



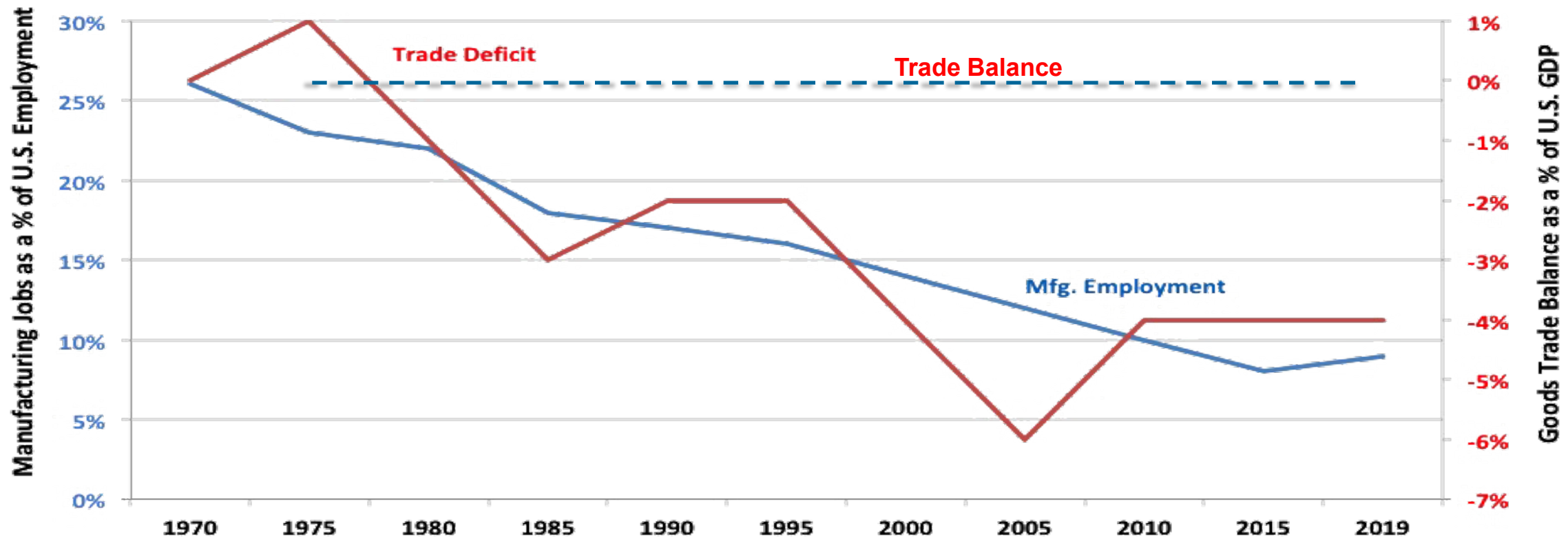
How Technology and Geopolitics are Driving Shifts in Manufacturing, Supply Chains and Industrial CRE

NABE 2024 Annual

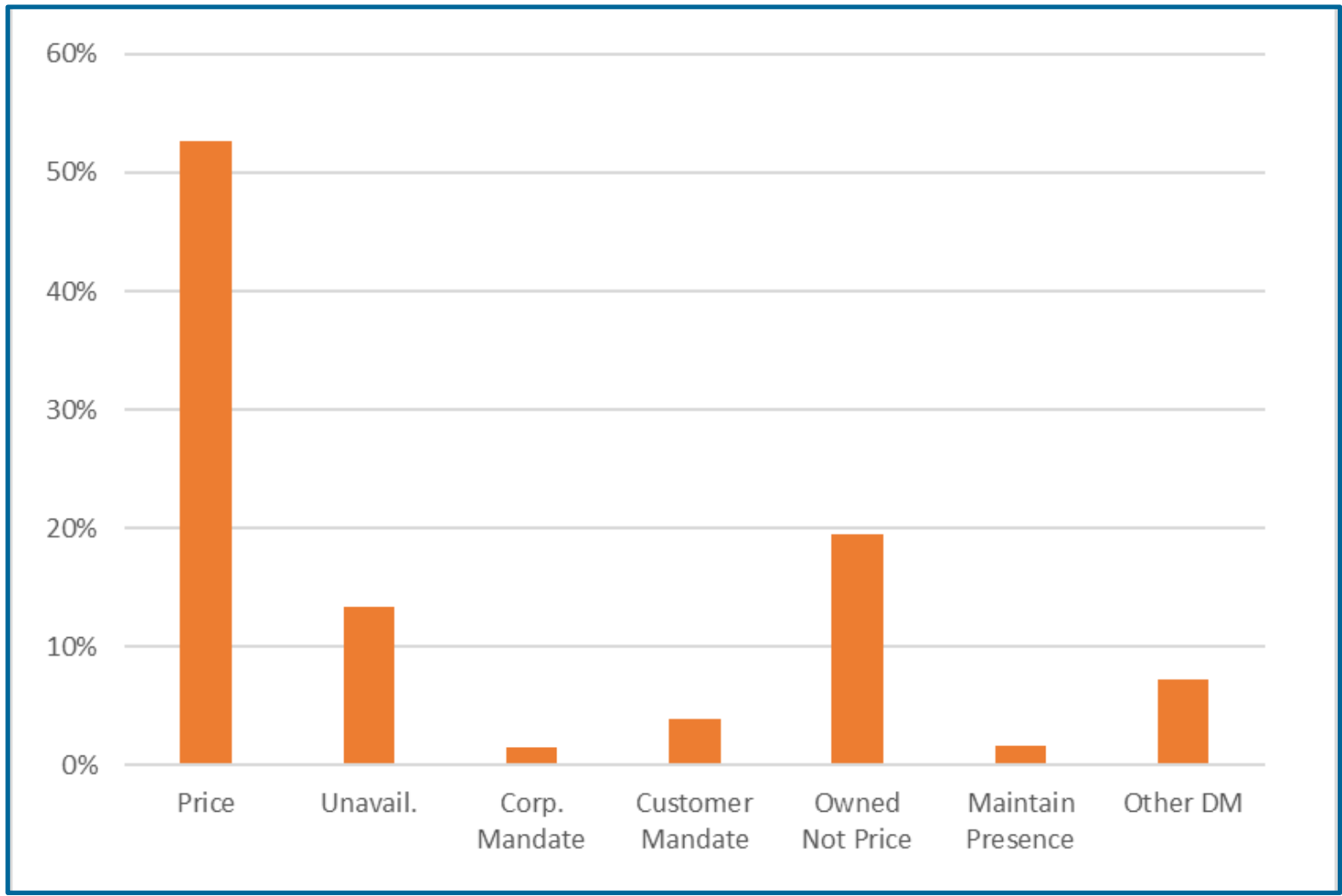
**Harry Moser
Reshoring Initiative**

Trade Deficit Drove Jobs Down

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

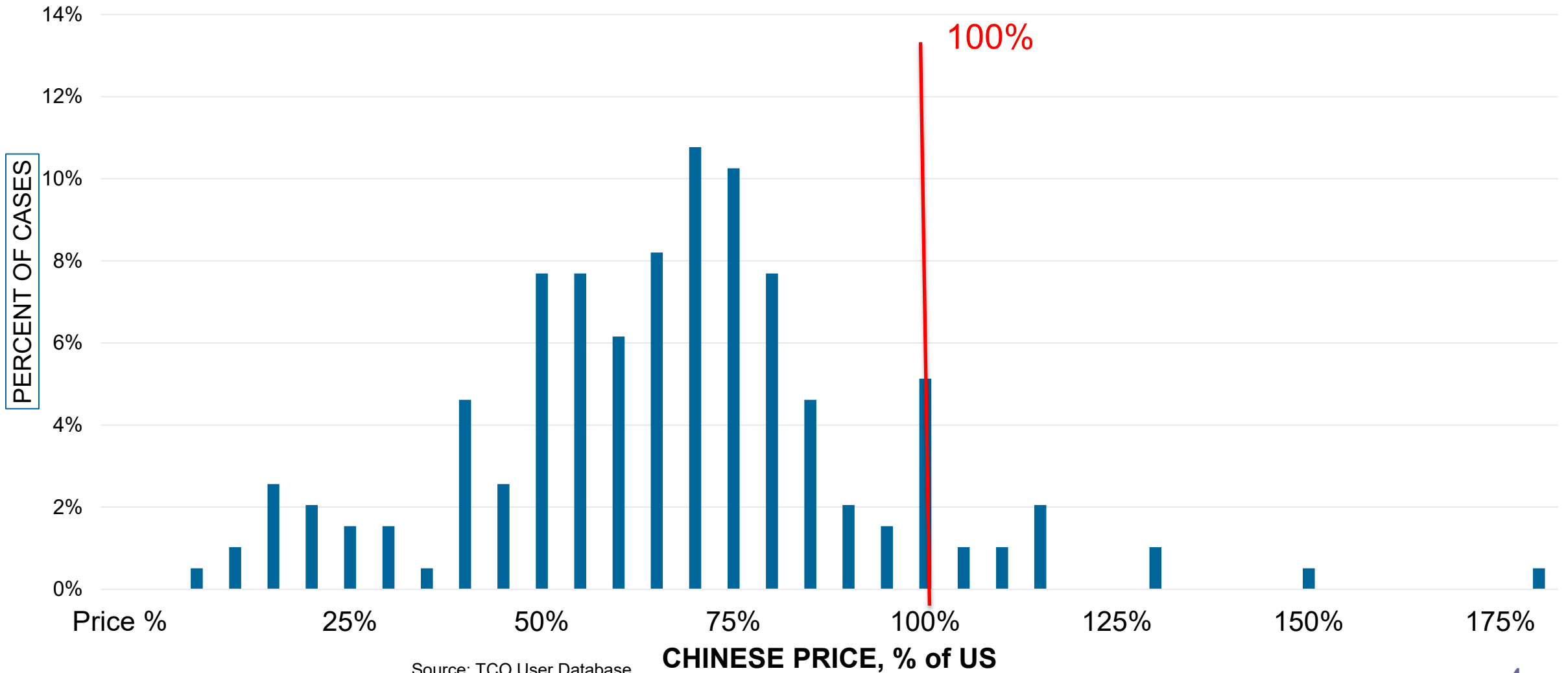


Price Drives Offshoring



China FOB Price % of US

% Cases vs Price China % of US

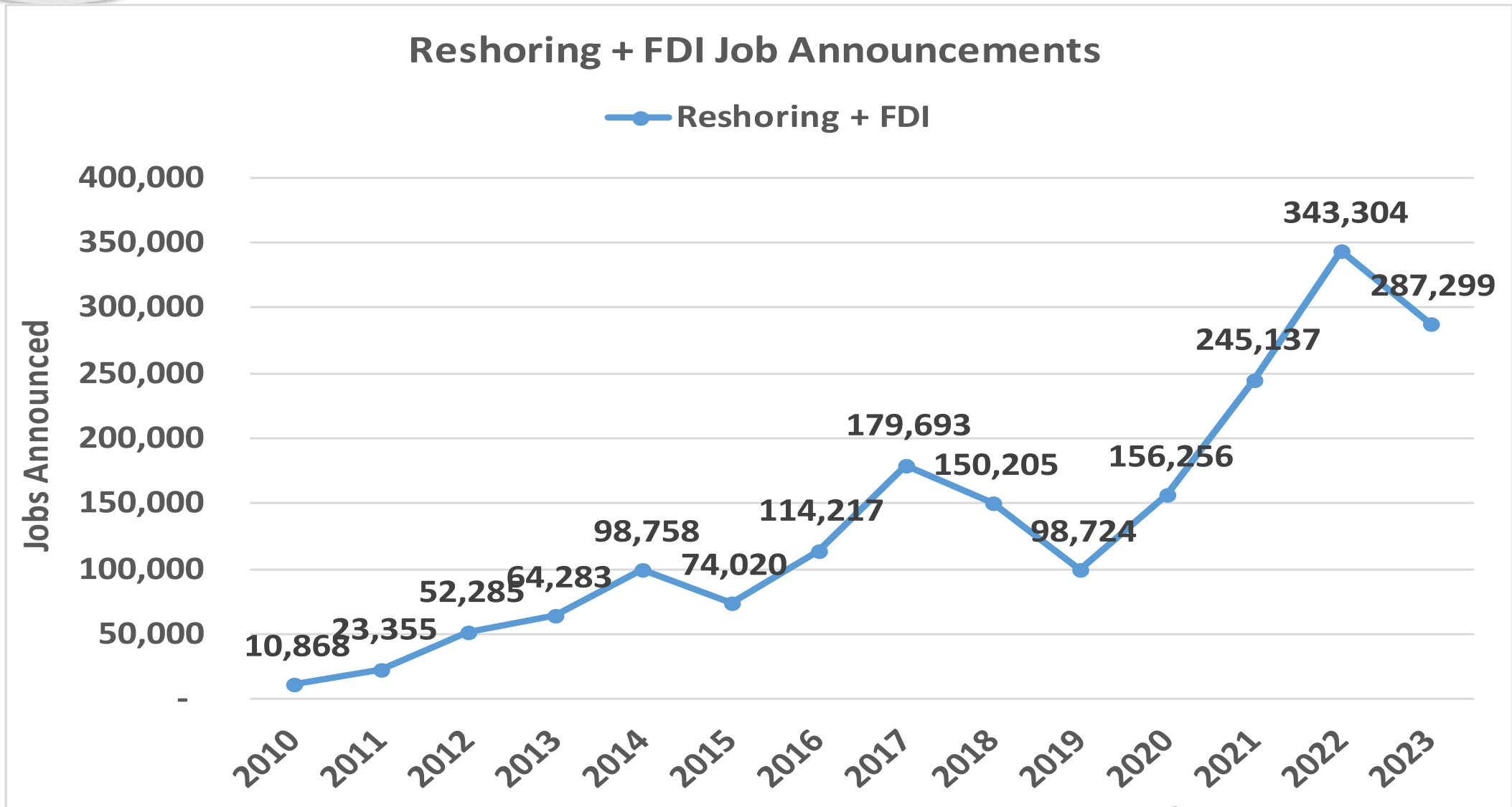


Source: TCO User Database

Restoring Balance

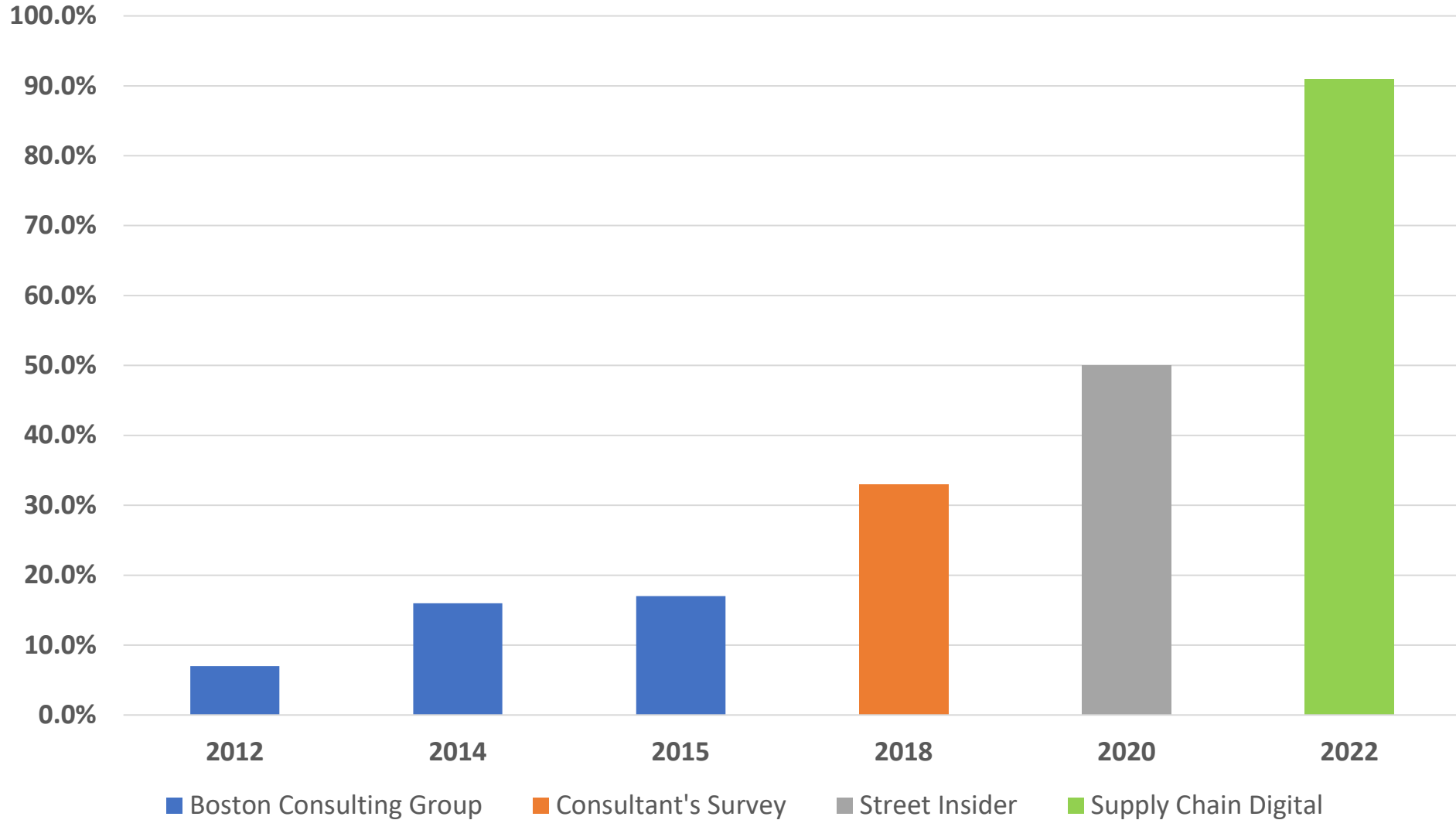
- **Reshoring/Onshoring:** U.S. companies bringing back manufacture of products that will be sold or assembled here.
- **FDI (Foreign Direct Investment):** Similar logic. Different owner.
- **Localization:** Producing near the consumer.
- **Nearshoring:** Mexico or Canada.
- **Friendshoring:** Other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



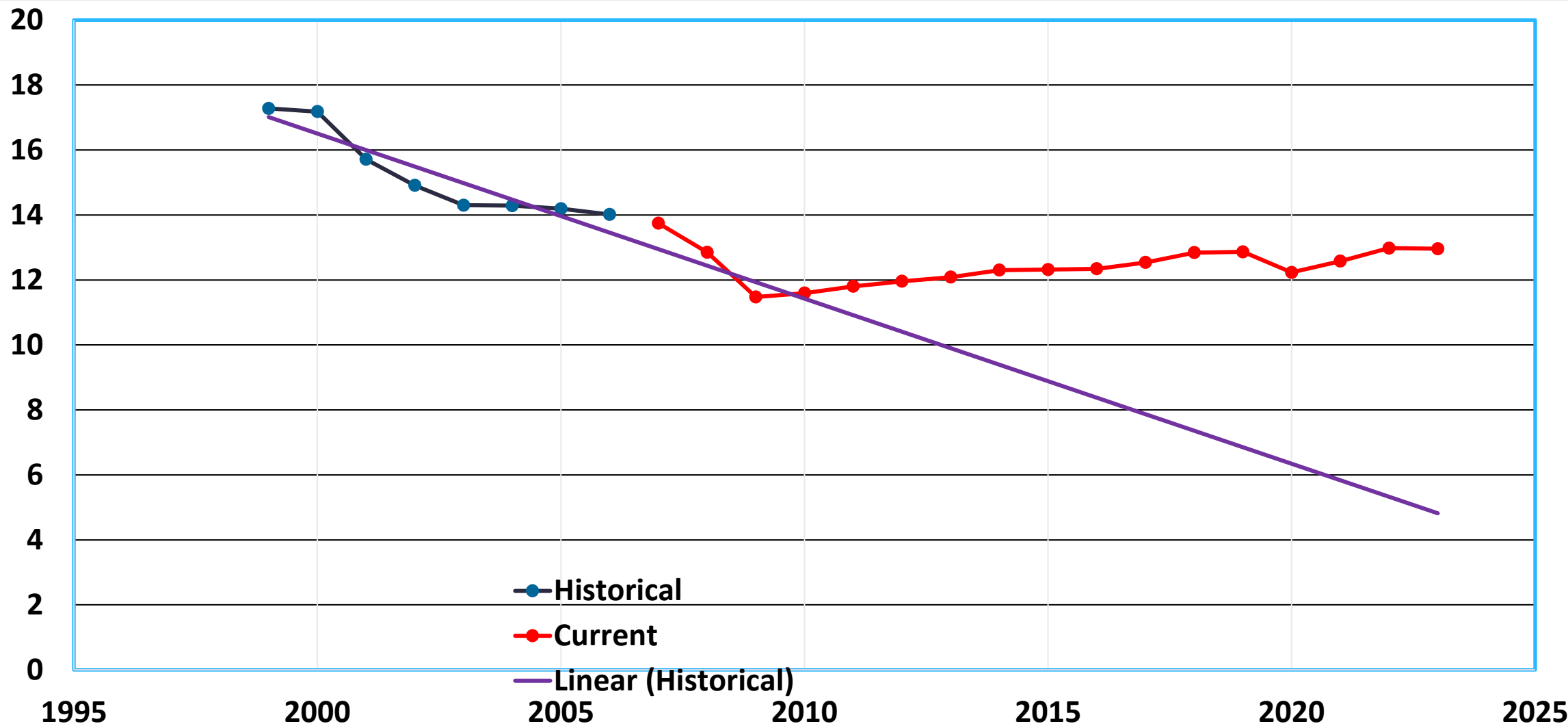


Source: Reshoring Library

Percent of Companies Actively Reshoring

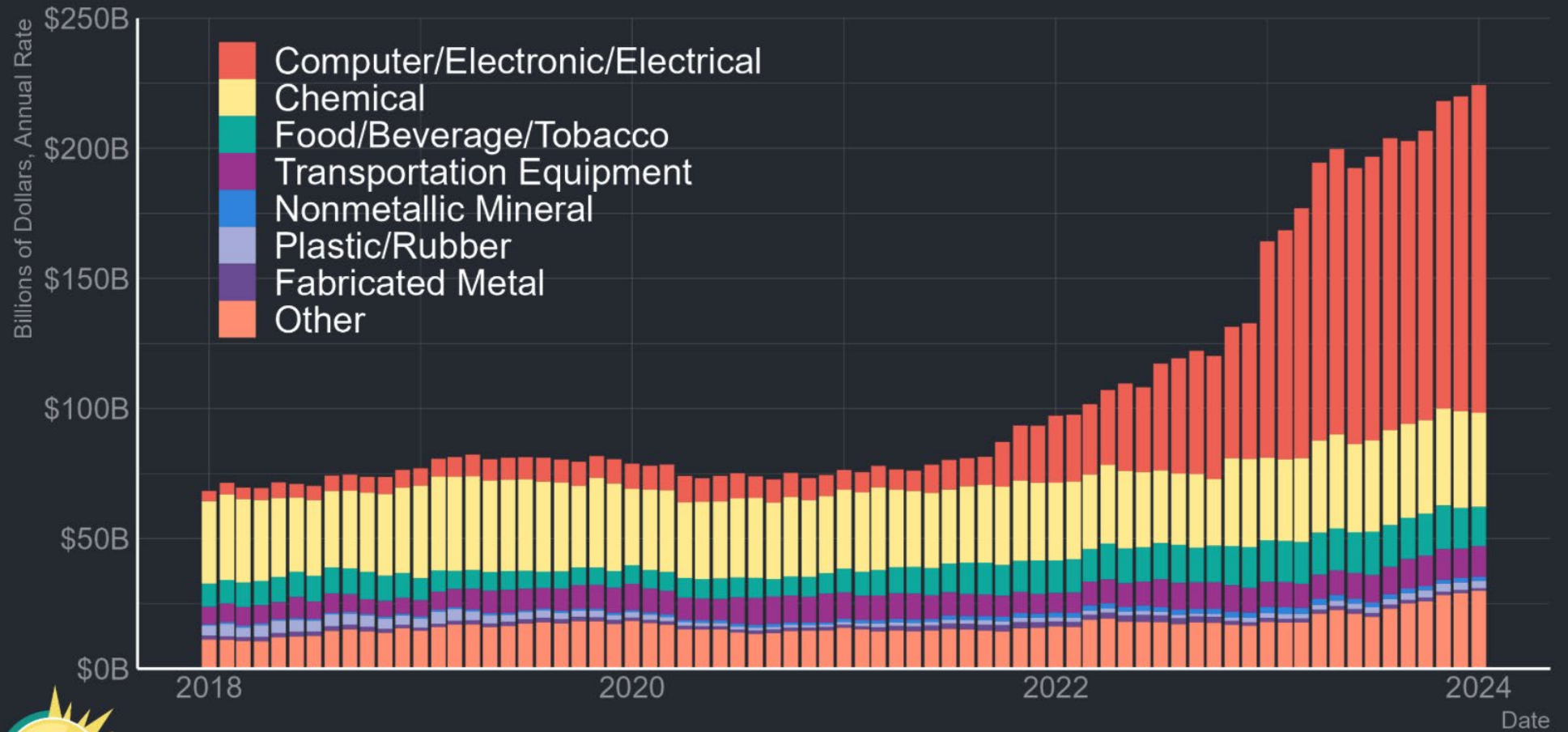


BLS Manufacturing Employment, Millions



US Manufacturing Construction Spending

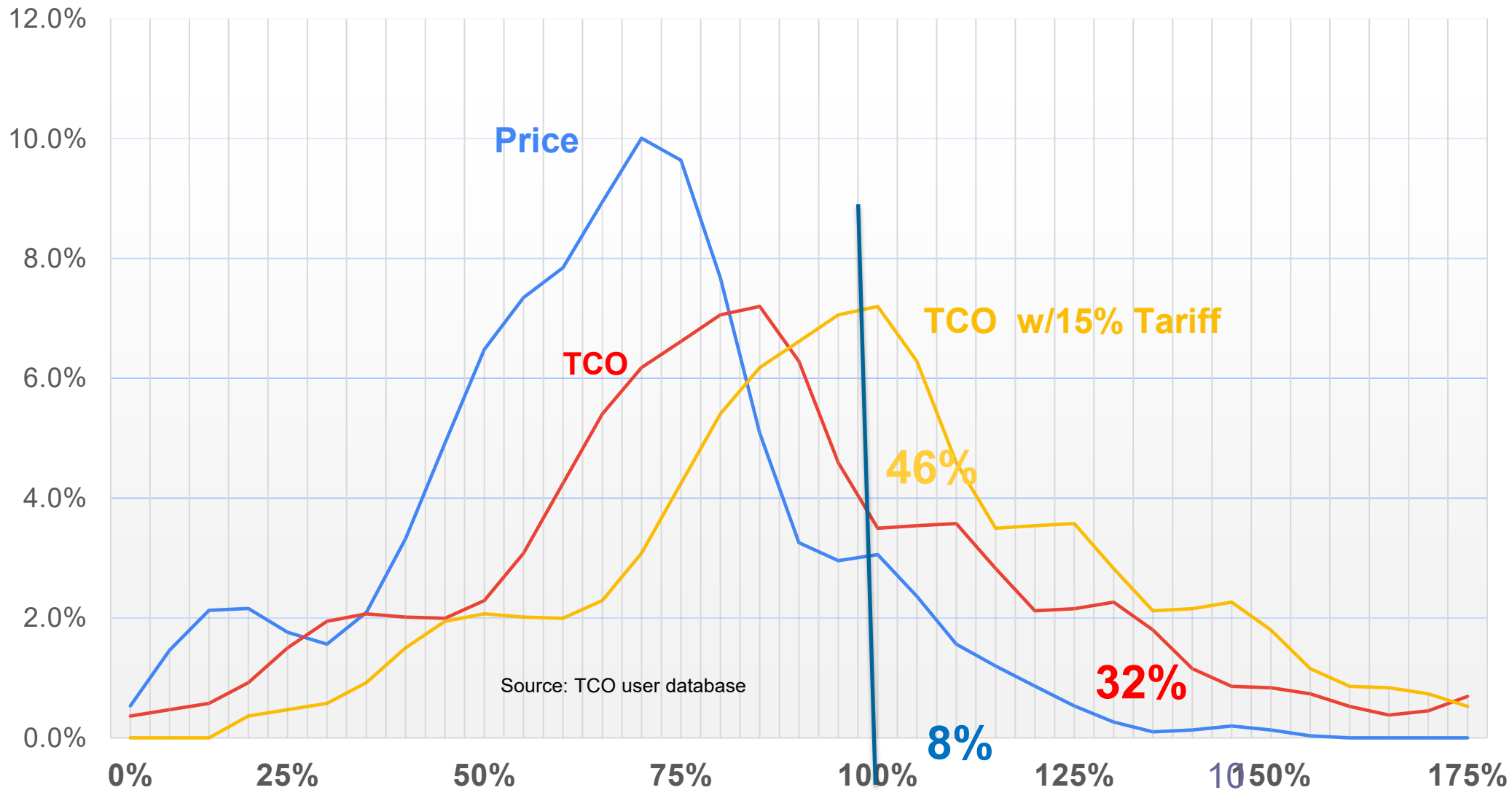
Computer/Electronic Manufacturing Makes Up More Than 50% of Manufacturing Construction



Graph created by @JosephPolitano using US Census data



Chart Title



Disruptions

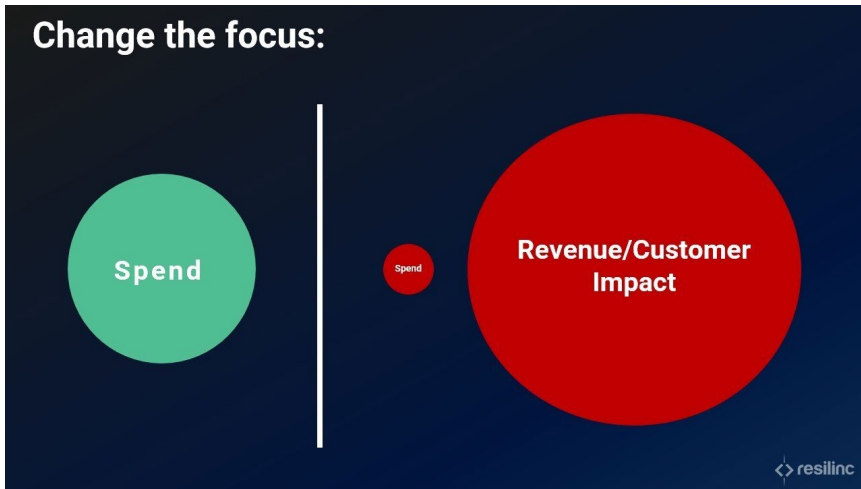


Geopolitical Tensions With China Threaten Supply Chains

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."**

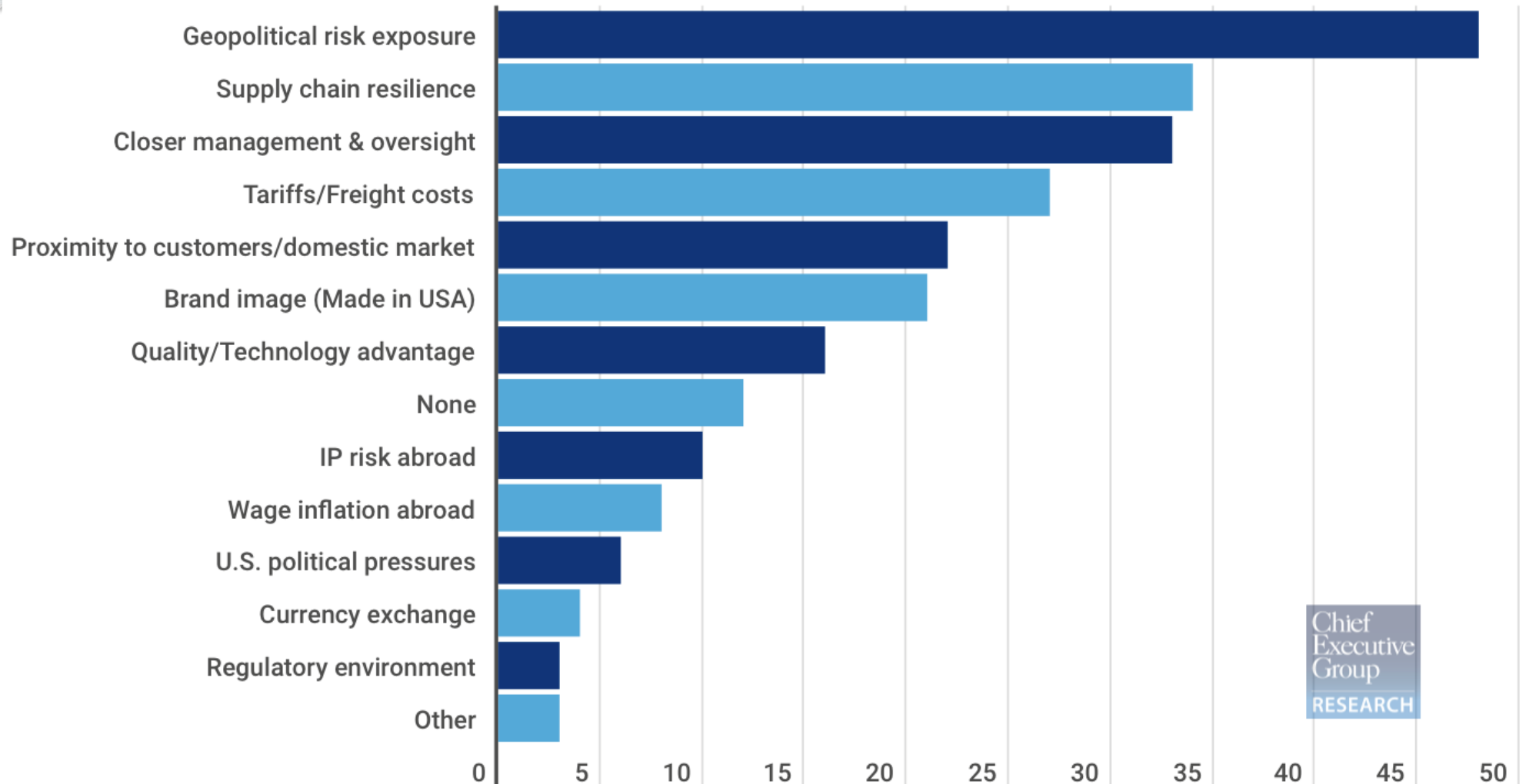
Supply Chain Focus Reset: From Cheapest Price To Revenue Impact



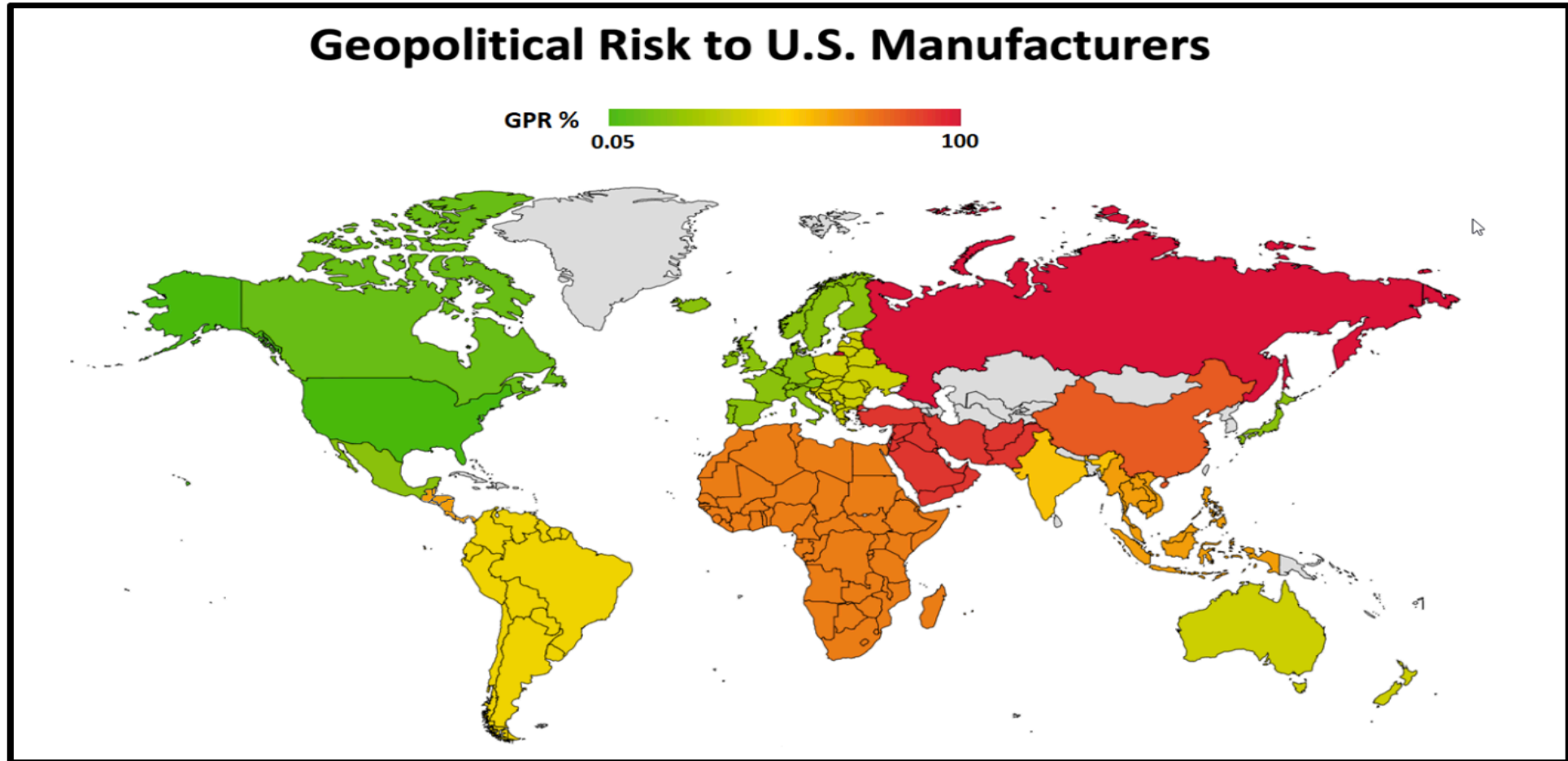
“Change in mindset, from focusing the most attention on suppliers with the largest spend to focusing on those supplying products with the greatest potential to cut into your company’s topline. Revenue impact needs to be the new way to segment and define critical suppliers.”

- 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

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

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.”

CPA Tariff Model Shows 10% Universal Tariff Boosts GDP, Creates Jobs

Case Study:

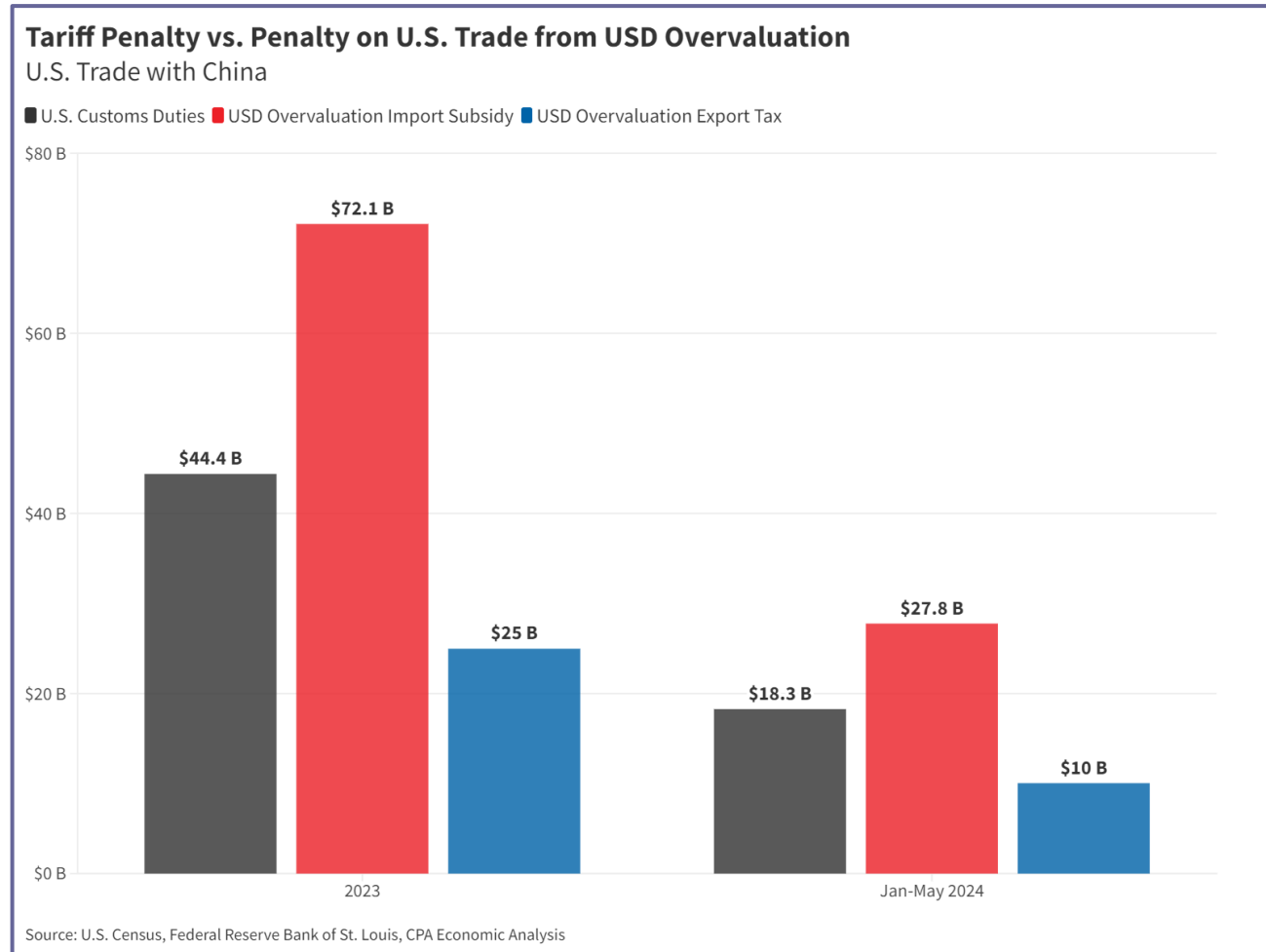
- 10% tariff on all US imports
- Restraining imports stimulates domestic industry growth
- Domestic industry hires more employees
- Government uses new tariff revenue (\$263B) to cut income tax

Results:

- **Additional GDP of \$728B (+2.86%)**
- **2.8 million additional jobs**
- **Household Income increases by 5.7% (\$4,252)**
- **Income tax cut for all households earning <\$1M a year**
- **\$1,200 tax refund for households earning <\$30,000/year**

CPA: US Dollar Optimization is an Alternative to Boost US Economy

- **USD is greatly overvalued**
 - **Subsidizes imports**
 - **Makes exports more expensive, less competitive**
- **Overvaluation w/Chinese RMB causes trade distortions that far outweigh current tariff levels**
- **USD overvaluation equivalent to \$72B annual subsidy on Chinese imports and \$25B “tax” on US exports to China**
- **Current tariffs on Chinese imports total just \$44B**



- **Less finished goods transported E / W from ports. More N / S with Mexico**
- **Fewer free-standing distribution centers**
- **More manufacturing facilities: OEMs and suppliers.**
- **A little less rail, more truck**
- **JIT:**
 - **Less finished goods inventory**
 - **Better component inventory turns**
- **Design some distribution centers to be convertible into factories**
- **Continued strength in the SE and TX**

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Useful links:

[Total Cost of Ownership Estimator™](#)

[Skilled Workforce](#)

[Import Substitution Program](#)

[Supply Chain Gaps](#)