

ONE HUNDRED ELEVENTH CONGRESS
Congress of the United States
House of Representatives
COMMITTEE ON ENERGY AND COMMERCE
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MEMORANDUM

July 12, 2010

To: Members of the Subcommittee on Commerce, Trade, and Consumer Protection

Fr: Subcommittee on Commerce, Trade, and Consumer Protection Democratic Staff

Re: Subcommittee Hearing on H.R. 4692, the National Manufacturing Strategy Act of 2010

On July 14, 2010, at 2:00 p.m. in room 2322 of the Rayburn House Office Building, the Subcommittee on Commerce, Trade, and Consumer Protection will hold a hearing on H.R. 4692, the National Manufacturing Strategy Act of 2010. Representative Lipinski introduced the bill on February 25, 2010.

I. BACKGROUND

Manufacturing is an important part of the United States economy. At the end of 2009, the United States manufacturing sector employed over 11.5 million people.¹ As a percentage of the nation's gross domestic product (GDP), manufacturing accounted for 11% in 2009.² Manufacturing also consistently comprises a majority of exports from the United States.³

¹ Bureau of Labor Statistics, *Employment, Hours, and Earnings from the Current Employment Statistics Survey (National)* (online at www.bls.gov/iag/tgs/iag31-33.htm under "Back data" for "Employment, all employees") (accessed July 9, 2010).

² Bureau of Economic Analysis, *Gross-Domestic-Product-by-Industry Accounts, Value Added by Industry as a Percentage of Gross Domestic Product* (online at www.bea.gov/industry/gpotables/gpo_action.cfm) (accessed July 9, 2010).

³ See, e.g., U.S. Census Bureau, *U.S. International Trade in Goods and Services (FT 900)* (April 2010) (online at www.census.gov/ft900).

However, United States manufacturing is not what it once was. In December of 1999, manufacturing employed 17.3 million people⁴ – reflecting a loss of 5.8 million employees in the sector over the past 10 years. In 1999, manufacturing made up 14.6% of the nation’s GDP⁵ – over 3.5% more than today. Furthermore, although manufactured goods exports have generally grown in recent years, United States exporters have lost market share to even more rapidly growing exporters in China, Southeast Asia, and India.⁶

The state of our manufacturing sector has an impact not only on the nation’s economy, but also on its security. According to the National Defense Industrial Association, “with each lost manufacturing job, our defense manufacturing capability declines. Today, the U.S. depends on other nations, who are not necessarily our friends, for strategic materials and technology.”⁷

There are several federal working groups and a variety of programs to support United States manufacturing. Examples of current working groups and programs include: the Interagency Working Group on Manufacturing Competitiveness, chaired by the Department of Commerce’s Assistant Secretary for Manufacturing and Services; the Commerce Department’s Manufacturing Council; the Manufacturing Extension Partnership Program; and the Interagency Working Group on Manufacturing Research and Development, run through the National Science and Technology Council. There have also been some important steps towards developing a national strategy. At the end of last year, the Executive Office of the President issued a framework describing the state of manufacturing and setting out the Administration’s current policies and initiatives.⁸ In 2004, the Commerce Department issued a report addressing U.S. manufacturing and providing recommendations.⁹

Manufacturing cuts across a range of governmental interests and agencies. Some have argued that a strategic consideration among and across agencies and an effort to unify their efforts would improve federal government policy and support.¹⁰ Other nations, including the

⁴ Bureau of Labor Statistics, *Employment, Hours, and Earnings from the Current Employment Statistics Survey (National)* (online at www.bls.gov/iag/tgs/iag31-33.htm under “Back data” for “Employment, all employees”) (accessed July 9, 2010).

⁵ Bureau of Economic Analysis, *Gross-Domestic-Product-by-Industry Accounts, Value Added by Industry as a Percentage of Gross Domestic Product* (online at www.bea.gov/industry/gpotables/gpo_action.cfm) (accessed July 9, 2010).

⁶ Manufacturing Institute, *The Facts About Modern Manufacturing* (2009).

⁷ National Defense Industrial Association, Manufacturing Division, *Maintaining a Viable Defense Industrial Base* (Aug. 1, 2008).

⁸ Executive Office of the President, *A Framework for Revitalizing American Manufacturing* (Dec. 2009).

⁹ Department of Commerce, *Manufacturing in America* (Jan. 2004).

¹⁰ See, e.g., Senate Committee on Banking, Housing, and Urban Affairs, Testimony of Scott N. Paul, Executive Director, Alliance for American Manufacturing, *Hearing on The U.S. as Global Competitor: What are the Elements of a National Manufacturing Strategy?* 111th Cong. (July 17, 2009). See also National Association of Manufacturing, *Manufacturing Strategy*

United Kingdom, Japan and China, develop and maintain manufacturing strategies as a means of setting national policy direction to support domestic economic growth in manufacturing.¹¹

II. H.R. 4692, THE NATIONAL MANUFACTURING STRATEGY ACT OF 2010

The National Manufacturing Strategy Act of 2010 will require the President to undertake a deep and broad analysis of the nation's manufacturing sector, including the international and economic environment, related technological developments, workforce elements, the impact of governmental policies, and other relevant issues affecting domestic manufacturers. Based on this analysis, the President will develop a national manufacturing strategy that identifies goals and recommendations for how the federal government, as well as state, local and private institutions, can best support the improvement and growth of our nation's manufacturers and support their efforts to move into the markets of the future. This process will recur every four years, in order to assess the implementation of prior recommendations, review changes in markets, adjust for changes in technology and the economic climate, and respond to any other influences that may arise.

The President's development of a national strategy for manufacturing will be informed by members of the Administration and the private sector. The act requires the President to convene a Manufacturing Strategy Task Force, comprised of federal officials and two governors, to make recommendations for the strategy. The task force may also convene subgroups, with additional governmental and private members, to address particular industries, policy topics, or other matters. In addition, the President must convene a Manufacturing Strategy Board to make recommendations. The board will be made up of 21 individuals from the private sector, representing a broad range of regions and industries.

The act requires that the strategy be delivered to Congress and published on a public website. The President will also be required to include in each fiscal year's budget request information regarding the consistency of the budget with the goals and recommendations of the most recent national manufacturing strategy.

Finally, the National Academy of Sciences will be required to conduct a series of studies related to the nation's manufacturing sector, including a study every four years to inform the

for Jobs and a Competitive America (June 2010) (Argues for a comprehensive approach to make U.S. manufacturing "more competitive, more productive and creating even more high-paying jobs").

¹¹ See, e.g., United Kingdom Department for Business, Enterprise & Regulatory Reform, Department for Innovation, Universities & Skills, *Manufacturing: New Challenges, New Opportunities* (Sept. 2008) (online at www.berr.gov.uk/files/file47660.pdf) (accessed on July 9, 2010); International Trade Administration, Jane Corwin and Rebecca Puckett, *Japan's Manufacturing Competitiveness Strategy: Challenges for Japan, Opportunities for the United States* (April 2009) (online at www.ita.doc.gov/td/tradepolicy/Japan%20Mfg%20Study.pdf); Scott Robertson, *AISI Backs Bill to Develop US Manufacturing Strategy* (Feb. 26, 2010) (quoting Thomas J. Gibson, President and CEO of American Iron and Steel Institute as saying "China is including [a manufacturing strategy] in its five-year plan").

quadrennial national manufacturing strategy. The Government Accountability Office will be required to conduct a review of each manufacturing strategy, evaluating its development and the subsequent implementation of its recommendations.

The bipartisan bill has 50 cosponsors, and the following organizations support this legislation: AFL-CIO Industrial Union Council, American Iron and Steel Institute, National Council for Advanced Manufacturing, Association for Manufacturing Technology, Precision Metalforming Association, National Tooling and Machining Association, Cold Finished Steel Bar Institute, National Defense Industry Association, Coalition for a Prosperous America, Apollo Alliance, American Manufacturing Trade Action Coalition, and the National Council of Textile Organizations.

III. WITNESSES

The following witnesses have been invited to testify:

Ron Bloom

Senior Advisor to the Secretary of the Treasury
Administration's Senior Counselor for Manufacturing Policy

Aneesh Chopra

Associate Director for Technology & Chief Technology Officer
Office of Science and Technology Policy

Bill Hickey

President and CEO
Lapham-Hickey Steel Co.

Scott N. Paul

Executive Director
Alliance for American Manufacturing

Mark Gordon

Director, Defense Research Programs
National Center for Advanced Technologies

Owen E. Herrstadt

Director, Trade and Globalization
International Association of Machinists and Aerospace Workers

Kevin A. Hassett

Senior Fellow and Director of Economic Policy Studies
American Enterprise Institute