House Committee on Small Business

Congressional Testimony: Made in the USA: How Main Street is Revitalizing Domestic Manufacturing

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Personal experience of offshoring: I grew up in Elizabeth, NJ. The biggest local employer was Singer Sewing Machine's main factory with 3 million sq. ft. and 5,000 employees, the largest factory in the world in the early 20th century. My dad worked his whole career there. I can find no Singer products made in the U.S. anymore. This offshoring phenomenon, extended throughout the country, took us from a trade surplus in 1979 to our current $1.2 trillion goods trade deficit.

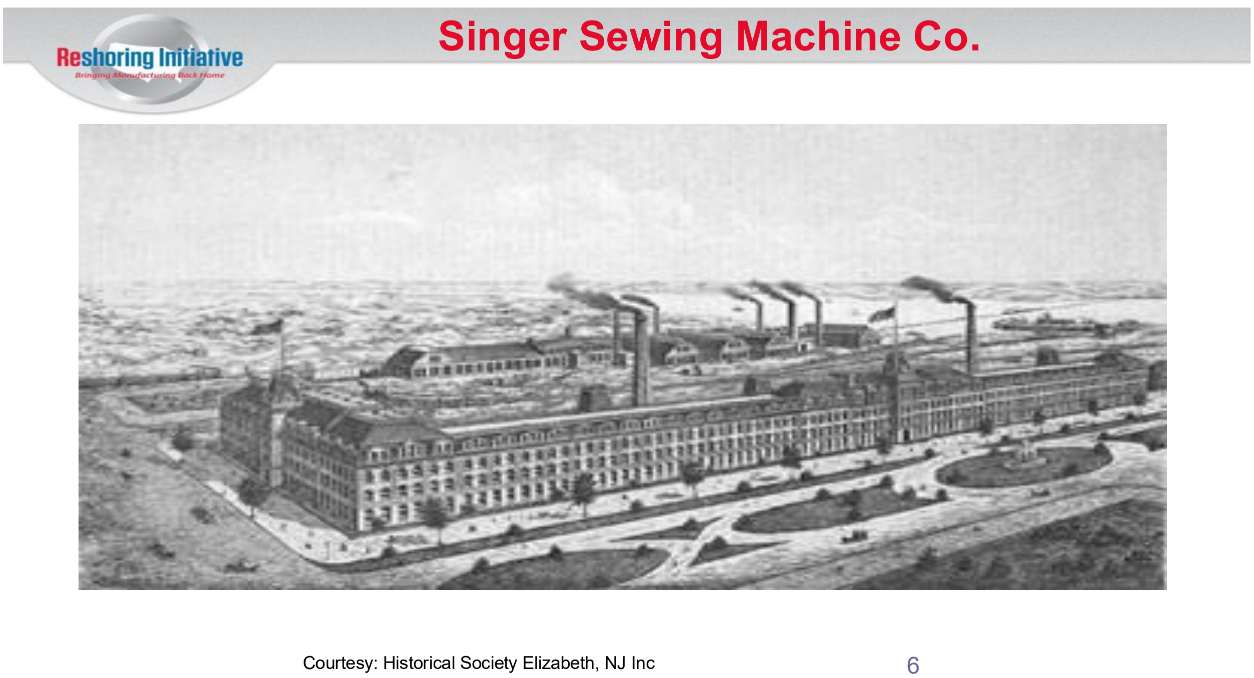

Figure 1

Summary: Manufacturing reshoring plus foreign direct investment (FDI) have increased from 11,000 jobs/year in 2010 to 259,000/year in 2024, driven by the Biden and Trump administrations and companies' increasing understanding of the rising costs and risks of offshoring. About 50% of those jobs have been in the small business supplier community. More effective industrial policy could double the rate of reshoring and increase U.S. manufacturing by 40% by 2040, eliminating the goods trade deficit.

Background: A company can only reshore what it has been importing. Big companies/OEMs make the reshoring decisions. Small businesses do much of the reshoring work, producing the components, tools and automation systems needed by their bigger customers. To accelerate small business' reshoring, we need to convince their customers to reshore assembly and component sourcing.

An excellent example: GE Appliances, headquartered in Louisville, KY., has been consistently reshoring and reinvesting in U.S. manufacturing for more than a decade and is the 2025 co-recipient of the National Metalworking Reshoring Award. The company has already invested over $3.5 billion since 2016 and has announced an additional $3 billion commitment over the next five years to expand and modernize its U.S. operations, reshoring primarily from Mexico and China. GE Appliances now works with over 6,500 U.S. suppliers across all 50 states, purchasing $4.6 billion annually in materials, components, and services. Since 2019, the company has increased its domestic supplier base by 58% and increased spending with those suppliers by 69%. Most of these companies aren't household names. They're family-owned machine shops, rural metal stamping operations, and plastics injection molders. For them, long-term contracts with a major American manufacturer can mean hiring more workers, expanding facilities, and investing in new technology.

Root causes of offshoring: Our survey with Plante Moran and our 2025 Reshoring Survey show that manufacturing cost/price is the overwhelming cause of offshoring and the barrier to reshoring. U.S. cost averages 10 to 20% higher than most other developed countries and 50% higher than China. That difference drives big companies to source components and finished products offshore. Pres. Biden's incentives and Pres. Trump's tariffs are, essentially, efforts to level the cost playing field. The cost differential is primarily due to the USD being overvalued by about 20% vs. other developed countries and 100% vs. emerging market countries per the IMF. Figure 2 compares Chinese FOB price to U.S. price for 190 cases. China price averages about 60% of U.S. price.

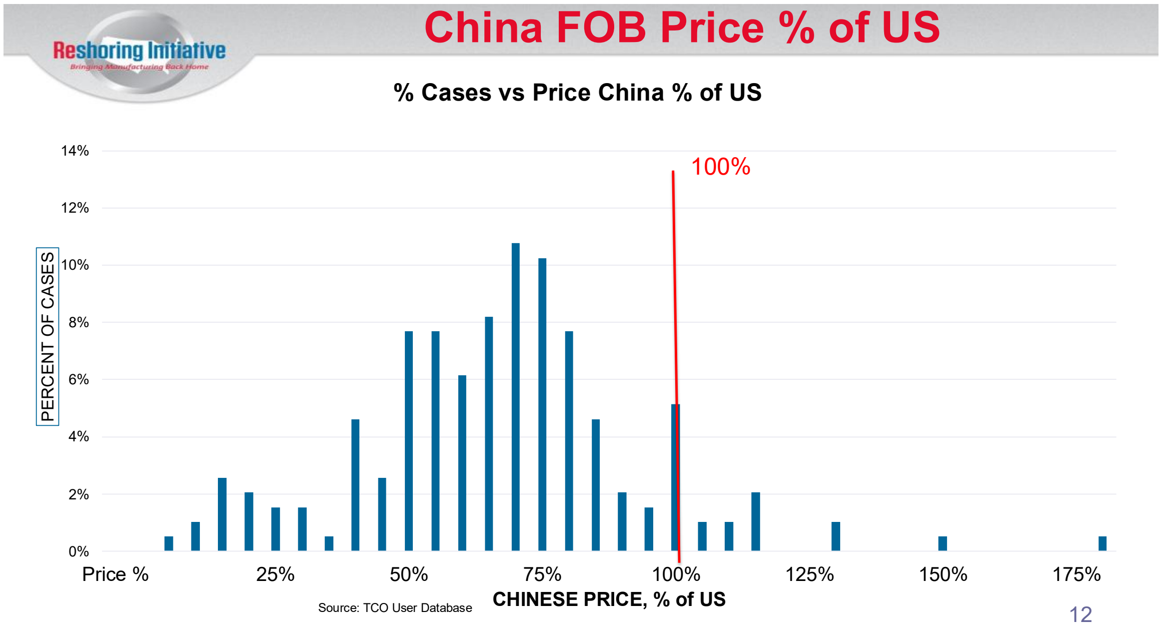

Figure 2

The reshoring plus FDI trend: The number of jobs per year has grown at a compound AGR of 25% from 2010 to 2024. The trend:

- Peaked in 2017 with the tax and regulatory cuts.
- Fell off with the uncertainty of the first U.S. actions to address its trade deficit.
- Picked up with COVID's demonstration of the U.S.' lack of self-sufficiency.
- Peaked again in 2022 with Pres. Biden's incentives such as the CHIPS Act and IRA.
- Softened in 2023 to 2025 as the incentives ran out.

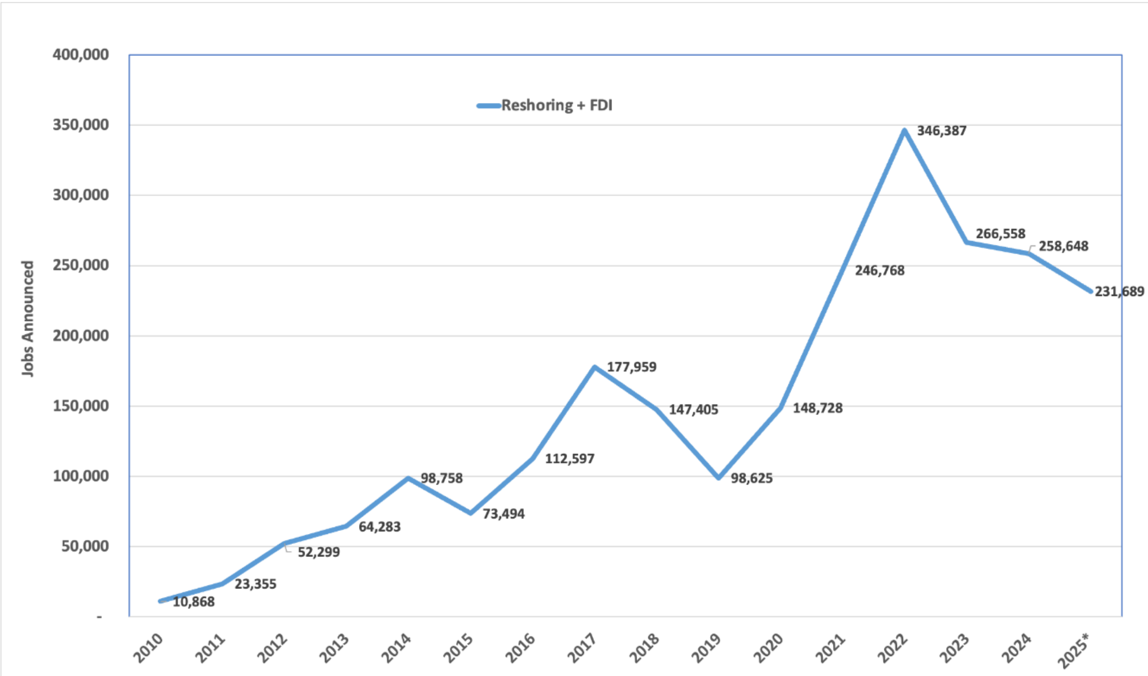

Figure 3

2025 started well, softened in April, probably due to Liberation Day, and is projected to be down 10% from 2024. We have not included in the 2025 cases a broad range of huge announcements that are not firm enough to count but total about $1 trillion. We believe many of these projects will firm when the tariffs firm in magnitude, coverage and duration. Projects that are motivated by tariffs are less viable w/o the new tariffs.

Root causes of reshoring:

Top factors per our 2025 Reshoring Survey and ideas for actions by small businesses:

- The benefit of having manufacturing near engineering: Participate in the engineering process. Respond more quickly than offshore competitors.
- Freight and duty: Be sure customers' sourcing decisions are at least based on Landed Cost, preferably total cost of ownership (TCO).
- Geopolitical risk: Use our Geopolitical risk map to help customers quantify the risk of decoupling from a source country, e.g. China.

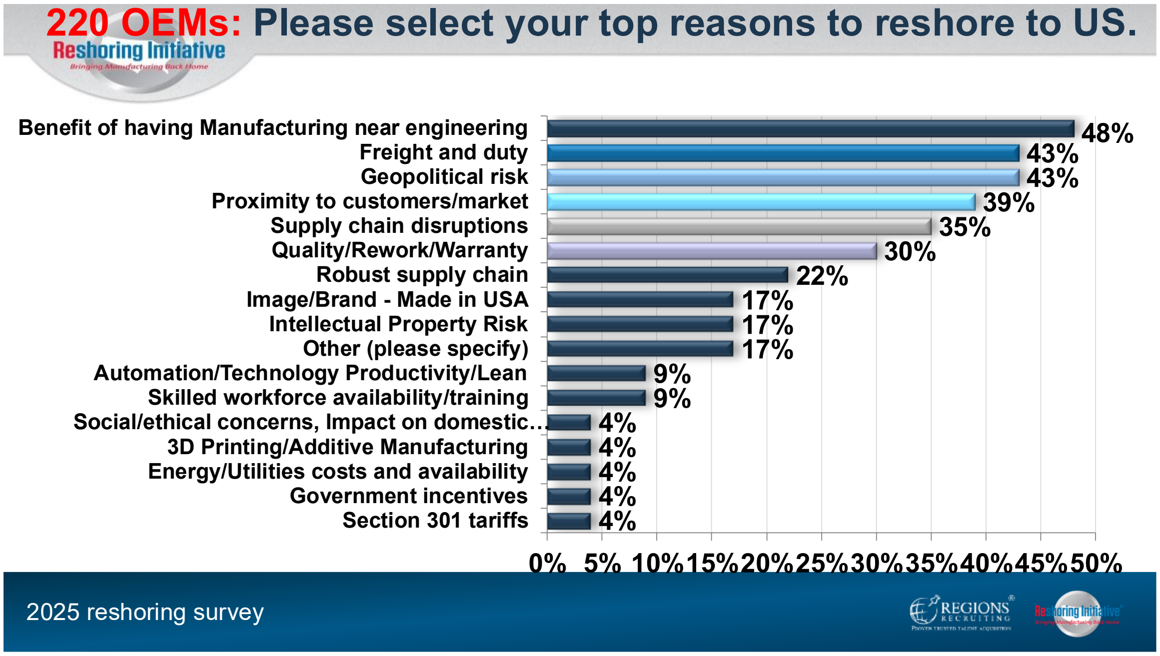

Figure 4

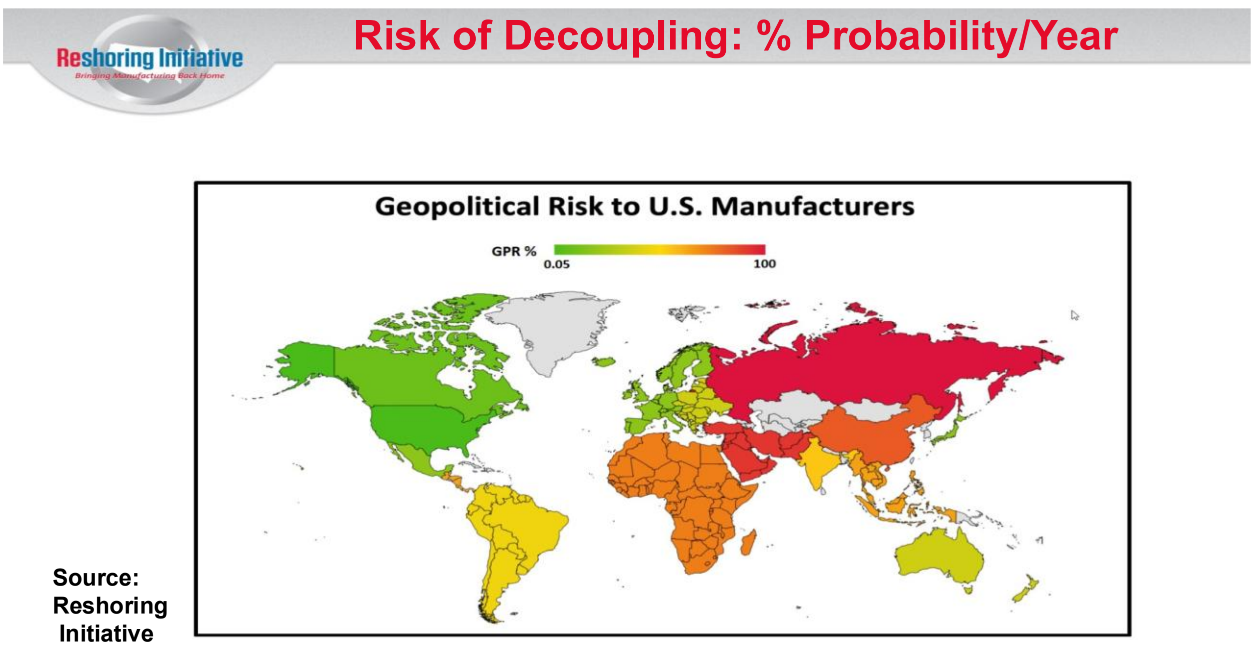

Figure 5

Total cost of ownership (TCO): Companies are increasingly shifting from buying on the basis of price to more comprehensive measures such as TCO, which quantifies all of the relevant costs and risks. The impact of using TCO can be seen in the figure below which compares U.S. to Chinese sources for 190 cases across a broad range of industries. The U.S. win rate goes from 8% based on FOB or Ex-Works price to 32% based on TCO to 46% if there is a 15% “reciprocal” IEEPA tariff. With a 50% tariff, the U.S. win rate goes to about 60%.

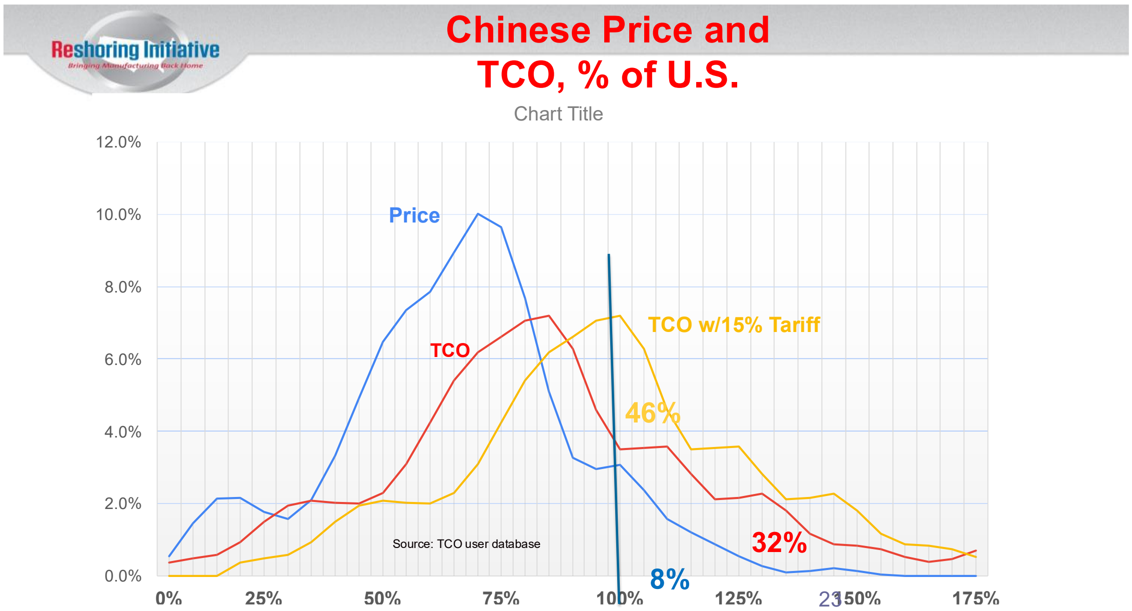

Figure 6

Morey Corp., a Woodridge IL small business, populates circuit boards. They came to us about 7 years ago with a problem. They were about to lose a large order to a lower priced Chinese competitor. We used our free online [TCO Estimator](#) to show the customer that its total cost from Morey was actually lower. Result: a $60 million order, more than half of a year’s sales for Morey.

Kevin Nolan, CEO of GE Appliances, has summarized the importance of doing the math: “I’ve always said, this is just economics, people are going to realize that the savings they thought they had aren’t real, and it’s going to be better and cheaper to make them here.”

Reshoring myths: Classical economists and pundits often make the following claims:

- *It is inevitable that reshoring will fail. Countries always transition from agriculture to manufacturing to services as they become wealthier.* Actually, the U.S. is only the 10th richest country on a GDP per capita PPP basis. Many of the similarly wealthy peer countries have manufacturing %s of total employment much higher, e.g. 12% to 22% vs. the U.S. 8 or 9%. These countries have, for decades, had industrial policies that encourage mfg.

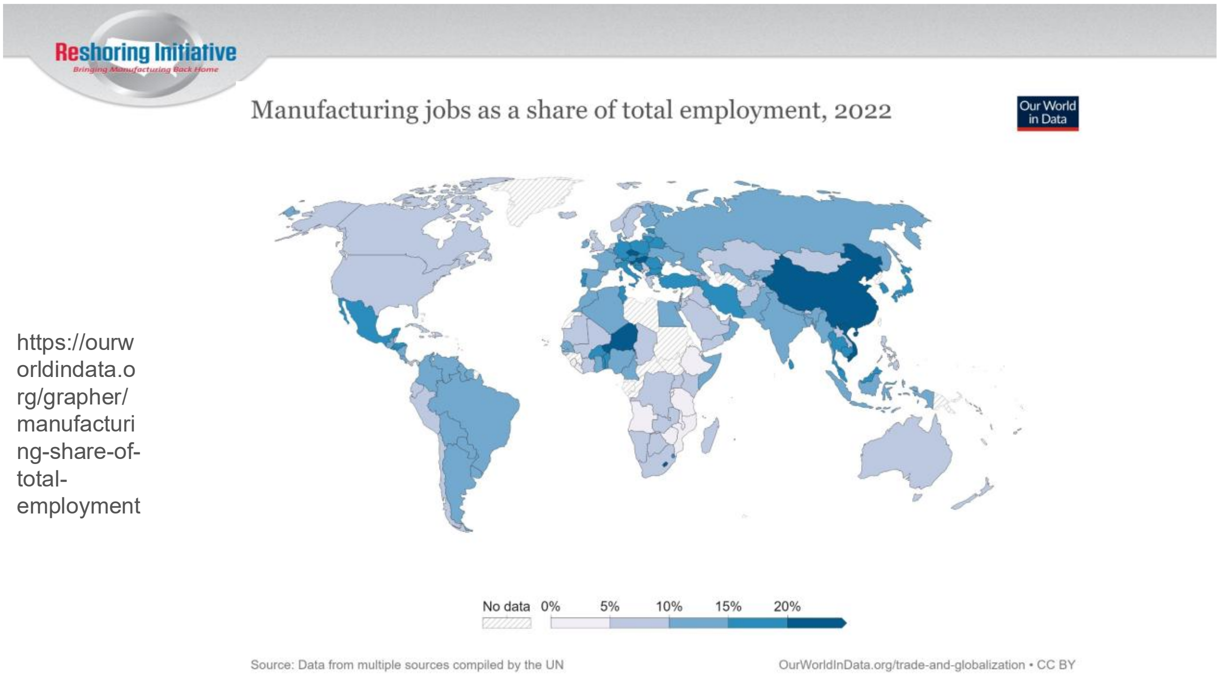

Figure 7

- *Globalization/offshoring is more efficient.* Efficiency is output per unit of input. Actually, reshoring is more efficient, consuming less energy, material and labor. Offshoring is cheaper.
- *Due to automation, no manufacturing jobs will be created.* Actually, we have had an unprecedented, mildly positive increase in mfg. employment since 2010 due to less offshoring and more reshoring and FDI. Current manufacturing employment is about 7 million more than would have been projected in 2010. Balancing the goods trade deficit will increase mfg. output by 40%. Even at substantially higher productivity, we can increase output and employment.

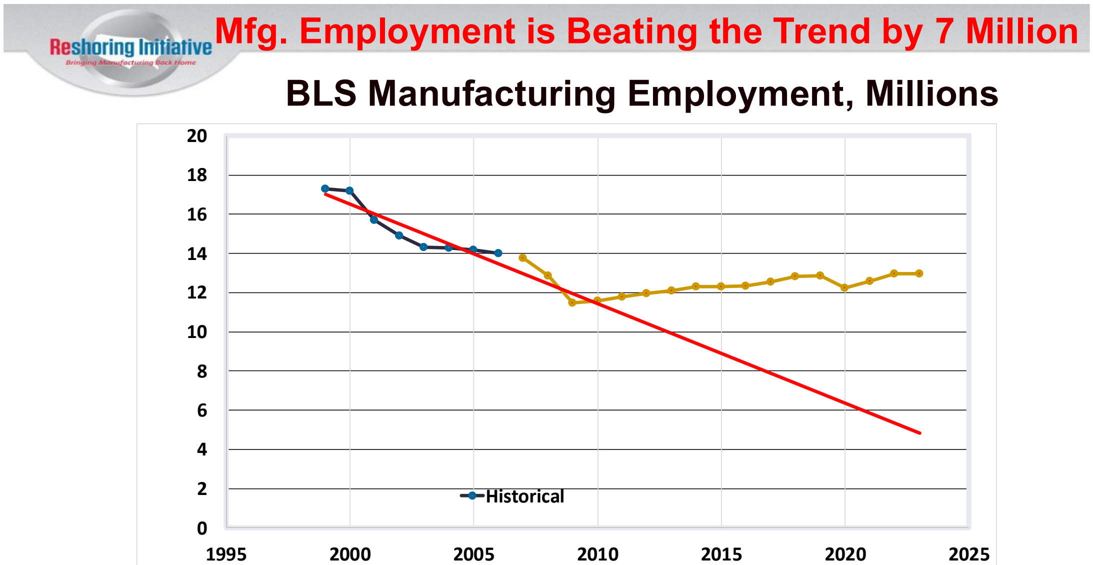

Figure 8

What should the U.S., state and local governments do? Out 2025 Survey identified the actions that would drive the most reshoring. Highest priority went to a larger and more highly skilled workforce.

- DOL: Stop promoting “college for all.” Instead “A good career for all.” Specifically, change Figure 9 to include the average income for apprentice graduates and provide a tool for quantifying the advantages of no college debt and starting to work at 18.

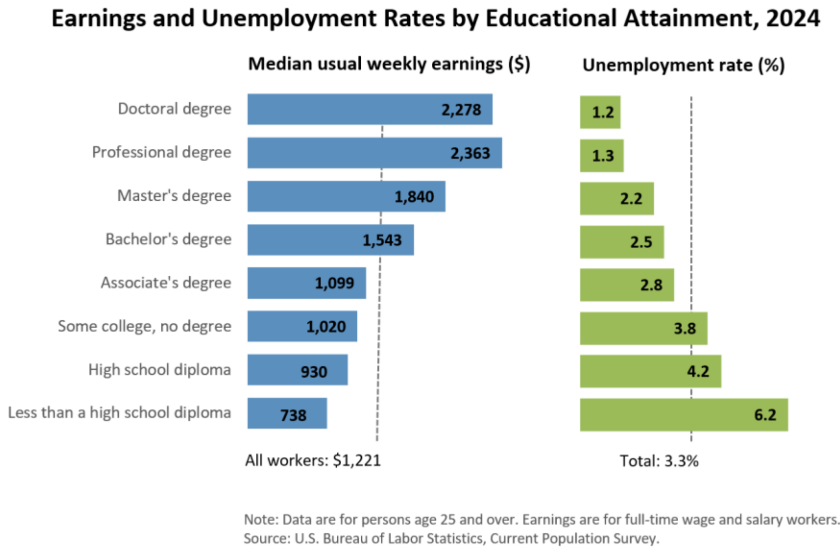

Figure 9

- ED: Provide fewer college loans for low demand majors, more for engineers. Provide "apprentice loans" that the employer pays off if the worker stays on after the apprenticeship.
- State and local: Bring back shop classes and strengthen community college mfg. programs.

Industrial policy recommendations:

- 1st: Skilled workforce and engineers. Increase quality and quantity
- 2nd: Level the cost playing field:
    - 1st choice: Reduce the USD by about 20%. Overcome the root cause of offshoring. Use the Market Access Charge which was introduced to the 116th Congress by Senator Baldwin.
    - 2nd choice: VAT. Use some of the taxes to protect lower income groups.
    - 3rd choice: Tariffs. If chosen, simplify and stabilize with one rate for everything, from everywhere, forever. Except higher on China.
    - We prefer currency vs. tariffs since currency helps with goods imports and exports and the same for services. Tariffs only help with goods

imports and probably hurts all other categories. Also, currency is much less complicated.
    - Do not raise corp. taxes. OBBB's Immediate Expensing was very helpful.
    - Pres. Trump and all Congress members: Call on your corporate constituents to all use TCO when sourcing and siting. 100% compliance would bring back 1 million jobs at no expense to the government. We will be working with the Virgina Manufacturers Association to motivate usage in Virginia.
    - Reduce the country's cost for healthcare. Healthcare cost is included in burden and built into mfg. cost. U.S. healthcare cost for a family of 4 equals the average Chinese wage. Fixing pharmaceutical costs at the level of peer countries is a good start.

Tariffs:

- Tariffs are high profile pain today for importers and consumers, but will become an economic positive as importers shift to more domestic sources. We need to finalize the agreements ASAP and find a way to lock in the rates thru the next administration.
- Section 232 tariffs on machine tools and robots would make increasing U.S. productivity more expensive for small and large businesses. China's annual consumption of machine tools and robots is twice the U.S.' rate. Chinese mfg. labor productivity has grown a reported 6%/year while ours has been close to 0% for 15 years. To become cost competitive and raise real wages we need to dramatically increase investment.
- Section 232 on steel and aluminum raise the U.S. price of these materials. Many machine shops complain that imported metal products cost less than the raw material cost here.
- For products that are no longer made here, but could be, e.g. almost all manufacturing, delay tariffs on the products subject to the following:
    - Importer commits to building capacity here and submits an aggressive plan to do so.

- As long as the factory stays on schedule, tariffs are deferred or reduced.

What can small businesses do?

- Recruit and train skilled workforce.
- Automate. Example Nedco bought a 5-axis CNC grinder that cut its labor cost 85% and cut scrap to zero. Result: 70% of the shop’s work is now reshored. Work that had been lost for years.
- Use TCO when selling against imports or convincing customers to reshore. Only 30% do so.
- Promote the advantages of reshoring.

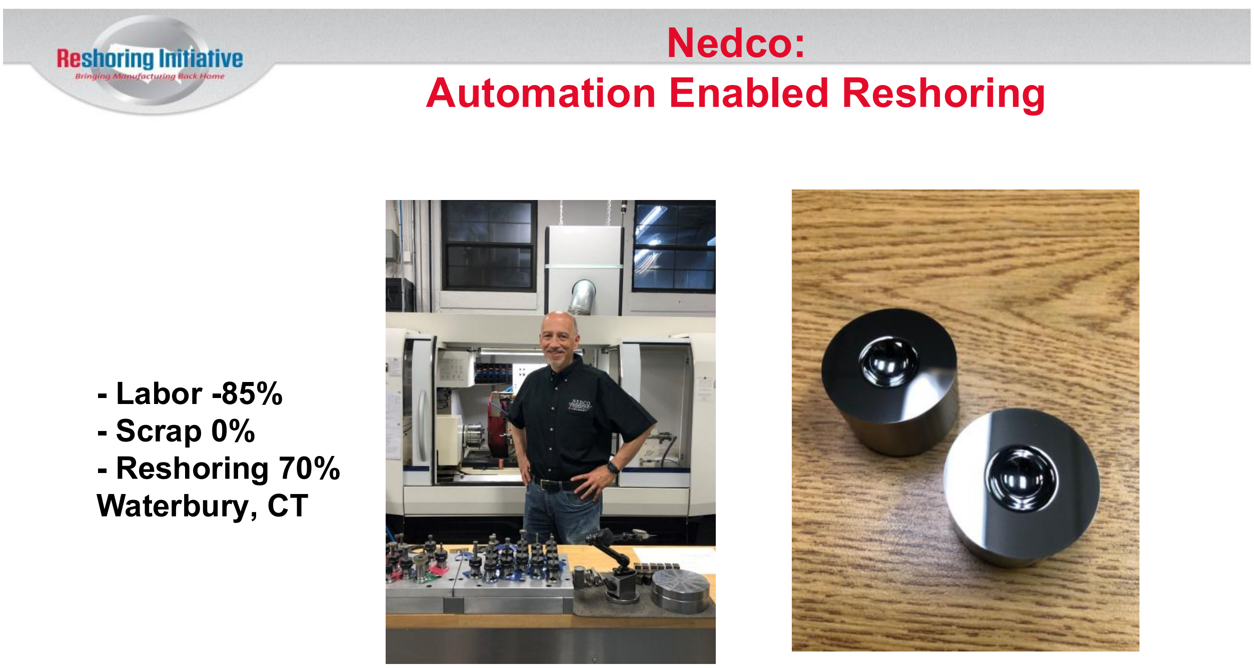

Figure 10

What can the SBA do?

- Guarantee capital loans for low credit companies. Require hiring of 1 apprentice per $250,000 of loan guarantee.

Conclusion: Reshoring has grown rapidly since 2010 with peaks and valleys due to policy actions and COVID. Strengthened skilled workforce and a stable, level cost, playing field are essential for continued growth. Congressional and administration actions are essential. The free market will then take care of picking the winners and losers.