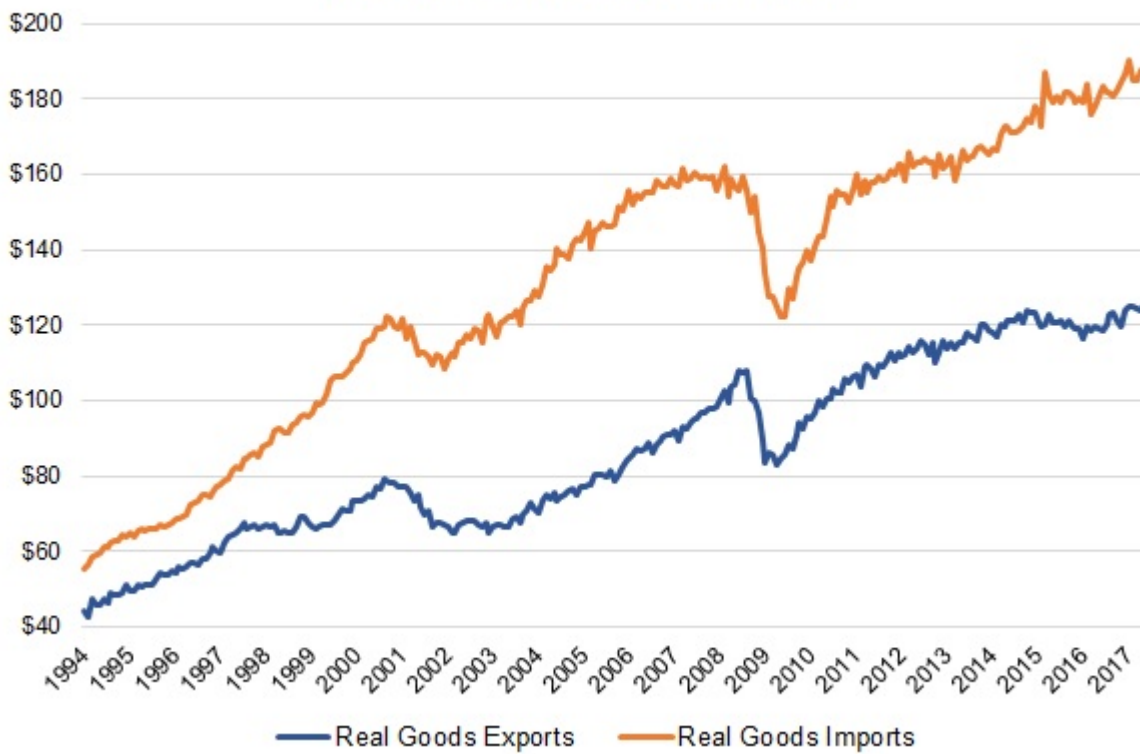




GLOBAL MANUFACTURING ECONOMIC UPDATE

July 13, 2017

Real Goods Exports and Imports, 1994–2017
(in Billions of Chained 2009 Dollars)



The U.S. dollar depreciated 5.5 percent in the first half of 2017, but it remained 19.6 percent higher than it was three years ago. The [trade-weighted U.S. dollar index](#) against major currencies from the Federal Reserve Board has declined from 95.7631 on December 30 to 90.5364 on June 30. This index reflects currency units per U.S. dollar, suggesting that the dollar can now purchase less than it could before and vice versa. With that said, the index was 75.7513 on June 30, 2014, illustrating the dollar’s continued strength. For manufacturers, growth in the dollar’s value over the past three years presents a real challenge as firms seek to increase international demand. Yet, that drag was lessened recently, especially with the depreciation seen year to date.

Indeed, exports have trended in the right direction in the early months of this year—a welcome development after weaker data in both of the past two years. Using non-seasonally adjusted [data](#), U.S.-manufactured goods exports have risen 3.67 percent through May relative to the same time period in 2016. This reflects better year-to-date figures in the top-six markets for U.S.-manufactured goods. Along those lines, the [U.S. trade deficit](#) narrowed in May on a slight rise in goods exports and a decline in goods imports. In 2009 dollars, real goods exports increased to \$124.95 billion, a new all-time high.

Overall, the global manufacturing economy continued to expand modestly, with no country among the top-15 trading partners contracting in June—a significant achievement. The [J.P. Morgan Global Manufacturing PMI](#) remained unchanged at 52.6 in June, with exports and hiring moving higher but new orders and output slowing a little. More importantly, manufacturing leaders remain very upbeat regarding activity moving forward, with the index for future output increasing from 63.6 to 63.8. Among the largest developments in the latest survey data, [China](#) and [South Korea](#) both returned to positive territory in June. It was the first expansion in South Korea since July 2016, and the Chinese manufacturing sector has now grown in 10 of the past 12 months.

Europe continued to dominate the list of the top export markets with strong manufacturing growth, with the [IHS Markit Eurozone Manufacturing PMI](#) once again reaching its highest level since April 2011. Helping to buoy the headline number, [Austria](#), [Germany](#) and the [Netherlands](#) each rose at their quickest paces in more than six years, with improvements also seen in [France](#), [Ireland](#) and [Italy](#). [Greece](#) was another bright spot, expanding ever so slightly for the first time since August, even with lingering challenges. For its part, [industrial production](#) in the Eurozone jumped 1.3 percent in May, the fastest monthly rate since November and led by strength in energy and consumer goods. On a year-over-year basis, industrial production has risen 4.0 percent, a pace not seen since August 2011. [Retail sales](#) picked up in May, up 0.4 percent, or 2.6 percent year-over-year. Finally, the [unemployment rate](#) in May remained stable at 9.3 percent, its lowest level since March 2009.

Closer to home, [Canadian](#) manufacturing activity grew modestly in June despite pulling back from a six-year high in April, and [Mexican](#) sentiment rebounded to a 13-month high. Digging further into the data, [manufacturing sales](#) in Canada jumped 1.1 percent in April, extending the 0.8 percent gain in March and led by strength in the petroleum and coal products and primary metals sectors. Most impressively, sales in the sector have jumped 7.6 percent year-over-year. Similarly, [retail spending](#) growth also saw healthy gains, up 0.8 percent in April (or 1.5 percent excluding motor vehicles and parts sales), with year-over-year growth of 7.0 percent. In addition, the [unemployment rate](#) declined to 6.5 percent in June, its lowest level since October 2008. Meanwhile, in Mexico, [industrial production](#) rebounded, up 1.0 percent in May after falling 4.2 percent in April. Output in the manufacturing sector rose 5.0 percent in May.

The NAM continued to work for a fully functioning U.S. Export-Import (Ex-Im) Bank while publicly calling for the withdrawal of the nomination of Scott Garrett to lead the Ex-Im Bank. The NAM also provided detailed input and testified at U.S. government hearings organized to gather information on priorities for the North American Free Trade Agreement (NAFTA) renegotiations. President Donald Trump hosted India's and South Korea's leaders in late June and then attended the G20 and participated in several bilateral meetings with a heavy trade focus. The administration is seeking input on the operation of trade and investment agreements and U.S. preference programs. The Commerce Department issued a report on the Miscellaneous Tariff Bill (MTB) and is separately continuing its national security investigation into imports of steel and aluminum. The administration made some modifications to limit travel to and trade with Cuba. The State Department issued its annual investment climate statements, while annual reporting shows an overall drop in foreign direct investment (FDI).

Chad Moutray, Ph.D., CBE
Chief Economist
National Association of Manufacturers

Global Economic and Trade Trends

Global manufacturing continued to expand modestly, with no country among the top-15 trading partners contracting in June—a significant achievement.

The [J.P. Morgan Global Manufacturing PMI](#) remained unchanged at 52.6 in June. The underlying data for the month were mixed. Exports (up from 52.4 to 52.6) and employment (up from 51.5 to 51.7) both edged higher in June, whereas new orders (down from 53.5 to 53.3) and output (down from 53.5 to 53.3) slowed a little. More importantly, manufacturing leaders remain very upbeat regarding activity moving forward, with the index for future output increasing from 63.6 to 63.8. Readings greater than 60 suggest robust growth for the next six months, illustrating the optimism for the second half of 2017. The index for future output has averaged 64.1 year to date, up from an average of 61.7 in the last six months of 2016.

Overall, there has been tremendous progress for the international manufacturing sector over the past year, and among the top-15 markets for U.S.-manufactured goods exports, no markets contracted in the June data. This was a major turnaround from last August, when seven markets—or roughly half—were contracting. (There is no manufacturing PMI for comparison purposes for Belgium, which is our 10th-largest trading partner.) Progress in [China](#) (up from 49.6 to 50.4) and [South Korea](#) (up from 49.2 to 50.1) made this development possible as both countries returned to positive territory in June. It was the first expansion in South Korea since July 2016, led by growth in new orders, and the Chinese manufacturing sector has now grown in 10 of the past 12 months.

Meanwhile, Europe continued to dominate the list of the top export markets with strong manufacturing growth. Those countries with the highest PMI readings in the sector in June included [Germany](#) (up from 59.5 to 59.6), the [Netherlands](#) (up from 57.6 to 58.6), the [United Arab Emirates](#) (up from 54.3 to 55.8), [France](#) (up from 53.8 to 54.8), [Canada](#) (down from 55.1 to 54.7) and the [United Kingdom](#) (down from 56.3 to 54.3). Manufacturing activity in Germany and the Netherlands once again grew at their quickest paces in more than six years, whereas the United Kingdom's expansion registered a three-month low, likely impacted by the surprising election results last month.

The U.S. dollar depreciated 5.5 percent in the first half of 2017, but it remained 19.6 percent higher than it was three years ago.

The [trade-weighted U.S. dollar index](#) against major currencies from the Federal Reserve Board has declined from 95.7631 on December 30 to 90.5364 on June 30. This index reflects currency units per U.S. dollar, suggesting that the dollar can now purchase less than it could before and vice versa. With that said, the index was 75.7513 on June 30, 2014, illustrating the dollar's continued strength. For manufacturers, growth in the dollar's value over the past three years presents a real challenge as firms seek to increase international demand. Yet, that drag was lessened recently, especially with the depreciation seen year to date.

Manufacturers in the Eurozone reported their best growth rates in 74 months.

The [IHS Markit Eurozone Manufacturing PMI](#) increased from 57.0 in May to 57.4 in June, its highest level since April 2011. New orders (up from 57.8 to 58.7) and output (up from 58.3 to 58.7) both expanded strongly for the month, with the pace of demand accelerating for the 10th straight month. Employment pulled back slightly from May's all-time high in the survey's 20-year history but remained decent (down from 56.1 to 55.9), with exports also slipping marginally while continuing to grow strongly (down from 57.5 to 57.4). In addition, respondents were very upbeat about output over the next six months (up from 66.0 to 67.4), with the forward-looking index at its fastest rate since the question was added to the survey in July 2012.

As noted earlier, many of the best PMI readings globally occurred in Europe, showing how much the continent's economies have turned a corner. Helping to buoy the headline number, [Austria](#) (up from 58.0 to 60.7), [Germany](#) (up from 59.5 to 59.6) and the [Netherlands](#) (up from 57.6 to 58.6) each rose at their quickest paces in more than six years, with improvements also seen in [France](#) (up from 53.8 to 54.8), [Ireland](#) (up from 55.9 to 56.0) and [Italy](#) (up from 55.1 to 55.2). Manufacturing activity in Ireland expanded at nearly a two-year high. At the same time, growth remained modest in both [Spain](#) (down from 55.4 to 54.7) and the [United Kingdom](#) (down from 56.3 to 54.3) despite some easing in June's figures. [Greece](#) was another bright spot (up from 49.6 to 50.5), expanding ever so slightly for the first time since August, even with lingering challenges.

[Real GDP](#) in the Eurozone accelerated to 0.6 percent growth in the first quarter, its fastest pace in two years and up from 0.5 percent growth in the fourth quarter. That translated into 1.9 percent growth at the annual rate. For its part, [industrial production](#) jumped 1.3 percent in May, the fastest monthly rate since November and led by strength in energy and consumer goods. On a year-over-year basis, industrial production has

risen 4.0 percent, a pace not seen since August 2011. [Retail sales](#) picked up in May, up 0.4 percent, growing in every month so far in 2017. Over the past 12 months, retail spending has risen 2.6 percent, continuing an accelerating trend.

Meanwhile, the [unemployment rate](#) in May remained stable at 9.3 percent, its lowest level since March 2009. Lastly, pricing pressures have eased over the past two months—mirroring data seen in the United States—with the [annual inflation rate](#) down from 1.9 percent in April to 1.3 percent in June.

Canadian manufacturing grew modestly in June despite pulling back from a six-year high in April.

The [IHS Markit Canada Manufacturing PMI](#) has decreased from 55.9 in April—a level not seen since April 2011—to 55.1 in May and 54.7 in June. Despite the easing, the economy has made significant progress since essentially stalling in September (50.3). In June, the data were mixed. Output (up from 54.3 to 54.5) and exports (up from 53.3 to 53.4) expanded at marginally faster paces, but new orders (down from 55.7 to 55.1) and employment (down from 55.4 to 54.7) decelerated a bit. Increased strength in Alberta and British Columbia (up from 55.8 to 56.1) and Ontario (up from 53.0 to 53.1) boosted the headline number, but Quebec (down from 55.4 to 55.3) and the rest of Canada (down from 55.5 to 53.0) saw decreased activity. On the positive side, Canadian manufacturers were very optimistic about future output (up from 63.8 to 67.0), with that measure averaging 67.4 year to date, up from 64.2 for all of last year.

[Real GDP](#) grew 0.9 percent in the first quarter, picking up from the 0.7 percent gain in the fourth quarter. That translated into 3.7 percent growth at the annual rate in the first quarter, with both consumer and business spending boosting the Canadian economy. In addition, [manufacturing sales](#) in Canada jumped 1.1 percent in April, extending the 0.8 percent gain in March and led by strength in the petroleum and coal products and primary metals sectors. Most impressively, sales in the sector have jumped 7.6 percent year-over-year. Similarly, [retail spending](#) also saw healthy gains, up 0.8 percent in April (or 1.5 percent excluding motor vehicles and parts sales), with year-over-year growth of 7.0 percent.

Meanwhile, the [unemployment rate](#) declined to 6.5 percent in June, its lowest level since October 2008. For their part, manufacturers [added](#) 2,900 workers in June, with year-over-year growth of 2,600 employees. In essence, employment in the sector changed little over the past 12 months.

Mexican sentiment rebounded in June to a 13-month high.

The [IHS Markit Mexico Manufacturing PMI](#) rose from 51.2 in May to 52.3 in June, up for the second straight month and its best reading since May 2016. New orders (up from 52.1 to 53.6), output (up from 50.7 to 52.6) and employment (up from 51.3 to 52.4) accelerated in June, with each expanding modestly in the latest survey data. At the same time, exports slowed somewhat (down from 52.7 to 51.5). Looking ahead, manufacturers in Mexico remained very upbeat about future output (down from 75.1 to 72.8), even with some easing. This would indicate strong gains in production over the next six months.

[Real GDP](#) increased 2.8 percent year-over-year in the first quarter, its best reading since the third quarter of 2015. In addition, Mexican [industrial production](#) rebounded, up 1.0 percent in May after falling 4.2 percent in April. Output in the manufacturing sector rose 5.0 percent in May. Meanwhile, the [unemployment rate](#) has risen from 3.2 percent in March to 3.6 percent in May. However, this was lower than the 4.1 percent rate in September.

Chinese manufacturing activity returned to positive territory in June after briefly contracting in May.

The [Caixin China General Manufacturing PMI](#) rose from 49.6 in May to 50.4 in June. It was the 10th time in the past 12 months that the headline index has expanded, illustrating continued progress in the economic outlook after weaknesses in 2015 and early 2016. The pace of growth widened for new orders (up from 50.3 to 51.0), output (up from 50.2 to 50.6) and exports (up from 50.2 to 50.9). In addition, employment, which has been a net negative in every month since October 2013, stabilized somewhat in the latest release (up from 47.6 to 48.7). The index for future output signaled modest growth moving forward (down from 56.9 to 56.8), despite slowing from February's fastest rate since May 2015 (60.3). The National Bureau of Statistics of China's [Manufacturing PMI](#) also improved in June, up from 51.2 to 51.7.

The Chinese economy [grew](#) 6.9 percent year-over-year in the first quarter, accelerating from 6.7 percent in the third quarter and 6.8 percent in the fourth quarter. This is further proof that its economy has turned the corner somewhat, even as we continue to see decelerated activity in China from more robust expansions in prior years. With that said, [industrial production](#) slowed in the most recent data, down from 7.6 percent year-over-year in March to 6.5 percent in April. That was still better than the 6.0 percent reading in December. Similar trends occurred for [fixed-asset investment](#) (down from 9.2 percent year-over-year to 8.9 percent) and [retail sales](#) (down from 10.9 percent year-over-year to 10.7 percent), both of which softened in April. We will get new data for each of these measures for May on July 16.

Japanese manufacturing continued to expand modestly, albeit with some easing in June.

The [Nikkei Japan Manufacturing PMI](#) declined from 53.1 in May to 52.4 in June, slipping to a three-month low but expanding for the 10th straight month. The underlying data mostly reflected that deceleration, including slower expansions for new orders (down from 53.4 to 52.3), output (down from 54.0 to 52.2) and employment (down from 53.4 to 53.2). Exports, however, grew slightly faster (up from 53.0 to 53.4). Despite softer current figures, the index of future output edged higher (up from 60.6 to 60.8), exceeding 60 for the fifth time so far this year. This would indicate strong growth moving forward for the second half of this year.

[Real GDP](#) increased 0.5 percent in the first quarter, its strongest pace since the first quarter of 2016. On a year-over-year basis, that translated to 1.6 percent growth. Looking specifically at manufacturing, however, industrial production pulled back in May, down 3.3 percent, continuing the seesaw shift from month to month seen year to date. Yet, the longer-term trend remained favorable, with industrial production up 6.8 percent since May 2016.

Manufacturing activity in the emerging markets picked up slightly in June.

The IHS Markit Emerging Markets Manufacturing Index increased from 50.5 in May, its lowest level since September, to 50.8 in June. More importantly, the headline index has now expanded for 12 straight months, reflecting improvements in the emerging markets over the past year. In June, the data were mostly higher, including new orders (up from 51.4 to 51.6), exports (up from 50.6 to 51.3) and employment (up from 48.7 to 49.4), even with hiring continuing to contract. Output also grew quite modestly despite that index inching down in the latest survey (down from 51.3 to 51.2). Similarly, the forward-looking index for future output edged slightly lower but continued to suggest a relatively healthy outlook moving forward (down from 61.9 to 61.8).

As noted earlier, [China](#) (up from 49.6 to 50.4) and [South Korea](#) (up from 49.2 to 50.1) both expanded in June. It was the first expansion in South Korea since July 2016. In addition, [Brazil](#) (down from 52.0 to 50.5) and [Hong Kong](#) (up from 50.5 to 51.1) expanded for the third straight month, even with Brazil pulling back from a four-year high. All four of those markets have struggled over the past two years, making the recent progress more notable. Beyond those countries, the data were mixed. [Poland](#) (up from 52.7 to 53.1), [Taiwan](#) (up from 53.1 to 53.3), the [United Arab Emirates](#) (up from 54.3 to 55.8) and [Vietnam](#) (up from 51.6 to 52.5) improved in June, with activity unchanged—but still quite decent—in the [Czech Republic](#) (56.4). Yet, expansions slowed in [India](#) (down from 51.6 to 50.9), [Nigeria](#) (down from 54.4 to 52.9), the [Philippines](#) (down from 54.3 to 53.9), [Russia](#) (down from 52.4 to 50.3) and [Saudi Arabia](#) (down from 55.3 to 54.3).

In contrast, [Myanmar](#) (down from 52.0 to 49.4) and [South Africa](#) (down from 50.2 to 49.0) both returned to negative territory in June for the first time since December and August, respectively, on reduced demand and production. At the same time, other emerging economies with contracting manufacturing sectors for the month included [Egypt](#) (down from 47.3 to 47.2), [Kenya](#) (down from 49.9 to 47.3), [Lebanon](#) (down from 46.6 to 46.1) and [Malaysia](#) (down from 48.7 to 46.9), with Kenya and Malaysia reaching record lows in their surveys.

U.S.-manufactured goods exports have improved so far in 2017.

For manufacturers, exports have trended in the right direction in the early months of this year—a welcome development after weaker data in both of the past two years. Using non-seasonally adjusted [data](#), U.S.-manufactured goods exports totaled \$445.74 billion year to date in May, up 3.67 percent from \$429.97 billion one year ago.

This reflects better year-to-date figures in the top-six markets for U.S.-manufactured goods: Canada (up from \$110.31 billion to \$114.53 billion), Mexico (up from \$93.67 billion to \$97.44 billion), China (up from \$42.40 billion to \$49.53 billion), Japan (up from \$24.94 billion to \$27.17 billion), the United Kingdom (up from \$22.62 billion to \$22.83 billion) and Germany (up from \$20.44 billion to \$21.62 billion).

The U.S. trade deficit narrowed in May.

The [U.S. trade deficit](#) declined from \$47.59 billion in April to \$46.51 billion in May. The trade deficit has trended somewhat higher so far in 2017, averaging \$46.61 billion per month year to date relative to \$42.07 billion for 2016 as a whole. In May, the increased trade deficit was the result of a slight rise in goods exports (up from \$126.98 billion to \$127.21 billion) and a decline in goods imports (down from \$195.33 billion to \$194.70 billion). In 2009 dollars, real goods exports increased from \$123.76 billion to \$124.95 billion, a new all-time high. At the same time, real goods imports increased marginally from \$187.58 billion to \$187.79 billion. Meanwhile, the service-sector surplus edged slightly higher, up from \$20.77 billion to \$20.99 billion, its highest point since August.

The underlying goods exports data were mixed. Exports increased for consumer goods (up \$885 million) and automotive vehicles, parts and engines (up \$619 million) but declined for foods, feeds and beverages (down \$711 million), nonautomotive capital goods (down \$450 million) and industrial supplies and materials (down \$118 million). In contrast, there were sizable decreases in goods imports for consumer goods (down \$1.47 billion) and automotive vehicles, parts and engines (down \$722 million) that were enough to offset increases in nonautomotive capital goods (up \$1.25 billion) and industrial supplies and materials (up \$104 million).

International Trade Policy Trends

Manufacturers oppose the nomination of Scott Garrett to lead the Ex-Im Bank.

Earlier this week, NAM President and CEO Jay Timmons expressed manufacturers' strong opposition to the nomination of former Rep. Scott Garrett (R-NJ) to lead the Ex-Im Bank in a *Wall Street Journal* [op-ed](#). "Garrett's confirmation would be a terrible trade deal for our country. His record of aggressively undermining the Ex-Im Bank is tantamount to a vicious trade war against American manufacturing workers," Timmons wrote. According to the Ex-Im Bank's annual [competitiveness report](#), more than \$30 billion worth of transactions, which would support an estimated 200,000 jobs, are awaiting Board approval. The Board needs a quorum, or three of its five members, to review transactions greater than \$10 million. President Trump has nominated Garrett and former Rep. Spencer Bachus (R-AL) to the Board, with three additional seats to fill. Learn more about how the Ex-Im Bank helps manufacturers compete around the world [here](#), or contact NAM Director of Trade Facilitation Policy [Lauren Wilk](#).

The NAM submits detailed comments and testifies on NAFTA, as Trump administration plans July 17 release of NAFTA negotiating objectives.

On June 12, the NAM submitted [detailed comments](#) that review in depth the existing trade and commercial relationship with Canada and Mexico in the context of the U.S. manufacturing economy and NAFTA. The comments identify and provide supporting information on key provisions that manufacturers have identified to improve and modernize NAFTA. On June 27, NAM Vice President of International Economic Affairs Linda Dempsey testified at a NAFTA public hearing, organized by the Office of the U.S. Trade Representative (USTR), where she underscored key areas to improve and modernize NAFTA to grow manufacturing and jobs in the United States, including:

- Eliminating the remaining trade distortions and barriers in Canada and Mexico;
- Cutting border and regulatory red tape;
- Raising intellectual property rights, investment and regulatory standards to U.S. levels;
- Adding new digital trade provisions;
- Ensuring greater work together between the United States, Canada and Mexico to stop trade cheating; and
- Improving enforcement mechanisms.

Dempsey also noted key NAFTA provisions that were already working to support U.S. manufacturing production and jobs that should be included in an updated agreement. Click [here](#) for a link to the testimony and [here](#) for an NAM blog post on the testimony.

Under Trade Promotion Authority timelines, NAFTA negotiations with Canada, Mexico and the United States cannot begin until August 16. It is expected that the administration will release NAFTA negotiating objectives on the USTR's website by July 17, with the intention to begin negotiations as early as August 16. The NAM continues to work with its members, administration officials, Capitol Hill and others with similar goals to promote the conclusion of NAFTA renegotiations that will continue to grow the North American economy as a source of opportunity for manufacturers in the United States. For more information and to become involved in the NAM's NAFTA work, contact [Dempsey](#) or NAM Director of International Trade Policy [Ken Monahan](#).

G20 produces trade-heavy statement as President Trump engages in multiple bilateral meetings.

The heads of state of G20 members met in Hamburg, Germany, July 7 and 8 to discuss global security, the world economy, environment and other issues, producing a lengthy [Leaders' Declaration](#). On international trade and investment, the Declaration covered numerous trade and investment issues, stating that G20 countries do the following:

- Recognize that international trade and investment are “important engines of growth, productivity, innovation, job creation and development” and the value of “bilateral, regional and plurilateral agreements being open, transparent, inclusive and WTO-consistent.”
- “[W]ill keep markets open, noting the importance of reciprocal and mutually advantageous trade and investment frameworks and the principle of non-discrimination.”
- Will “continue to fight protectionism including all unfair trade practices and recognise the role of legitimate trade defence instruments in this regard.”
- Recognize the work of the World Trade Organization (WTO), Organisation for Economic Co-operation and Development, the United Nations Conference on Trade and Development (UNCTAD), the World Bank and the International Monetary Fund and asked that they report back on trade impacts in 2018.
- “[W]elcome the entry into force of the WTO Trade Facilitation Agreement and call for its full implementation including technical assistance to developing countries.”
- Have found that excess capacity has caused “sustained negative impacts” and commit to strengthening collaboration and “urgently call for the removal of market-distorting subsidies and other types of support by governments and related entities. Each of us commits to take the necessary actions to deliver the collective solutions that foster a truly level playing field.” On steel overcapacity in particular, G20 countries expressed interest in “a substantive report with concrete policy solutions by November 2017, as a basis for tangible and swift policy action, and follow-up progress reporting in 2018,” by the Global Forum on Steel Excess Capacity.

In addition to G20 meetings, President Trump engaged in numerous bilateral meetings with other G20 leaders where trade and commercial issues figured prominently, including meetings with Mexican President Enrique Peña Nieto during which the two leaders discussed NAFTA renegotiations; with United Kingdom Prime Minister Theresa May during which the leaders discussed a potential U.S.–UK free trade agreement; and with Chinese President Xi Jinping during which they discussed a range of trade issues.

The NAM seeks input on U.S. government investigation into trade and investment agreements and preference programs.

On April 28, President Trump issued an [executive order](#) directing the USTR and the Commerce Department to (1) conduct performance reviews of all bilateral, plurilateral and multilateral trade agreements and bilateral investment agreements to which the United States is a party, including WTO agreements and U.S. trade preference programs, and (2) issue a report to the president by late October that identifies violations and abuses. In a Federal Register notice [issued](#) at the end of June, the USTR and the Commerce Department requested public comments on these issues by July 31. The NAM looks forward to providing input on the report and welcomes input from NAM members by July 14 to [NAM Vice President of International Economic Affairs Linda Dempsey and NAM Director of International Trade Policy Ken Monahan](#).

Commerce Department continues Section 232 national security investigations into steel and aluminum, with European retaliation looming.

Following the initiation of national security investigations into [steel](#) and [aluminum](#) imports pursuant to Section 232 of the Trade Expansion Act of 1962, the Commerce Department received public comments, held public hearings and requested input from the Department of Defense. The Commerce Department is working on reports with recommendations for both investigations. The planned accelerated timeline for the release of the reports by the end of June has been delayed as interagency discussions continue. The European Union has already raised strong concerns regarding potential tariffs or tariff-rate quotas being imposed on steel exports to the United States and has [threatened](#) immediate retaliation. Separately, the U.S. International Trade Commission (USITC) [issued](#) its report on competitive conditions in aluminum, including challenges in particular from China. For more information, contact NAM Vice President of International Economic Affairs [Linda Dempsey](#).

MTB process moves ahead with June 9 preliminary report to Congress.

On June 9, the USITC sent a [preliminary report](#) to the Senate Finance and House Ways and Means committees on each of the pending MTB petitions that request the temporary elimination or reduction of U.S. import duties as required by the [American Manufacturing Competitiveness Act of 2016](#). This USITC report includes determinations on:

- Petitions that meet the act's requirements, without modifications;
- Petitions for which the USITC recommends technical corrections to meet the requirements of the act, with the correction specified;
- Petitions for which the USITC recommends modifications to the amount of the duty suspension or reduction that is the subject of the petition to comply with the requirements of the act;
- Petitions for which the USITC recommends modifications to the scope of the articles that are the subject of such petitions;
- Petitions that the USITC has determined do not contain the information required under the act or for which the USITC has determined the petitioner is not a likely beneficiary; and
- Petitions that the USITC does not recommend for inclusion in the MTB.

It is expected that the USITC will submit by August 8 to the Senate Finance and House Ways and Means committees a final report on each petition, which would form the basis of a final MTB to be considered by Congress. If you have any questions about the MTB process, contact NAM Director of International Trade Policy [Ken Monahan](#).

NAM calls on the United States and India to address longstanding trade issues.

President Trump hosted Indian Prime Minister Narendra Modi at the White House on June 26, where they agreed to launch a "comprehensive review" of trade relations. Before the summit, the NAM called on both governments to promote a robust U.S.–India economic relationship and to address continued challenges facing manufacturers in the United States doing business with India. On June 21, the NAM issued an updated scorecard—[Is India Open for Business?](#)—to assess India's track record on issues impacting manufacturers in the United States. While there has been progress, many areas, such as tariffs on manufactured goods, localization requirements, intellectual property rights and regulatory approvals, remain incomplete or unaddressed. In a June 22 [op-ed](#) in *The Hill*, NAM Vice President of International Economic Affairs Linda Dempsey highlighted the scorecard's findings. Its release was also covered in the United States by [Inside U.S. Trade](#), [Voice of America](#) and [IndUS Business Journal](#) and in India by [The Economic Times](#), [Financial Express](#) and [The Indian Express](#). The NAM also provided input to Congress on the need for reform, resulting in a June 23 [letter](#) from the Senate Finance and House Ways and Means committees to President Trump, urging him to press for the elimination of trade and investment barriers in India. For more information, contact NAM Director of International Business Policy [Ryan Ong](#).

President Trump meets with South Korean President and moves toward a review and possible modification of the Korea–U.S. Free Trade Agreement.

President Trump [hosted](#) South Korean President Moon Jae-in from June 29 to July 1 to discuss security and trade issues. Following the meetings, President Trump indicated that the two sides had agreed to a

renegotiation of the Korea–U.S. Free Trade Agreement (KORUS FTA). On July 12, U.S. Trade Representative, Ambassador Robert Lighthizer, sent a [letter](#) to the Korean Trade Minister, Dr. Joo Hyunghwan, requesting a “[special meeting](#)” of the KORUS Joint Committee pursuant to Article 22.2 of the KORUS FTA. As explained by Ambassador Lighthizer, the purpose of this meeting would be to review the agreement and consider “possible amendments and modifications.” Under the terms of Article 22.2, the special session is to be held within 30 days of a request. The NAM continues to promote full implementation of the KORUS FTA and is in close contact with the U.S. government as it reviews the operation of the agreement. For more information, contact NAM Vice President of International Economic Affairs [Linda Dempsey](#) or NAM Director of International Trade Policy [Ken Monahan](#).

State Department issues investment climate statements, while new global investment report shows drop in global FDI, particularly in developing countries.

On June 29, the State Department [released](#) its annual investment climate statements that examine trade, investment, rule of law and related issues for more than 170 foreign markets. As NAM Vice President of International Economic Affairs Linda Dempsey explained at an [event](#) organized by the Center for Strategic & International Studies (CSIS), these statements [provide highly valuable information](#) for manufacturers and other businesses throughout the United States that seek to expand opportunities in foreign markets through exports, investments and other partnerships. Dempsey particularly welcomed this year’s inclusion of digital trade issues as part of the State Department’s review. Dempsey also explained how foreign investment and U.S. exports work hand-in-hand to benefit U.S. companies, consumers and workers. Given the strong importance of international commercial engagement to the U.S. economy, manufacturing and jobs, the NAM works strongly to promote open markets overseas, strong standards of governance and the protection of property, including investment and intellectual property, as well as strong enforcement, including [neutral investment dispute settlement mechanisms](#) to prevent foreign country mistreatment or theft of U.S. property. To learn more, click to [listen](#) to the discussion at the launch of these statements at the CSIS event.

On June 7, the UNCTAD released its annual [World Investment Report](#), an annual report tracking global investment and investment policy trends. This year’s report showed a drop in global FDI in 2016 of 2 percent (to \$1.75 trillion), with the strongest drop being to developing countries (down 14 percent to \$646 billion). Among countries that are major recipients of FDI, developed countries like the United States, Australia and the United Kingdom fared best, while Russia, India and China continued to receive significant inflows. The report also tracked policy trends, noting that investment policies continue to be more divergent (reducing predictability), while international investment agreements continue to proliferate. This year’s report also highlights the digital economy as a key driver for investment, with growing economic activity of digital multinationals and the adoption of digital technology across supply chains spurring greater investment flows, while also challenging investment policymaking. For more information, contact [Dempsey](#) or NAM Director of International Business Policy [Ryan Ong](#).

New Cuba policy will restrict trade, travel.

In June, President Trump [announced](#) a [shift in policy](#) toward Cuba that will create new barriers for trade and travel to Cuba. A [White House fact sheet](#) summarizes the key policy changes. The new policy will [impose](#) restrictions on transactions that involve the military and tighter travel rules to limit independent “people to people” travel and enhance itinerary audits. The president’s policy [memorandum](#) directs the Treasury and Commerce departments to begin the process of issuing new regulations within 30 days. The policy changes will not take effect until those departments have finalized the new regulations. The Treasury Department also issued [new FAQs](#) that provide additional detail on the impact of the policy changes on American travelers and businesses. NAM President and CEO Jay Timmons released a Shopfloor [blog post](#) to highlight manufacturers’ support for efforts to achieve normal trade relations with Cuba. For more information, contact NAM Director of Trade Facilitation Policy [Lauren Wilk](#).

Midwest Manufacturing Trade Mission to U.S.

St. Louis, Indianapolis, Detroit and Chicago

September 5–8

The American-Turkish Council will host its Midwest Manufacturing Trade Mission to U.S. September 5–8, offering participants networking opportunities, state-level government engagements, featured site visits and targeted meetings with government and project management officials. For more information, click [here](#).

China and India Retail eCommerce Education and Executive Discovery Tour

Shanghai and Mumbai

September 19–28

The Global Retail Insights Network will host this Commerce Department certified trade mission September 19–28. Participants will be introduced to top area experts and retailers while developing deep knowledge of the local consumer journey. Application deadline is July 31. For more information, click [here](#).

Sustainable Building & Construction Trade Mission to Mexico City and Guadalajara

October 16–20

The Commerce Department's International Trade Administration is organizing a sustainable building and construction trade mission to Mexico that will introduce U.S. firms to Mexico's sustainable building and construction sector and assist U.S. companies in pursuing export opportunities in the sector. Application deadline is September 1. For more information, click [here](#) or contact [Oscar Magaña](#).

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

Renewable Energy Integration Trade Mission to Canada

October 30 – November 2

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

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.

