

State of Manufacturing Address at the Economic Club of Minnesota (Minneapolis, Minnesota)

February 4, 2015

Good afternoon. It's great to be in Minnesota and a real pleasure to be with all of you here today.

Thank you for that warm welcome – and thank you, Doug [Baker] for such a generous introduction, for your strong commitment to the National Association of Manufacturers, and for the leadership you provide not only to Ecolab, but our industry and to our country. Working with you and Tom [Handley], who, of course, is on our Executive Committee, is a great honor

I also deeply appreciate the Economic Club of Minnesota's laser focus on making sure this state competes aggressively in the global economy. It's a legacy that appropriately honors the memory of ECOM co-founder, Congressman Bill Frenzel. He was a great leader for business, and one of the great leaders on U.S. trade policy.

There's quite an overlap between NAM and ECOM members: 3M, Cargill, Taylor Corp, and of course Ecolab – I could go on and on. I also have a number of my bosses in the room: In addition to Tom Handley, there is:

- Joe Puishys, CEO of Apogee Enterprises. Apogee's glass adorns our NAM headquarters in Washington, the new Freedom Tower in New York City, and soon the new Vikings stadium. Only one of these buildings appears in House of Cards. Guess which one?
- Bill Cook, CEO of Donaldson Company.
- Bill Buckner, Senior Vice President at Cargill
- Sadly, there is one NAM board member not with us today. I speak of David Olson, president of the Minnesota Chamber, who passed away last summer. Indeed, my last trip to Minneapolis was to attend his memorial service.

I also want to recognize Bob Kill, president and CEO of Enterprise Minnesota, who has always been passionate about helping manufacturers grow and bring attention to our industry.

Thank you to all NAM members who have joined us today.

Minnesota, of course, is home to some of the most recognizable manufacturers in the world.

This state's history is intertwined with manufacturing, just like the story of this great and indomitable country.

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.

You see, America’s success depends on manufacturing’s success.

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 nearly half a million manufacturers in this state represent one in every seven jobs. Manufacturers have the largest total payroll of any sector – you are responsible for contributing \$37 billion to your state’s economy.

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 when our policymakers choose wrongly, don’t act or sit idle, the missed-opportunity costs are higher for our sector. We all suffer

when our policies do not match our principles—chief among these are the four that I mentioned: free enterprise, competitiveness, individual liberty and equal opportunity. That doesn't just matter to CEOs and workers – it matters to every single American consumer, family, and job-seeker.

One of the most important policy choices 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.

Ask the folks who work at 3M, transforming innovative ideas into ingenious products. 3M's culture of collaboration has yielded \$30 billion in sales and employs more than 88,000 people with locations and customers in 70 countries worldwide. This thriving global enterprise doesn't just help keep and create jobs in the Twin Cities, but in Little Rock, Arkansas and Newark, Delaware, in Murray, Utah, and Northridge, California—in communities and towns all across this country.

In Minnesota, international trade supports nearly 755,000 jobs— jobs that generated nearly \$21 billion in exports in 2013, of which \$19 billion were manufactured goods. Customers in 209 countries buy Minnesotan goods and services. A smart trade policy is the difference between growing those businesses and shutting their doors.

Time is of the essence. So an aggressive trade agenda – including passing Trade Promotion Authority – would give us greater access to the foreign markets we need. Here's a fact opponents of TPA don't like to repeat: trade supports millions of good-paying jobs here at home. In fact, one in every five U.S. jobs depends on trade. And jobs linked to manufactured goods exports pay, on average 18 percent more than other jobs. So what are we waiting for?

TPA, of course, is a longstanding and proven partnership between Congress and the President that facilitates the negotiation and approval of trade agreements. Every President since Franklin Roosevelt has had authority from Congress to strike trade deals that open overseas markets for manufacturers and workers in the United States.

And the American people support its aims. Poll after poll has found that majorities of Americans of both parties and across all demographic groups support trade agreements with additional countries to spur U.S. exports and grow manufacturing.

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 1 billion consumers covering nearly two-thirds of the world's economy and world trade.

A long-term reauthorization of the Export-Import Bank is a necessary step that this Congress needs to take action on immediately. The debate over the future of the Ex-Im Bank boils down to whether we want manufacturers in the United States to win overseas, or whether we want our foreign competitors and their workers to swoop in and seize these opportunities. With our global competitors utilizing more than 60 other export credit agencies, it's imperative that our manufacturers are able to turn to the financing opportunities the Ex-Im Bank offers. Otherwise, our manufacturers will soon find themselves at a distinct disadvantage, competing in an international marketplace with the odds stacked against them. A vote against the Ex-Im Bank is a vote to support sending manufacturing and jobs overseas instead of here at home. It's really that basic.

While we watch from the sidelines, the rest of the world is busy negotiating free trade agreements. Think about this: every year we sell so much more in manufactured goods to free-trade partner countries than we buy from them – \$60 billion more. But for countries with which we don't have free trade agreements, we're running a trade deficit exceeding \$500 billion. What does that tell you?

We simply can't afford to sit this one out or cede market share to our competitors. Other major economies are already negotiating dozens of agreements without the United States that could put manufacturers and workers at a significant competitive disadvantage. At a time when the dollar is strong and global growth is slipping, we need more trade, not less.

Of course, bringing goods to market isn't a challenge only overseas. The slowdown at our West Coast ports slams manufacturers.

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.

Washington has to act, of course – the administration should increase pressure on the parties to resolve the slowdown. But manufacturers have to act, too – all of them, large and small, all businesses and all citizens. 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.

Beyond this challenge, too many of our ports, roadways, railways and runways are getting worse by the year and are in desperate need of repair. Just take a drive through most parts of America, on roads and bridges that were built for a bygone era. We can't risk another tragic rush-hour collapse like the one on the I-35 West Bridge in 2007.

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. Manufacturers are the most important suppliers to the transit and road building industry, providing everything from engines and machines to barriers and safety materials.

Then, of course, there are regulations. 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.

The NAM represents over 14,000 manufacturers, from multinational corporations to family businesses all along Main Street. 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 get a similar question on taxes. 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.

According to a poll commissioned by Enterprise Minnesota, its *State of Manufacturing*, manufacturers are concerned by the uncertainty in Washington about the budget and taxes.

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.

Corporate tax reform won't do the job alone. We also need to fix the way our tax code treats the many—two-thirds of—manufacturers who are taxed at an individual tax rate. So if you raise individual tax rates, you are raising taxes on the majority of all manufacturers. And the President's

proposed punitive tax increases on investments and small businesses would stifle economic growth.

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 who lead our economy. 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.

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 is the only realistic choice. We can make the United States energy secure and North America energy independent. Manufacturers use one-third of the energy produced in America, so this is one of those problems we have a strong interest in solving. And shale gas is just one example of an opportunity we shouldn't miss. If we develop this resource correctly, we can create a million new American jobs over the next 10 to 15 years.

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. Americans need an energy policy around which manufacturers can plan – one that incentivizes, not inhibits, innovation.

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 – a claim undermined when it forces through ambush elections and other misguided rules that create tension between employers and employees where none currently exists. And 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 to stop ambush elections and the NLRB's abuse of authority.

Fair and transparent regulations, free and fair trade, more competitive taxes, 21st-century infrastructure, diverse energy options, immigration reform, health care and legal reform – 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—workers like those at Graco, Inc., right here in Minneapolis, who I'll be visiting with later today. I believe they should have the best environment in which to innovate, to invent and to invest.

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.

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 finally got the job that would move my family into the middle class.

I think about him a lot. And I think about him when I think about the future of our industry, and the pathways of opportunity for other families that we can create.

Manufacturing is about people like my grandfather. 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: that doesn't happen on its own.

Like any manufacturing process, we need to put the right pieces in place. That starts 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—all that starts with our business leaders, and our workers, and with each other.

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

Thank you very much.