

LOVE AFFAIR WITH CHINA FIZZLES, AS MANUFACTURING COMPANIES MULL RETURN TO AMERICA



Since the last 20 odd years, many US manufacturers, lured by availability of cheap foreign labor and not so stringent regulations, had taken their production work off-shore. This eliminated millions of jobs for local Americans. A new report says that the love-affair with China may be drawing to a close as many big US companies are exploring moving their production facilities back to the US. Boston Consulting Group, surveyed 106 executives, 37% of manufacturers with annual turnovers of more than \$ 1 billion, said that were seriously contemplating moving back to the US for manufacturing of their products. 48 percent of the executives of companies that made \$10 billion or more said, they would prefer to relocate back home. BCG analysts wrote, "The tide is starting to turn. The implications are likely to be profound." Manufacturers of transportation goods, electrical equipment, furniture, computers and electronics expressed a keener desire, than the others, to start production within the country. Surveyed executives have forecast that, by 2020, 30% of manufacturing could return to the US, from their current production units in Asia. Michael Zinser, a partner with the Boston Consulting Group said, "Not long ago, many companies regarded China as the low-cost default option for manufacturing. This survey shows that companies are coming to the conclusion surprisingly fast that the U.S. is becoming more competitive when the total costs of manufacturing are accounted for." Rising wages in China, product quality, increase in freight and other complex logistics and the belief that these issues will continue to rise are the reasons executives cite for wanting to relocate. Most believe that closer proximity to customers would make it easier to do business here. The report predicts that these forecasts would lift the US recovery and increase jobs by as much as 3 million and \$100 billion in annual output. However, this will not mean that companies will bring back home all the jobs that were lost during the recession. According to the Information and Technology and Innovation Foundation, between 2007 and 2009, US lost 16.3 percent of the jobs and only 1.4 percent of these jobs have since returned. Still it is a prospect that could have positive implications for US workers. Wages in America, especially in the manufacturing sector have remained fairly stagnant. So much so that the low wages paid in manufacturing are used as a bargaining yardstick for lower pay in other areas, by the employers. Another attraction for companies to want to bring back their production work to America is that in some parts of the country, local governments are passing new tax and energy policy legislation to ease things for manufactures.