

The U.S. Manufacturing Policy Landscape in 2017

Stephen Ezell
Vice President, Global Innovation Policy

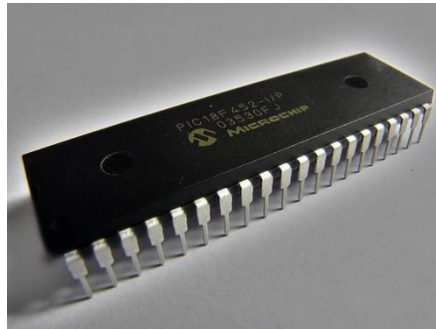
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About ITIF

- One of the world's top science and technology think tanks.
- Formulates and promotes policy solutions that accelerate innovation and boost productivity to spur growth, opportunity, and progress.
- Focuses on a host of issues at the intersection of technology innovation and public policy:
 - Innovation processes, policy, and metrics
 - Science policy related to economic growth
 - E-commerce, e-government, e-voting, e-health
 - IT and economic productivity
 - Innovation and trade policy

Manufacturing Policy Must Get the 4 “Ts” Right

Technology



Tax



Trade



Talent



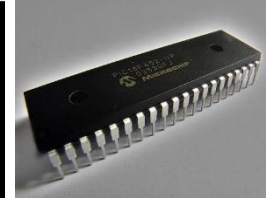
Today's Presentation

1 The Candidates' Manufacturing Strategies

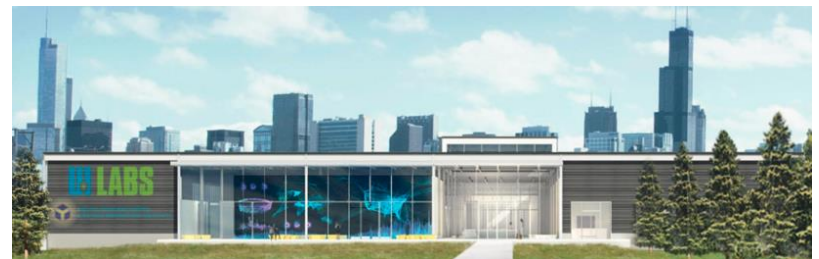
2 Congressional Manufacturing Priorities

3 ITIF Mfg. Policy Recommendations

Clinton: Mfg. Technology



- Double funding for the National Network of Manufacturing Innovation.
- Double funding for MEP (to @\$280 million).
- Invest \$10 billion in “Make it in America Partnerships.”
 - These would link together all parts of the manufacturing supply chain and build on the strengths of regions in particular industries.
- Enact \$275 billion federal infrastructure investment plan.



Clinton: Tax



- Create a “Manufacturing Renaissance Tax Credit.”
 - Similar to the New Markets Tax Credit, it would make communities facing significant shutdowns or layoffs eligible for new investment tax incentives.
- Provide a zero capital gains tax option on long-term investments.
- Has called for imposing an “exit tax” on “companies that leave America to lower their tax burden.”
- Expand R&I tax credits...but “claw them back” if companies “ship jobs overseas.”

Clinton: Trade



- TPP: Endorsed 45 times as Sec. State, but has said its labor & environmental, access to medicines, and currency provisions not “up to the bar she expected.”
- T-TIP/TiSA: Has not yet publicly taken a position.
- Establish a new “Chief Trade Prosecutor” and triple the number of trade enforcement officers.
- “Prevent China from abusing global trade rules.”
- Support Ex-Im Bank reauthorization & operation.
- Strengthen Buy America regulations.

Clinton: Talent



- Provide a \$1,500 tax credit for every apprentice companies hire through apprenticeship programs.
- Expand nationwide credentialing, with industry input.
- Allow federal student aid to be used toward career and technical training programs.
- Provide tuition-free community college education.
- Increase H-1B caps.



Trump: Tax



- Lower the corporate tax rate to 15%.
- End deferral of taxes on corporate income earned abroad, but keep the foreign tax credit to avoid double taxation.
- Provide a one-time deemed repatriation of corporate cash held overseas at a “significantly discounted” 10% tax rate.

Trump: Trade



- Immediately declare China a currency manipulator and accordingly begin to introduce countervailing duties.
- Has threatened tariffs of up to 45% on China “if illegal export subsidies, tax breaks, and IP theft continue.”
- Shut down the Export-Import Bank.
- Opposes the Trans-Pacific Partnership
- T-TIP/TiSA: Has not yet publicly taken a position.
- Introduce “forced localization policies” on U.S. companies?

Trump: Talent



- Rely on tax and trade reforms to spur job growth.
- Expand use of school vouchers.
- Cut the Department of Education and Common Core.
- Don't raise the minimum wage.



Trump: Mfg. Technology



No specific policy proposals currently apparent.





Cruz: Manufacturing-Salient Points

- Abolish the IRS; introduce 16% flat tax on businesses.
 - Would include immediate expensing, or deductions, for the costs of plant and equipment, and all other capital investment.
- Support the Regulations of the Executive In Need of Scrutiny (REINS) Act.
- Oppose the TPP.
- Eliminate the Ex-Im Bank.

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Manufacturing Universities Legislation

- Goal: Better prepare university engineering programs to produce engineers better-prepared for careers in innovation and advanced manufacturing.
- A competition to designate up to 25 Mfg. Universities, that would receive \$5 million annually for four years to:
 - Improve engineering programs to emphasize manufacturing;
 - Increase joint projects, co-ops, with manufacturing firms;
 - Increase numbers of engineering or mfg-related graduates;
 - Have universities designate Chief Mfg. Officers.
- Bicameral, bipartisan legislation (S. 771/H.R. 1441)
Coons, Gillibrand, Ayotte, Graham, Baldwin, Kirk



The Manufacturing Skills Act (S. 1542)

- Creates annual \$100 million competition to promote reforms in workforce education and skills training for manufacturing in states and metropolitan areas.
- Stakeholder task force would conduct SWOT assessment of regional mfg. assets and capacities.
- Grant awards of \$10 million for three years to up to five states and five metropolitan areas with the strongest and most comprehensive proposals.
- Bipartisan legislation sponsored by Coons & Ayotte

MEP Improvement Act

- Increase MEP authorization to \$260 million/year through 2020.
- Permanently adjust the federal MEP cost share to 1:1.
- Require re-competition of all MEP centers every 10 years.
- Involve MEPs more in mfg.-related apprenticeships.
- Sponsored by Coons, Ayotte, and Peters

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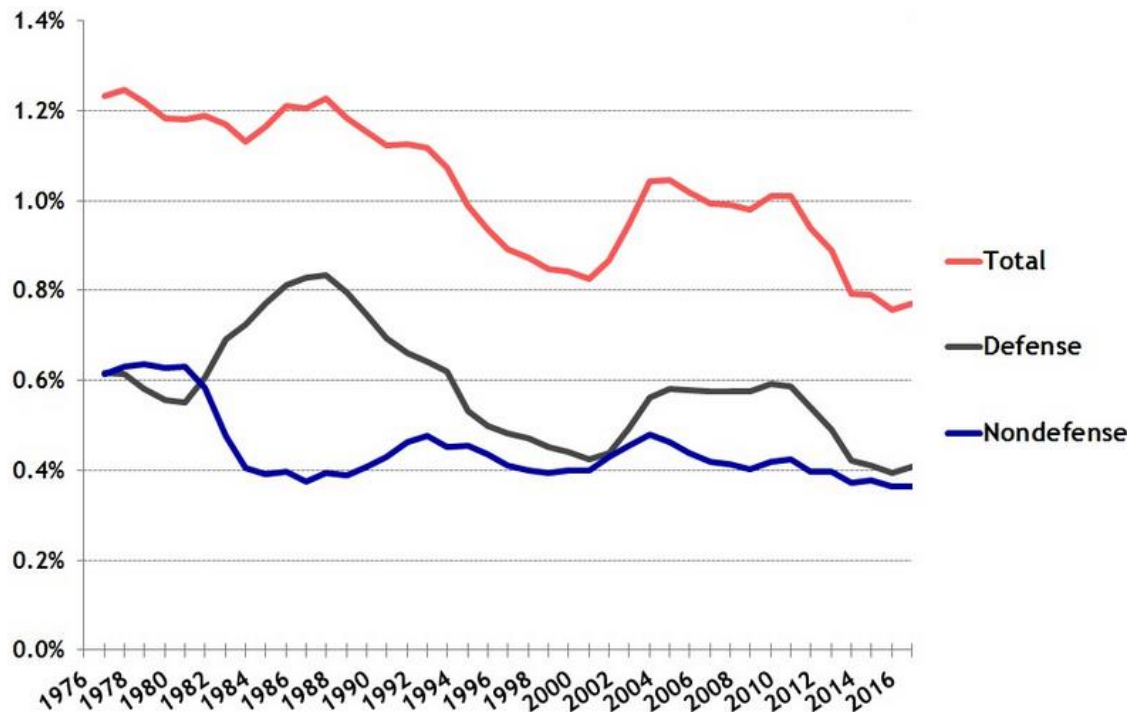
ITIF: Technology and Innovation



- Increase federal investment in scientific research.

Trends in Federal R&D

As a percent of GDP



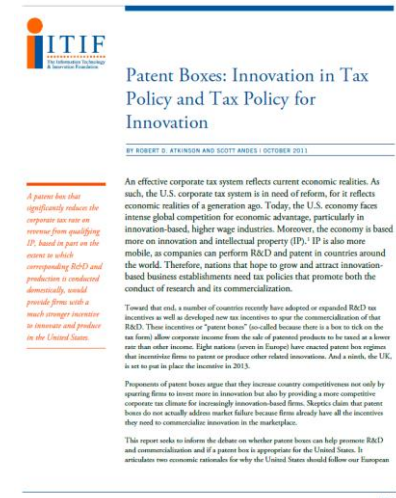
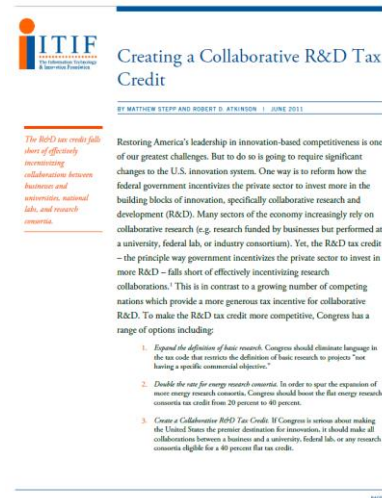
Source: Up to 1994 - National Science Foundation, Survey of Federal Funds for Research and Development; 1995 to Present - AAAS data. GDP figures are from *Budget of the U.S. Government FY 2016*. FY 2015 and FY 2016 figures are estimates. © 2015 AAAS



- Increase commercialization focus of SBIR.
- Significantly increase federal support for Engineering Research Center (ERC) and Industry/ University Cooperative Research Center (I/UCRC)

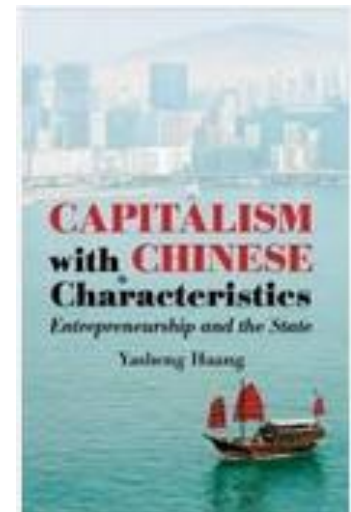
Develop a globally competitive tax system:

- Introduce an innovation and investment tax credit.
- Enact a flat, 40 percent collaborative R&D tax credit.
- Implement a patent box to promote commercialization of R&D.





- Develop a national trade strategy and increase funding for U.S. trade policymaking and enforcement agencies.
- Update CFIUS to reflect the realities of state-led capitalism.





- Fully fund a nationwide manufacturing skills initiative.
- Create an NSF-Industry Ph.D. Fellows program.
- Expand high-skill immigration.



Thank You!

Stephen Ezell | sezell@itif.org | 202.449.1349