



Reshoring Initiative

Bringing Manufacturing Back Home

Reshoring and FDI: Prove Millions of Manufacturing Jobs Can be Brought Back with the Right Policies

IMTS 2016
Press Briefing

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U.S.: Better Place to Produce and Source to Supply the U.S. Market

- Proof:
 - FDI at record level in 2015, #1 in the world
 - % FDI into mfg: 70% in 2015 up from 36% historically
 - Rank in competitiveness: #2 now, #1 in 2020 (Deloitte)
 - Reshoring and FDI balanced offshoring in '14 and '15 (RI)
- Reasons:
 - Recognition of the costs of offshoring
 - Globalization → Localization
 - Largest market & largest trade deficit
 - Greatest opportunity for growth

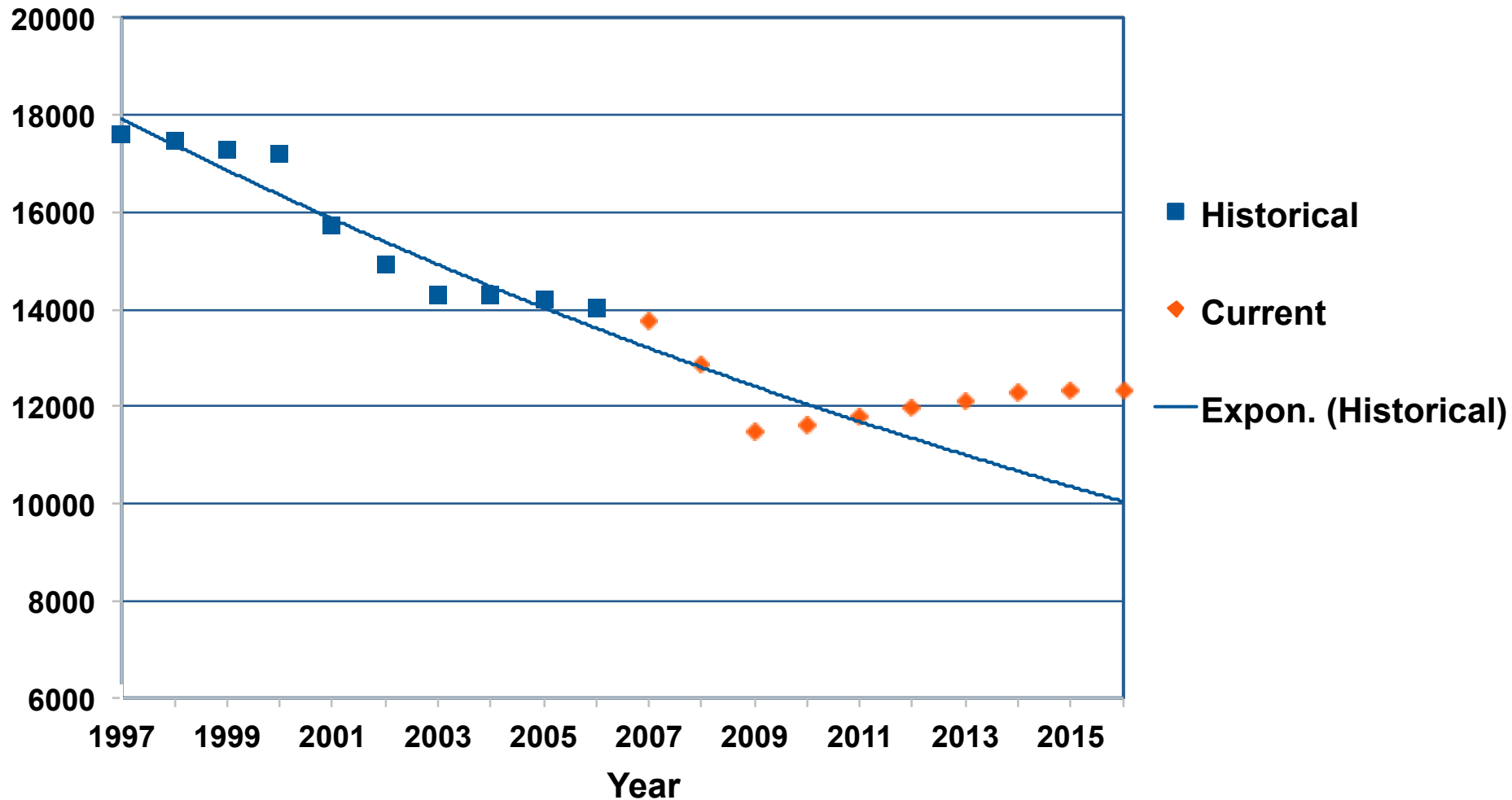


Offshore Bleeding has Stopped

Manufacturing Jobs/Year			
	2000-2003 Annual Average	2015	% Change
New Offshoring	~240,000	~60,000	-75%
New Reshoring & FDI	12,000	67,000	+ 400%
Net Jobs Gained	~-220,000	~0	N/A

We are beating the trend

BLS Manufacturing Employment 000's





Bad News: Not Happening Fast Enough

- 4 million jobs still offshored
- GDP Growth: 1%
- Manufacturing: 1%
- Productivity: only 1.8%
- Investment: down
- US\$ driven higher by financial flows
- Skilled and unskilled workforce: in short supply
- Worries about robots or offshoring replacing workers

To Grow Manufacturing

- At a fixed level of consumption the only way to grow manufacturing is to export more or import less.
- Importing less (reshoring and FDI) is much easier.

		Where Sold	
		U.S.	China
Where Made	U.S.	\$100	\$115
	China	\$100	\$85
Difference		0	30%

Based on TCO being 15% higher for exports

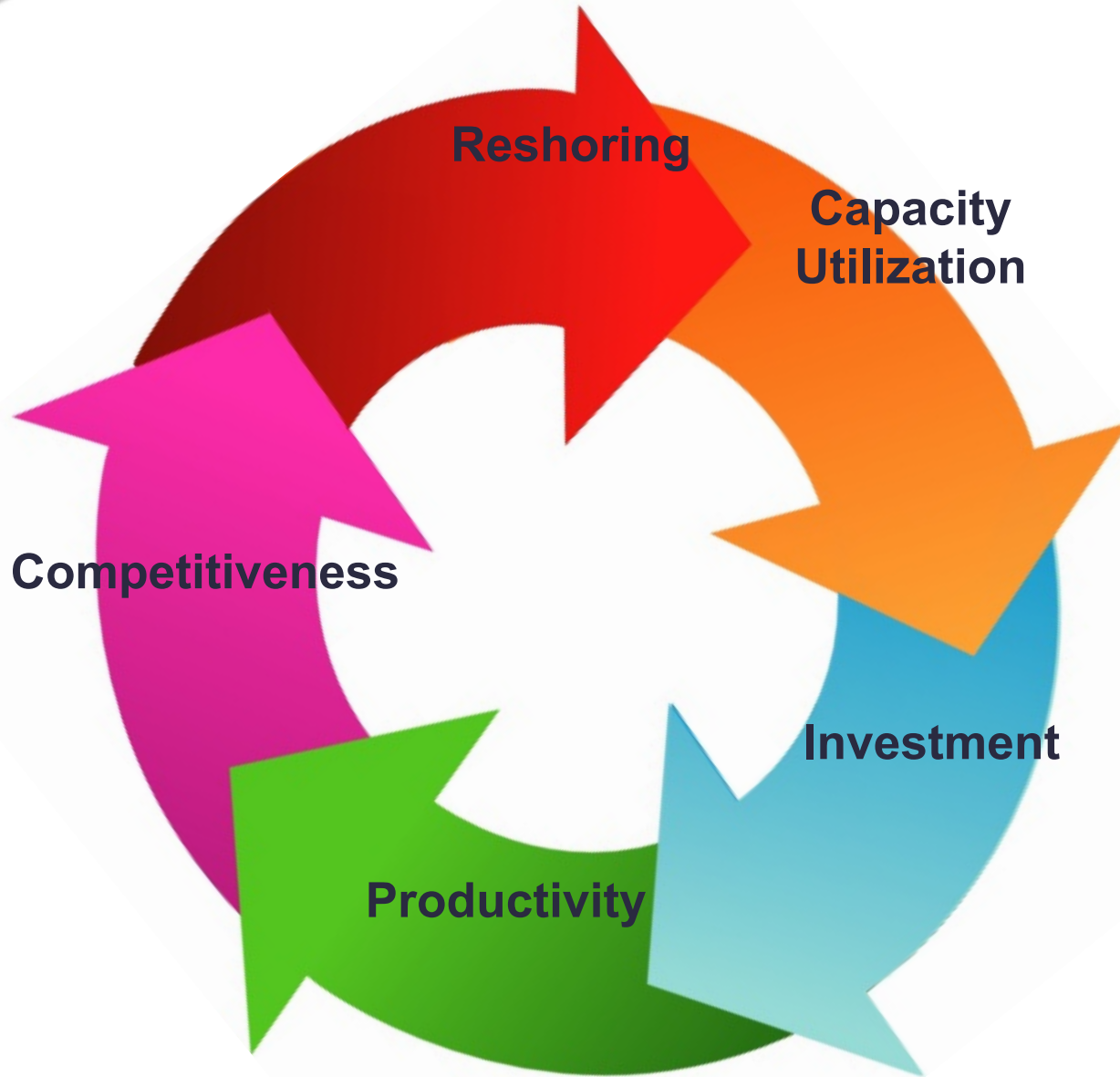


Solution: Balance the \$500 billion trade deficit

- 4 million manufacturing jobs
- Cut U.S. budget deficit by about 50%
- Strengthen the middle-class
- Increase manufacturing: 25%
- If spread over 20 years: 25% extra annual capital equipment investment
- Strengthen recruitment
- Allow productivity **and** growth in mfg. employment

Virtuous Cycle: Reshoring/ Productivity

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Virtuous Cycle: Reshoring/ Skilled Workforce



- Skilled Workforce:
 - Recruit
 - Apprentices
 - Certificates, e.g. NIMS and MSSC
- Invest in advanced mfg.
- Consider the environmental impact
- Report on cases of reshoring.
 - Get a shirt! (Media eligible on new cases.)
- Use TCO for sourcing and siting



60% of manufacturers:

- Apply “rudimentary” total cost models
 - Wage Arbitrage
 - PPV (Purchase Price Variance)
 - Landed Cost
- Ignore 20% or more of the total cost of offshored products

Source: Archstone Consulting survey, American Machinist Mag., 7/16/09

Comparison Basis	% of cases where U.S. has the advantage
Price	5%
TCO	53%
Difference	48%*

***Conservatively 25% might return if companies shifted to TCO**



Inventory & TCO: Circuit Boards:



- Woodridge, IL
- Supplies heavy equipment companies
- \$25M order vs. Chinese competitor

TCO for Investing

- By understanding:
 - The advantage of producing near the consumer, and
 - The small TCO gap instead of the large price gap
- U.S. companies can:
 - Justify domestic investment, process improvement, automation, training, etc.
- And do not have to sacrifice quality, delivery, time-to-market, or employees to be competitive and profitable.



CSR Estimator Will Provide

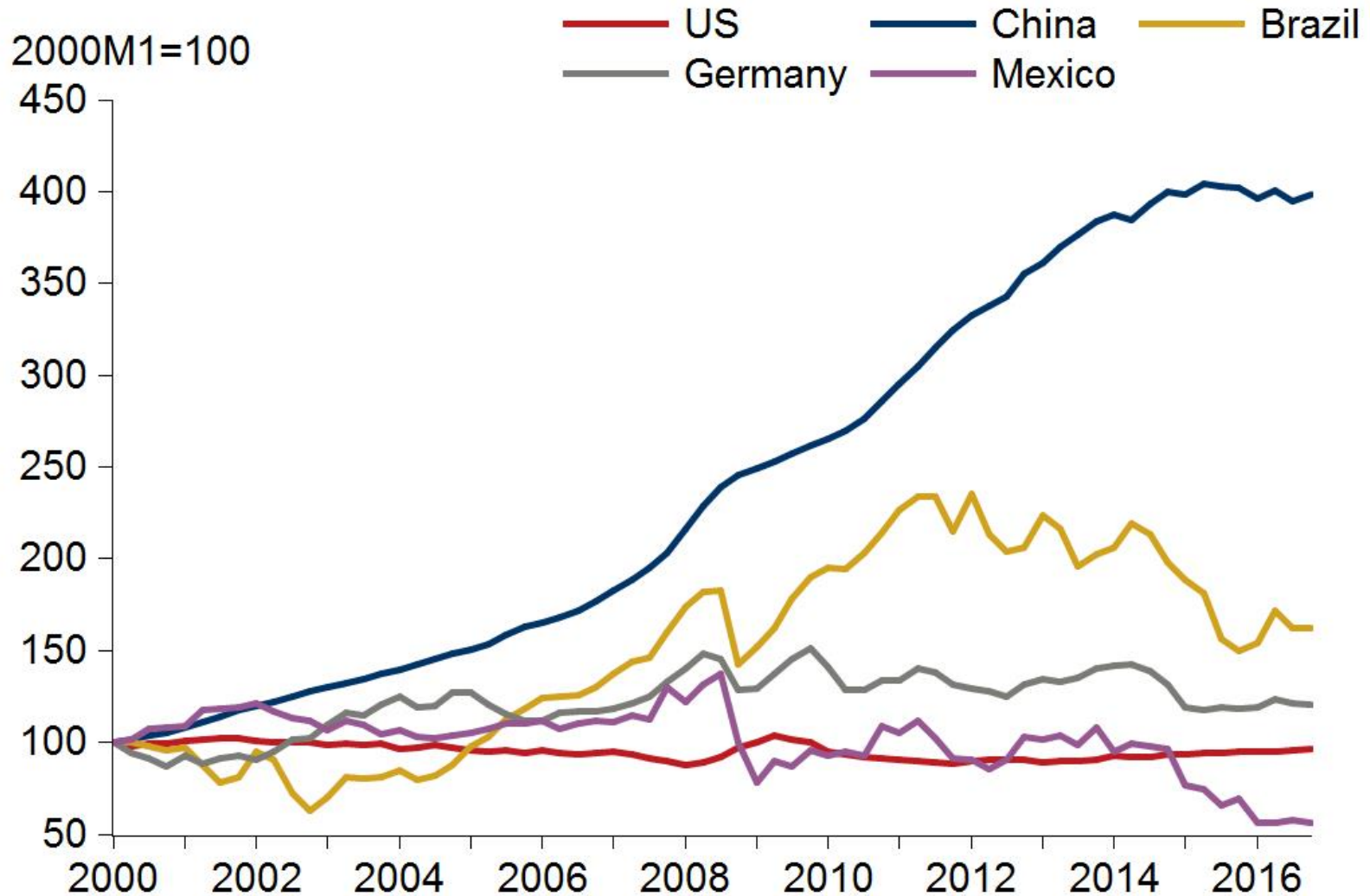
- For companies:
 - Standard tool to include externalities in sourcing decisions.
 - Identification of the products with the best shareholder and sustainability returns.
 - Help justifying the marginal opportunities
 - Recognition for success,
- For advocates:
 - Tool to advance an economically and environmentally sustainable economy.

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Need from the Government

Factor	Model	Competitiveness Impact Est.
Skilled Workforce	Germany and Switzerland	5%?
Corp Tax Reform	Ireland	2%
VAT	Most of the World	15%?
Focus on reshoring	UK, Korea, Holland	?
\$ Down 30%	Japan, China, Korea, Europe	10% - 15%

Indexed Unit Labor Costs in Manufacturing in US\$



Source: Oxford Economics/Haver Analytics



Quantifying the Competitiveness Gap

- TCO user database provides:
 - Ex-works product price comparisons
 - User calculated “hidden” costs including quality, delivery, IP etc.
 - By source country (esp. China) and industry
- We could:
 - Calculate the % FOB and TCO competitiveness gaps.
 - Estimate the mix of actions (VAT, corp tax rates, productivity, USD) to reduce the trade deficit by X%.



The Industry-Led Reshoring Initiative Provides

- Online Library of 3,500+ reshoring articles
- Case Study template for posting cases.
- Motivation for skilled manufacturing careers
- Free Total Cost of Ownership (TCO) software for:
 - Companies for sourcing
 - Suppliers of parts and equipment for selling

Reshored & FDI'd Industries: Top 10

Industry	Jobs
Transportation Equipment	98,232
Electrical Equipment, Appliances, Components	35,388
Fabricated Metal Products	20,413
Plastic/Rubber Products	19,507
Computer/Electronic Products	15,635
Apparel/Textiles	13,903
Machinery	13,561
Chemicals	10,652
Wood Products	9,853
Food & Beverage	7,417

Sources:
Reshoring
Initiative Library.

Cases 2007
through 12/31/15.



Economic Development Program in PA & MS

Action	Source/Responsibility
Identify local imports by U.S. or foreign companies	Datamyne
Suggest to companies they source locally	EDO/MEP/ etc.
Train companies on TCO to overcome issue of higher local price	Reshoring Initiative
Needed further cost reductions	MEP/ Comm. College/ Technology Suppliers/EDO



MS Make it in America Challenge

- Jobs created: 320 to-date, 2,500 more targeted
- Jobs saved: 13 to-date, 82 more targeted
- Private investment: \$41+ million

- Median price for industrial loads: China 52% to 96% higher
- Min to max: 19% to 233% higher
- For example, \$/kWh:
 - Shanghai: \$0.156
 - Tianjin: \$0.13
 - U.S. Midwest: \$0.0875
 - U.S. Southeast: \$0.07

- 25% of U.S. companies active in China have moved some operations out of the country or plan to
- 77% said they felt "less welcome" in 2015, up from 47%/2014
- Common drivers:
 - foreign firms targeted with monopoly probes carrying huge penalties
 - rising labor costs
 - regulatory challenges
- 45% reported flat or declining revenues
- Common drivers:
 - U.S. energy boom
 - stable U.S. wages

Mexican Trade, Billions 2015

Country	Imports	Exports	Balance
U.S.	\$187	\$309	+\$122
China	\$70	\$5	-\$65
Japan	\$17	\$3	-\$14
S. Korea	\$15	\$3	-\$12
Germany	\$14	\$4	-\$10
Canada	\$10	\$11	+\$1
Malaysia	\$7.5	--	-\$7
Taiwan	\$6.6	--	-\$6
Brazil	\$4.5	\$4	--
India	\$3.7	\$2	-\$2
Total			-\$15

Source: <http://www.worldstopexports.com/mexicos-top-import-partners/> .

My Advice to Mexico Last Week

- Globalization has peaked.
- U.S consumers and politicians increasingly focused on Made in the USA and balancing \$500 billion/year trade deficit
- Proposed strategy:
 - Substitute Mexican production for Asian imports:
 - Improved trade balance
 - Strengthen relations with key trading partner: U.S.
 - Team with the U.S. and Canada to compete with Asia and India.



Even Apparel is Reshoring

- U.S. Retailers Losing \$250 Billion/year from Out-of-Stocks/Overstocks
- Reshoring improves product availability through shorter lead times via shorter supply chains.

Source: Retail's \$1.1 Trillion Inventory Distortion Problem,

Fast Fashion (Zara) has about 15% as much markdown

Source: Sourcing Journal, Zara Gap: Change the Culture, Change the Game, Apr 2016/

Smaller runs of garments that sell at full-price are better than volume runs of garments that have to be sold at discount.

Source: FASHION RESOURCE NETWORK: Aug 11, 2014

Adidas, Nike and UnderArmour all starting to produce in the U.S.

Reshoring and FDI Trends 1H'15

Measure	Reshoring	FDI
Industry	Transportation Equip. Appliances	Plastic/Rubber Products
State	TX, WA, OH	MS, PA, OH
Country from	N/C	China
Reasons	Proximity Made in USA	N/C

- 4.0 Will accelerate localization:
 - Smaller lots/customization
 - Very quick delivery increases local's % advantage
 - Makes wage difference unimportant
- Hanjin Shipping: Delayed shipment
- China's Sentury Tire: 1,000 employee factory in GA

A non-profit with 24 sponsors

16 at IMTS

Platinum



Gold



Silver



Bronze



Steel



Iron





Help Reverse the Offshoring Flood Now!

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