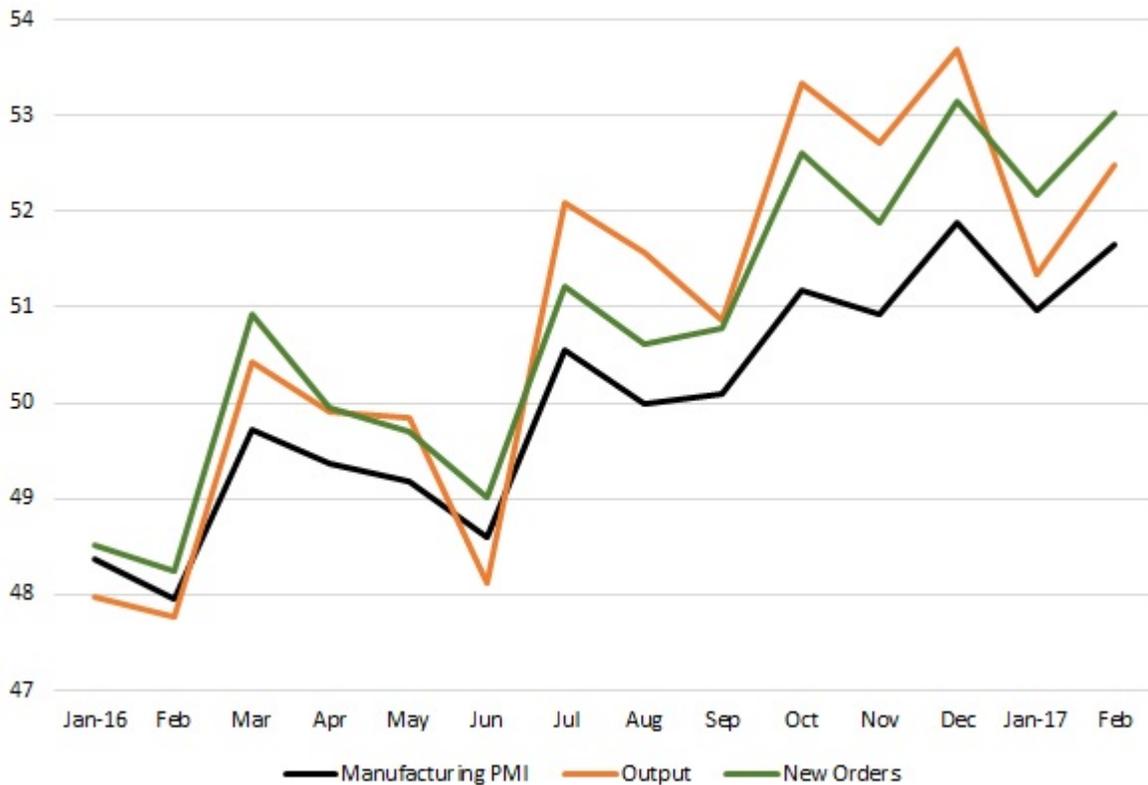




# GLOBAL MANUFACTURING ECONOMIC UPDATE

March 16, 2017

**Caixin China General Manufacturing PMI, 2016–2017**



At this time last year, the global economy was one of the biggest downside risks to growth, with a “growth recession” in China at the top of that list. In light of such challenges, manufacturers were pulling back on spending and hiring. Since then, the international economic environment has begun to move in the right direction, including in China. The [Caixin China General Manufacturing PMI](#) increased from 51.0 to 51.7, which was not far from December’s 51.9—its fastest pace since January 2011. It was also the sixth straight monthly expansion following a few years of slower growth. This illustrates just how much the market has stabilized and begun to improve recently, including pickups in both [industrial production](#) and [fixed-asset investment](#) year-over-year rates in the latest data. Nonetheless, we continue to see decelerated activity in China from more robust expansions in prior years, a trend that is likely to continue.

For its part, the [J.P. Morgan Global Manufacturing PMI](#) expanded at its fastest pace since May 2011. Both demand and production saw two-year highs, with hiring expanding at rates not seen since August 2011. Moreover, the index for future output also moved higher, at nearly a two-year high, and would seem to indicate strong growth in the coming months. In addition, 11 of the top-15 markets for U.S.-manufactured

goods exports experienced growth in their manufacturing sectors in February, unchanged from January but up from just seven in August.

The strongest manufacturing growth among our top trading partners occurred in the [Netherlands](#), [Germany](#), the [United Arab Emirates](#), [Canada](#), the [United Kingdom](#) and [Taiwan](#). Germany and the Netherlands experienced multiyear highs in February, notching the best index readings in 69 and 70 months, respectively. In contrast to those markets, [Brazil](#), [Hong Kong](#) and [South Korea](#) continued to contract. Each has been mired in negative territory for much of the past two years. Of course, South Korea has been in the news of late due to the impeachment of President Park Geun-hye on corruption charges. As a whole, however, emerging markets have strengthened of late, mirroring the larger global trend. In fact, manufacturing activity in the emerging markets rose at its fastest pace since July 2014, expanding for the eighth consecutive month.

Indeed, when looking at the market-by-market analysis, you see a lot of multiyear highs in the headline PMI numbers, which is quite encouraging. The [Markit Canada Manufacturing PMI](#) increased at its quickest clip since November 2014, boosted by improvements in Alberta, British Columbia and Ontario. [Real GDP](#) in Canada grew 2.6 percent in the fourth quarter, led by strength in consumer spending but slowed down by drags from business investment and net exports.

Likewise, Europe has continued to perform admirably despite political uncertainties on the continent. Mirroring the global numbers, manufacturers in the Eurozone [reported](#) their best growth rates since April 2011. Eurozone [real GDP](#) grew 1.7 percent year-over-year, and the [unemployment rate](#) remained at its lowest level since May 2009. Perhaps more importantly, pricing pressures have started to pick up, with the [annual inflation rate](#) rising to 2.0 percent in February, its highest level since January 2013. As such, the European Central Bank is likely to start easing up on monetary stimulus later this year.

It is still early into 2017, but the manufactured goods exports picture is already better this year than the past two years. Using non-seasonally adjusted data, U.S.-manufactured goods exports totaled \$83.09 billion in January, up 4.87 percent from \$79.23 billion in January 2016. With that said, the [U.S. trade deficit](#) rose from \$44.26 billion in December to \$48.49 billion in January, its highest level since March 2012.

Key trade appointees for the Trump administration move forward, as the administration releases its first annual trade policy report. The World Trade Organization's (WTO) Trade Facilitation Agreement (TFA) entered into force. Expectations remain high that the administration will soon notify a renegotiation of the North American Free Trade Agreement (NAFTA), as it considers other potential negotiations as well. The NAM continues to push for movement on nominations to the Export-Import (Ex-Im) Bank Board of Directors and is focused on other key issues involving conflict minerals, the Miscellaneous Tariff Bill (MTB) and intellectual property (IP).

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## Global Economic and Trade Trends

**Global manufacturing growth expanded at the fastest pace since May 2011, continuing to move in the right direction.**

The [J.P. Morgan Global Manufacturing PMI](#) increased from 52.7 in January to 52.9 in February. The

underlying data were also encouraging, including new orders (up from 54.0 to 54.1), output (up from 53.6 to 54.1), exports (up from 52.2 to 52.8) and employment (up from 51.3 to 51.7). Both demand and production saw two-year highs, with hiring expanding at rates not seen since August 2011. Moreover, the index for future output also trended higher (up from 64.1 to 64.5), at nearly a two-year high, and would seem to indicate strong growth in the coming months.

Eleven of the top-15 markets for U.S.-manufactured goods exports experienced growth in their manufacturing sectors in February, unchanged from January but up from just seven in August. (There is no manufacturing PMI for comparison purposes for Belgium, which is our 10th-largest trading partner.) [Brazil](#) (up from 44.0 to 46.9), [Hong Kong](#) (down from 49.9 to 49.6) and [South Korea](#) (up from 49.0 to 49.2) continued to contract. Each has been mired in negative territory for much of the past two years. Of course, South Korea has been in the news of late due to the [impeachment](#) of President Park Geun-hye on corruption charges.

In contrast to those markets, the strongest manufacturing growth among our top trading partners included the [Netherlands](#) (up from 56.5 to 58.3), [Germany](#) (up from 56.4 to 56.8), the [United Arab Emirates](#) (up from 55.3 to 56.0), [Canada](#) (up from 53.5 to 54.7), the [United Kingdom](#) (down from 55.7 to 54.6) and [Taiwan](#) (down from 55.6 to 54.5). Germany and the Netherlands experienced multiyear highs in February, notching the best index readings in 69 and 70 months, respectively.

#### **Canadian manufacturing expanded at its quickest clip since November 2014.**

The [Markit Canada Manufacturing PMI](#) increased from 53.5 to 54.7. That represents progress after activity nearly stalled in September (50.3), with five consecutive improvements in the headline number since then. In February, there were mostly stronger data, including for new orders (up from 54.6 to 56.0), output (up from 54.0 to 55.2) and employment (up from 52.2 to 54.3). With that said, exports slowed marginally (down from 51.1 to 51.0), while still expanding for the fourth straight month.

Improvements in Alberta and British Columbia (up from 58.3 to 59.1) and Ontario (up from 52.2 to 53.8) boosted the national headline number, with the former expanding at its fastest rate since October 2013. Quebec (up from 48.7 to 51.0) and the rest of Canada (up from 49.6 to 50.5) both rebounded in February after contracting in recent months.

[Real GDP](#) grew 0.6 percent in the fourth quarter, extending the 0.9 percent gain in the third quarter. That translated into 2.6 percent growth at the annual rate in the fourth quarter, with the Canadian economy boosted by consumer spending but slowed by drags from business investment and net exports. In addition, manufacturing sales rose 2.3 percent in both November and December, bouncing back from a 0.6 percent decline in October. Yet, [retail spending](#) fell 0.5 percent in December, pulled lower by softness in automotive sales, among other segments. More positively, however, retail sales have trended higher year-over-year, up 4.3 percent since December 2015. Indeed, consumers were likely encouraged by the reduced [unemployment rate](#), down to 6.6 percent in February, which was its lowest level since January 2015. Nonetheless, manufacturers [lost](#) 5,200 workers on net in the latest data, with 49,600 fewer employees over the past 12 months.

#### **Mexico slipped again in February, with manufacturing activity remaining subpar.**

The [Markit Mexico Manufacturing PMI](#) edged down from 50.8 to 50.6. Over the past three months, the headline index has averaged 50.5, slowing considerably from 53.2 at this point last year. Indeed, the underlying data were mostly weaker in February, including slower growth in new orders (down from 51.1 to 50.9) and employment (down from 51.7 to 51.3). In addition, output contracted for the second time in the past three months (down from 51.3 to 49.8), which was disappointing. In contrast to those measures, exports expanded modestly (up from 52.8 to 53.2), perhaps benefiting from a cheaper peso, and the future output measure rebounded somewhat from January's low reading (up from 61.6 to 66.2). Yet, for comparison purposes, the forward-looking index was 78.4 one year ago.

[Real GDP](#) increased 2.4 percent year-over-year in the fourth quarter. This was better than the 2.1 percent growth rate during the third quarter but below the 2.6 percent pace in the second quarter. Manufacturing grew 1.9 percent in the fourth quarter, but the primary driver of growth was the agricultural sector, up 6.4

percent. With that said, Mexican [industrial production](#) slipped lower, down 0.1 percent year-over-year in January, falling for the second straight month. That decline came primarily from mining (down 9.8 percent year-over-year), with manufacturing output accelerating, up from 1.8 percent year-over-year to 4.3 percent. However, the pace remained subpar. Meanwhile, the [unemployment rate](#) has trended lower, down from 4.1 percent in September to 3.6 percent in January. The latest unemployment figure, however, was up from 3.4 percent in December.

### **Mirroring the global numbers, manufacturers in the Eurozone reported their best growth rates since April 2011.**

The [Markit Eurozone Manufacturing PMI](#) edged up from 55.2 to 55.4, a 70-month high, boosted by improved data on new orders (up from 56.0 to 56.1), output (up from 56.1 to 57.3) and exports (up from 55.2 to 55.5). Employment continued to expand modestly (down from 55.0 to 54.3), even as it pulled back from a 69-month high in February. Likewise, survey respondents remained upbeat about output over the next six months despite some easing in the latest release (down from 66.9 to 66.7).

Multiyear highs in February in [Germany](#) (up from 56.4 to 56.8) and the [Netherlands](#) (up from 56.5 to 58.3), as noted earlier, led the stronger activity in Europe. The expansion in [Austria](#) also remained near multiyear high levels (down from 57.3 to 57.2), even as the current survey pulled back slightly from January's healthy pace. There were also modest expansions in [France](#) (down from 53.6 to 52.2), [Ireland](#) (down from 55.5 to 53.8), [Italy](#) (up from 53.0 to 55.0), [Spain](#) (down from 55.6 to 54.8) and the [United Kingdom](#) (down from 55.7 to 54.6), even with some easing in a few of these markets. In contrast to those markets, [Greece](#) contracted for the sixth straight month (up from 46.6 to 47.7).

Eurozone [real GDP](#) grew 0.4 percent in the fourth quarter, down from 0.5 percent in preliminary data but unchanged from the third quarter. That translated to 1.7 percent growth year-over-year. [Industrial production](#) in the Eurozone increased 0.9 percent in January, rebounding from a decline of 1.2 percent in December. For its part, [retail sales](#) decreased for the third straight month, down 0.1 percent in January, but over the past 12 months, spending has risen 1.2 percent. That remained weaker than desired. Nonetheless, the [unemployment rate](#) in January was unchanged at 9.6 percent, which continued to be the lowest level since May 2009. Meanwhile, much like in the United States, pricing pressures have started to pick up, with the [annual inflation rate](#) rising to 2.0 percent in February, its highest level since January 2013.

### **Chinese manufacturing sentiment rebounded in February after pulling back a little in January. T**

The [Caixin China General Manufacturing PMI](#) increased from 51.0 to 51.7, which was not far from December's 51.9—its fastest pace since January 2011. It was also the sixth straight monthly expansion following a few years of slower growth. This illustrates just how much the market has stabilized and begun to improve recently. The underlying data were mostly positive, including new orders (up from 52.2 to 53.0), output (up from 51.3 to 52.5) and exports (up from 52.9 to 53.0). In addition, the index for future output increased to its highest level since May 2015 (up from 57.4 to 60.3), suggesting more optimism in the months ahead. On the other hand, hiring has been in negative territory for more than three years (up from 47.8 to 49.3).

The Chinese economy [grew](#) 6.8 percent year-over-year in the fourth quarter, with 6.7 percent growth for 2016 as a whole. As such, we continue to see decelerated activity in China from more robust expansions in prior years. For instance, fourth-quarter growth in 2010 in China was 10.0 percent. With that said, [industrial production](#) picked up a little in January/February, increasing 6.3 percent year-over-year in January after being up 6.0 percent in December. Likewise, [fixed-asset investment](#) grew from 8.1 percent year-over-year in December to 8.9 percent in January/February. Each is a further sign of stabilization for Chinese manufacturers. However, [retail sales](#) slipped somewhat, from 10.9 percent year-over-year growth to 9.5 percent.

### **Japanese manufacturing improved to a 35-month high in February.**

The [Nikkei Japan Manufacturing PMI](#) increased from 52.7 to 53.3, its fastest pace since March 2014. After contracting from March through August of last year, the latest data show activity expanding for six straight months. Index readings were up across the board in February, including new orders (up from 54.0 to 54.2),

output (up from 53.2 to 54.1), exports (up from 53.1 to 54.3) and hiring (up from 52.8 to 53.7). Moreover, the backlog of work expanded for only the third time in the past two years (up from 49.3 to 51.7), which was encouraging. Looking ahead, the index of future output rose to its highest level since May 2013 (up from 60.1 to 62.3), suggesting more optimism for the coming months.

[Real GDP](#) in Japan increased 0.3 percent in the fourth quarter, unchanged from the third quarter. On a year-over-year basis, the Japanese economy expanded 1.2 percent. The bright spots in the fourth-quarter report were private nonresidential investment and exports, with government spending a drag on growth and household consumption flat. Meanwhile, [industrial production](#) was weaker in January, down 0.8 percent. Nonetheless, the longer-term trend was more favorable, with industrial production up 3.2 percent since January 2016. The expectation is that production will improve moving forward, consistent with the sentiment survey described above.

#### **Manufacturing activity in the emerging markets expanded at its fastest pace since July 2014.**

The Markit Emerging Markets Manufacturing Index rose from 50.8 to 51.3, expanding for the eighth consecutive month. This suggests that the emerging markets have stabilized somewhat from recent challenges and have begun to strengthen, much like the China story described above. New orders (up from 51.7 to 52.4), output (up from 51.5 to 52.3) and exports (up from 51.3 to 52.3) each made modest progress for the month, moving in the right direction. Likewise, employment moved closer to neutral territory (up from 48.7 to 49.6), even if hiring remained negative. Meanwhile, the forward-looking index for future output also improved, up from 62.4 to 64.2, its highest level in two years. This indicates that manufacturers in the emerging markets remain quite upbeat about the next six months.

The country-by-country data were mixed. Manufacturing activity in the [Czech Republic](#) (up from 55.7 to 57.6), [Saudi Arabia](#) (up from 56.7 to 57.0), [Vietnam](#) (up from 51.9 to 54.2) and the [United Arab Emirates](#) (up from 55.3 to 56.0) each reached new multiyear highs, continuing a rebound in recent months. [China](#) (up from 51.0 to 51.7), [India](#) (up from 50.4 to 50.7), [Myanmar](#) (up from 51.7 to 51.9), [Nigeria](#) (up from 51.9 to 52.2) and the [Philippines](#) (up from 52.7 to 53.6) also made notable improvements in the month. In addition, there was still-decent growth reported in [Poland](#) (down from 54.8 to 54.2), [Russia](#) (down from 54.7 to 52.5), [Taiwan](#) (down from 55.6 to 54.5) and [South Africa](#) (down from 51.3 to 50.5), despite some easing in February in these markets (some from multiyear highs in January). On the other hand, [Kenya](#) experienced declining output in February but with an ever-so-slight positive PMI reading (down from 52.0 to 50.1), which was the lowest in the survey's three-year history.

In contrast to those markets, [Indonesia](#) returned to contraction territory in February for the fourth time in the past five months (down from 50.4 to 49.3). It joined other economies that have experienced declining growth for much of the past two years, including [Brazil](#) (up from 44.0 to 46.9), [Egypt](#) (up from 43.3 to 46.7), [Hong Kong](#) (down from 49.9 to 49.6), [Lebanon](#) (unchanged at 47.7), [Malaysia](#) (up from 48.6 to 49.4), [South Korea](#) (up from 49.0 to 49.2) and [Turkey](#) (up from 48.7 to 49.7). Even with the headline indices contracting, Malaysian and Turkish output both rose for the first time in at least a year, which was encouraging news moving forward.

#### **U.S.-manufactured goods exports improved in January, but the trade deficit rose to its highest level since March 2012.**

The [U.S. trade deficit](#) rose from \$44.26 billion in December to \$48.49 billion in January. The higher figure stemmed largely from a jump in goods imports, up from \$192.56 billion to \$197.64 billion, which was the most since March 2015. That was more than enough to offset the increase in goods exports, up from \$126.85 billion to \$127.95 billion, a level not seen since April 2015. At least some of that gain could be explained by higher petroleum imports, up from \$14.26 billion to \$16.87 billion, the highest level in two years. Meanwhile, the service-sector surplus slipped slightly lower, down from \$21.44 billion to \$21.19 billion.

Looking more closely at the underlying data, goods exports were mostly higher. The largest increases included industrial supplies and materials (up \$2.08 billion), automotive vehicles and parts (up \$1.33 billion) and foods, feeds and beverages (up \$594 million). In contrast, capital goods fell sharply in January (down \$1.89 billion), somewhat counteracting the other gains. At the same time, goods imports grew

strongly, including healthy gains for consumer goods (up \$2.41 billion), industrial supplies and materials (up \$1.00 billion), automotive vehicles and parts (up \$899 million) and capital goods (up \$668 million).

It is still early into 2017, but the manufactured goods exports picture is already better this year than the past two years. Using non-seasonally adjusted data, U.S.-manufactured goods exports totaled \$83.09 billion in January, up 4.87 percent from \$79.23 billion in January 2016.

## International Trade Policy Trends

### **Senate Finance Committee holds confirmation hearing for Ambassador Robert Lighthizer; other international economic appointees made.**

On March 14, the Senate Finance Committee [held](#) its long-awaited confirmation hearing for Ambassador Robert Lighthizer as the designee for U.S. Trade Representative (USTR). Lighthizer was introduced by former Senate Majority Leader Bob Dole (R-KS), for whom Lighthizer worked both as staff director for the Finance Committee and on Dole's presidential campaign, as well as his home state senators, Sens. Rob Portman (R-OH) and Sherrod Brown (D-OH). Following the opening statements of [Senate Finance Committee Chairman Orrin Hatch \(R-UT\)](#) and [Ranking Member Ron Wyden \(D-OR\)](#), Lighthizer made an [opening statement](#) emphasizing the challenges facing American companies and workers through unfair trade policies and the need for reforming an international trading system that functions the way it was intended. Questions from the committee covered a wide range of trade issues, from NAFTA and the WTO to IP protection and trade enforcement, with a particular focus on China. Lighthizer's nomination has been held up by the apparent need for a waiver to a provision from the Trade Act of 1974, added in 1995, that prohibits anyone serving as USTR or deputy USTR who has "directly represented, aided or advised a foreign entity" in a trade negotiation or trade dispute with the United States. Former USTR Charlene Barshefsky received a similar waiver in 1996 because of foreign government work in the past, although the White House has argued that the provision is unconstitutional.

Over the past month, other key trade officials have taken their place in the administration. Most notably, [Wilbur Ross](#) was confirmed by the Senate and sworn in as 39th secretary of commerce and continues to be recognized by the president as playing a lead role on trade. In addition, [Steven Mnuchin](#) was confirmed and sworn in as the 77th secretary of the treasury. The White House also made additional appointments to the National Economic Council, under the leadership of Director Gary Cohn, including Kenneth Juster as deputy assistant to the president for international economic affairs (in addition to his role at the National Security Council), Drew Quinn as special assistant for international trade, investment and development and Ray Starling as special assistant for agriculture, trade and food assistance.

### **Administration releases "2017 Trade Policy Agenda."**

As required by the Trade Act of 1974, the Trump administration released its ["2017 Trade Policy Agenda and 2016 Annual Report"](#) on March 1. As noted in the introduction, the trade policy agenda piece of the report is much shorter than is typical in large part because the USTR has not yet been confirmed. The report notes both overall purposes of U.S. trade policy and identifies key objectives, which include creating fair opportunities for workers and businesses domestically and globally, breaking down unfair trade barriers, ensuring IP owners can use and profit from their IP, strictly enforcing U.S. trade laws and labor provisions in trade agreements, updating current agreements, addressing concerns about the weakening of U.S. laws through WTO decisions and advancing policies to promote the manufacturing base to maintain and improve national security. The "Trade Policy Agenda" has a heavy focus on sovereignty and provides little information about the benefits that past trade agreements have had in opening markets, tackling foreign trade barriers and promoting greater access for manufacturers in the United States. Several leaders on Capitol Hill made statements on the report, including [House Ways and Means Committee Chairman Kevin Brady \(R-TX\)](#) and [Trade Subcommittee Chairman Dave Reichert \(R-WA\)](#), [House Ways and Means Committee Ranking Member Richard Neal \(D-MA\)](#) and [Trade Subcommittee Ranking Member Bill Pascrell Jr. \(D-NJ\)](#) and [Senate Finance Committee Ranking Member Ron Wyden \(D-OR\)](#).

### **NAFTA renegotiations expected to be announced, but scope of talks remains unclear**

In a Bloomberg [interview](#), Secretary of Commerce Wilbur Ross signaled that NAFTA renegotiations may not get underway until later in 2017 and that the talks “hopefully won’t take more than a year.” In the interview, Ross said “there were roughly 20 chapters to the original NAFTA, and there are several chapters that need to be added because of the digital economy and other things that have developed subsequently,” while adding that “which ones will bear the most fruit is a little bit premature to discuss.” Ross also said that rules of origin “certainly will be a big topic but that you have to be mindful also of the supply chains that have developed.” NAFTA was a major topic during February and March closed-door meetings between White House National Trade Council Director Peter Navarro and the Senate Finance and House Ways and Means committees and Ross’ meetings with the Ways and Means Committee. NAFTA was also discussed when Secretary of State Rex Tillerson and Secretary of Homeland Security John Kelly met in February with Mexican President Enrique Peña Nieto and other officials. Following a February 23 meeting with President Nieto, Sens. Ben Cardin (D-MD), Jeff Merkley (D-OR), Edward Markey (D-MA), Robert Menendez (D-NJ), Jack Reed (D-RI) and Patrick Leahy (D-VT) sent a [letter](#) to Tillerson and Kelly emphasizing the strong U.S.–Mexican commercial relationship and the importance of doing no harm in a NAFTA renegotiation. The NAM continues to work with members, administration officials and Capitol Hill to grow the North American economy as a source of opportunity and growth for manufacturers. For more information and to become involved in the NAM’s NAFTA work, contact NAM Vice President of International Economic Affairs [Linda Dempsey](#) or NAM Director of International Trade Policy [Ken Monahan](#).

### **WTO marks a milestone with TFA.**

The WTO marked a major milestone on February 22, as the [TFA](#)—the first multilateral WTO agreement since 1995—[entered into force](#) with 112 ratifications. The NAM [fought](#) for the agreement as it was being negotiated and continued to [push](#) countries to simplify customs procedures that often represent a costly and significant barrier to foreign sales, particularly for small manufacturers. Find more information on the [NAM’s Shopfloor blog](#). All developed country members of the WTO have officially started applying the substantive provisions of the TFA. Developing countries and least developed countries will also begin applying those substantive TFA provisions that they have committed to apply immediately—as set out in the Category A [notifications](#). The WTO’s [Trade Facilitation Agreement Facility](#) and the public–private [Global Alliance for Trade Facilitation](#) are providing resources and helping countries tackle these changes on the ground. To learn more about this issue, contact NAM Director of Trade Facilitation Policy [Lauren Wilk](#).

### **China sets 2017 growth targets and priorities impacting global manufacturing, while Trump administration seeks more dialogue on top issues.**

On March 5, China’s main legislative body—the National People’s Congress—[kicked off its annual session](#), launching two weeks of high-level government reports, press conferences and meetings that lay out government priorities over the next year and set the stage for a major political reshuffling starting in the fall. In his [annual work report](#), Premier Li Keqiang set a GDP growth target of 6.5 percent. [He and other government leaders](#) presented on a wide range of economic and political concerns and manufacturing-critical issues, such as innovation, foreign investment, administrative licensing and high-level plans, including [“Made in China 2025”](#)—the subject of a highly critical report [released March 7](#) by the European Union Chamber of Commerce in China. On two longstanding NAM concerns that have distorted domestic and global markets—industrial overcapacity and reforms to China’s state-owned enterprises—government reports laid out less ambitious targets than in 2016, even as [domestic](#) and [foreign](#) reports have questioned the effectiveness of steps taken to date. This session marks the last major session before this fall’s Communist Party Congress, which will kick off the first major political reshuffling of the Chinese government under President Xi Jinping. Political maneuvering for that transition has already begun, with personnel shifts in the [central](#) and [provincial](#) governments, [military](#) and [party groups](#) as well as [swirling questions](#) about the party’s informal retirement rules. The United States has picked up its engagement with Chinese leaders in the past few weeks, with [March 13 press reports](#) on plans by President Donald Trump to host President Xi at his Mar-a-Lago estate in April, Secretary of State Rex Tillerson’s [March 18 stop in China](#) as part of a three-country Asian swing and Secretary of the Treasury Steven Mnuchin’s engagement with Chinese financial officials during [February 17 outreach calls](#) and participation in [March 17–18 G20 meetings in Germany](#). For more on the NAM’s work on China, contact NAM Director of International

Business Policy [Ryan Ong](#).

### **MTB process moves ahead, with Commerce report due April 11.**

The U.S. International Trade Commission's (ITC) public comment period on the more than 2,500 MTB petitions, requesting the temporary reduction or elimination of U.S. import duties, concluded on February 24. [This list of 2,598 pending petitions](#) includes details on the petitioning company, article description, tariff rate requested, Harmonized Tariff Schedule number(s) and other product-specific information. Based on requirements laid out in the [American Manufacturing Competitiveness Act of 2016](#), the Commerce Department, in consultation with U.S. Customs and Border Protection and other federal agencies, is required to submit a report by April 11 to the ITC and the Senate Finance and House Ways and Means committees on each pending petition that includes information on whether or not domestic production of an article that is the subject of the petition exists and, if such production exists, whether or not a domestic producer of the article objects to the petition, among other elements. If you have any questions about the MTB process, contact NAM Director of International Trade Policy [Ken Monahan](#).

### **Ex-Im Bank continues to lack board quorum.**

The Ex-Im Bank remains unable to process certain transactions without a quorum for its board of directors, [undermining the ability](#) of U.S. exporters to compete in a tough global marketplace. The Trump administration has not yet nominated a new chairman or other members for the board of directors, although Secretary of Commerce Wilbur Ross and Secretary of the Treasury Steven Mnuchin have [noted](#) the role of export credit in boosting sales abroad. Visit [www.nam.org/exim](http://www.nam.org/exim) to learn more and [www.exportersforexim.org](http://www.exportersforexim.org) to use the updated [Call to Action](#) to contact your members of Congress. To learn more about the NAM's advocacy efforts on this issue, contact NAM Director of Trade Facilitation Policy [Lauren Wilk](#).

### **Trump administration still looking at U.S.–EU trade talks, as the White House prepares for German Chancellor Angela Merkel visit. T**

The "[2017 Annual Trade Policy Agenda and 2016 Annual Report](#)" noted that the Trump administration is "currently evaluating the status" of the Transatlantic Trade and Investment Partnership negotiations that were launched in 2013. As that review continues, Chancellor Merkel will meet with President Trump on March 17 to discuss trade, tax and security issues. Following earlier criticism that Germany was essentially undervaluing its currency through participation in the euro, White House National Trade Council Director Peter Navarro [commented](#) last week on Germany, [noting](#) that "Germany is one of the most difficult trade deficits that we are going to have to deal with" and that "perhaps we'll be having some discussions about how we can improve the U.S.–German economic relationship." If you have any questions about U.S.–EU trade matters, contact NAM Director of International Trade Policy [Ken Monahan](#).

### **Commerce Department recruiting private-sector advisers on export control rules.**

The Commerce Department is [seeking applicants](#) from the private sector for seven Technical Advisory Committees (TACs), which advise officials on the technical parameters for export controls applicable to dual-use commodities and technology as well as on the administration of those controls. TAC members must obtain secret-level clearances prior to appointment, and the committees meet four times a year. To learn more about the NAM's work on export control issues, contact NAM Director of Trade Facilitation Policy [Lauren Wilk](#).

### **U.S. government hosts hearing on global IP protections, highlighting top NAM issues.**

The Office of the USTR hosted a March 8 hearing on global IP challenges, including top NAM priorities in a [detailed written submission](#). The [NAM has long worked with the U.S. government](#) to promote strong IP protections and enforcement globally, including since the creation of the Special 301 process, as manufacturers in the United States know that innovation and IP protections both at home and abroad are crucial for their economic success. The NAM's submission emphasized the need for the administration, which has emphasized IP enforcement, including in the "[2017 Trade Policy Agenda](#)," to prioritize a broad range of IP concerns in nearly 40 countries. That includes not only the five most problematic countries that the NAM suggested for the USTR's "priority watch list" (China, Colombia, India, Indonesia and Russia) but

also an additional set of “watch list” countries (Australia, Brazil, Canada, South Africa and Thailand) and suggested detailed out-of-cycle reviews for Colombia and India. The Special 301 report, likely released in April, is only one of the many tools that the NAM urges the new administration, including Secretary of Commerce Wilbur Ross and USTR-designee Ambassador Robert Lighthizer, to use to protect American IP. For more on the NAM’s work on IP issues, contact NAM Director of International Business Policy [Ryan Ong](#).

#### **Securities and Exchange Commission (SEC) requests comments on conflict minerals rule.**

On January 31, acting SEC Chairman Michael Piowar released a [public statement](#) directing SEC staff to consider whether the SEC’s 2014 guidance on the conflict minerals rule (issued following the court decision that the rule violated the First Amendment) is still appropriate and whether any additional relief is appropriate in the interim. The NAM will be submitting comments to the SEC on the conflict minerals rule and guidance. If you have any questions about conflict minerals reporting requirements, contact NAM Director of International Trade Policy [Ken Monahan](#).

#### **The United States and Japan focus on economic partnership.**

On February 9, Japanese Prime Minister Shinzō Abe met with President Trump to discuss security, economic relations, energy issues, infrastructure and investment. In [remarks](#) following their meeting, President Trump said that “we will seek a trading relationship that is free, fair and reciprocal, benefitting both of our countries.” The United States and Japan committed to deepen economic relations through a cross-sectoral dialogue between Vice President Mike Pence and Deputy Prime Minister and Finance Minister Tarō Asō that will [focus](#) on broad sets of issues, including economic policy, trade and infrastructure investment. President Trump and Prime Minister Abe stopped short of announcing plans for negotiating a bilateral U.S.–Japanese free trade agreement.

#### **Timmons highlights manufacturing priorities during State of Manufacturing Tour.**

During the annual State of Manufacturing Tour, NAM President and CEO Jay Timmons highlighted the importance of manufacturing and policies to improve the competitiveness of manufacturing in America. You can find highlights of the tour [here](#) and [here](#). Below are a few articles that focused on Timmons’ comments on trade and NAFTA in particular:

- [“NAM CEO Timmons Dives Deeper on 2017 Goals”](#)
- [“Five questions with National Association of Manufacturers President Jay Timmons”](#)
- [“Jay Timmons on the State of Manufacturing Tour”](#)

#### **New statistics released on use of investor-state disputes.**

In late February, the United Nations Conference on Trade and Development (UNCTAD) and the Arbitration Institute of the Stockholm Chamber of Commerce (SCC) both published new statistics on investor-state dispute settlement (ISDS) cases. The NAM has long been a leading defender of ISDS as a critical forum for protecting vital investor interests in foreign markets that often do not provide the types of robust investor protections that are offered in the United States. According to UNCTAD’s [updated database](#), 62 new ISDS cases were filed in 2016, a lower number than the four-year average. Investors from the Netherlands and United States were the leading filers in 2016, with 10 cases apiece, although the United Kingdom, Canada and Germany were also all leading filers. Colombia, India and Spain were the respondents in the most cases, but more than 40 governments (including the United States) were subject to ISDS cases. Both UNCTAD’s database and the SCC’s [report](#) showed what the NAM and others have long argued: states win ISDS cases more often than private investors, costs are shared, and ISDS cases cannot overturn national regulations. For more on the NAM’s work on investment and ISDS issues, please contact NAM Vice President of International Economic Affairs [Linda Dempsey](#) or NAM Director of International Business Policy [Ryan Ong](#).

Exports in Action

***Agricultural Trade Mission to Cairo, Egypt***

April 2–6

For more information, click [here](#).

***Sensors and Instrumentation Technical Advisory Committee***

April 18

Partially closed meeting. For more information, contact [Yvette Springer](#).

***HANNOVER MESSE 2017: World's Largest Industrial Technology Trade Fair***

Hannover, Germany

April 24–28

Hannover Messe will host its annual trade show April 24–28, offering international exposure for U.S. companies, institutions and economic development organizations participating as exhibitors in the U.S. delegation. Hannover Messe is the world's largest industrial trade show, combined with an investment summit. Industry pavilions are available for digital factory, energy, industrial automation, industrial supply, motion/drive/automation, ComVac and research and technology, connecting exhibitors to potential customers across relevant industry sectors. For more information, click [here](#).

***36th Annual Conference on U.S.–Turkey Relations***

May 21–23

Contact [Ruva Eichelberger](#) or click [here](#) for more information.

***Wastewater Business Development Mission to China***

June 11–17

Contact [Pamela Kirkland](#) or [Jay Biggs](#) for more information. Application deadline is May 1. For more information, click [here](#).

***Smart Cities Trade Mission to Poland and the Czech Republic***

September 10–15

Contact [Gemal Brangman](#) for more information. Application deadline is June 1.

***Cyber-Security Trade Mission to Canada***

September 11–14

Contact [Gemal Brangman](#) for more information. Application deadline is June 30.

***Sustainable Building and Construction Trade Mission to Mexico***

October 16–20

Contact [Jeffrey Odum](#) for more information. Application deadline is September 1.

***Trade Mission to Romania, Bulgaria, Croatia, Serbia and Greece in Conjunction with Trade Winds—Southeastern Europe Business Forum***

October 16–24

Contact [Diego Gattesco](#) for more information. Application deadline is August 18.

***Healthcare Trade Mission to South Africa and Kenya***

October 22–27

Contact [Michelle Ouellette](#) for more information. Application deadline is June 30.

***Renewable Energy Integration Trade Mission to Canada***

October 30 – November 2

Contact [Ethel Glen](#) for more information. Application deadline is July 28.

For a listing of other upcoming Commerce Department trade missions, click [here](#).

Connect with the Manufacturers



Questions or comments?

Contact Chief Economist Chad Moutray at [cmoutray@nam.org](mailto:cmoutray@nam.org).

