



REINVESTING AND
REDEFINING AMERICAN-MADE:
NOW IS THE TIME TO RESHORE
MANUFACTURING

During tumultuous economic times, OEMs and contract manufacturers look for the most effective and efficient solutions to meet the needs of customers. A recent survey, conducted by Thomas Industrial found that 28% of respondents are now seeking domestic suppliers in light of the impact coronavirus is having on North American manufacturers. The many uncertainties across the globe are causing offshore manufacturing to become both less reliable and less cost-effective as time goes on, making the case for reshoring more and more clear. Here are the top reasons we should be reinvesting in American-made and sourced products and reshoring manufacturing.



The cost impact of tariffs and trade deals

A new United States-Mexico-Canada Agreement (USMCA) passed back in January updated the 25-year-old North American Free Trade Agreement. Under the terms of this new agreement, at least 40% of the value of passenger cars and 45% of the value of light trucks must be produced at North American facilities where workers make an average of \$16 per hour.

This requirement is projected to have a ripple effect. Mexican manufacturers will be pushed to pay higher wages in order to compete for assembly personnel, which is bound to accelerate the regional labor cost increases OEMs have already been experiencing. Tariffs have been and are continue to be used as leverage to even the international trading playing field. Because of this, OEMs must plan for the impact these increasing labor costs are bound to have on their sourcing decisions.

Liberty Electronics has recently been awarded projects as part of a concerted effort on the part of customers to avoid the cost impact of tariffs, as our American-made products help skirt those inflated costs.

Health risks and regional conflicts

As the recent rise and spread of COVID-19 virus has proven, epidemics can have a massive and wide-reaching impact on suppliers ability to manufacture and ship parts and products. COVID-19 has exposed many North American-based manufacturers that rely on China for supply chain fulfillment, and the pandemic has fueled panic over the inability to keep that supply chain maintained. Chinese manufacturing is not anticipated to return to production capacity until at least the third quarter of 2020. As a result of this, several tiers worth of suppliers' products will not arrive in the United States until the end of the year, or even early next year.

The health risks that have been demonstrated by recent events are of a particular threat in third world locations where healthcare is not what it is here in the United States and people do not have as many options for care and recovery. Significant exposure risk is involved when travel to other countries is required, both to an OEMs personnel while they are overseas and to their US-based colleagues and beyond when they return.

In addition to health concerns, uncertain dynamics such as crime and war can add additional risk. Drug cartels in Mexico or disputed islands in the South China Sea are just a couple of potential flashpoints around the globe that have the volatility and potential to turn off supply chains as quickly as you can shut off a spigot. OEM professionals can be putting themselves in harm s way when traveling to connect with suppliers located in or around these hot spots.

Lower life-cycle costs and shorter lead time

At Liberty, we have experience with OEMs that have moved work to us from low-cost regions because of costs associated with quality and reliability problems. Scrap, rework and customer returns have sometimes proven to be significantly higher for these low-cost region suppliers. In addition, overhead costs associated with supporting these suppliers can far exceed those required for a domestic supplier.

Some OEMs have often expressed frustration over lead times that are longer overseas than for United States suppliers. These lengthy lead times that can occur when offshoring can particularly be an issue when you are trying to get replacement product for previously shipped defective materials.

Intellectual property

Another area of concern voiced by OEMs across the industry is theft or forced transfer of intellectual property (IP). In the US-China Business Council survey performed annually, respondents consistently name concern over intellectual property among their top concerns of US businesses in China. The best and most secure way to protect your intellectual property is to keep it where you know it s safe. Liberty Electronics respects private property rights and is committed to protecting customers' confidential and proprietary information.

A reduction in dependence on overseas manufacturing can only increase economic independence here in the United States. Where the previous appeal of cost-cutting and globalization outweighed other concerns, the benefits of offshoring in the past no longer seem to outweigh the risks of failing to reshore manufacturing in the future.

Liberty Electronics specializes in manufacturing electronic wiring harnesses, cable assemblies, complete cabinet and panel assemblies and electro-mechanical assemblies. Liberty Electronics complies with the most stringent military and best commercial practice requirements for electronic assembly, with a proven track record of program cost savings and continuous improvement solutions. To learn more about Liberty Electronics, visit libertyelectronics.com.