

State of Manufacturing Address to the Association of Washington Business (Spokane, Washington)

February 10, 2015

Hello, Spokane! Thank you for that warm welcome – and thank you, Michael [Senske] for such a generous introduction.

I'd like thank Kris Johnson, President of the Association of Washington Business, and your colleagues for your tireless efforts to help us bring the State of Manufacturing Tour to Washington. Kris is a rock star, a real leader who is a tremendous advocate for Washington business large and small—and I appreciate your steadfast commitment to the National Association of Manufacturers, your unwavering dedication to the future of manufacturing in the United States, and your friendship.

I'd like thank Steve Stevens and your entire team at Greater Spokane Incorporated for the many hours and sacrifices you've all made to put together a fantastic day in Spokane—and for your leadership and service to this community.

I'd like also to thank all the sponsors we made this event possible – and Chancellor [Christine] Johnson, Director [Scott] Oakshott, and Principal [Camille] Nielson for welcoming us to Spokane Valley Tech and for the pioneering work you do every day to make a positive difference in the lives of our future leaders. Thank you to Dave Cox from Spokane Community College and Kevin Person from Wagstaff, who will be hosting our afternoon tour.

And I want to thank you all for being here today.

It's great to be in a Washington that works! And I love being in a state like Washington and in a county like Spokane that has long been driven by manufacturing.

And I love coming to schools like this – schools that look forward and are defined by their commitment to science, technology, engineering, and math.

That's where this country is headed. But it's also where we've been. It's what's made us great. Because without those disciplines – all of which are core components of manufacturing – the story of this great and indomitable country wouldn't have been possible.

When we were torn apart by a bloody Civil War, manufacturing helped sew us back together.

When we were trampled beneath a devastating Depression, manufacturing helped us get back on our feet.

When we were tested by a world war, bravely fighting tyranny on two fronts, manufacturing helped arm the Arsenal of Democracy here at home that powered America into a new era of leadership.

When we were tripped up by the Great Recession and many wondered whether manufacturing in the United States was past its prime, we not only proved the doubters wrong, but have roared back even stronger.

Today, the state of manufacturing is as resilient and robust as ever – and that's why, once again, America is rising.

I'm so proud to go to work every day leading the National Association of Manufacturers – the unified voice that advocates for the promise of manufacturing in America – because I'm proud to be associated with innovators and problem-solvers. That's what we do.

When manufacturers see a problem, they fix it. If they can't find a solution, they create it. That's who we are. And, by the way, isn't that the American story, too?

Manufacturing in the United States has succeeded because our industry and our solutions are grounded on four fundamental values – values that also happen to be the foundational and unifying principles of the exceptional country we love.

The first of these is free enterprise: market forces that drive innovation and growth better than any other system ever conceived.

The second is competitiveness: our ability to invest and expand markets and succeed in the global economy.

The third is individual liberty: the creativity and entrepreneurship unleashed by protecting, defending and advancing the basic freedoms enshrined in our Constitution and Bill of Rights.

And the fourth is equal opportunity: our shared belief that every one of us, if given the chance, has the potential to prove we can contribute to the success of our companies, our communities, and our country.

These values unite all of us, even at a time when our country seems more divided than ever. And they can help move manufacturing to new heights.

Manufacturers in the United States hold fast to these principles because we're Americans with a deep sense of responsibility. We lead by example.

Don't get me wrong – this sense of duty we feel isn't grounded in patriotism alone. It's also about pragmatism. This is very much about economics.

Look at manufacturing's direct impact on the economy. We are creating more jobs, making more products, and making them better than ever before. Every year, manufacturing contributes more than \$2 trillion to the American economy – one of every eight dollars in that economy.

The more than a quarter of a million manufacturers in the Evergreen State – the more than 500 manufacturing businesses right here in Spokane – who are producing car parts and chemicals, paper, petroleum, metals, aerospace products, and so much more – you are responsible for 15 percent of this state's output.

Yet we can't underestimate manufacturing's *indirect* influence, too: Manufacturing has the biggest multiplier effect of any industry. Every manufacturing dollar in America adds one dollar and thirty-seven cents to the economy – nothing else comes close. And a single manufacturing job can lead to the creation of three to five more jobs in other industries. What a great return on investment that is.

So you can see why manufacturing has a disproportionate responsibility to keep our economy humming.

But there's another side to this coin – and that's what I want us all to think about and speak up about and advocate for. All of this good news also means that manufacturing faces a disproportionate share of the burden of government regulations. That doesn't just matter to CEOs and workers – it matters to every single American consumer, family, and job-seeker.

We all suffer when our policies don't match our principles.

There are still speedbumps slowing us down – so let's get rid of them, starting with achieving a sane regulatory environment.

Nothing is more important than the health and safety of our workers and consumers. No question about it. But to the extent that we need regulations, they need to be fair and transparent—not controlled by special interest groups. Today’s system is unnecessarily complex and inefficient. It costs small manufacturers nearly \$35,000 per employee per year. And as you know, every dollar that goes to compliance is one that doesn’t go into a worker’s paycheck—and comes out of a consumer’s pocket.

So we have to streamline and simplify the system. We have to increase accountability. And we must insist on better analysis of the benefits and costs when they’re necessary. Because every regulation, well-meaning or not, increases the cost of doing business.

For starters, just look at the Administration’s regulatory agenda. Its regulation of greenhouse gases would limit fuel choice, increase energy prices, and make power less reliable. Its proposed ozone standard could shut down facilities and force manufacturers to scrap expansion plans – all of which harm growth. And the administration itself said that their regulation alone could be the most expensive regulation in history.

The NAM represents over 14,000 manufacturers, from multinational corporations to family businesses all along Main streets. Those family businesses ask me all the time: how can we make the government understand that their regulations hurt small businesses more than anyone?

I know it’s a question Kris gets a lot too—especially lately with the proposal here to dramatically reshape the state’s environmental regulatory framework that has empowered Washingtonians, most of all businesses, to help make this state a national leader in innovation, energy efficiency, and new-generation green jobs.

According to an independent analysis of Governor Inslee’s carbon cap and trade tax plan commissioned by the Washington Climate Collaborative, implementing the plan is expected to reduce the number of Washington jobs by an average of nearly 56,000 per year over the next 20 years, with 6,000 of those expected annual job losses coming from the manufacturing sector. We can do better. We must do better.

Then, of course, there are other ways that government siphons opportunity. America leads the world in a lot of ways – ways we’re all proud of. But the highest corporate tax rate on Earth? That’s not a distinction to brag about. It’s a problem to fix.

Every business leader in the world wants access to our market. But every one of them also has to ask: what is the cost of doing business in America? Our outdated tax code is turning too many of them away and driving investors out of our country.

We can start meaningful and long-overdue reform by making the research and development tax credit permanent. And we can continue by implementing a pro-growth tax plan with lower tax rates for the manufacturers of all sizes who lead our economy—and that includes the two-thirds of manufacturers who are taxed at the individual rate. The NAM’s economists have found this plan would add a full percentage point to our GDP every year. That means more investment, more innovation, more jobs, more money in the paychecks of more middle-class working families.

We’re not reaching our potential. With smarter regulations and sound tax policy, we can.

Another choice our leaders need to make is about trade. Here’s why: it doesn’t matter what our manufacturers make if we can’t sell it domestically – and internationally. That’s one of the reasons the NAM was founded 120 years ago. And today, with 95 percent of the world’s customers living outside of the United States, we need to be where they’re buying.

International trade supports nearly a million jobs in Washington – only three states in the union have more. These are folks who trade with customers in 212 international markets –that’s just about all of

them. And 90 percent of your exporters are small- and medium-sized businesses. A smart trade policy is the difference between growing those businesses and shutting their doors.

So free and fair trade – including Trade Promotion Authority – will give us greater access to the foreign markets we need. We also have to seize two other important opportunities: the Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership. These ongoing negotiations have the potential to expand U.S. exports and international sales and to promote jobs and economic growth. These agreements would open markets with nearly one billion consumers covering nearly two-thirds of the world's economy and world trade.

A long-term reauthorization of the Export-Import Bank is absolutely critical and necessary. In Washington, the Ex-Im Bank supports 228 companies, overwhelmingly small and medium-sized businesses, and more than 820,000 jobs. With similar financing tools used by competitor nations, it's the difference between keeping these jobs here in Washington and in the United States or sending them overseas. It's that simple. Until we get a long-term reauthorization, the threat to these jobs is imminent – as uncertainty over the bank's future puts sales abroad at risk and keeps new deals from being signed.

Each day, the Ex-Im Bank helps entrepreneurs turn dreams into realities and sell their products globally. Here's another fact: the bank pays for itself. So lawmakers who oppose the bank in Congress should stop standing in the way. Arguments based on political theory or ideology should not trump the evidence and our experience – should not trump what works for all Americans.

Of course, bringing goods to market isn't a challenge only overseas. The Pacific Northwest plays a unique role in promoting trade and growing markets for manufacturers abroad. When trade is disrupted, the ripple effect across our economy is felt first here. Those ripples have been – unfortunately – all too apparent lately. The slowdown at our West Coast ports slams manufacturers. You know this well.

The challenge of managing inventory has forced one global manufacturer with plants in multiple states to limit overtime for thousands of its employees in January and February – and in some cases, it's eliminated overtime completely. That means millions of dollars in lost wages.

The other Washington has to act, of course – the administration must increase pressure on the parties to resolve the slowdown. The President must be willing to do whatever it takes to keep any shutdown from occurring – and we urge the President to consider legal means if the International Longshore and Warehouse Union and Pacific Maritime Association negotiations continue to deteriorate and do not come to a timely resolution. We need more than monitoring from this Administration. The President needs to assure manufacturers, farmers, retailers, and everyone who relies on opening and functioning ports that he will do whatever it takes to keep these ports open. The stakes are too high to watch this go by. A 10-day shutdown could cost the U.S. economy as much as \$2.1 billion. That's a price we can't afford to pay.

Disagreements must not dissolve negotiations. Disputes must not decimate the health of our fragile economic recovery. Everyone has to encourage the parties to reach an agreement to return the ports to normal business operations – so that we can eliminate this uncertainty, and keep global commerce moving.

Last year, limited port capacity for agricultural exports hurt farmers not only in Washington, but also manufacturers of tractors, of trucks, of fertilizers, and many other industries that support those farms.

And in the near future, without timely action by state policymakers, the Northwest could lose billions in new privately funded port investments. These investments are designed to meet long-

term and growing international demand in Asia for the affordable and responsibly developed energy supplies made right here in America.

The Pacific Northwest is America's most competitive gateway to the Pacific Rim nations. A strong, growing and vibrant market for goods and commodities there ensures future generations of opportunity for companies and workers here.

Let's be clear: Any factor, be it regulatory failure, politics, or trade barriers that hinders the export of American goods to the Pacific Rim, ultimately harms workers in America. If we do not actively grow exports – for all goods, commodities, and services – we will watch those jobs and opportunities needlessly lost to competitors abroad.

Beyond these challenges, too many of our ports, roadways, railways, and runways are getting worse by the year and are in desperate need of repair. The needs of business – both here at home and as we compete in the global economy – demand that the government invest in improving our aging infrastructure.

Now, let's take a look at energy, because the time is right—energy that fuels our success as manufacturers and as a country. This is a tremendous moment of great opportunity. America has an unprecedented and incredible global advantage in reliable and affordable energy, and it's driving manufacturing's resurgence.

If we're going to keep building on our strength, and creating jobs with the potential that energy exports represent, an "all-of-the-above" energy approach that taps every resource we're blessed with here at home, like shale gas, is the only realistic choice. We can make the United States energy secure and North America energy independent.

Getting the job-creating Keystone XL pipeline built is another great opportunity to seize.

Altogether, the combination of oil, natural gas, coal, wind, solar and other sources will mean more jobs, lower utility bills, and more growth across the board.

Manufacturers are doing our part. We're making our products and the places where they're made more energy efficient. We're leading the way on recycling and reducing waste. And we'll continue developing sustainable solutions that power our economy and create jobs here at home.

But we can't do it with just the workforce we have today. Manufacturers need a workforce for the new-generation economy. We have a critical shortage of human talent in the United States. Over the next decade, the skills gap, primarily the STEM skills—Science, Technology, Engineering, and Math, is expected to result in two million manufacturing jobs left unfilled.

While the government can do its part, manufacturers are stepping up for the challenge. That's why the NAM's Manufacturing Institute continues to lead national efforts and support local activities that are changing the public perception of manufacturing and inspiring smart, new minds. For example, last year alone, our "Dream It. Do It" network influenced more than 365,000 students in over half the country to consider careers in manufacturing. It's also simplifying recruitment by providing local manufacturers, schools, community-based organizations, and other stakeholders with an easy and effective way to promote manufacturing as a top-tier career choice. Today, there are 34 programs across the country working with 8,000 manufacturers to recruit students into manufacturing. These are promising indications, but far more work remains to be done.

It's great to see Spokane Valley Tech creating the future of education, with a new, dynamic learning environment for high school students to gain technical skills and experience in growing industries. Programs like this one will move not just Washington but our country in the right direction.

There are also a number of other ways to be as competitive as we need to be. Our health care system needs to reduce costs, increase options, and help employers and employees make informed decisions. Policymakers should eliminate the medical device tax that doesn't just hurt manufacturers – it stifles research and development of medical advances that keep people healthy and safe.

Comprehensive immigration reform has to become a reality, not a wedge, if we're going to create opportunity for today's workforce and tomorrow's innovators. And because it's simply the right thing to do.

We also need to hold the National Labor Relations Board accountable and remind it of its role as a neutral referee. That's why the NAM's Manufacturers' Center for Legal Action, which is bringing manufacturers together on several fronts to protect and defend the law, has filed a lawsuit against the NLRB to stop ambush elections and its abuse of authority.

Fair and transparent regulations, more competitive taxes, free and fair trade, 21st-century infrastructure, diverse energy options, immigration reform, health care and legal reform, new-generation workforce – the menu is long because the moment is significant. But I'm confident we can do this – and do it in a way where everyone wins.

Why do I worry about whether our elected officials will get these critical questions right? Because I know our workers are the best and most productive in the world, and I believe they should have the best environment in which to innovate, invent, and invest. And I believe the students here deserve every opportunity to succeed.

This is not just about reviving an economy, but perfecting our union. It's about creating a new, brighter future for everyone, by dreaming it, by building it, and by making it – right here at home – as we've always done when we're at our best.

Ladies and gentlemen, there are two popular misconceptions about manufacturing. The first is that its best days are behind it. People think of burned-out smokestacks and boarded-up factories. They think of the old ways of doing things.

That couldn't be further from the truth. Manufacturing is about incredible new technologies – 3-D printing, nanoscale chemistry, energy efficiency, satellite technology, medicines that are saving lives and changing the world.

The second misconception is that manufacturing is just about machines. It's about people, and the potential we can unleash.

I know this firsthand. My grandfather left the family farm to stand in line for six months at the local paper manufacturing plant in Chillicothe, Ohio. He went back every day until he got the job that would move my family into the middle class.

I think about his persistence every time I meet one of the great men and women who've chosen this career that's so important to our country. And every time I see young people like the hardworking students at this great school, I wonder: who will be next? Who will take a risk? Who will make a sacrifice? Who will become a manufacturer with a dream of giving their children and grandchildren new opportunities – just like my grandfather did for my family?

Manufacturing is about those people. It's about people who stay true to, and who rise with, the principles of free enterprise, competitiveness, individual liberty, and equal opportunity.

When the world needs America to help make it out of a rough patch, it's manufacturers in the United States who make the things that make it happen. They're the ones who make anything possible.

But here's the takeaway for today: That doesn't happen on its own.

Like any manufacturing process, we need to put the right pieces in place. That begins with the right public policy – one that advances manufacturing and keeps America as exceptional as ever – the world's best example of opportunity and optimism.

We need to generate ideas and designs, calibrate the technologies and develop the logistics—that starts with our business leaders, and our relationships with our workers, and with each other.

And like any machine that makes anything, nothing happens unless we push the “start” button – and that starts with you – the work you do, the voices you raise, the quintessentially American values by which you live, and your support of manufacturing in the United States of America.

Thank you very much.