

<https://www.epi.org/blog/ending-offshoring-and-bringing-jobs-back-home-will-take-more-than-tweets-press-releases-and-op-eds/>

EPI--Posted May 20, 2020 at 12:08 am by [Owen E. Herrnstadt](#)

Ending offshoring and bringing jobs back home will take more than tweets, press releases, and op-eds

Despite [repeated warnings](#), America's industrial base has been whittled away by corporations offshoring work to [Mexico](#), [China](#), and other countries. The offshoring of much-needed medical equipment in the midst of the COVID-19 pandemic heightens the urgency to bring these supply chains home.

While U.S. Trade Representative Robert Lighthizer's [recent op-ed](#) heralding an end to "the era of reflexive offshoring" highlights some positive steps forward by the USTR, much more needs to be done to bring supply chains home. It is not enough to—as the administration has done—set tariff policy by tweet, negotiate trade agreements that do not directly take on outsourcing across manufacturing and service sectors, and hope that corporations finally "see the light" and bring jobs home. Rather, returning jobs to America requires a robust, comprehensive strategy that coordinates policies in trade, currency valuation, investment, financing, energy, technology, tax, education, training, government procurement and labor.

To start, this strategy would include the following:

- Insist that the Defense Department and other U.S. agencies cease their reflexive support for continued use of outside supply chains in Mexico and elsewhere and instead push for bringing work home.
- Ensure that "Made in the U.S." in government procurement programs actually means that a product is manufactured by U.S. workers with U.S. supplies and materials.
- Require employment impact statements in government contract and award determinations in order to maximize U.S. job creation.
- Create a U.S. Manufacturing Investment Bank.
- Address currency misalignment.
- Eliminate tax incentives that encourage corporations to outsource production.

Insist that the Defense Department and other U.S. agencies push for bringing work home

The Trump administration could start to bring work home by scrutinizing its own departments, starting with the Pentagon. Several days ago, Pentagon officials acknowledged the dangers of relying on supply chains in other countries for defense products, especially in aviation and shipbuilding. But their response to that danger missed the point. Citing how the COVID-19 crisis has led to the [closures of factories in Mexico](#) that are critical to the defense industry, Undersecretary of Defense for Acquisition and Sustainment [Ellen Lord](#) said she would be asking the Mexican Foreign Affairs Minister to help reopen international suppliers there that provide parts for U.S. airframe production.

What is wrong with this picture? Instead of demanding that Mexico open its factories in the midst of COVID-19 to produce items for the United States, Pentagon officials should be demanding that U.S. companies move work back home. How can some officials reinforce use of supply chains outside of the U.S. when [over 36 million U.S. workers](#), many of them in manufacturing, are unemployed?

Also extremely troubling is the simple fact that many factories in Mexico cannot provide proper personal protective equipment for workers and forcing them back to work without needed safety measures jeopardizes lives. It's bad enough that U.S. workers in certain industries are being asked to return to work without proper personal protective equipment, reliable testing and strict adherence to the Centers for Disease Control guidelines. U.S. government officials' demands that Mexico reopen factories and subject unprotected workers to the dangers of COVID-19 are unconscionable.

It is no secret that U.S. companies have flocked to Mexico over the past 30 years. As I have [previously written](#), Mexico now employs between 30,000 and 40,000 workers in just one industry alone, aerospace. Aerospace manufacturers promote Mexico's low wages to draw business across the border. [Analysts have commented](#) that "Mexico's proximity to the U.S. and its lower labor cost structure have drawn approximately 300 foreign manufacturers to areas in five Mexican states." As [one review of the aerospace industry](#) noted, "The downside of this is that the country may be used increasingly for its cheap labor by profit-hungry companies from more established markets." Mexico's aerospace industry is now a major exporter to the U.S. as highlighted by the Pentagon's announcement.

And it is not just aerospace manufacturing that has shifted supply chains to Mexico. In addition to medical supplies, other essential sectors are greatly impacted by supply chains in Mexico, including all sorts of [manufacturing](#), electronics, communications (especially [call centers](#)), and [food products](#).

Now is the time for all federal departments—starting with Defense—to insist that U.S. companies bring work home, especially work that is essential to our economy and national defense. The administration can start by using the Defense Production Act to ensure that the U.S. immediately step up production of essential items like desperately needed personal protection equipment and ventilators. There are hundreds of factories that have closed across the country that could be used for this important mission.

Ensure that “Made in the U.S.” in government procurement programs actually means that a product is manufactured by U.S. workers with U.S. supplies and materials

For most consumers, a U.S. product is one that is domestically manufactured at home with U.S. materials and supplies. They would be shocked to learn that our federal government considers a product domestically made even when a significant number of parts and components were produced in other countries. Although the government has adopted domestic content requirements in certain procurement programs, these content requirements can be as low as 51%. Moreover, methods for calculating domestic content are a mess. What factors do agencies include in determining content? Is the calculation limited to raw materials, production, assembly, and maintenance? Or can the calculation include intangible items that can be used to inflate domestic content—like the value of marketing, research, development, and intellectual property rights? How is the origin of components and subcomponents considered?

The administration should move quickly to make domestic content calculations effective and transparent. Domestic sourcing requirements for all government procurement programs (e.g., Buy American laws) and programs that support U.S. exports (e.g., the U.S. Export-Import Bank) should also be reviewed to ensure that the requirements are strong, taken seriously, and are effectively implemented.

Further, [waivers](#) that allow exemptions from domestic procurement requirements should be greatly narrowed, including when exemptions are granted for the use of foreign-sourced goods that are in the “public interest,” not reasonably available in sufficient commercial quantities, or not available at a reasonable cost.

The Buy American requirements should also be equally rigorous with sectors like food products. Government commissaries and cafeterias should be using products made here at home. This includes items from sugar and flour to baked goods.

Require employment impact statements in government contract and award determinations in order to maximize U.S. job creation

The administration should adopt a simple, common-sense policy that directly links domestic employment with certain government activities. One way to accomplish this is to require detailed [employment impact statements](#) (EIS) as part of the decision-making process for government procurement contracts, assistance, grants, and awards. The results reflected by the EIS would be a significant factor in the final determination concerning the project or transaction under consideration. The EIS would contain information pertaining to employment that would be maintained, created, or lost if the program in question were approved.

To assure that employment impact statements and reliance upon them are fully and effectively implemented, federal agencies would need to submit annual reports summarizing the procedures used and the results. The reports would furnish the administration and Congress with valuable information about how government programs are supporting the creation and maintenance of jobs.

Create a U.S. Manufacturing Investment Bank

Similar to the concept of the U.S. Export-Import Bank (Ex-Im Bank), a new U.S. Manufacturing Investment Bank would provide financial support for the revitalization of the U.S. manufacturing sector. The U.S. Manufacturing Investment Bank would target large, medium, and small manufacturers that cannot obtain affordable credit on commercial terms. Financing would be in the form of loans at or below commercial rates or of a federal guarantee of a commercial loan. These loans would be paid back directly to the U.S. Treasury, similar to the procedures implemented by the Ex-Im Bank.

In order to receive financing, eligible companies would need to demonstrate a reasonable assurance of repayment within the terms of the agreement and agree to the following requirements:

- Loans will be used to domestically manufacture, assemble, and/or service goods, equipment, parts, and components.
- Materials used for manufacturing will be domestically produced or mined.
- Work will not be outsourced to other countries.

Also companies that receive loans must not be found in violation of any federal labor and employment laws for one year prior to the inception of the loan and through its term.

Address currency misalignment

As detailed in [EPIs Policy Agenda](#), policymakers must focus their attention on making the dollar competitive. Cheap imports achieved through [foreign] [currency undervaluation](#) continue to make production in China and elsewhere attractive. Combined with addressing the effects of the strong dollar on trade imbalances, bringing supply chains home will require that policymakers take actions outlined in the EPI Policy Agenda:

- Engage in international negotiation to lead to a competitive dollar, as the U.S. did with the 1985 Plaza Accord.
- If negotiations fail, rely on the U.S. Treasury and the Federal Reserve to sell dollars in global markets to realign the dollar's value against other currencies .
- Impose a tax on the purchases of dollar-denominated assets by foreign governments and investors.

Eliminate tax incentives that encourage corporations to outsource production

If the administration is serious about bringing jobs back home, it should support legislation that would remove tax incentives for corporations to create and maintain production overseas. Introduced last year by Sen. Sheldon Whitehouse and Rep. Lloyd Doggett, [The No Tax Breaks for Outsourcing Act](#) would go a long way to removing these incentives. According to Whitehouse's office, the measure would, among other things:

- Tax income from overseas subsidiaries at the same rate that applies to domestic income.
- Treat “foreign” corporations that are managed and controlled in the U.S. as domestic companies.
- Crack down on so called “inversions” by maintaining the U.S. tax treatment of merged companies that retain a majority of U.S. ownership.

While strong statements from some administration officials, like the USTR, about bringing jobs home are laudable, current policies will not achieve these much-needed results. With over 36 million people out of work and an [unemployment rate](#) which has reached Depression-era levels, Americans are in desperate need of a well-coordinated, comprehensive policy to stop the erosion of our nation's industrial base.

Of course, changing the flow of supply chains back to the U.S. will not occur overnight. But we need to start somewhere and we need to start now. Never again, should our highest officials in the Defense Department have to plead for help from another country to produce the essential

equipment that should be produced here at home. Nor should our officials demand that another country force its workers to produce goods for the U.S. under unsafe conditions.