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Donald Trump said his tariffs on Chinese imports would bring factory jobs back to the US, but that's not happening

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When US President Donald Trump's administration imposed tariffs on US\$250 billion of Chinese goods last year, the move was sold to the American public as a magic bullet that would bring jobs back to the US. It misfired.

Under mounting pressure as tariffs threaten to drive up costs, US manufacturers in China are indeed packing up and heading elsewhere. Companies including Nike, Crocs, Roomba and GoPro are now producing most of their goods outside the country, having set up operations in Vietnam, India, Bangladesh and Mexico. Dell, Sony, Nintendo and HP are reportedly considering such moves.

But very few are moving back to the US.

"Trump's tariffs may have sent the message to ask US companies to consider reshoring, [but] very few will actually follow through," said Daniel Ikenson, director of the Centre for Trade Policy Studies at the Cato Institute, a non-partisan think tank. "Making products in America has become too expensive."

Trump said the US was "winning" the trade war after a temporary truce was struck in late June with his Chinese counterpart, Xi Jinping.

But as the US and China engaged in a fresh round of talks this week in Shanghai after a long stalemate, there were few signs of an American manufacturing renaissance.

Manufacturers continue to view countries other than the US as more desirable locations to produce or purchase a wide variety of goods, according to the consulting firm A.T. Kearny. Its Reshoring Index, which tracks the amount of US goods imported from other countries and manufactured domestically, decreased for the third year in a row in 2018 despite Trump's trade measures.

While tariffs did help push US companies out of China and into other parts of Asia, they have not been responsible for producing more US jobs, analysts say.

“There is no sign that US manufacturers are going to come back because of the trade policy. As a matter of fact, manufacturers are struggling because of the policy,” said Johan Gott, who wrote the A.T. Kearny research report. “It makes more sense to make goods in economies where the labour is cheaper and abundant.”

It is true that since Trump took office in January 2017, the number of US manufacturing jobs has risen. Last month, the figure stood at 12.8 million, up 400,000 from when his administration began.

In August 2016, as the Republican nominee on the campaign trail, Trump said in Michigan: “Right here, in this community, you’ve lost one in seven manufacturing jobs since Bill Clinton put China into the World Trade Organisation – another Hillary Clinton-backed deal.”

He then pledged measures that included “strong protections against currency manipulation from countries like China, and tariffs against any nation that cheats by unfairly subsidising their goods”.

Earlier this year, after several rounds of tariffs had been imposed on China, Trump said on Twitter that “last year was the best year for American Manufacturing job growth since 1997”.

“The previous administration said manufacturing will not come back to the US, ‘you would need a magic wand.’ I guess I found the MAGIC WAND – and it is only getting better!”

Labour statistics, however, show that this increase in manufacturing jobs has lagged overall job growth.

Since 2017, the US economy has added close to 6 million jobs, Labour Bureau data show. Jobs in manufacturing, which accounts for about 10 per cent of total economic output, should have increased by 600,000 in that period to keep pace with economic growth, said Lauren Goodwin, an economist and strategist at New York Life Investments, which manages about US\$567 billion in assets.

“So that increase is really not very impressive. It’s actually lagging the average economic growth,” she said.

In comparison, in two and a half years of president Barack Obama’s second term, starting in 2013, manufacturing jobs, without tariffs, increased by 330,000, the data shows.

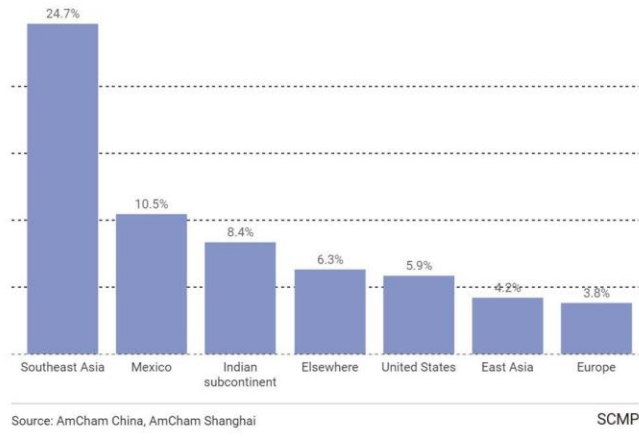
“Some manufacturing jobs have come back, but not because of tariffs,” Ikenson said. “For industries like pharmaceuticals and chemicals that rely heavily on natural gas, there is an advantage to be here because of the cheap gas.”

Steve Lamar, executive vice-president at the American Apparel & Footwear Association (AAFA), whose members include Ralph Lauren and Hanesbrands, said: “What Trump has done, he’s not helped to bring manufacturing jobs back. By raising tariffs on textiles imported from abroad, he’s made producing in the US more expensive.

“We can see Southeast Asia and some parts of Africa benefit from the moves. Unfortunately, the US isn’t one of them.”

Where are companies looking to relocate from China

Higher tariffs are causing American companies to consider moving from China, but not necessarily back to the US, survey finds



Regardless, Trump is claiming credit ahead of the 2020 presidential election. In March, he told a group of Ohio factory workers that his administration was “restoring American manufacturing”.

But businesses are increasingly on edge as trade tensions between the US and China simmer.

About 41 per cent of American companies have shifted or are considering moving manufacturing from China, the American Chamber of Commerce in China said in a recent survey.

Although Trump’s threat to impose tariffs on the remaining US\$300 billion of Chinese imports has been put on hold pending the latest round of trade negotiations, uncertainties abound. And the existing tariffs of up to 25 per cent on the US\$250 billion have already started to strain businesses.

Among the US firms likely to leave China is the Utah-based outdoor clothier Kuhl, which has been making its apparel there for nearly two decades. It is looking to move most its production to Vietnam, said a person with knowledge of the situation, who asked to remain anonymous because the lack of authority to discuss the matter.

“Looks like we are not going to just ride out this trade war with China any more,” the person said.

Manufacturing used to be the backbone of America. Behemoths like IBM, Ford and General Motors were the superstars and represented US economic vitality.

In the 1970s, the manufacturing sector contributed more than a quarter of the country’s gross domestic product. Today, it accounts for about 12 per cent, according to the US Bureau of Labour Statistics.

The sector is unlikely ever to return to its heyday. In 1979, the US boasted nearly 20 million manufacturing jobs. Between 2000 and 2009, as many as 5 million of those jobs were lost to automation and outsourcing.

“We’ve moved up the ladder and there is no way those jobs are coming back to America, and we don’t want them to. They won’t help create prosperity in the US,” said Richard Kestenbaum at Triangle Capital, a New York based investment banking firm.

But for industries hit hard by the tariffs, including those in the steel industry, evidence of the pain caused by job losses abounds.

Tariffs are not bringing any steel jobs back. Not only that, the ones available are paying half of what they used to
Robert James, union local president in Indiana

“Bringing jobs back to the US is a good thing,” said Robert James, president of United Steelworkers Local 1999, which represents about 2,000 workers in Indiana. “Our workers have suffered greatly behind different trade programmes.

“Tariffs are not bringing any steel jobs back. Not only that, the ones available are paying half of what they used to. People here lost benefits for their elders and for their children. Families are hurting.”

AAFA’s Lamar said the industries his trade group represents, which employ about 4 million people in the US, have evolved over the years to focus on high-value jobs.

“To have stitching work done in countries like China, that allows us to focus on more valuable jobs from design, compliance, quality control to transportation,” Lamar said.

Kestenbaum said: “American apparel makers barely make anything today. They are brand owners and designers. Those are the skills needed to thrive in retail in the US.”

The need for changing and different skills holds true in other manufacturing sectors as well.

There were 7.3 million job openings in May, according to the most recent “Job Openings and Labour Turnover Survey” from the US Department of Labour. At the same time there were nearly 5.9 million people unemployed.

The most robust job growth in manufacturing involves the production of hi-tech goods. Storey county in Nevada, for example, has added more than 10,000 jobs in the past few years, becoming home to a Tesla factory that produces batteries for electric cars.

Trump is certainly trying to bring manufacturing jobs back. Though tariffs on China have not helped restore the US manufacturing sector, his corporate tax cuts have encouraged investment, and the repatriation tax waivers have brought trillions of dollars of profit back to the US.

Tariffs are also raising the cost of production in the US industries that rely heavily on raw materials from China. It was recently reported, for example, that Apple would be moving production of its only major US-built product, the Mac Pro, to a factory near Shanghai.

In response, Trump wrote on Twitter on July 26: “Apple will not be given Tariff waivers, or relief, for Mac Pro parts that are made in China. Make them in the USA, no Tariffs!”

On Tuesday, Apple CEO Tim Cook said: “We’ve been making the Mac Pro in the United States and we want to continue doing that.”

A month after he was elected in 2016, Trump visited Carrier’s heating and air conditioning plant in Indiana to promote his deal with its parent company, United Technologies, to keep the factory open and save 700 jobs from being moved to Mexico. Carrier suspended lay-offs, but only temporarily. In subsequent months, it let go more than 500 workers.

The initial delay won Carrier US\$7 million in tax credits and allowed Trump to claim an early success to deliver on his promise to American workers. But it did not change the company's long-term business decision to move jobs from the United States.

“Some companies might try to keep production in the US because they recognise that in a highly political environment, if the president is vindictive, they don't want to be on the wrong side,” Ikenson said.

But businesses have more than politics to worry about, and that's their bottom line.