



# Connecting the Dots



MSCI North American Manufacturing  
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## Beltway Briefing

### News Of Note

**District Court Upholds Conflict Minerals Rule.** In a blow to manufacturers, a judge from the U.S. District Court for the District of Columbia rejected the National Association of Manufacturers' challenge to the Securities and Exchange Commission's [conflict minerals rule](#). Judge Robert Watkins argued NAM's claim lacked "merit" because the regulation does not violate the U.S. Constitution's First Amendment. NAM and its co-litigants, the Business Roundtable and the U.S. Chamber of Commerce, will now have to decide whether to appeal the ruling. In the meantime, members are reminded to log in to MSCI's website for information on how to implement the SEC's [conflict minerals rule](#).

**President's NLRB Nominees Move Forward; NLRB Appeals Notice Posting Rule Ruling.** Last week, the U.S. Senate Health, Education, Labor and Pensions Committee approved the appointments of AFL-CIO lawyer Nancy Schiffer and current National Labor Relations Board (NLRB) chief counsel Kent Hirozawa to the NLRB. President Barack Obama had nominated the two just two weeks ago as part of a deal in which he also agreed to withdraw the nominations of Richard Griffin and Sharon Block who had sat on the NLRB since being recess appointed in January 2012. (After withdrawing Griffin's nomination, [President Obama](#)

nominated him to be the NLRB's general counsel.) The full Senate is expected to consider the Schiffer and Hirozawa nominations – along with three other NLRB nominations – this week. Meanwhile, the board itself last week filed a petition to the U.S. Circuit Court of Appeals for the District of Columbia asking it to reconsider its May ruling striking down the notice posting rule. Even if the circuit court denies the NLRB's request, the issue is not dead: the NLRB would then have 90 days to appeal to the U.S. Supreme Court.

**Circuit Court Issues Rulings in EPA Cases.** In a mixed ruling for manufacturers, the U.S. Circuit Court of Appeals for the District of Columbia last Tuesday upheld air [pollution standards](#) issued by the George W. Bush Administration, but also said the standards were adequate and the Environmental Protection Agency (EPA) should not go further. According to *The Associated Press*, the court "rejected arguments that the ozone standard for public health set by former President George W. Bush was either too weak or too strong. ... [R]eferencing Goldilocks and the Three Bears, the court said it cannot demand EPA get things 'just right' when it comes to health." Additionally, last Friday, the D.C. Circuit Court ruled against several state attorneys general and in favor of the [EPA](#) in a case challenging the agency's authority to control states' permitting system for power plants. As the *Dallas Morning News* explains, "The EPA gave itself the authority to intervene in the permit processes of 13 states ... in 2010 because the agency claimed that those states' policies



did not consider greenhouse gas emissions." The court ruled the states did not have standing in the case and could not "show how they have been injured." The state attorneys general could now appeal the case to the U.S. Supreme Court or request a full panel from the D.C. Circuit Court review it. In related news, according to *Politico Pro* (subscription required), the U.S. Department of Justice, on behalf of the EPA, sent a petition to the Supreme Court arguing the nation's highest court should not take up challenges to the EPA's authority to regulate greenhouse gases. The petition said challenges to the EPA's authority "lack merit" and that "the EPA's interpretation of the [Clean Air Act] provisions is compelled by the statutory text ..."

**House Passes Coal Ash Bill.** The U.S. House last Thursday passed H.R. 2218, the Coal Residuals Reuse and Management Act, which would guarantee U.S. states oversight over [coal ash](#) permits and would prevent the EPA from designating coal ash as a hazardous material. (Specifically, as *The Associated Press* explains, the bill would "give the federal government authority to provide minimum standards for the management of coal ash but leave it to the states to develop permit programs.") Regarding the vote, the National Association of Manufacturers said, "This represents a commonsense solution that would ensure the safe regulation of coal ash in a cost-effective manner, while protecting public health, the environment and thousands of high-paying jobs." The bill has strong bipartisan support – 39 Democrats voted for it in the House – and the White House has indicated it is open to the legislation. According to *The Associated Press*, this scenario leaves "open up the possibility of compromise as the bill moves to the Senate."

**U.S. to Continue Trade Talks with Vietnam; VP Pushes India Trade.** After meeting with Vietnamese president [Truong Tan Sang](#) last Thursday, President Obama announced "a 'comprehensive' framework for advancing the relationship and a commitment to complete a Trans-Pacific Partnership [TPP] trade agreement before year's end." [Unions](#) have vowed to oppose the trade deal unless Vietnam is held "accountable for its record on human rights ...". The president remarked on Vietnam's [human rights](#) record, saying the two presidents had a "candid" conversation about the issue. The presidents' comprehensive framework for further engagement, which details the benefits of the TPP agreement, is available at the [White House website](#). Meanwhile, Vice President [Joe Biden](#) was in India where he urged for increased trade between the U.S. and India.



## From the Headlines

### Emerging Themes On Manufacturing & Economic Policy

**Action on Energy Efficiency Bill Possible; MSCI Members Encouraged to Call Senate.** As *Connecting the Dots* noted last week, U.S. Senate Majority Leader Harry Reid (D-Nev.) has contemplated whether to allow a vote on energy efficiency legislation – S. 761, the Energy Savings and Industrial Competitiveness Act – before the August recess. Sen. Reid indicated late last week a vote is still possible on the bill and he is considering what amendments to allow to it. Sen. John Hoeven (R-N.D.) has indicated he wants to offer his Keystone XL Pipeline legislation, which would take ultimate approval for the project away from the Obama Administration, as an amendment to the bill. As such, MSCI members are encouraged to call Senate leadership *early this week* to encourage them to allow a vote on this amendment and to call their [senators](#) to tell them to support it. Worth mentioning in these conversations: the poll from the *National Journal* that found 67 percent of Americans support construction of the Keystone Pipeline while just 24 percent oppose it. Additionally, as *Connecting the Dots* noted last week, a number of [local government officials](#) have written to the State Department arguing how vital the pipeline is to the economic viability of their communities. Finally, according to *Bloomberg*, the State Department itself "has predicted that the construction phase of the pipeline's northern segment will indirectly create about 42,000 jobs ..."

**Immigration Path in House Gets More Confusing.** After U.S. House Speaker John Boehner (R-Ohio) signaled two weeks ago that he might be open to considering a comprehensive immigration reform bill in his chamber, House Democrats announced last week that they would not oppose getting immigration reform done on a piecemeal basis. According to *CQ Today* (subscription required), "House Minority Leader Nancy Pelosi, D-Calif., said Thursday that she is willing 'to cooperate and to collaborate and to try to find common ground' with Republicans on immigration." So far, committees in the chamber have considered five standalone immigration-related bills. MSCI still favors the U.S. Senate's comprehensive approach and continues to ask its members to [call their legislators](#) to voice their support for the Senate immigration reform bill – S. 744, the Border Security Economic Opportunity and Immigration Modernization Act.



## Market Tracker

### The Week's Top Economic Data Points

- The Chicago Federal Reserve announced last week that its [National Activity Index](#) increased from -0.29 in May to -0.13 in June. The index's three-month rolling average also improved, rising from -0.37 in May to -0.26 in June. According to the bank, the reading "suggests subdued inflationary pressure from economic activity over the coming year."
- According to Thomson Reuters/University of Michigan, in July consumers were the most optimistic they had been in six years. The organizations' index of [consumer sentiment](#) increased from 84.1 in June's final reading to 85.1 in July's final reading.
- The Conference Board of Canada's index of [business confidence](#) rose from 91.3 in the first quarter of 2013 to 101.5 in the second quarter. Meanwhile, the Canadian government announced it now expects the country's economy to expand 1.7 percent in 2013, a rate that is slightly above its previous estimate for 1.6 percent growth. However, the government also lowered its estimate for 2014, cutting the anticipated annual growth rate from 2.5 percent to 2.4 percent.
- Orders for [durable goods](#) in the U.S. increased 4.2 percent between May 2013 and June 2013. (Orders were up 3.7 percent over June 2012.) Durable goods shipments fell slightly while inventories were up 0.2 percent.
- Markit's [purchasing managers' index](#) for the U.S. rose from 51.9 in its final June reading to 53.2 in its preliminary July reading. An increase in employment, new orders and new export orders drove the improvement.
- According to the [Federal Reserve Bank of Richmond](#), the manufacturing sector in the Central Atlantic region contracted in July. Led by a decline in the capacity utilization, order backlogs, and the average workweek sub-indices, the composite index fell from +9 in June to -11 in July. The employment sub-index was flat at zero.
- According to the [Federal Reserve Bank of Kansas City](#), the manufacturing sector in the Midwest expanded in July. The bank's composite index of manufacturing activity rose from -5 in June to +2 in July. Several sub-indices rose, including the production index, which rose from -17 in June to +21 in July, its highest level in three years. The employment index and the order backlogs index both fell.



## Global View

### Manufacturing News & Economic Data From Around The World

**China Tells Factories to Close.** The [Chinese government](#) last Thursday ordered companies from 19 industries – including aluminum, steel and copper – to shut down operations. According to *The Associated Press*, Nomura economist Zhiwei Zhang said the announcement indicated, "[T]he government is serious in its efforts to restructure the economy and is prepared to tolerate the necessary pain. This reinforces [Nomura's] view that aggressive policy stimulus is unlikely in 2012 and that growth should trend down." The Chinese government's order will affect more than 1,400 companies.

**Japan Wins Rare Earths Mining Rights.** The International Seabed Authority last week approved Japan's petition to explore for and mine [rare earths minerals](#) in the waters surrounding Japan's Minamitorishima coral atoll. Japan is expected to sign the 15-year contract soon.

#### Global Economic Analysis and News of Note:

- The HSBC [purchasing managers' index](#) (PMI) for China fell from 48.2 in June's final reading to 47.7 in July's preliminary reading.
- Meanwhile, Markit's PMI for the [Eurozone](#) increased from 48.7 in the final June reading to 50.4 in July's preliminary reading. If the rating holds in Markit's final revision later this month, it would be the fourth increase for the PMI in as many months.



## State House Summary

### Manufacturing News From The U.S. States

**Nebraska Court Case Could Delay State Department's Keystone Decision.** An eminent domain case set to begin in Nebraska in late September could delay the U.S. State Department's decision on the [Keystone XL Pipeline](#). Lawyers for the plaintiffs argued, "With the Nebraska route in doubt ... it would be irresponsible to approve a national route when nearly 200 miles are still in question. We encourage our government to honor our legal process and give Nebraska its day in court." Meanwhile, [President Obama](#), in an interview



released last Saturday, seemed to oppose the pipeline. According to *The Hill*, the president argued the pipeline, “would not be a major job creator and could increase gasoline prices” but added “the White House decision will rest on climate change.”



## Notes, Quotes & Anecdotes

### Ideas & Events from MSCI & Its Members

**MSCI Joins Tax Reform Coalition; Markup Could Begin in Fall.** The Metals Service Center Institute (MSCI) has joined with more than 100 organizations to form the Coalition for Fair Effective Tax Rates, a new group that will argue for comprehensive tax reform at the federal level. MSCI President and CEO Bob Weidner said, “We are excited to join this coalition, which will represent large and small businesses seeking to reform the tax code in a way that will spur economic growth, add jobs, increase fairness and reduce complexity. MSCI represents businesses that pay income taxes through both the corporate and individual rate systems. As such, we believe tax reform must be comprehensive – Washington must lower the corporate tax rate *and* rates for the small businesses or pass through entities that pay

through the individual system.”The coalition will illustrate to federal lawmakers the negative consequences of higher effective tax rates and ask Congress and the White House to use effective tax rates as a leading metric for reform. Specifically, the coalition will use this metric to bolster support to broaden the tax base while lowering tax rates for corporations, pass through businesses and individuals. In doing so, the coalition will not take position on individual tax deductions or credits that could be considered for elimination. Additionally last week, MSCI signed a letter with more than 70 groups to the leadership of the Senate Finance Committee and the House Ways and Means Committee outlining the groups’ positions on [tax reform](#). Senate Finance Chairman Max Baucus (D-Mont.) has indicated mark up of tax reform legislation could begin this fall.

**Anecdote of Note: Manufacturing Supports One in Six American Jobs.** According to the [National Association of Manufacturers](#), “In 2012, manufacturers contributed \$1.87 trillion to the economy, up from \$1.73 trillion in 2011” and supported “an estimated 17.2 million jobs in the United States – about one in six private-sector jobs.”

**Comment Card.** Remember to send us your thoughts by emailing MSCI Advocacy at [Advocacy@msci.org](mailto:Advocacy@msci.org).

