



Reshoring Initiative Issues Rebuttal

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Harry Moser, founder and president of the Reshoring Initiative, an industry-led group out to prove offshoring is not always the best economical decision for companies, submitted the following rebuttal to the recently released 2015 A.T. Kearney U.S. Reshoring Index. The full text of Moser's rebuttal follows.

A.T. Kearney got some things right, others clearly wrong:

Background: FDI (Foreign Direct Investment) and reshoring are essentially the same phenomenon, just parent company headquarters in different countries. In both cases the company decides it is more profitable to serve the U.S. market from a U.S. based factory instead of from a foreign factory.

Right: FDI (Foreign Direct Investment) is strong, in fact in 2015 it is stronger than reshoring.

Wrong:

1. Kearney claims the number of reshoring cases/year is off 70% from 2013 to 2015 projected. Our database shows a smaller 40% reduction but reshoring still at about twice the 2011 level.
2. Kearney suggests that the jobs leaving China are preferentially going to Mexico, more than the U.S. Certainly some jobs are. However, a recent survey by Alix Partners showed the U.S. favored over Mexico by 55% to 31%.
3. "Reshoring trend seems to be over." Repeated surveys by Boston Consulting Group, Plastics News/Nexant, Alix Partners and Medical Design Technology show that the trend is increasing or at least that commitment to reshore is increasing. I spoke to AGMA and ABMA (Gear and bearing mfg. associations) in May 2015. In a poll of attendees, 54% had reshored or their customer had. From a longer-term perspective reshoring cannot "be over." The world will not

allow a \$0.5 trillion U.S. trade deficit to continue indefinitely. If we do not fix the problem in the next 5 to 10 years, the USD will fall dramatically, making reshoring and FDI easy, but with a smaller U.S. market to serve.

4. A.T. Kearney's Reshoring Index does not actually measure reshoring. It essentially uses the trend in imports to imply a trend in reshoring. The Reshoring Initiative measures reshoring directly. Since the U.S. has one of the world's fastest growing economies now, it tends to import more.

Other: In the 2014 analysis Kearney provided much more data from their analysis. The data made it possible to identify errors in the analysis.

Overview:

1. The inconsistency between the declining number of reported cases and the consistently growing survey results may be due to:
 - A. Reshoring is now such an accepted, proven, mainstream trend that companies and journalists are no longer mentioning it.
 - B. Published reports of reshoring are almost always about OEM cases. Supplier cases are just orders, rarely documented as reshoring. I suspect we are going thru a digestion phase in which the OEMs are simplifying their supply chains and sourcing more domestically.
2. Inevitably, a higher USD hurts the reshoring trend. The decline in the rate of reshoring, which peaked in 2013, coincides with the USD rise, that started in mid-2014. Before the 20%-25% increase, the USD was already too high, judging by our then approx. \$500 billion trade deficit.

Conclusion: "Some A.T. Kearney statements were completely misleading, chosen to get attention," says Moser. "They succeeded to the disadvantage of U.S. manufacturing. Recognition of the strength of the reshoring trend is a major factor driving companies to reevaluate offshoring and many individuals to choose manufacturing technology training, helping to fill the skilled workforce gap."

"It is clear that about 25% of what is now offshored would be economically reshored today if companies used TCO (Total Cost of Ownership) instead of wage arbitrage or PPV (Purchase Price Variance) to make sourcing and siting decisions. A.T. Kearney would better serve its clients and country if it helped educate the companies rather than discouraging them."