

IndustryWeek®

Trump and Manufacturing



The Economy

Tariffs Aside, a More Business-Friendly Presidency Is Good for Manufacturing

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John Boyd Jr. | Jul 02, 2018

The Trump administration's easing of costly and onerous regulations is boosting companies' interest in reshoring jobs to the U.S. At last count, some 22 regulations were repealed, cutting compliance costs to American companies by \$8.1 billion—and fueled by the President's mandate that federal agencies eliminate "at least" two regulations for every new one ordered.

The consulting clients my company works with in manufacturing are expressing a strong sense of optimism that is translating into pulling projects off the shelf that were in limbo during the past few years and moving forward with brick-and-mortar investments into new plants, equipment and factory upgrades.

While they have appreciated the tax cuts engineered by the new administration—and some showing their appreciation in the form of \$1,000 to \$2,000 bonus checks to their employees—the regulatory pullback has brought an even greater sense of economic confidence. Not only is deregulation saving companies' money; executives are breathing easier knowing that fewer federal regulations are coming down the pike.

Washington's new attitude of getting out of way and unleashing the might and ingenuity of American business is a sea-change from what corporate America experienced during the past eight years under President Barack Obama's administration. It is going a long way toward fueling the reshoring movement.

In recent months, companies like Boeing and United Technologies, both clients of Boyd, Ford, General Motors, Caterpillar, AT&T, GE, Apple and others have brought some operations back to the U.S. In the last year alone, according to the Bureau of Labor Statistics, the U.S. manufacturing sector grew by 200,000 jobs (some from reshoring, some not), helping to create the lowest unemployment levels in US history. That is big stuff.

Why Is Reshoring Activity Accelerating?

Companies are buying into the idea that our nation's business climate is becoming more friendly under the current administration in Washington. They are welcoming a more business-friendly EPA, a more management-friendly posture at the National Labor Relations Board and streamlined permitting for new transportation and telecommunications infrastructure. They likewise like the historic cut of the corporate income tax from 39% to 21% and Washington's pro-business energy policy, as well as an America First preference in the nation's \$2 trillion federal procurement program.

So much about economic development comes down to leadership. Above and beyond cutting regulations and taxes, we have a President that has taken on the roles of "Salesman-in-Chief" and "Economic Developer-in-Chief," using the Oval Office to promote the U.S. as a place for manufacturing like he did with Foxconn, and encouraging its decision to locate its first major U.S. plant in Wisconsin.

It is interesting to see how the economic development mission has climbed the political ladder all the way from local council members and mayors right up to 1600 Pennsylvania Avenue. While in the past, we have seen certain U.S. senators playing key industry-attraction roles—like former Georgia Sen. Sam Nunn and his selling of Georgia to Boyd clients like Pratt & Whitney and to other defense contractors during his long tenure in office as the chairman of the Armed Services

Committee—we have seen nothing like this coming out of the Oval Office during our firm’s five decades of corporate site selection.

Tariff Worries

A cautionary word on trade here. The threat of steep tariffs, say, on motor vehicle and auto component imports, does pose a risk of undermining the global competitiveness of the U.S. auto industry by erecting trade barriers that increase costs, remove a key means of competing with manufacturers in lower-wage countries and promote a trade environment in which the U.S. could be retaliated against in numerous other industry sectors.

Motorcycle maker Harley-Davidson said earlier this week that new retaliatory tariffs imposed by Europe on certain U.S. manufactured goods will cause a "tremendous cost increase" that the company will have to shoulder, to the point that it will manufacture European-bound bikes outside of the U.S. The EU tariffs were a response to new U.S. taxes on imported steel and aluminum, enacted earlier this year. China has also responded by taxing U.S. imports, including wine, produce, soybeans and seamless steel pipes.

Some have warned that an all-out trade war could kill hundreds of thousands of American jobs while increasing the prices consumers pay for goods across the board. We will have to see how these threats play out given the very early stage of this new world tariff environment.

Frankly, I don’t see a “trade war” having a doomsday impact on our surging economy as cooler heads will prevail over time, both here and off-shore. Many of our clients are taking a “wait and see” approach to how this re-calibration of our trade policy will actually play out. With record low unemployment rates around the country and strong GDP growth rates not seen in decades, I think there is plenty of wiggle room in our economy to accommodate the administration’s “America First” policy predicated on more fair trade.

The selection of longtime free-trader Lawrence Kudlow as the President’s top economic adviser is encouraging and perhaps a signal that Trump’s tough posture on China might be more about leverage and bargaining chips like drawing concessions related to currency manipulation, intellectual property and forcing China to more aggressively open up their banking industry. China’s recent pledge to buy more U.S. exports and shrink its \$375 billion trade surplus with the U.S. is a positive indication of this. I expect lots of intense rhetoric on trade in the days ahead, but considering everything we have seen from this administration and its focus on the markets, I do not believe new tariffs will do serious damage to our improving business climate and surging economy and reverse the welcomed reshoring trend.

Companies are getting a clear message today – that the administration in Washington is prioritizing economic development and job creation in a way that we have never seen before.

And it’s not just U.S. companies--in recent months we have seen a flurry of foreign companies expand in the US. In July 2017, Taiwanese smart phone maker FoxConn announced a new 10,000-

worker manufacturing plant in Wisconsin. Korean tech giants Samsung and LG are expanding in South Carolina and Tennessee. Infosys, the Indian software giant, is establishing huge new IT centers in Indianapolis and Raleigh—with 3 more major US centers planned. In the auto industry, we have Volvo and Mercedes expanding in Charleston, South Carolina. Chinese electronic car maker Faraday Future is building a manufacturing site in California's Central Valley. Fiat Chrysler is building a new plant in Michigan, BMW is expanding in Spartanburg and Nissan is expanding in Mississippi. And just a couple of months ago, Toyota and Mazda picked Huntsville, Alabama for their new joint-venture production facility.

So jobs are coming back to America. Relocation projects are out there now, and more will follow. In the meantime, given the highly competitive landscape among states for new industry and jobs, state governments need to follow the lead of the federal government and cut costly red tape and onerous regulations and keep their fiscal houses and business climates in good order. Indeed, we term this competition, "The Second War Between the States."

John Boyd Jr. is principal of the Boyd Company, which provides independent location counsel to U.S. and overseas corporations—including Boeing, Hewlett-Packard, JP Morgan Chase, Dell, UPS, Philips, Pratt & Whitney, PepsiCo, Progressive Insurance and numerous others.