



Reshoring:

How OEMs, Job Shops and Technology Suppliers Can Benefit

IMTS Media Event

**Harry Moser
Reshoring Initiative**

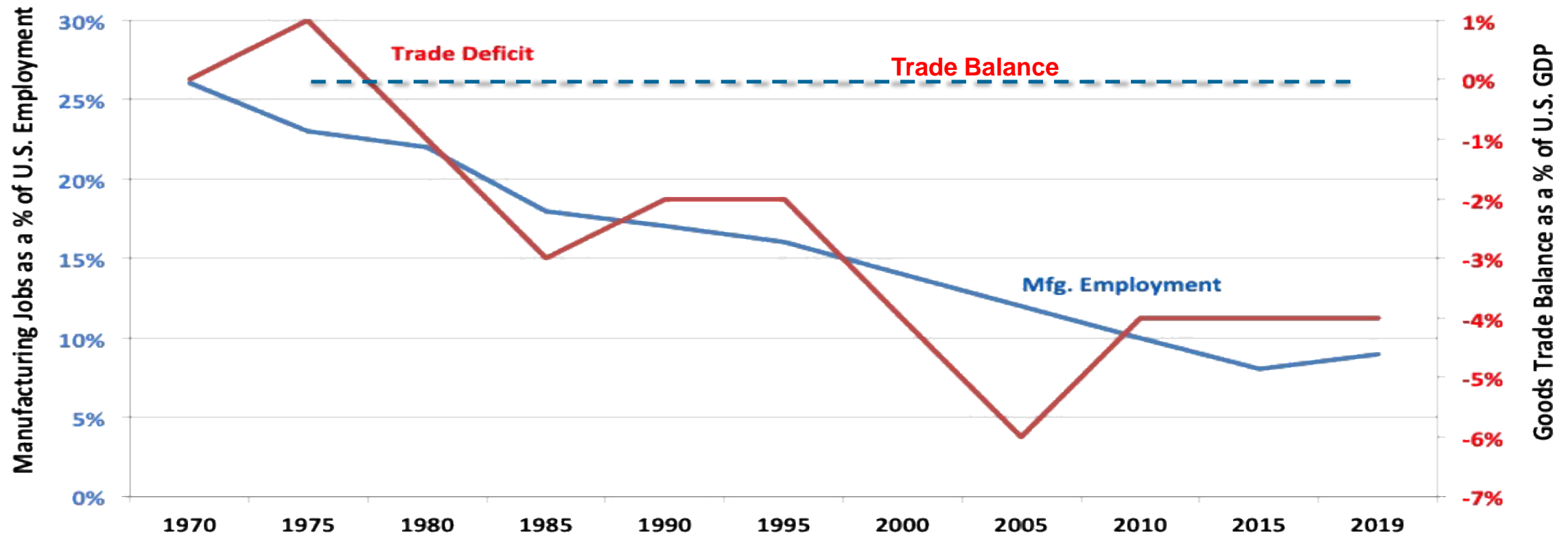


My Purpose

- **Show the strength and driving forces of reshoring**
- **Help media help:**
 - **OEMs decide to reshore**
 - **Job shops convince OEMs to reshore**
 - **Technology suppliers to enable both.**
- **Offer you my help**

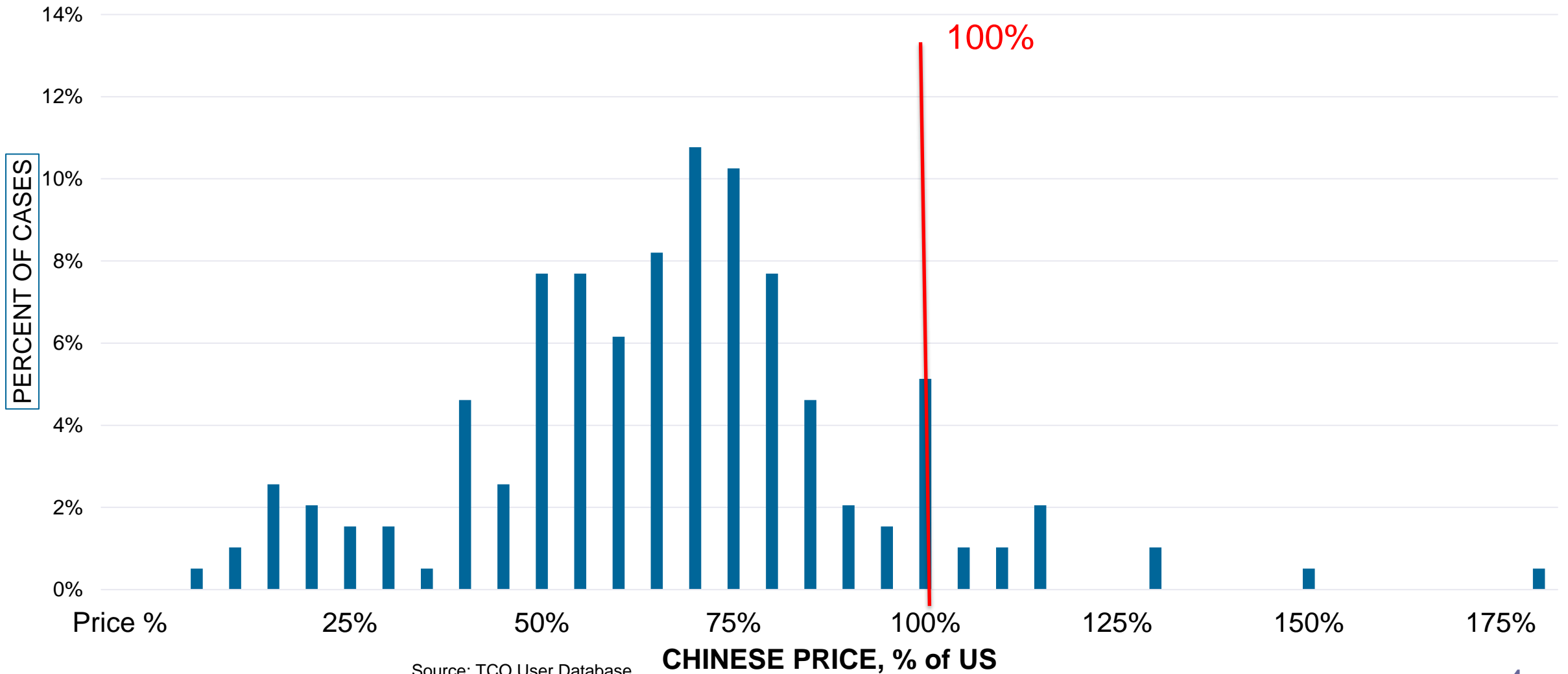
Trade Deficit Drove Jobs Down

U.S. Goods Trade Balance and Manufacturing Jobs 1970-2019



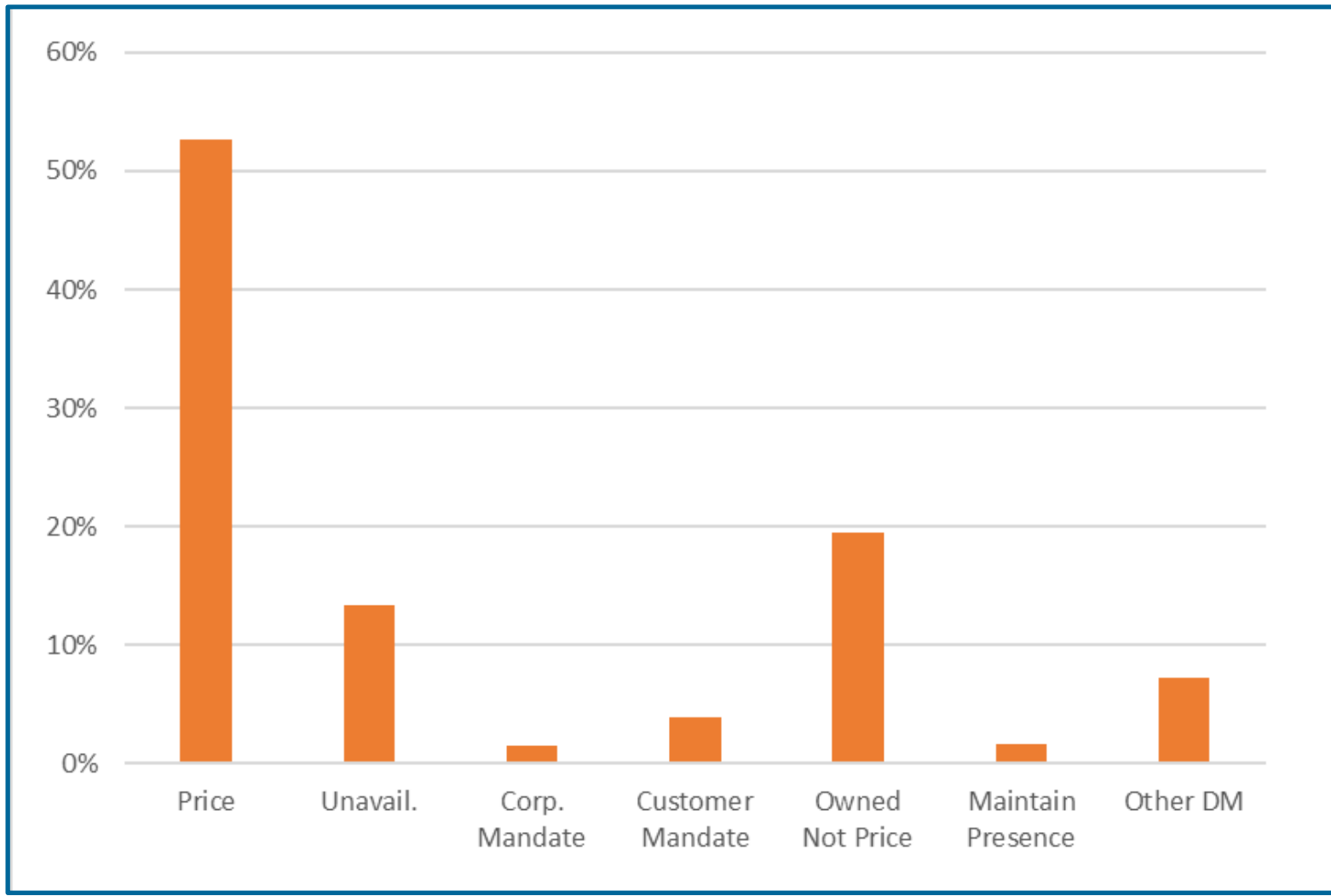
China FOB Price % of US

% Cases vs Price China % of US



Source: TCO User Database

Price Drives Offshoring

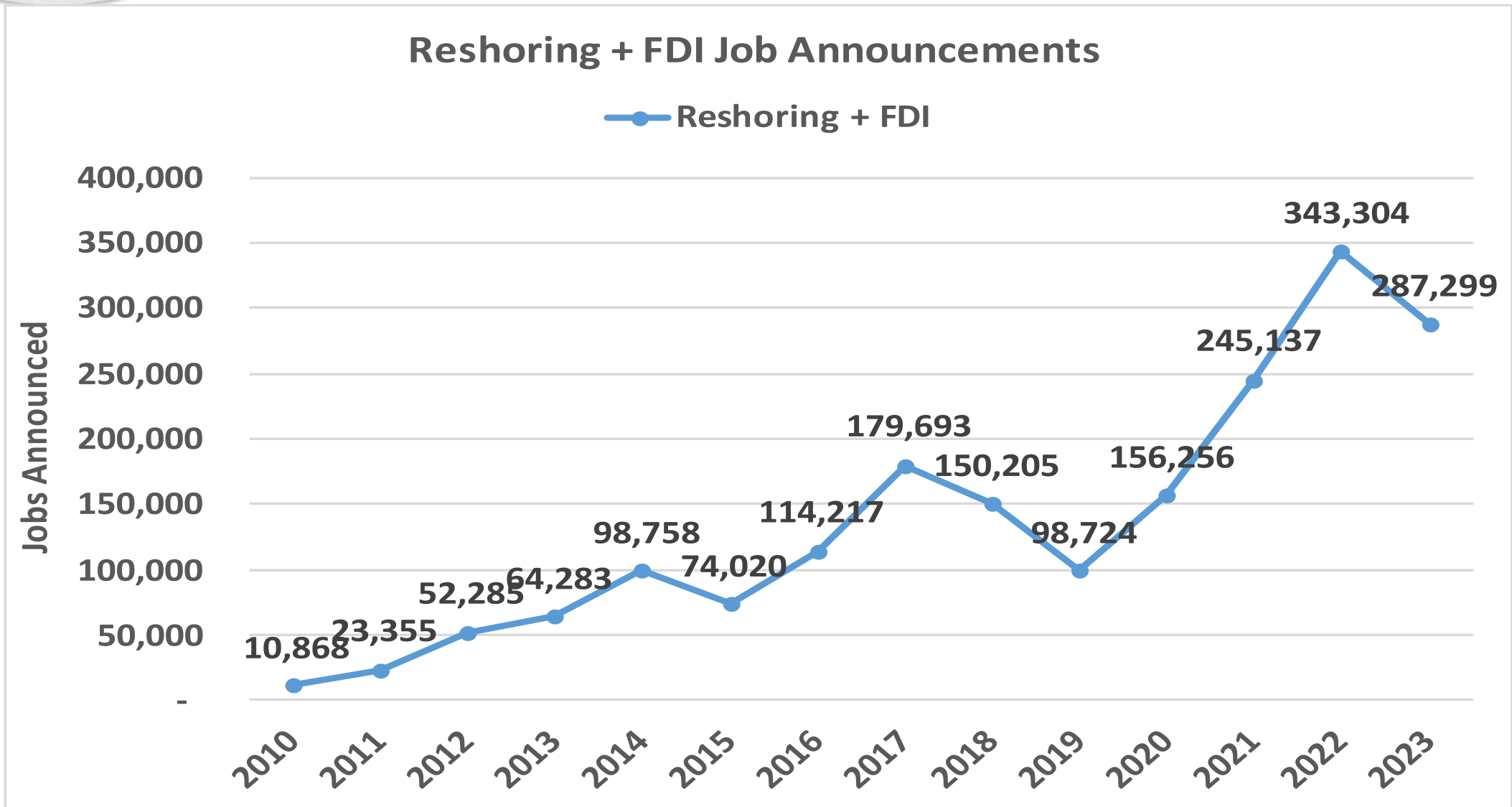


Restoring Balance

- **Reshoring/Onshoring:** U.S. companies bringing back manufacture of products that will be sold or assembled here.
- **FDI (Foreign Direct Investment):** Similar logic. Different owner.
- **Localization:** Producing near the consumer.
- **Nearshoring:** Mexico or Canada.
- **Friendshoring:** Other allies

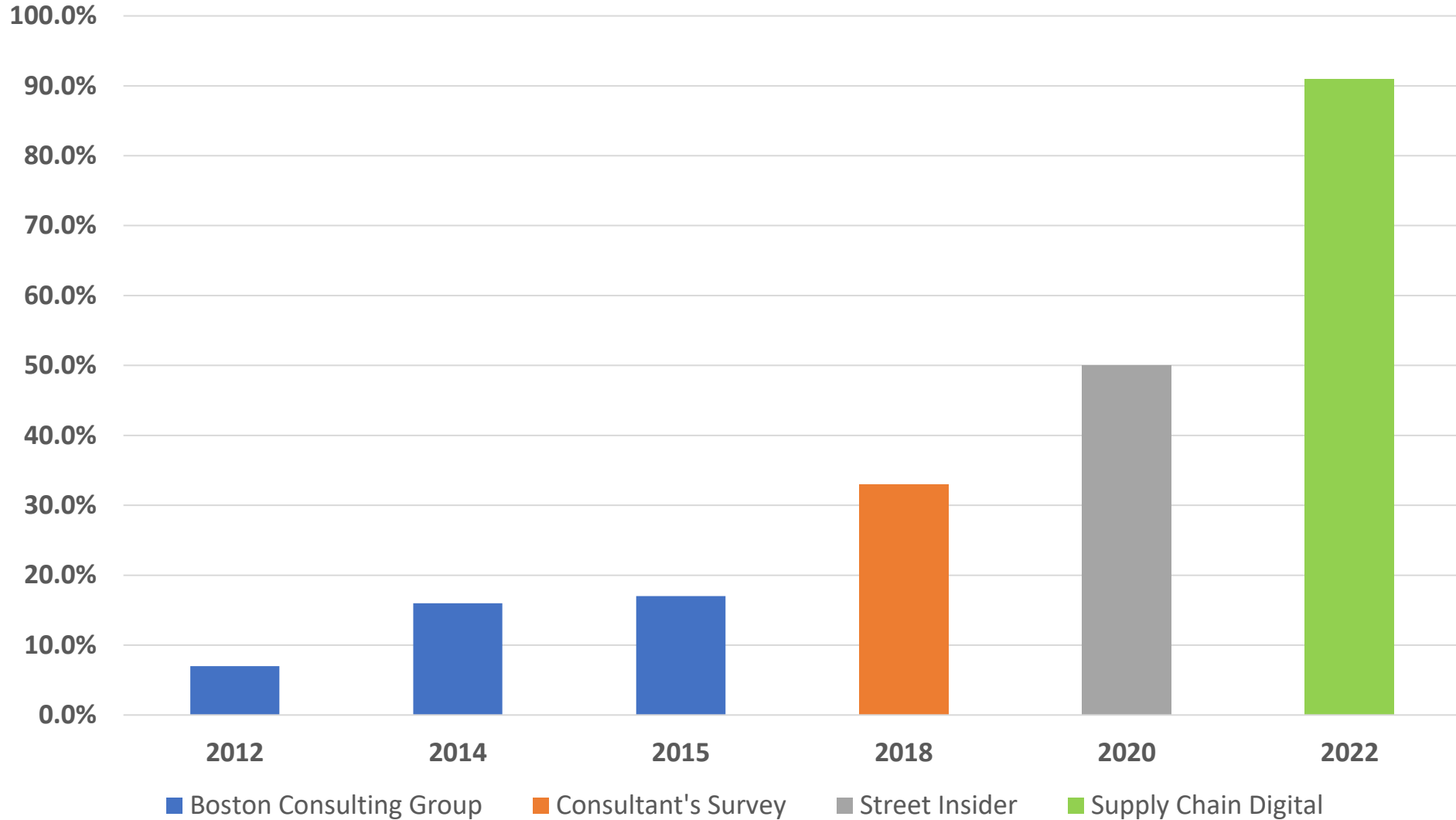


Reshoring + FDI Jobs Announced per Year



Source: Reshoring Library

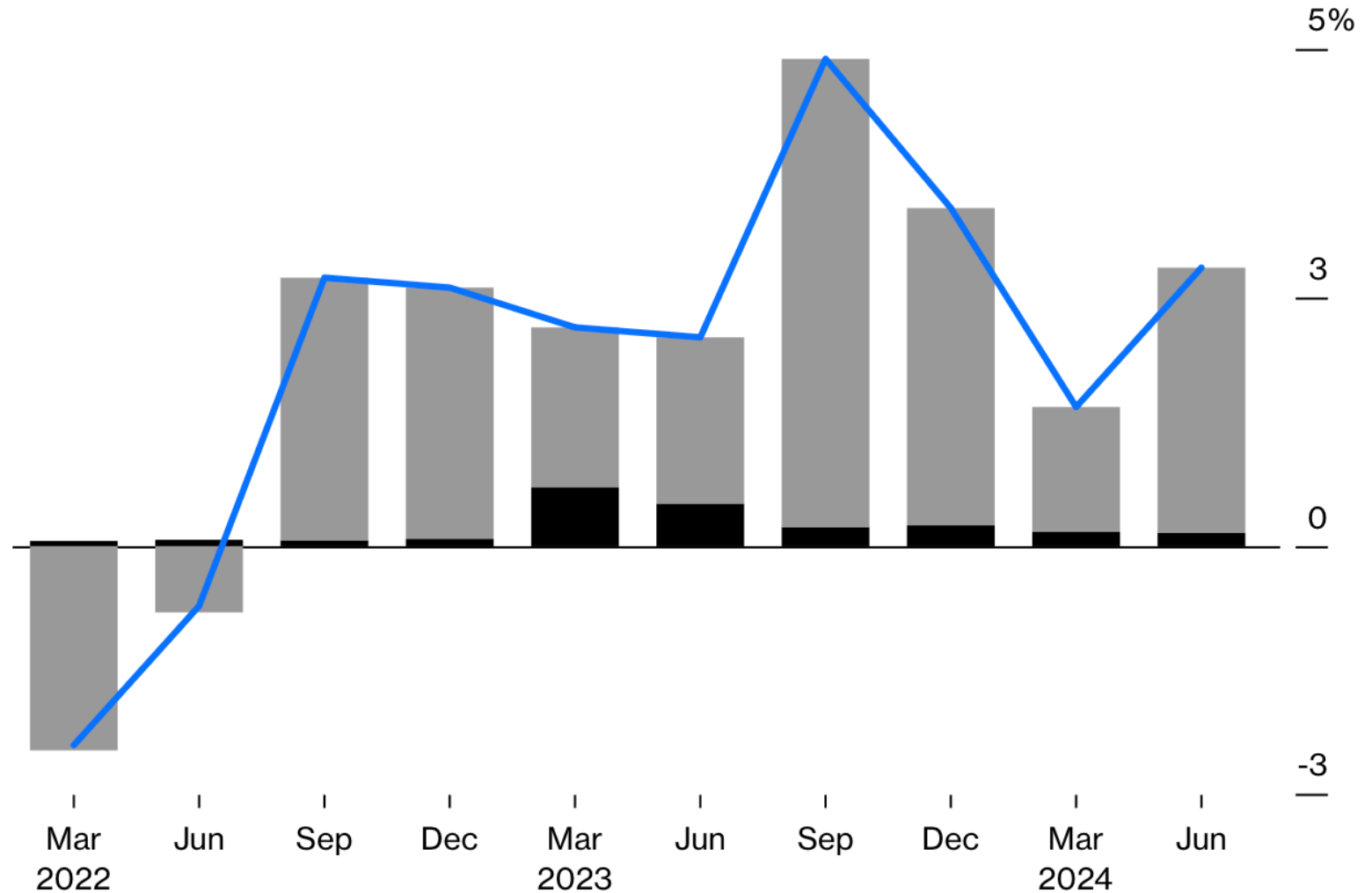
Percent of Companies Actively Reshoring



Manufacturing Moves the Needle

Investment in manufacturing structures has given a meaningful boost to GDP

/ Real GDP QoQ % (SAAR) ■ Private investment in manufacturing structures
■ All other components

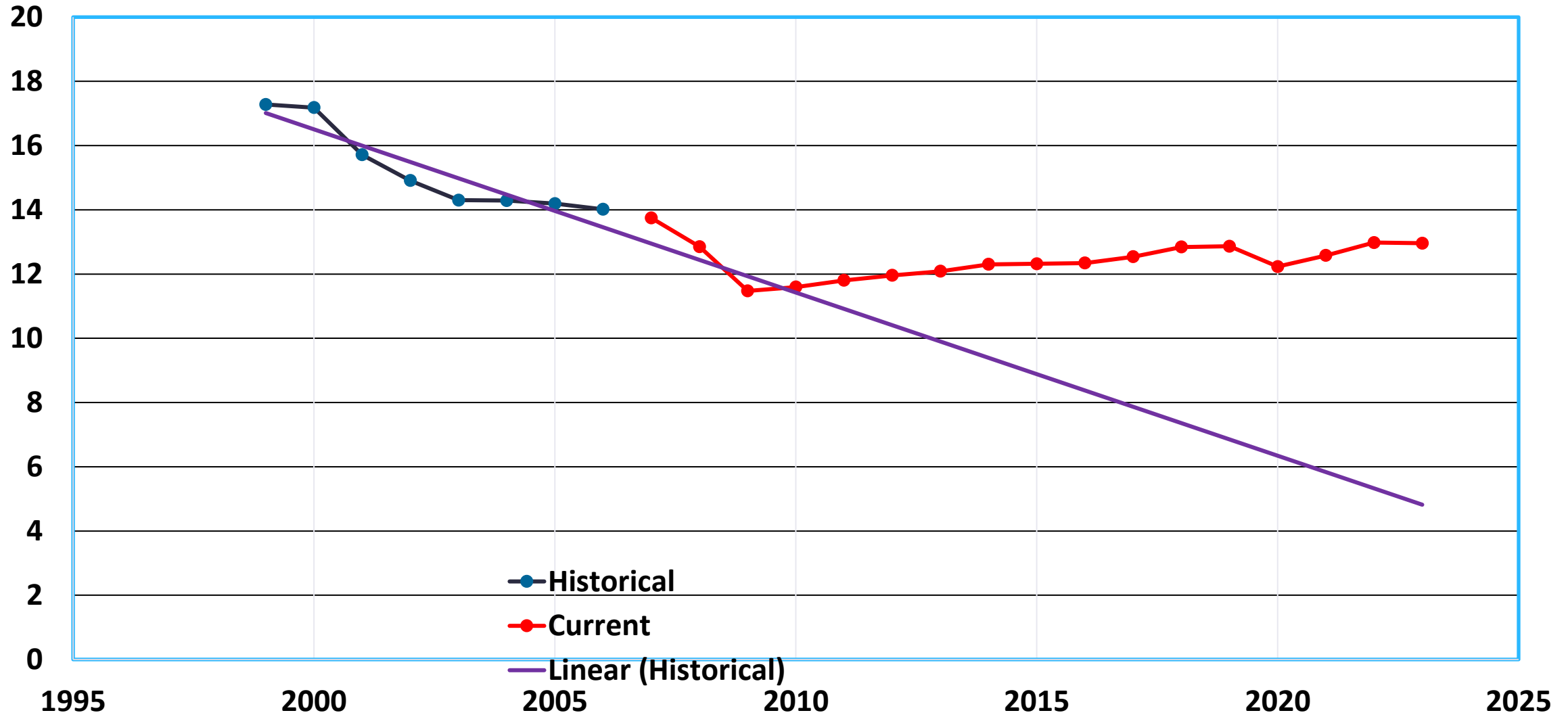


Source: Bureau of Economic Analysis, with analytics from Bloomberg's ECAN

Source: Bloomberg, Aug 22, 2024, "Harris Has a Manufacturing Record Trump Craves. She Should Use It."

https://www.bloomberg.com/opinion/articles/2024-08-22/harris-has-a-manufacturing-record-trump-craves?sref=sNmoQekT&utm_source=substack&utm

BLS Manufacturing Employment, Millions



2010 to 2020: Total Costs other than Price

Hard



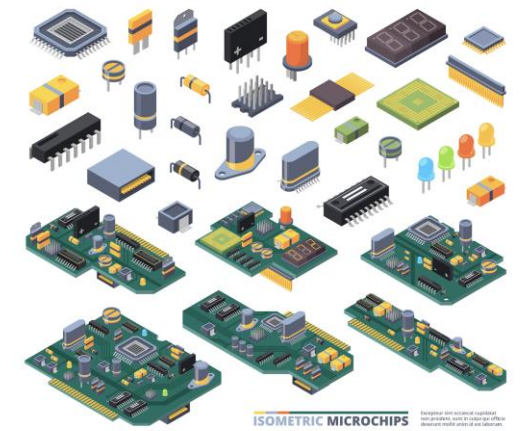
Risks &
Strategic



SOLD OUT



2021 & 2022: Dependencies



Disruptions



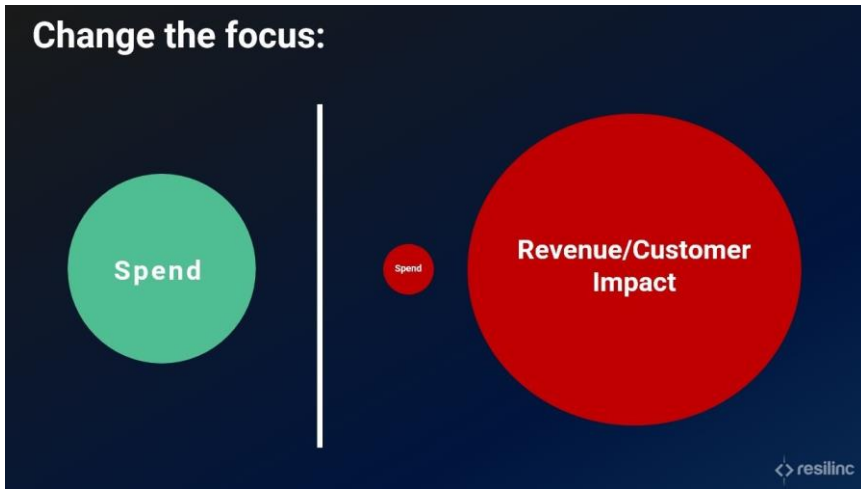


Geopolitical Tensions With China Threaten Supply Chains

Commentary: Paul Bingham, director of transportation consulting in the economics and country risk division of S&P Global.

- "you'd be foolish to depend on a steady supply at a low cost from China, given what might happen geopolitically"
- "By diversifying supply chains you're buying insurance, which is really what it boils down to, so that your business can survive if there is ever an enormous disruption in the relationship with China."

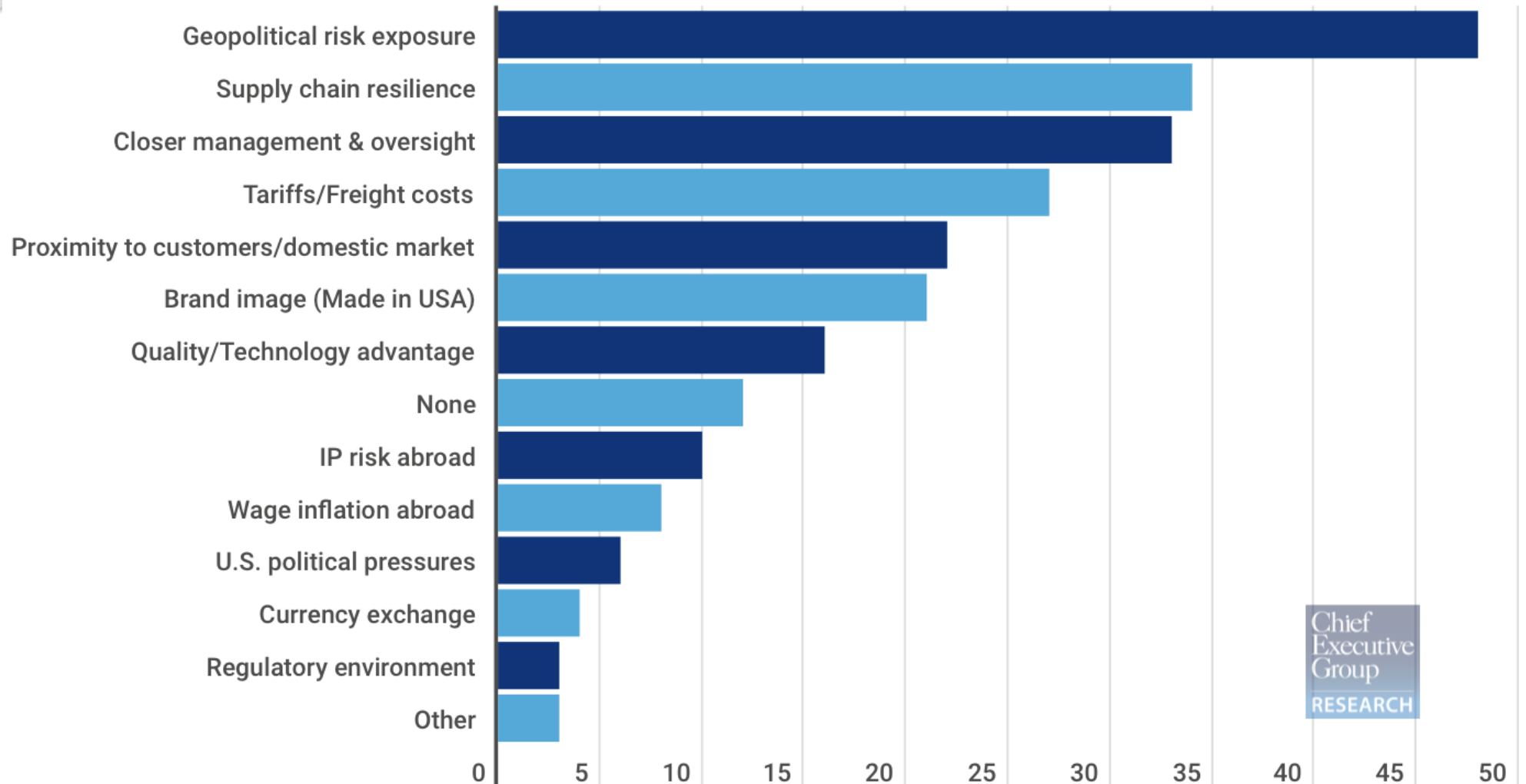
Supply Chain Focus Reset: From Cheapest Price To Revenue Impact



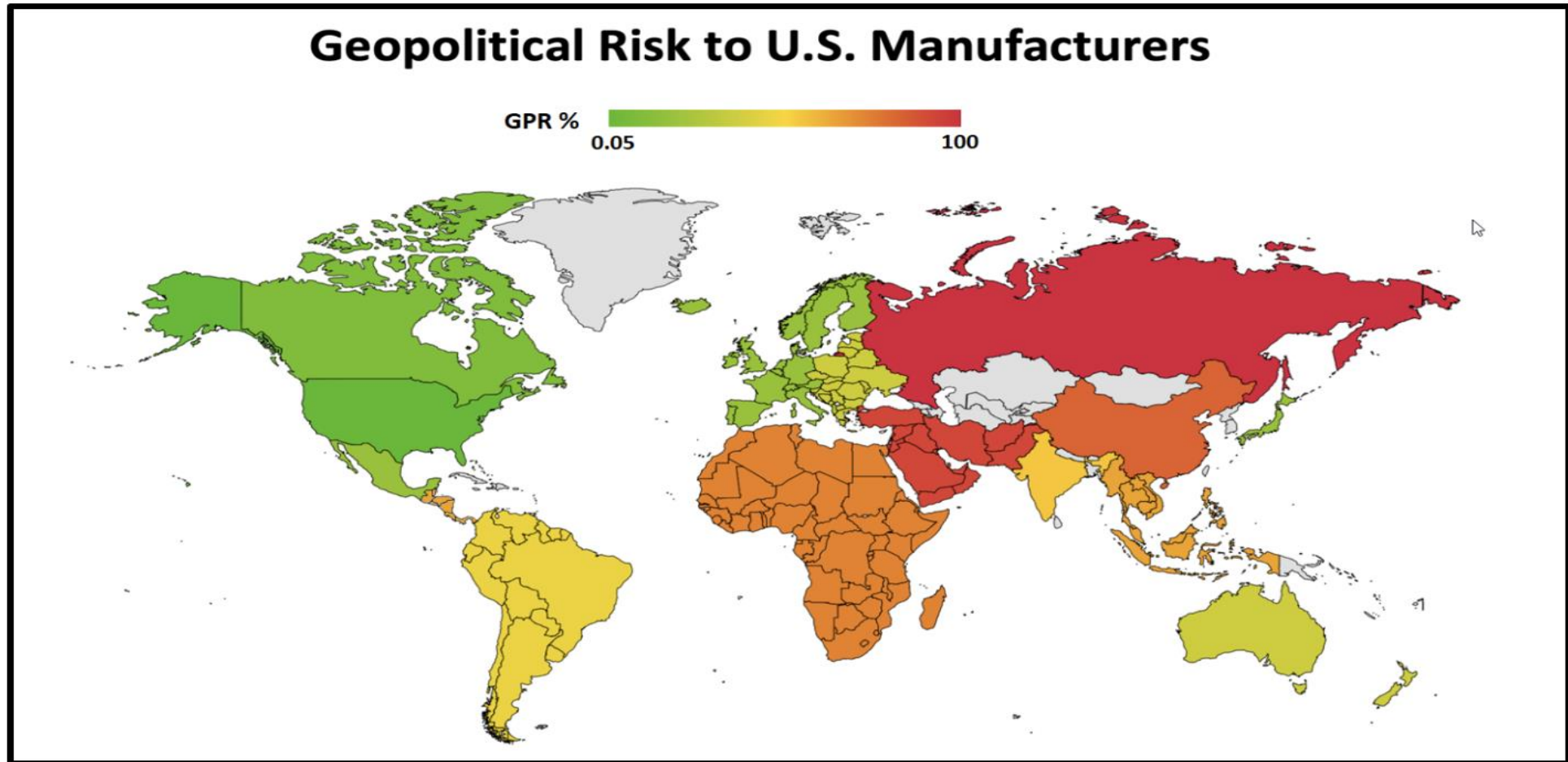
“Change in mindset, from focusing the most attention on suppliers with the largest spend to focusing on those supplying products with the greatest potential to cut into your company’s topline. Revenue impact needs to be the new way to segment and define critical suppliers.”

- Revenue impact = the new way to define critical suppliers
- Shift focus from largest spend to revenue impact
- Protect continuity of supply = protecting profits
- Shift from cost savings bonus targets to revenue impact bonus targets

What do you see as the main drivers for reshoring operations? (Select only the top 3)



Respondents were asked to select up to three options.



Source: Reshoring Initiative

<https://reshorenow.org/content/pdf/GlobalPoliticalRisk.pdf>

Companies: “U.S. is too Expensive” We Respond: Not if Companies Use TCO

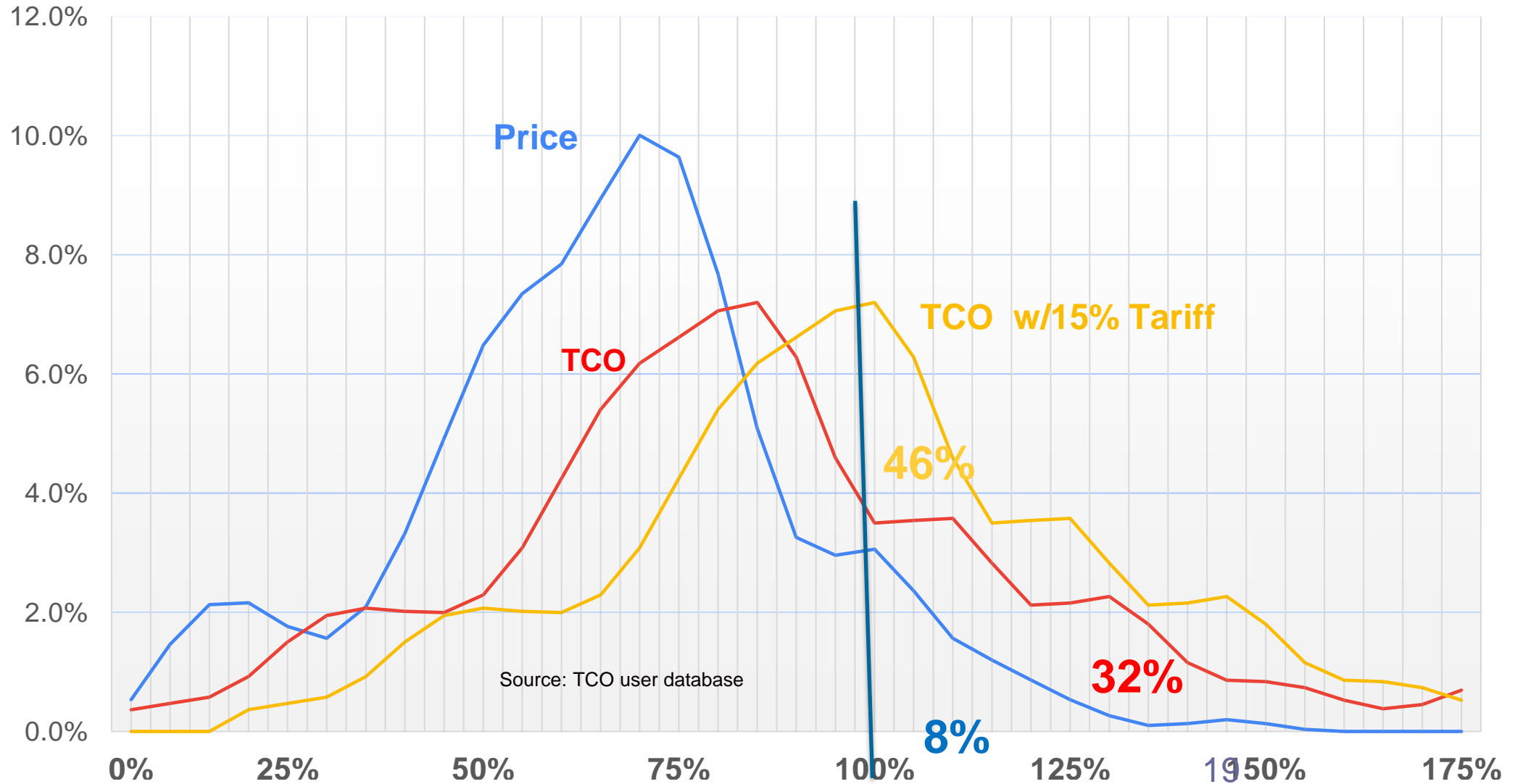
60% of manufacturers:

- **Apply “rudimentary” total cost models**
 - **Wage Arbitrage:** Wage cost comparison
 - **PPV (Purchase Price Variance):** vs. existing domestic source
 - **Landed Cost:** Assumes slow, cheap freight
- **Ignore 20% or more of the total cost of offshored products**

Also applies to BOP, call centers & IT

Chinese Price and TCO, % of U.S.

Chart Title



- **20% mfg. cost difference is hard to overcome. ROI negative**
- **5% TCO difference. Much easier. ROI positive**

- **Reshoring and TCO apply to all countries**
- **Revised TCO Estimator will include:**
 - **Geopolitical risk**
 - **Section 301 tariffs**
 - **ESG**

- **Reshoring reduces emissions 25 to 50%**
- **Ranked as best way to reduce emissions.**

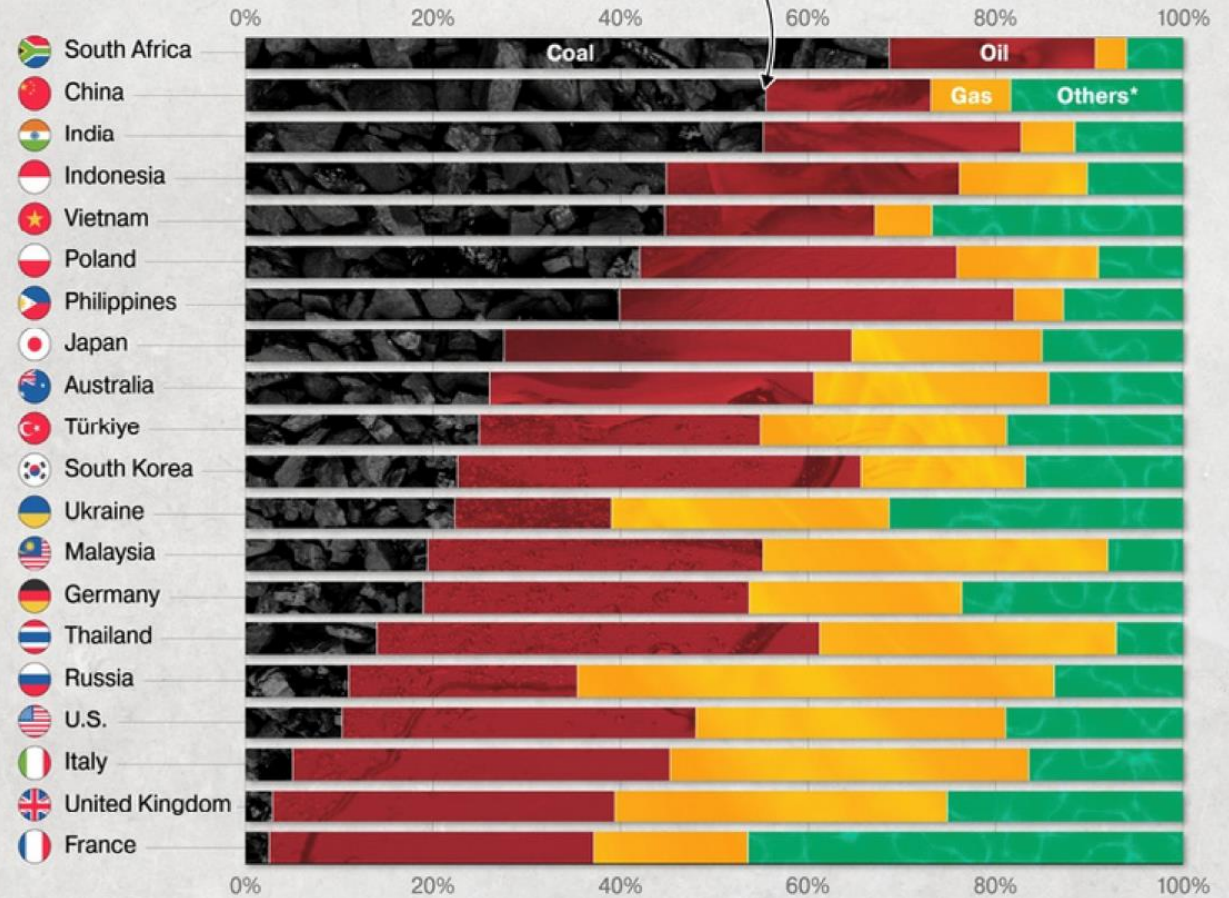
U.S. Fuel Mix Is Greener Than Most Countries

Source: Mauldin Economics, "Clips That Matter", August 16, 2023, https://images.mauldineconomics.com/uploads/pdf/CTM_August_16_2023.pdf, Energy Shift, July 11, 2023, "Which Countries Are Most Reliant on Coal?" <https://elements.visualcapitalist.com/which-countries-are-most-reliant-on-coal/>

Visualizing Nations' Reliance on Coal

Despite efforts to reduce carbon emissions, fossil fuels still account for more than **82%** of primary energy use globally.

Share of Energy Consumption by Fuel in 2022



Source: Statistical Review of World Energy 2023

*Others include nuclear energy, hydroelectric power and other renewables.

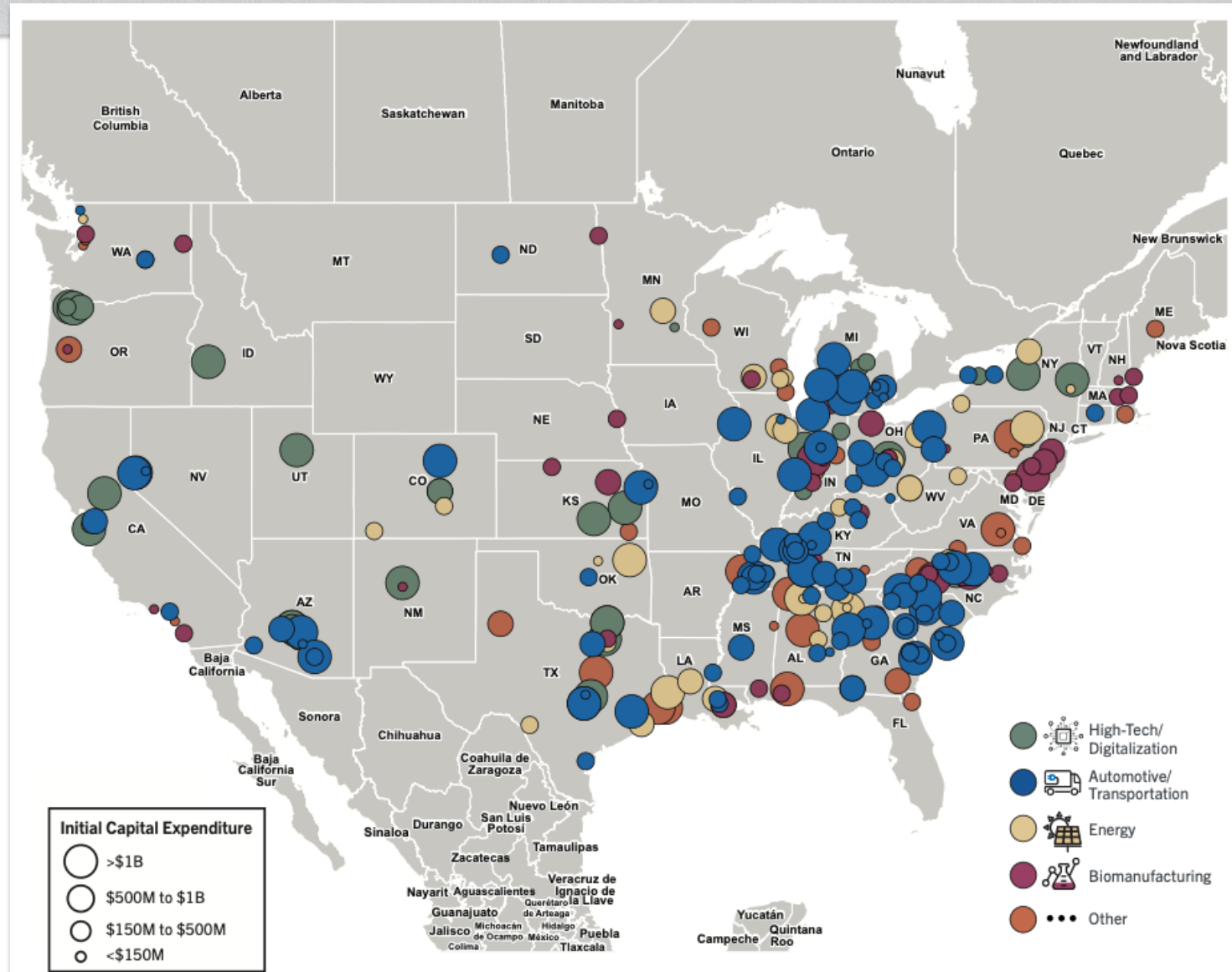


Source: [Visual Capitalist](https://visualcapitalist.com)

Michel Roger from Accenture confirms:

“Given that over 60% of carbon emissions are generated by supply chains, the need to rethink **where we manufacture has to be at the center of **driving a more sustainable future**”**

FIGURE 3: U.S. Major Manufacturing Announcements, 2020-Midyear 2023



Source: Newmark Research, Various press and media sources

Reshoring + FDI 2010 to 2023

RANK	Industry	# Jobs	# Companies
1	Electrical Equipment, Appliances & Components	400152	1417
2	Transportation Equipment	398618	1478
3	Computer & Electronic Products	308773	1383
4	Chemicals	184494	1623
5	Medical Equipment & Supplies	109646	946
6	Machinery	94765	705
7	Apparel & Textiles	93717	2056
8	Plastic & Rubber Products	61144	586
9	Wood & Paper Products	48021	174
10	Primary Metal Products	44210	320
11	Fabricated Metal Products	39934	558

- **Do you receive many components or products from China, Taiwan and nearby countries?**
- **Do your U.S. suppliers?**
- **Are any subject to the 25% Section 301 tariff?**
- **Is ESG a high priority for the company?**
- **If all products from China, Taiwan and nearby countries stop coming, how severe would the impact be?**
- **Are you planning on reshoring any of those products now as insurance and to improve ESG?**
- **If not, why not?**

Which Country Should Design U.S. Industrial Policy?

“Americans cannot choose whether or not the US economy should be subject to trade and industrial policies, but must instead **choose whether these trade and industrial policies are to be designed at home or abroad.**”

Defending Democracy: “The goal of US policy should be to prevent major war.”

- “It is cheaper to sustain a favorable order than rebuild one that has been shattered.”
- “The US must find, in wars that are already occurring, the urgency needed to prepare for what may come.”
- “Use what wars in Ukraine and the Middle East have revealed about a deteriorating global order — **and a feeble defense industrial base** — to impel the larger rearmament program that can ease those tradeoffs by **expanding America’s overall production capacity.**”

Hal Brands, Henry Kissinger Distinguished Professor

at Johns Hopkins University’s School of Advanced International Studies

- **Skilled workforce:**
 - **Massive shift from liberal arts degrees to apprenticeships**
 - **Focused college loans**
 - **Apprentice loans**
- **Currency or tariffs, e.g. VAT**
- **Competitiveness Toolkit**

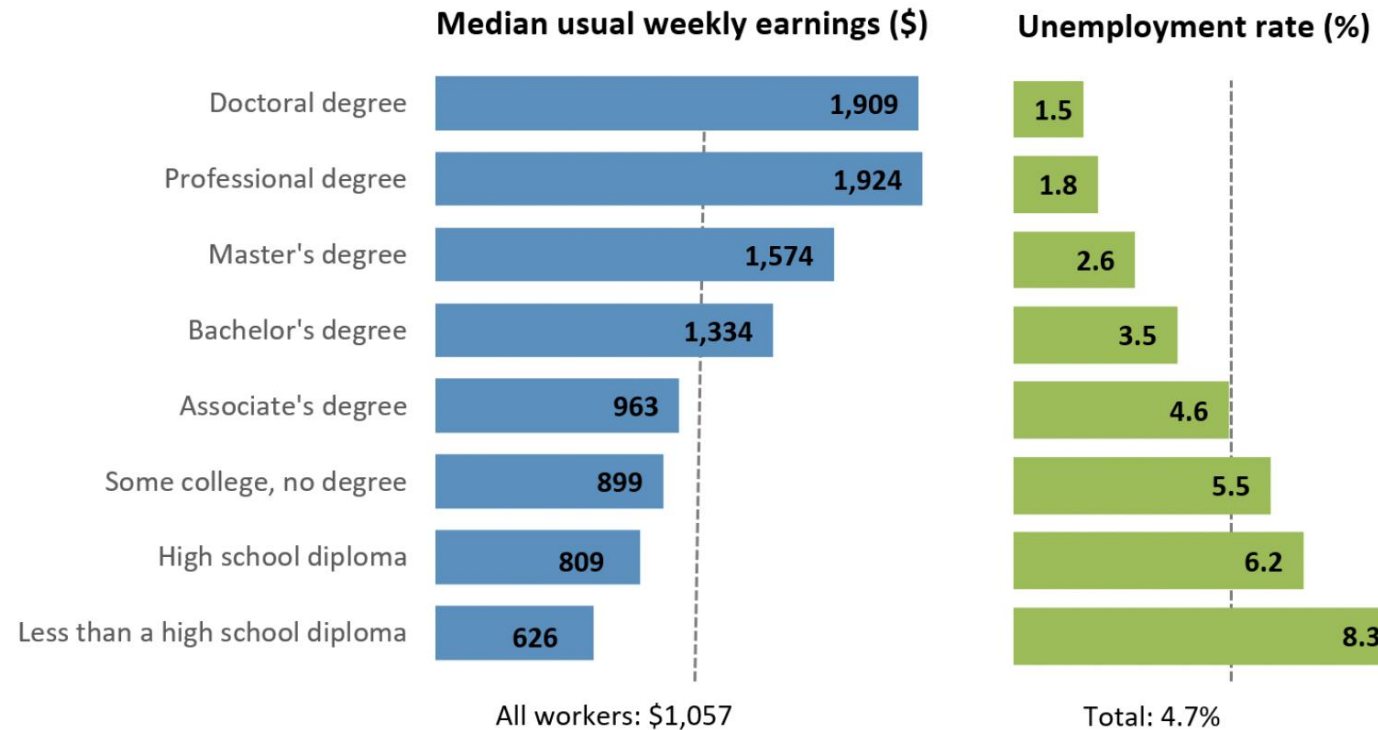
“Underemployment Is A Large And Persistent Problem”

“In spite of a historically tight labor market, the underemployment of college graduates remains stubbornly high. Overall, 52 percent of graduates are underemployed a year after graduation. Even a decade after graduation, 45 percent of graduates are underemployed”

U.S. Must end “College for Everyone”

Education pays

Earnings and unemployment rates by educational attainment, 2021



Note: Data are for persons age 25 and over. Earnings are for full-time wage and salary workers.
Source: U.S. Bureau of Labor Statistics, Current Population Survey.

- **Reshoring**
- **Foreign direct investment (FDI)**
- **Industrial policy**
- **Currency/tariffs**
- **Geopolitical risk**
- **ESG**
- **Workforce Development**

- **2024: Main Stage IMTS**
- **Friday 12:30pm**
- **Apply for 2025**
- **Includes Mexico and Canada**



2021 Winner: Acme Alliance



A non-profit with 37 sponsors

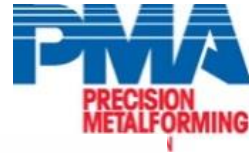
Platinum



Gold



Silver



Bronze



Steel



Iron



Contact:

Harry Moser

Founder and President

847-867-1144

harry.moser@reshorenow.org

www.reshorenow.org

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