Is the United States Ready to Take Manufacturing Back?

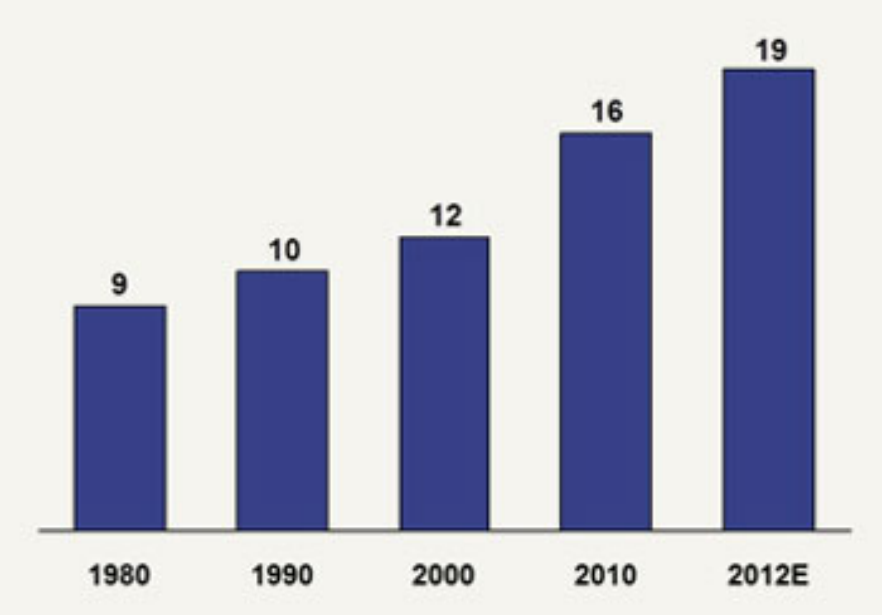

Figure 1.

Word on the street is that substantial portions of previously offshored manufacturing operations are due to return to the United States.

A number of macroeconomic factors seem to have tipped the balance in favor of domestic manufacturing. Among them, for example, are the appreciation of China's currency versus western currencies, labor rate inflation, increased concerns about supply interruption and adulterated product and lowering energy cost in the United States due to prospects of shale gas. Even President Obama's administration, banking on these trends, is actively encouraging companies through its "Make It In America" campaign to shift manufacturing back to the United States to create jobs and increase the country's competitiveness on the international stage.

The return of a few companies' manufacturing is encouraging. But the big question is: To what extent is the United States capable of taking back manufacturing on a significant scale? The challenges are great.

From a broad supply chain ecosystem perspective, for example, companies obviously will need to rebuild a supplier network that may have evaporated, along with the disappearance of the manufacturing operations it supported. They also will need to consider rerouting functional interfaces, such as with their product development department that, in some cases, also migrated offshore.

But more fundamentally, two key areas that ensure the United States' manufacturing competitiveness were severely neglected over the past decade.

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