



# HOW WILL PRESIDENT TRUMP'S POLICIES AFFECT U.S. MANUFACTURING?



## OVERVIEW

During the 2016 presidential campaign, now President-elect Donald Trump campaigned on issues that will have a direct and dramatic impact on U.S. manufacturing. Among them are trade partnerships, immigration and the United States' current financial and industrial relationships with China and Mexico. Now that Mr. Trump has won the presidency, it is only natural to wonder what impact his stated policies will have.

From mid-November through mid-December 2016, MFG.com surveyed U.S. manufacturers to gauge their expectations of, and optimism for, the incoming administration's proposed policies. MFG.com also asked them to project the impact of those policies in the coming years.

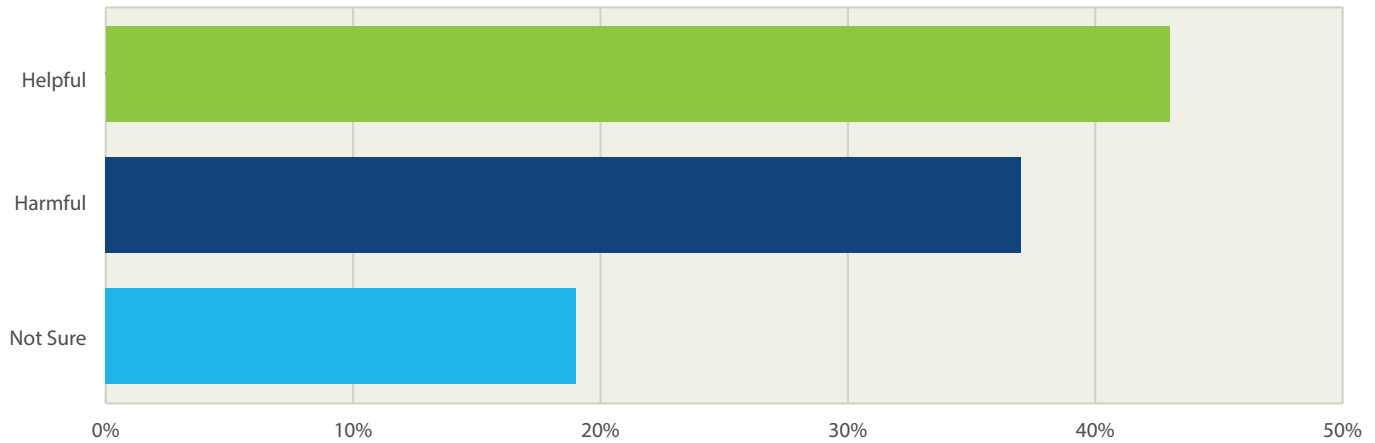
MFG.com sent a total of 46,500 surveys to members of our marketplace. We broke the sample into two separate groups to measure their unique perspectives separately:

- 1. Original Equipment Manufacturers (Buyers** within the MFG.com marketplace): These individuals design or own products and contract with or hire specialized manufacturers to produce the components and assemblies to make their products.
- 2. Small to Midsize Manufacturers (Suppliers** within the MFG.com marketplace): Manufacturers that provide manufactured products or manufacturing services to Original Equipment Manufacturers (OEMs) to make their products.

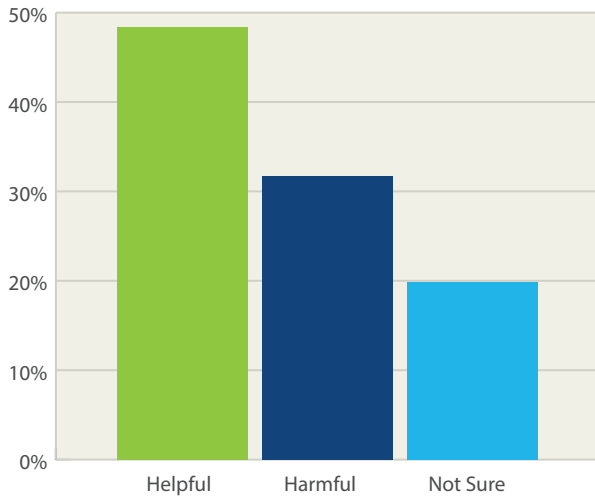
MFG.com received a total of **826 responses**: 498 from Buyers and 328 from Suppliers. Below are the results presented in aggregate form and broken down into the two groups.

# IS FREE TRADE HELPFUL OR HARMFUL TO U.S. MANUFACTURING OVERALL?

COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



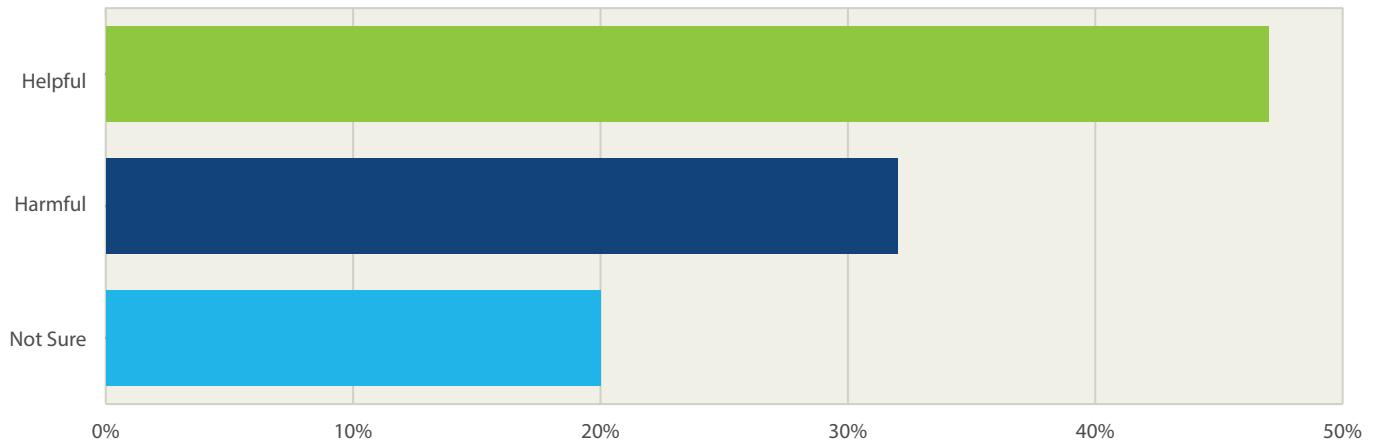
SUPPLY SIDE SURVEY



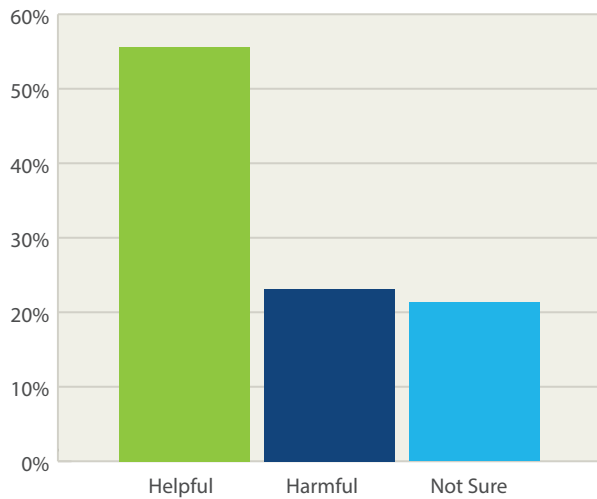
Buyers saw free trade as helpful, rather than harmful, to U.S. manufacturing by a margin of nearly 20%. Suppliers held the opposite view with more seeing free trade as harmful rather than helpful, although by a smaller margin.

# IS FREE TRADE HELPFUL OR HARMFUL TO YOUR BUSINESS?

COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



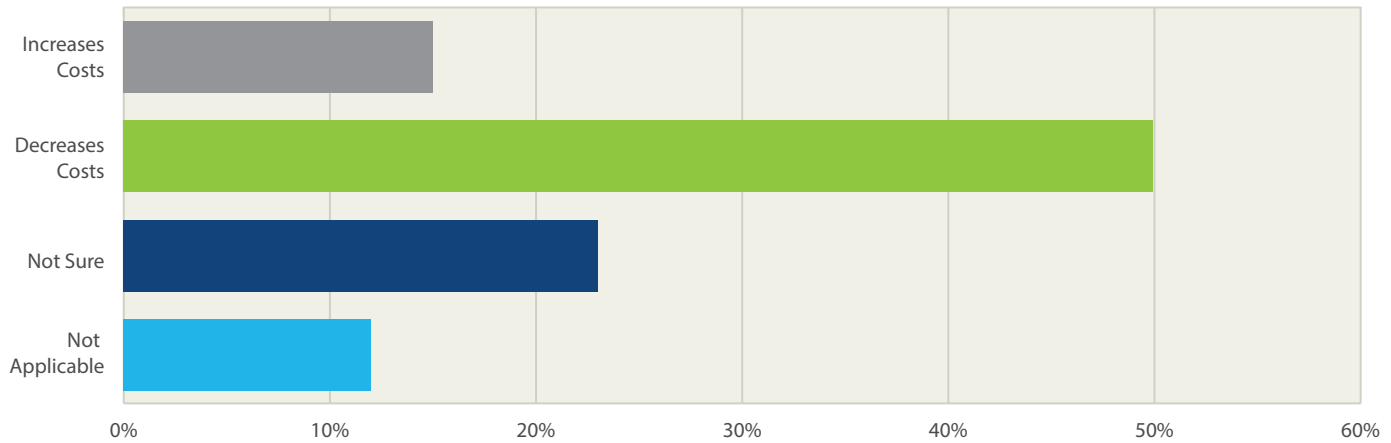
SUPPLY SIDE SURVEY



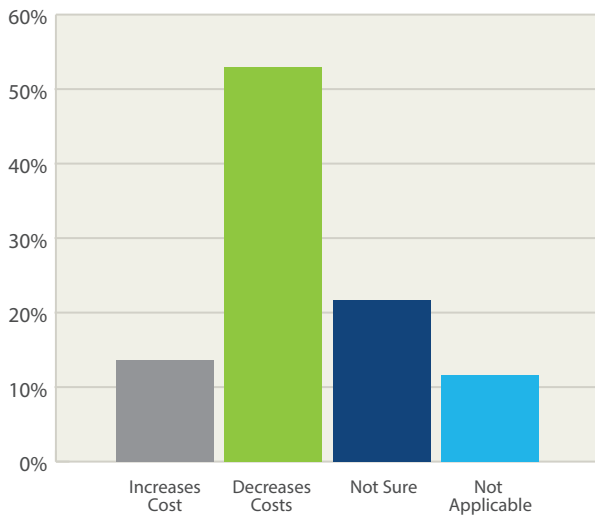
Not unexpectedly, Buyers – larger manufacturers with longer supply chains and global reach – identified current U.S. free trade practices as helpful to their businesses (56 percent). Conversely, Suppliers (46 percent) viewed these provisions as harmful to their businesses.

# HOW DOES FREE TRADE AFFECT RAW MATERIAL OR COMPONENT COSTS FOR YOUR BUSINESS?

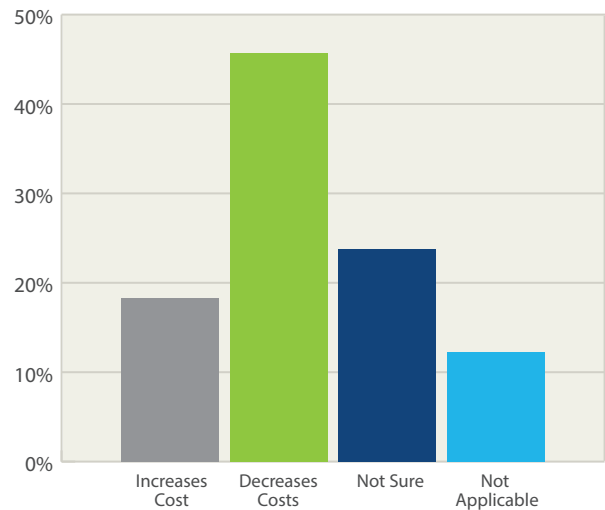
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



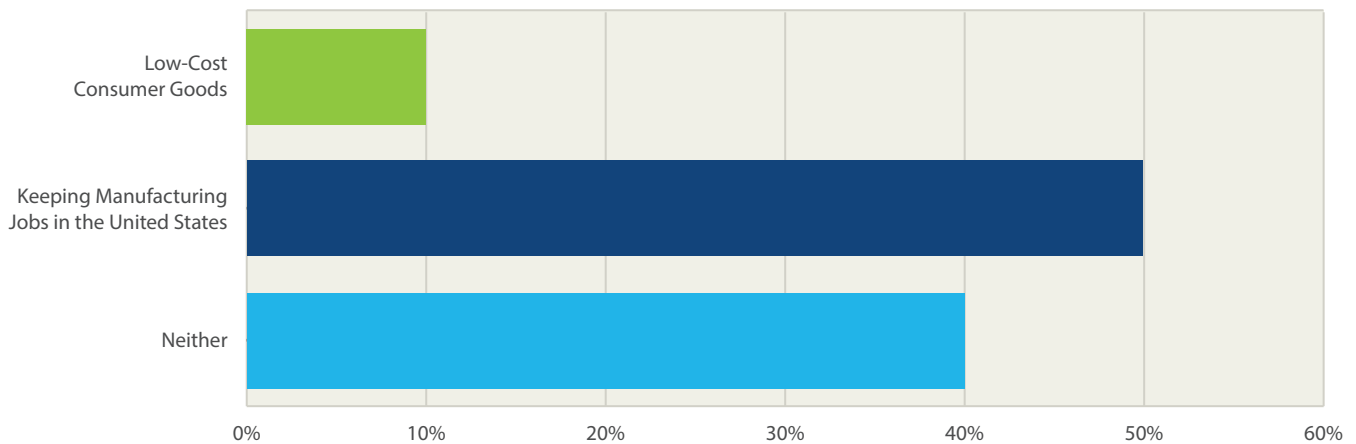
SUPPLY SIDE SURVEY



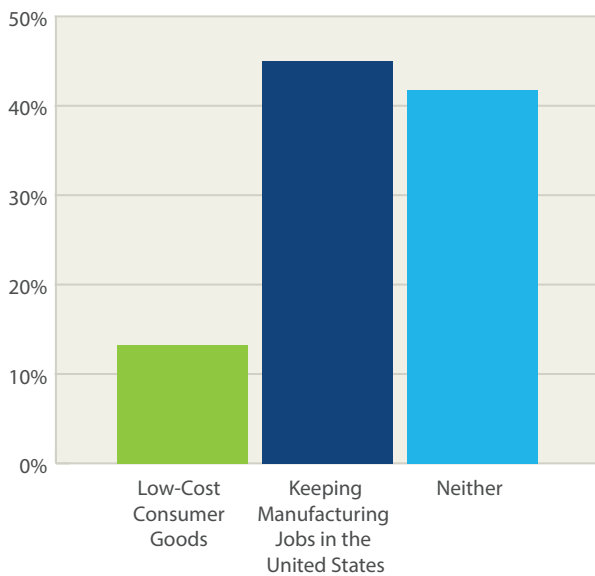
Both Buyers and Suppliers agreed that free trade lowers their direct costs.

# WHICH OF THESE ITEMS IS MORE IMPORTANT TO YOU: LOW-COST CONSUMER GOODS; KEEPING MANUFACTURING IN THE UNITED STATES; OR NEITHER (THEY ARE OF EQUAL IMPORTANCE)?

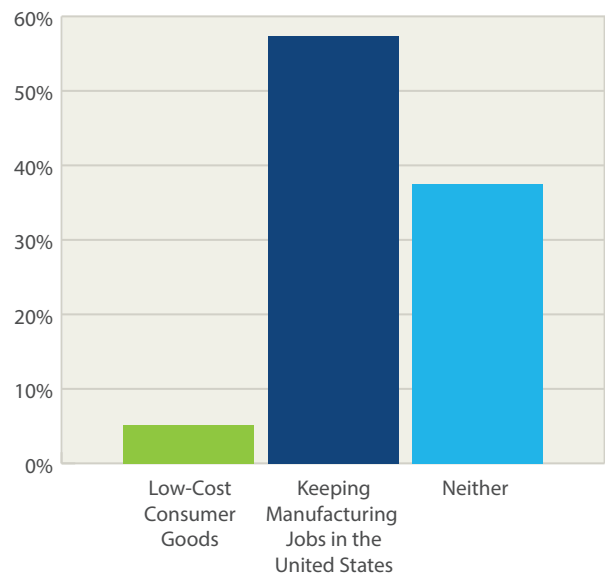
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



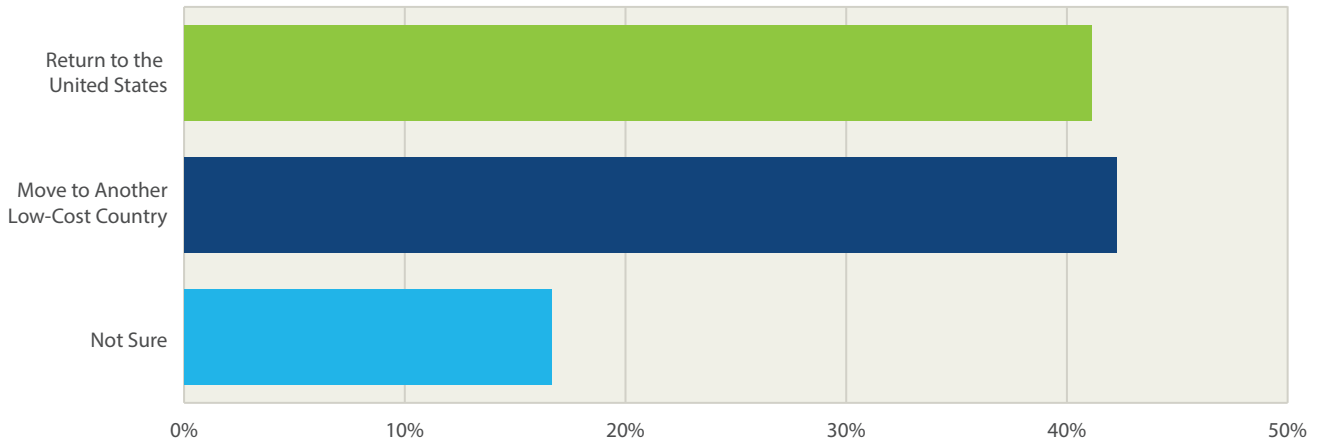
SUPPLY SIDE SURVEY



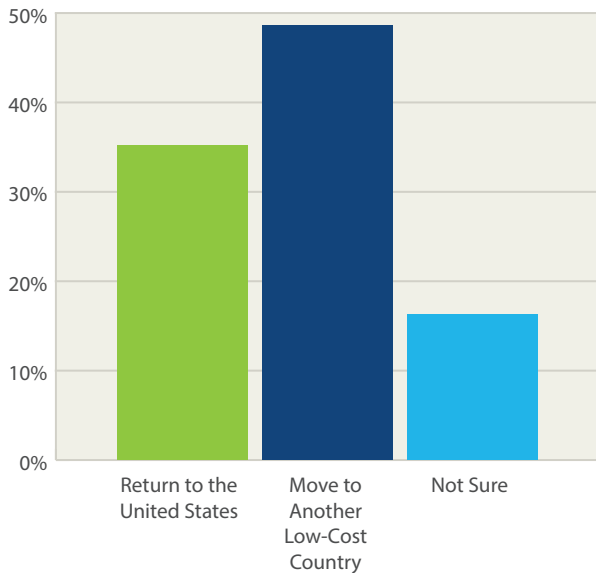
While Suppliers unsurprisingly support keeping manufacturing jobs in the United States, Buyers – whose interests are often served best by lower-cost labor and sources – also expressed a strong desire to keep manufacturing jobs in the United States, even at the expense of higher-priced consumer goods.

# IF TRADE SANCTIONS AND/OR TARIFFS WERE IMPOSED ON COUNTRIES DEEMED TO BE COMPETING UNFAIRLY, WOULD THESE MEASURES CAUSE MANUFACTURING JOBS TO:

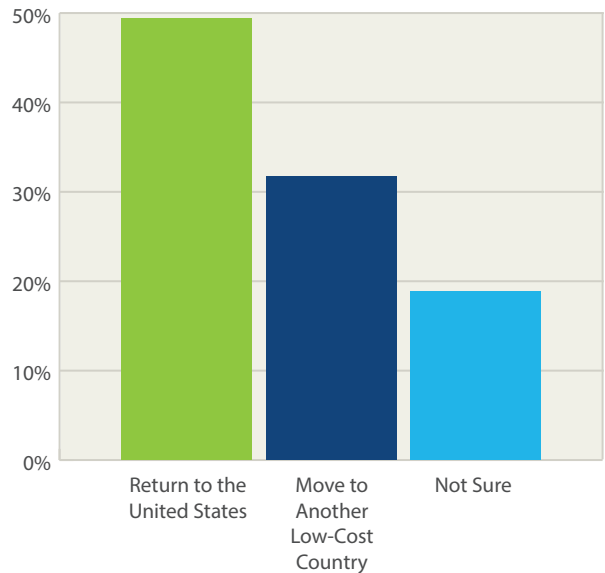
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



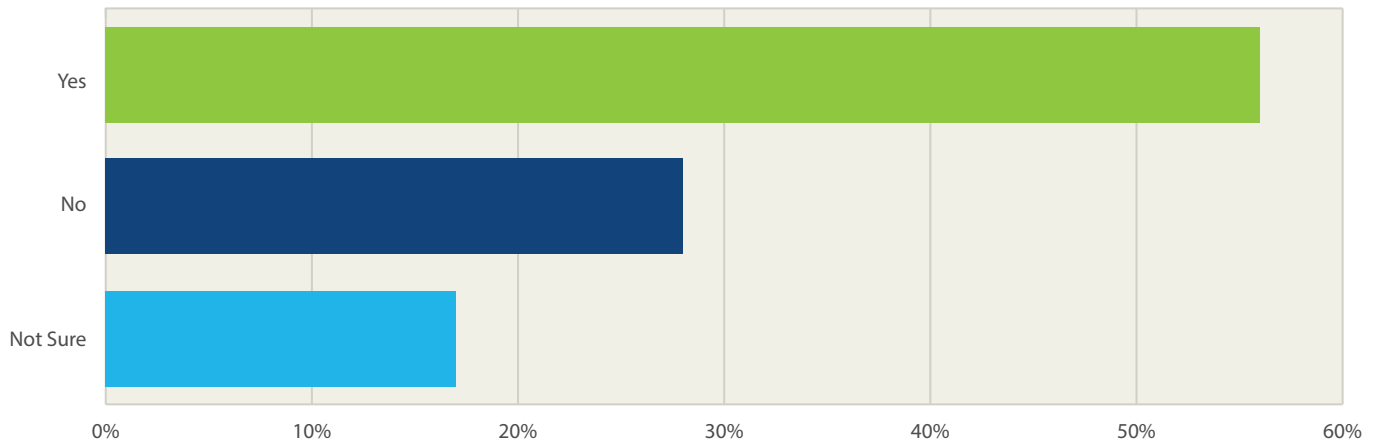
SUPPLY SIDE SURVEY



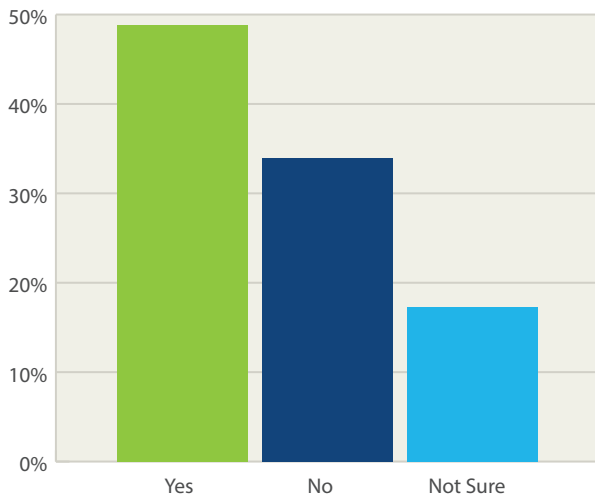
OEMs/Buyers, who control sourcing and supplier management costs, predictably identified moving to other low-cost countries as the most likely response to sanctions/tariffs on current source countries. Also of note, about 35 percent of U.S. Buyers also identified the United States as the likely benefactor of imposed sanctions/tariffs. While Suppliers acknowledged that other low-cost countries might become sources for manufactured goods and services as a result of sanctions/tariffs (almost 32 percent), nearly half expected jobs to be repatriated to the United States, if sanctions/tariffs were imposed.

# SHOULD U.S. COMPANIES THAT PRODUCE PRODUCTS IN OTHER COUNTRIES BE TAXED OR OTHERWISE PENALIZED FOR DOING SO?

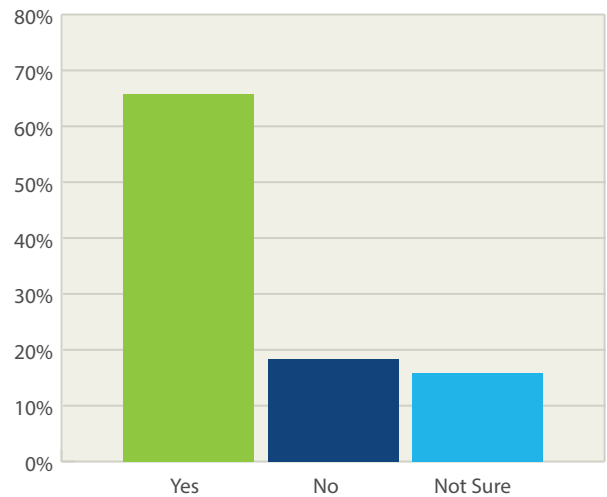
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BUY SIDE SURVEY



SUPPLY SIDE SURVEY

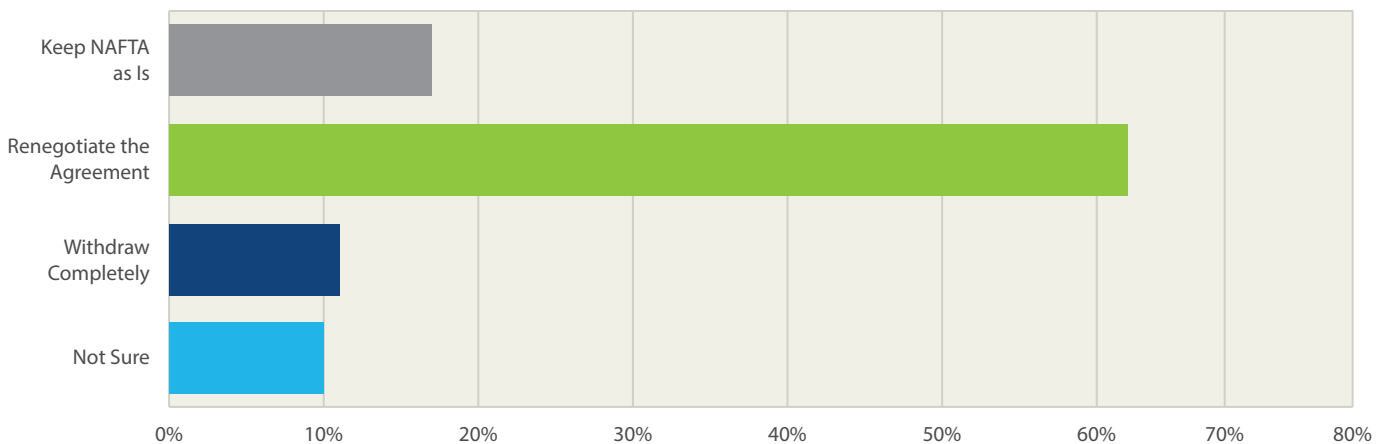


As expected, by a ratio of over 3 to 1, U.S. Suppliers believed U.S. companies should be penalized for manufacturing offshore. However, nearly half of U.S. Buyers also thought offshore manufacturing should be subject to economic consequences. This finding seemingly contradicts Buyers' own interests as they are most likely to engage and source from offshore suppliers.

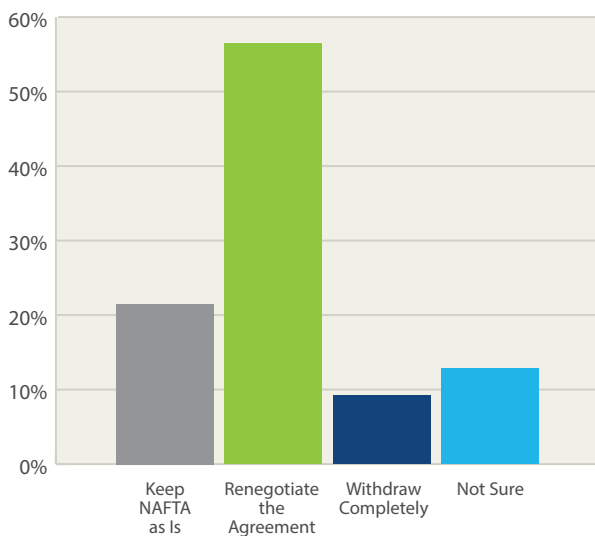


# PRESIDENT-ELECT TRUMP HAS INDICATED A DESIRE TO RENEGOTIATE OR WITHDRAW FROM NAFTA. SHOULD THE UNITED STATES: KEEP NAFTA AS IS; RENEGOTIATE THE AGREEMENT; WITHDRAW COMPLETELY; OR NOT SURE?

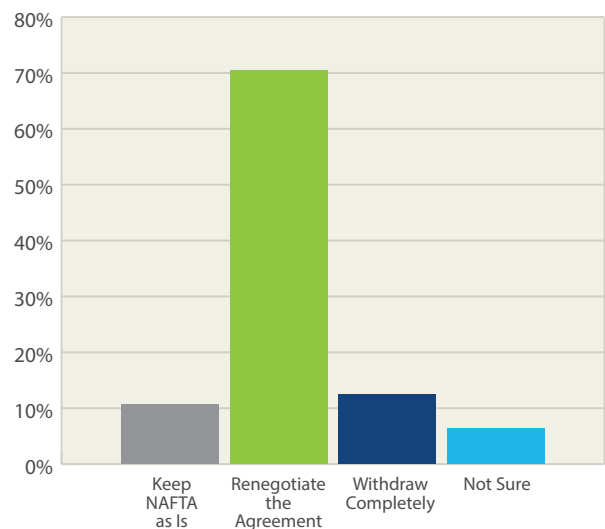
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



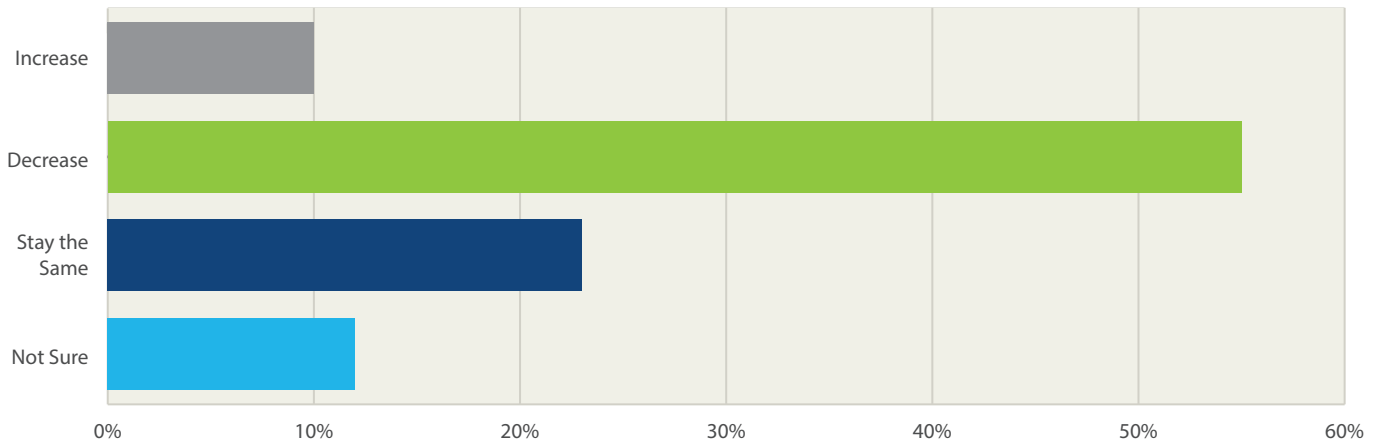
SUPPLY SIDE SURVEY



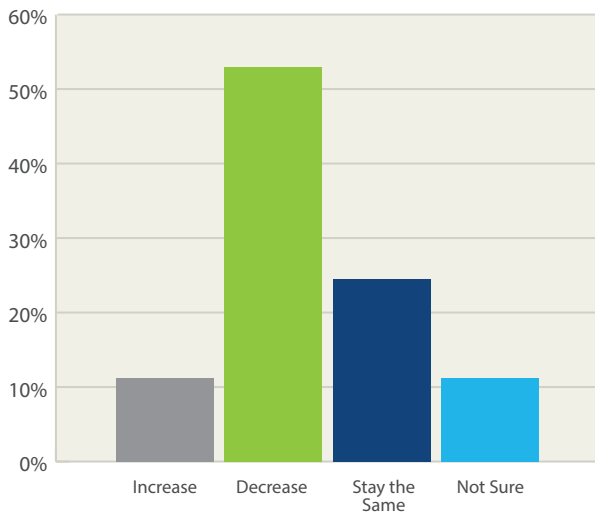
Among U.S. manufacturers wishing to keep the North American Free Trade Agreement (NAFTA) in its current form, U.S. Buyers outnumbered U.S. Suppliers by a ratio of 2 to 1. But, an overwhelming number of U.S. manufacturers in both groups advocated the renegotiation of, or complete withdrawal from, NAFTA.

# IF THE UNITED STATES WITHDREW FROM NAFTA, WOULD YOU EXPECT IMPORTS TO THE UNITED STATES TO: INCREASE; DECREASE; STAY THE SAME; OR NOT SURE?

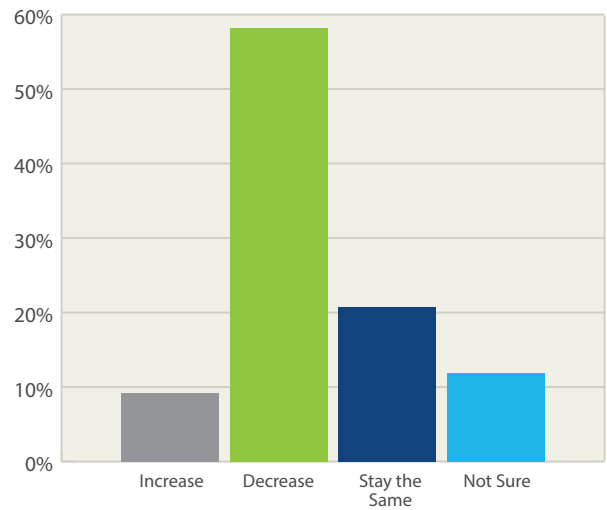
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



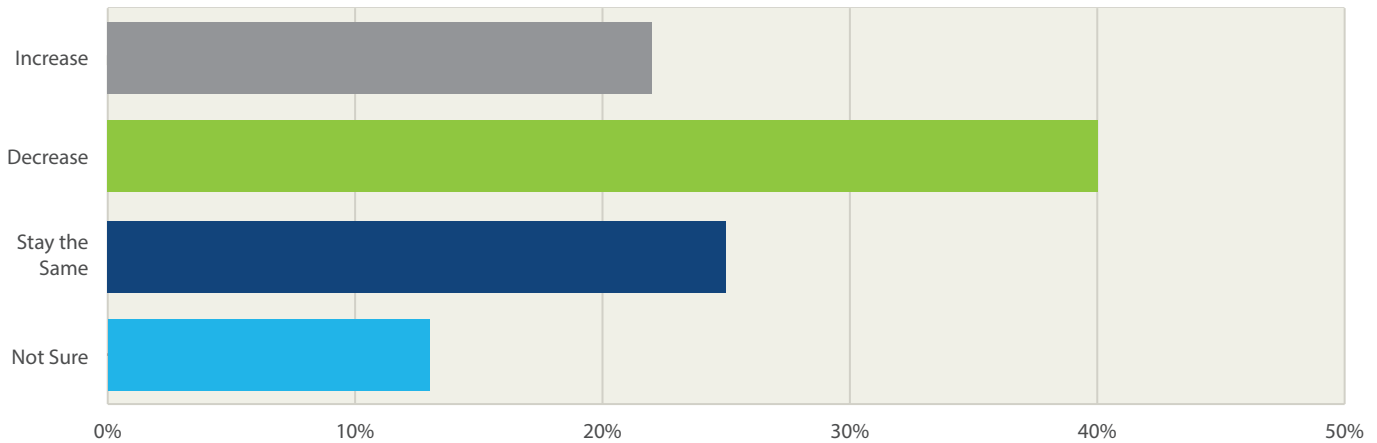
SUPPLY SIDE SURVEY



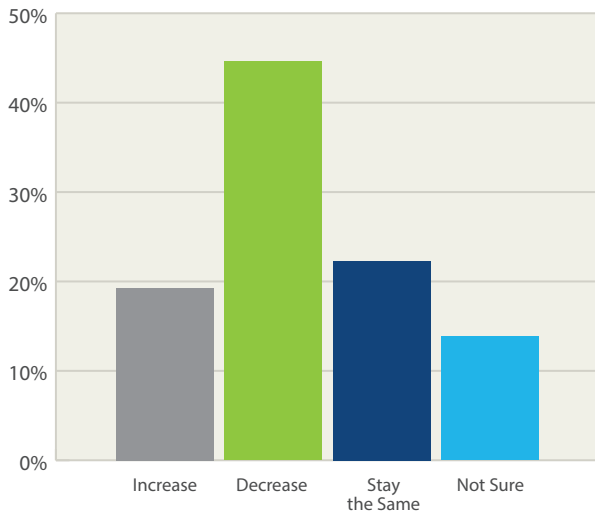
Buyers and suppliers held almost identical views on the expected impact on imports of a complete withdrawal from NAFTA.

# IF THE UNITED STATES WITHDREW FROM NAFTA, WOULD YOU EXPECT EXPORTS FROM THE UNITED STATES TO:

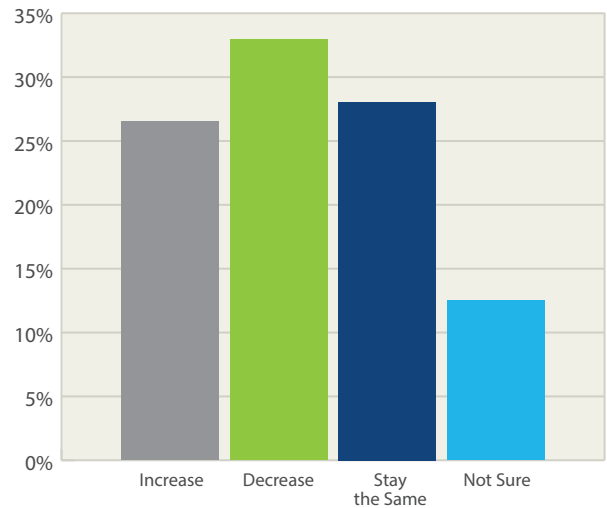
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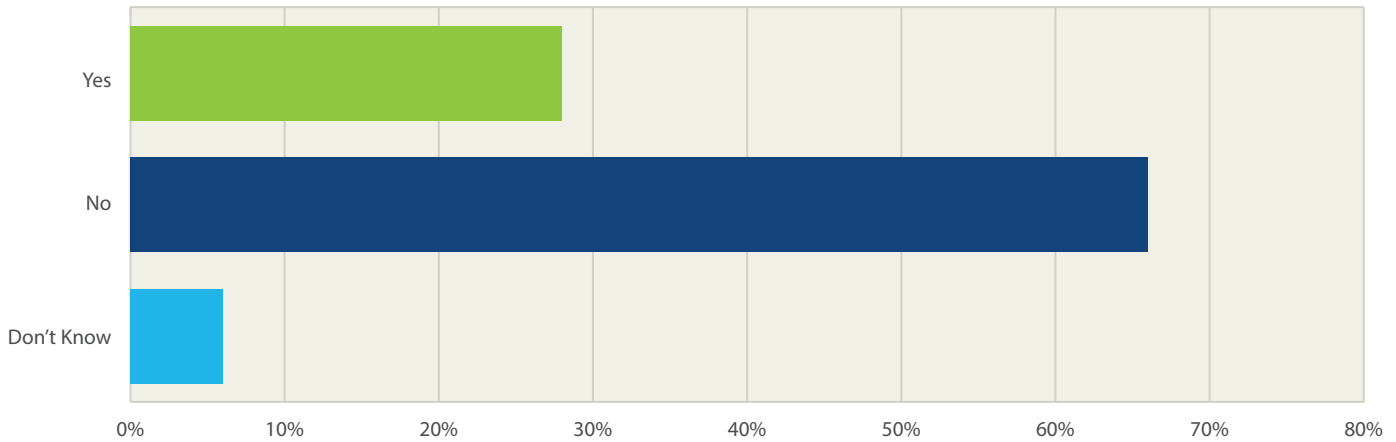
SUPPLY SIDE SURVEY



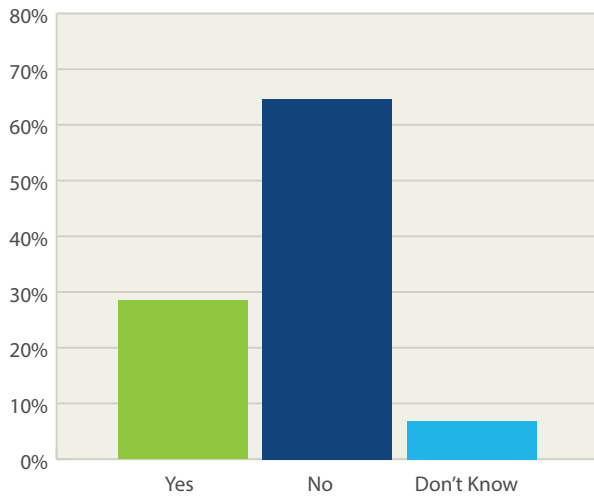
Not surprisingly, both U.S. Buyers and Suppliers expected trade between the United States and Mexico to decrease if the United States were to withdraw from NAFTA. Yet, approximately a quarter of all U.S. manufacturers surveyed said that imports (21 percent) and exports (28 percent) between the two countries would remain the same.

# DOES YOUR BUSINESS EMPLOY LEGAL IMMIGRANT LABOR?

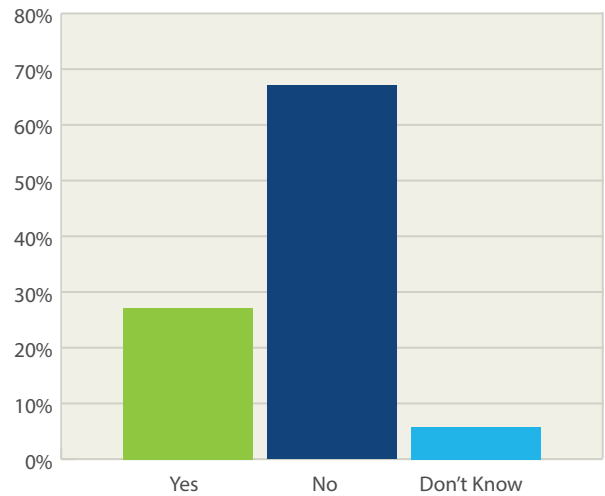
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BUY SIDE SURVEY



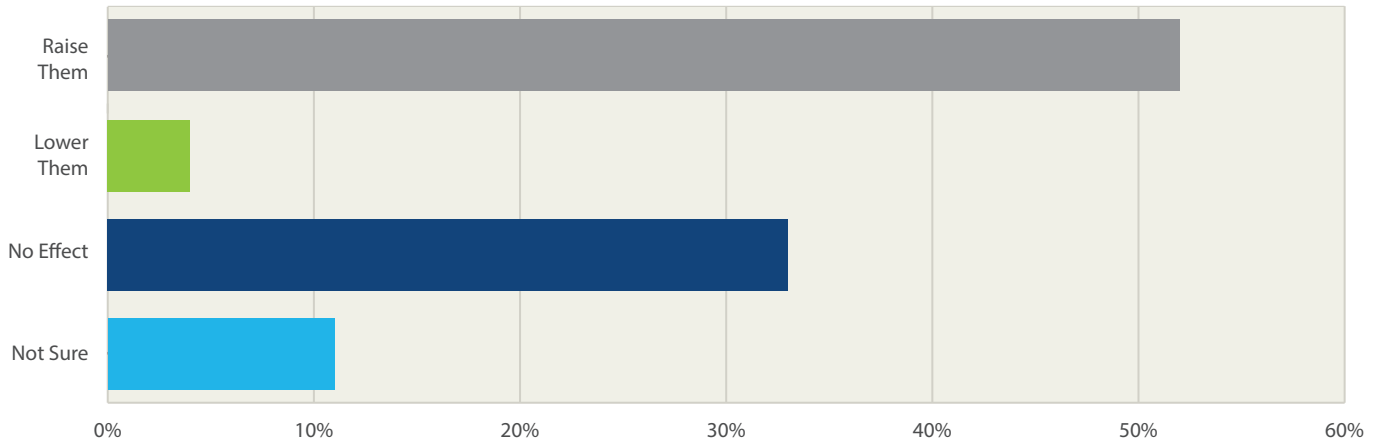
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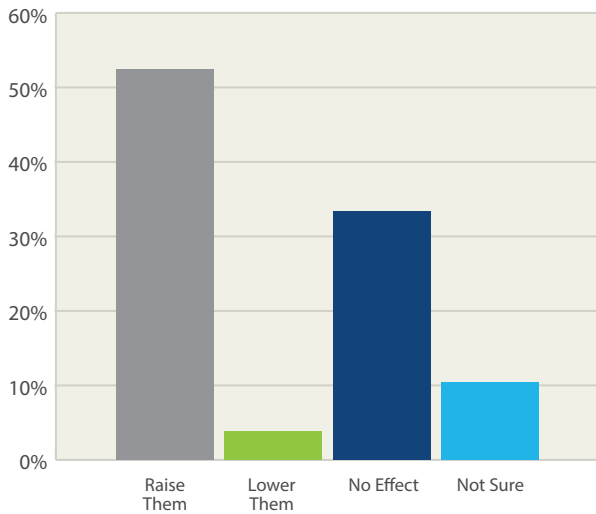
In regard to immigration and the available labor pool, U.S. Buyers and Suppliers appeared to respond similarly, with a few notable exceptions. For example, both groups indicated they employ a nearly identical percentage of legal immigrants (approximately 25 percent each). Both U.S. Buyers and Suppliers indicated similar hiring practices relative to legal immigrant labor.

# WHAT EFFECT WOULD STRONGER ENFORCEMENT OF IMMIGRATION LAWS HAVE ON LABOR COSTS IN THE UNITED STATES?

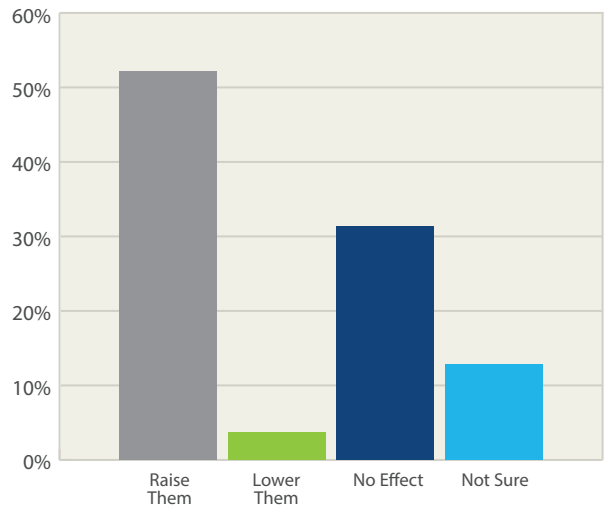
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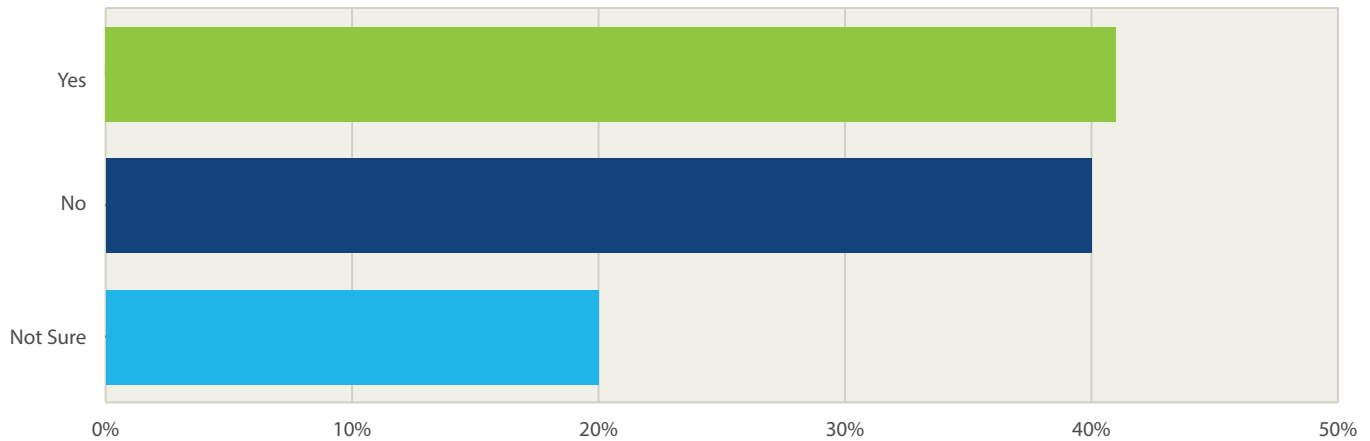
SUPPLY SIDE SURVEY



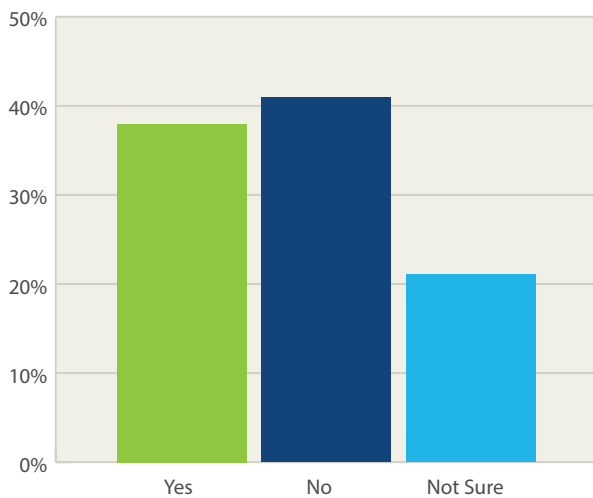
Both groups seemed certain that stronger enforcement of immigration laws would raise labor costs in the United States (over half for both groups).

# IS THERE AN ABLE AND WILLING POOL OF LOW-COST U.S. LABOR TO REPLACE WORKERS WHO MIGHT BE LOST DUE TO STRONGER ENFORCEMENT OF IMMIGRATION LAWS?

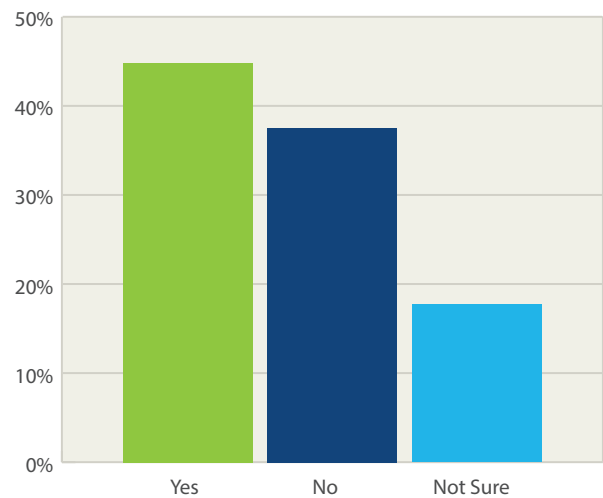
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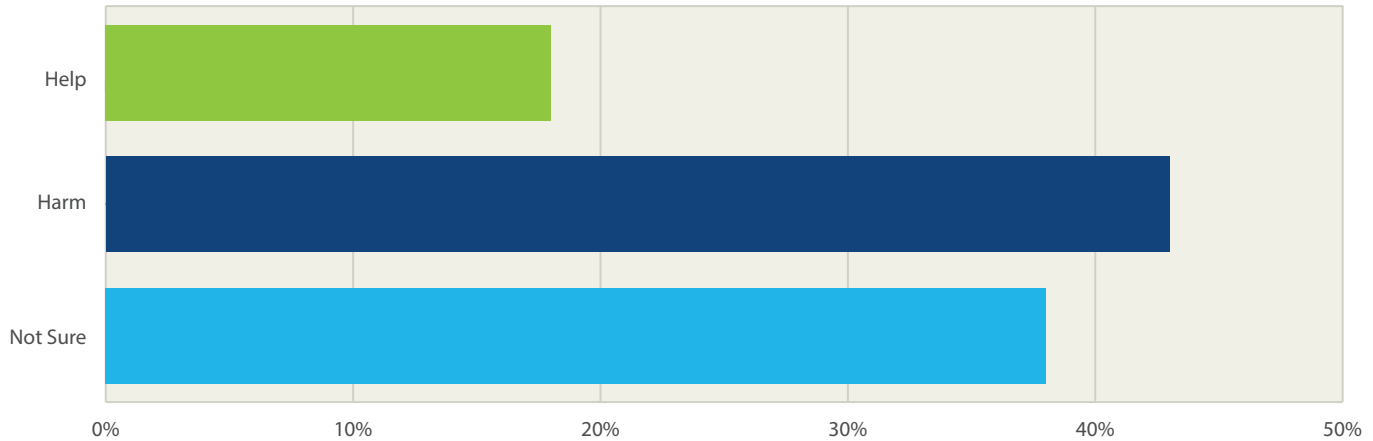
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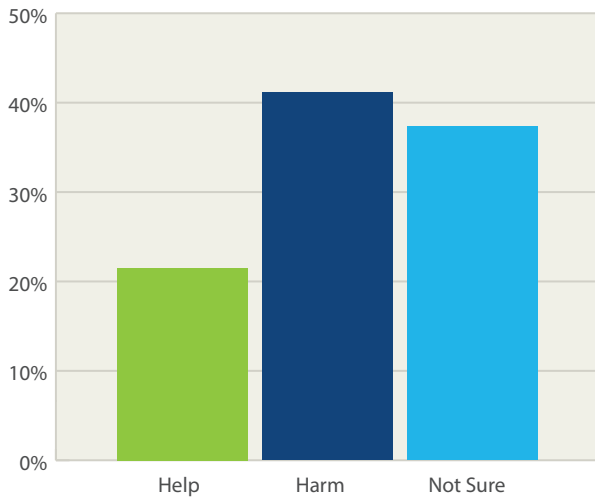
More Suppliers believed there is an available labor pool in the United States to offset any losses of legal immigrant labor within their businesses. But, a significant number from each group – approximately 40 percent – felt there are not enough capable, indigenous candidates in their area to replenish any lost employees, the so-called “skills-gap.”

# DO YOU THINK THE TRANS-PACIFIC PARTNERSHIP (TPP) WOULD HELP OR HARM U.S. MANUFACTURING OVERALL?

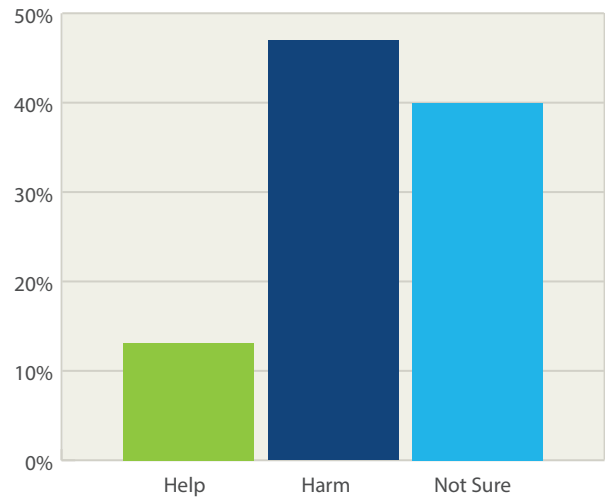
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



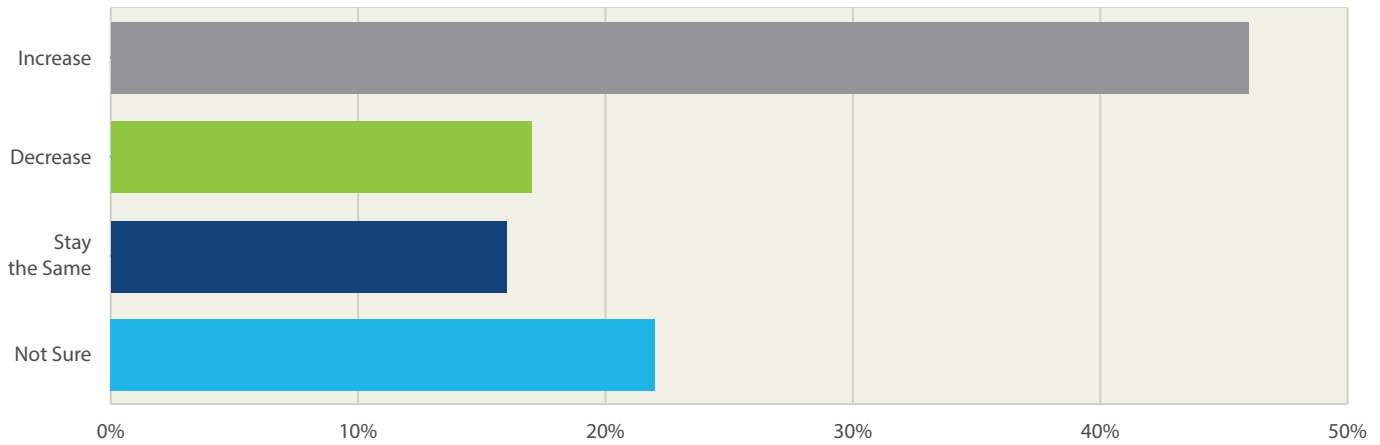
SUPPLY SIDE SURVEY



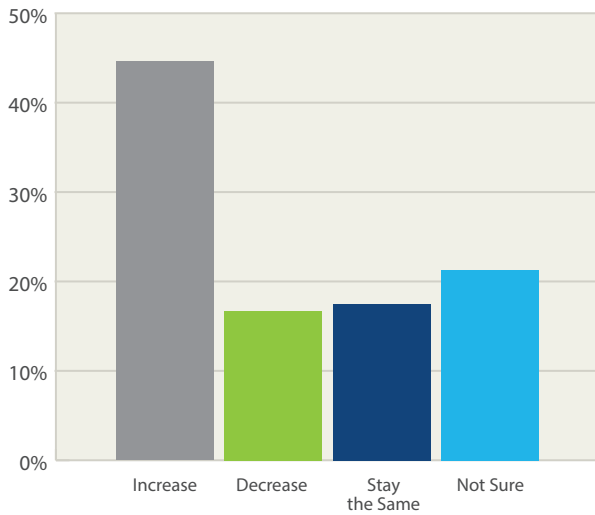
We expected that U.S. Suppliers, after suffering years of pressure from low-cost countries and witnessing the emergence of China as a dominant manufacturing locale, would see the TPP as harmful to U.S. manufacturing, and they do. It is surprising, however, that U.S. Buyers, who allegedly stand to gain the most from open trade with other, lower-cost countries, also were skeptics of the TPP by a ratio of nearly 2 to 1. The fact that nearly 40 percent of each group is unsure of TPP's value to U.S. manufacturing likely indicates U.S. manufacturers' unfamiliarity with TPP – and their overall distrust based on the impact of previous trade deals on U.S. manufacturing jobs.

## IF THE TPP IS ENACTED, WOULD YOU EXPECT IMPORTS FROM ASIAN COUNTRIES TO THE UNITED STATES TO:

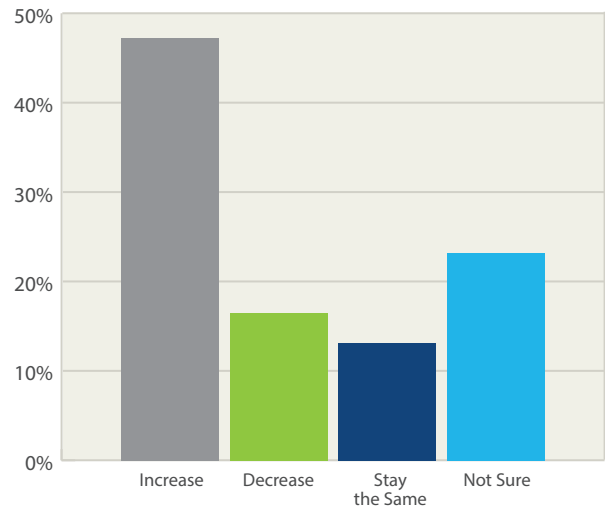
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



SUPPLY SIDE SURVEY

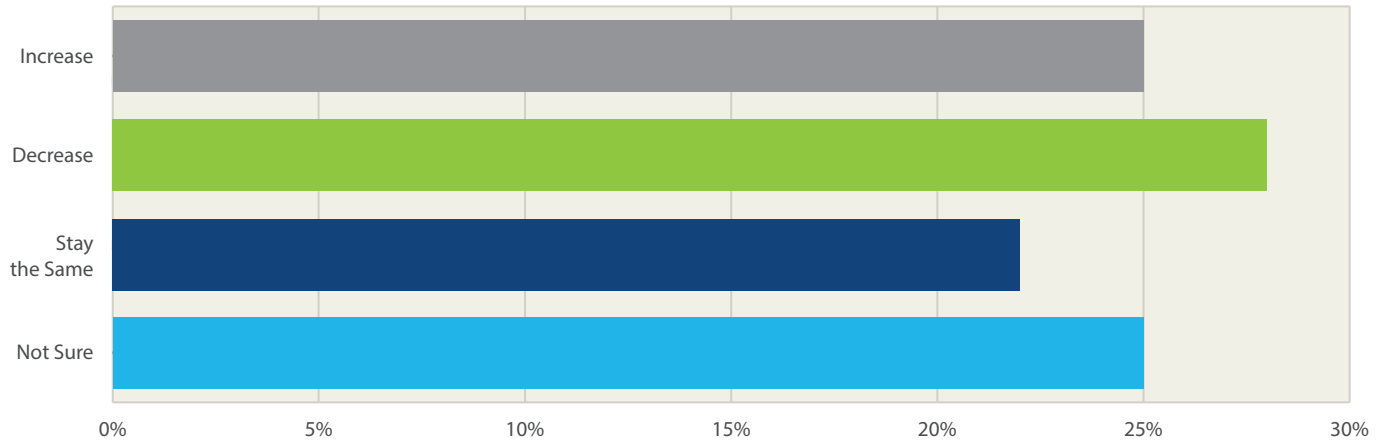


Both groups agreed, by a significant margin, that enactment of the TPP would increase imports from Asian countries to the United States. As with their responses to immigration enforcement reform, the views of U.S. Buyers and Suppliers aligned with regard to TPP's impact on imports to the United States from Asian countries. Both groups predicted increases to those imports by large margins (or saw those levels remaining the same).

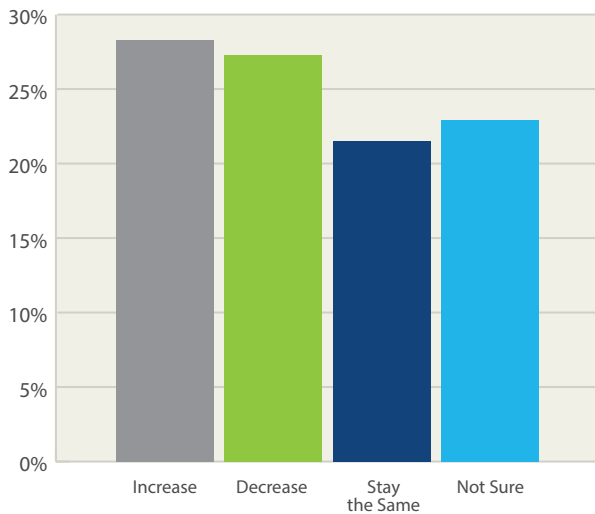


# IF THE TPP IS ENACTED, WOULD YOU EXPECT EXPORTS TO ASIAN COUNTRIES FROM THE UNITED STATES TO: INCREASE; DECREASE; STAY THE SAME; OR NOT SURE?

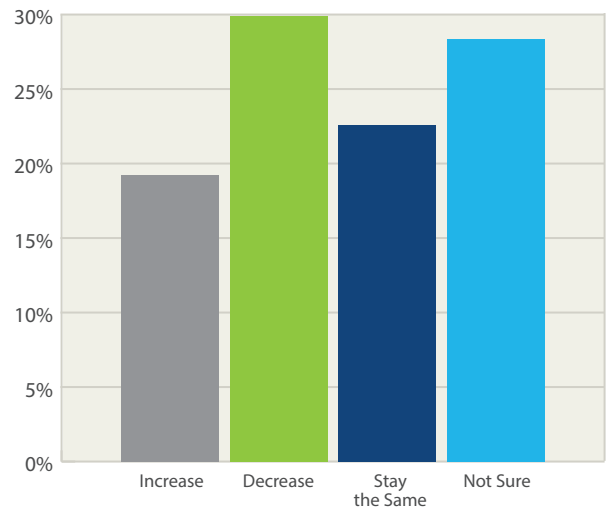
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BUY SIDE SURVEY



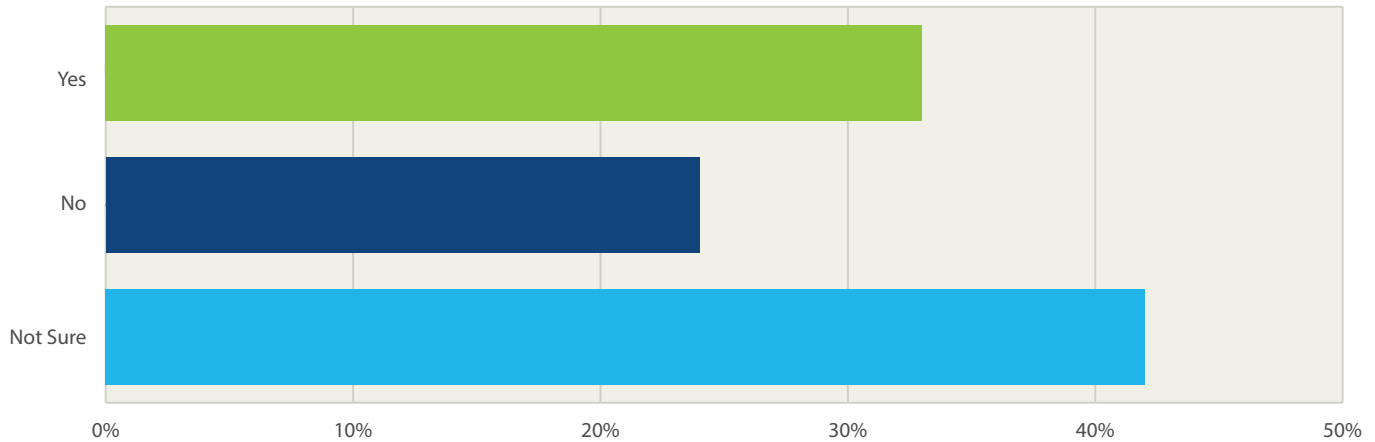
SUPPLY SIDE SURVEY



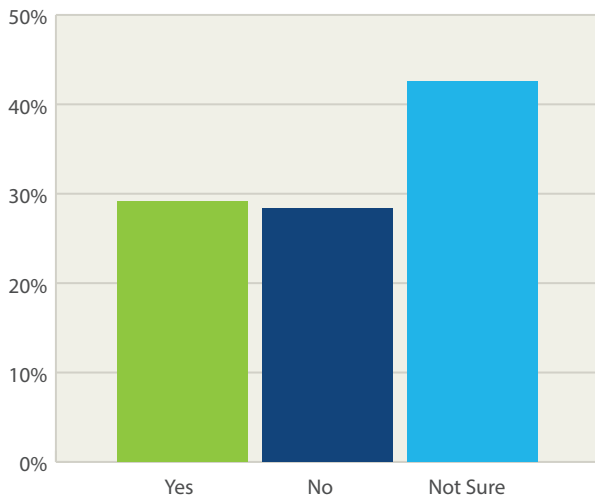
U.S. Buyers expressed more optimism when it came to TPP's expected impact on U.S. exports to TPP member nations than their Supplier counterparts.

# SHOULD THE TPP BE ABANDONED COMPLETELY?

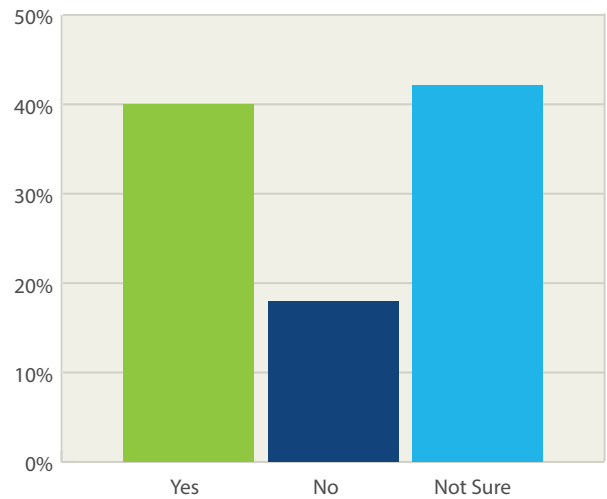
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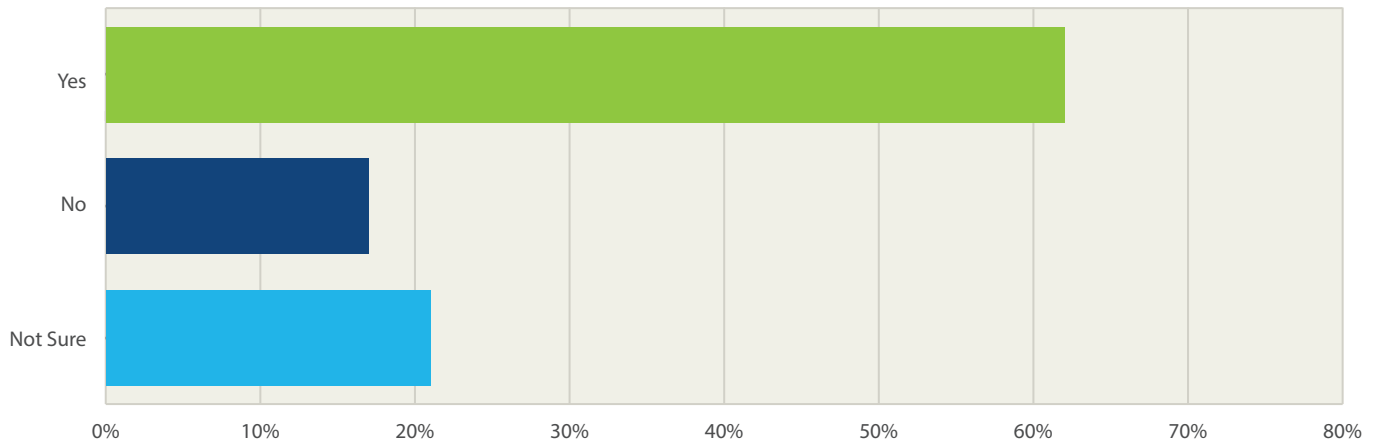
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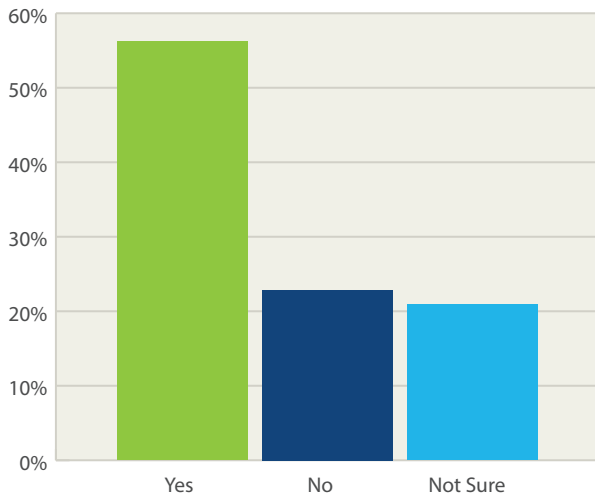
As expected, more U.S. manufacturing Suppliers than Buyers preferred that TPP be abandoned completely (by a margin of 10 percent). Most telling is that both groups seemed unfamiliar with TPP's specific attributes, as over 42 percent of each survey group is unsure of whether to abandon the agreement or not.

# SHOULD THE UNITED STATES OFFICIALLY LABEL CHINA A CURRENCY MANIPULATOR?

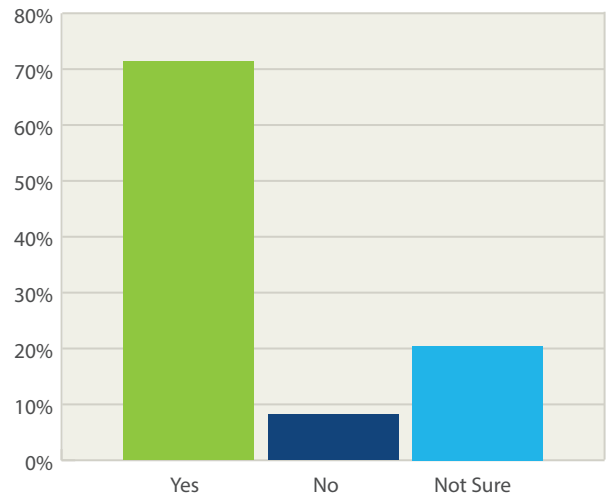
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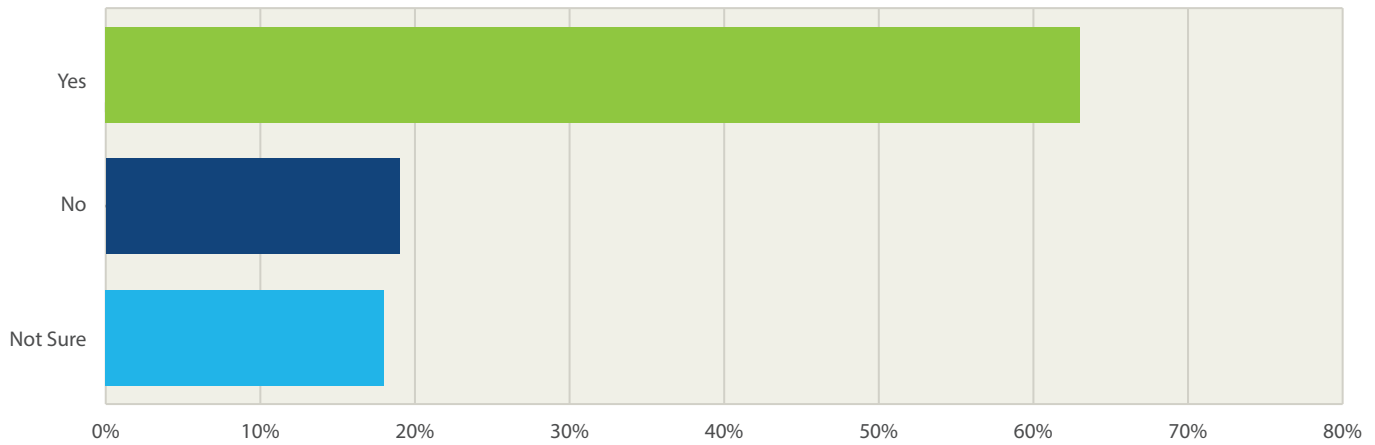
SUPPLY SIDE SURVEY



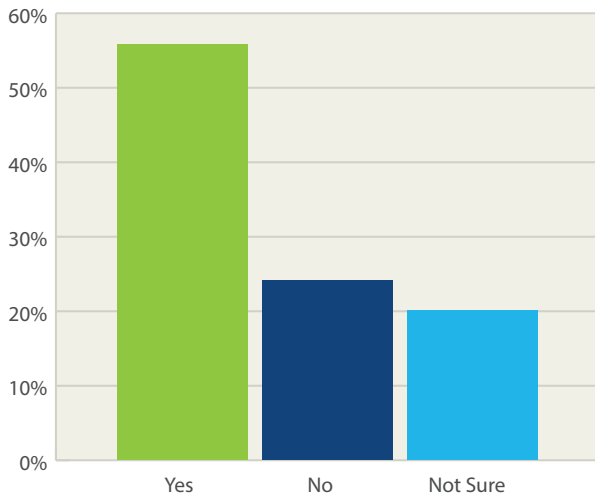
Both groups felt strongly that the United States should officially label China a currency manipulator.

# SHOULD THE UNITED STATES LEVEL TRADE TARIFFS ON CHINESE PRODUCTS?

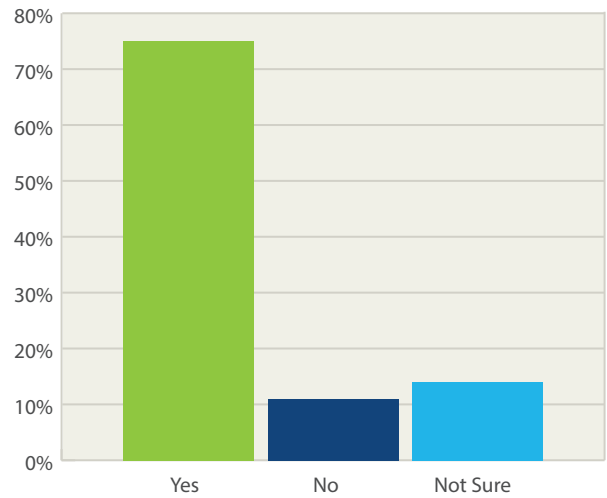
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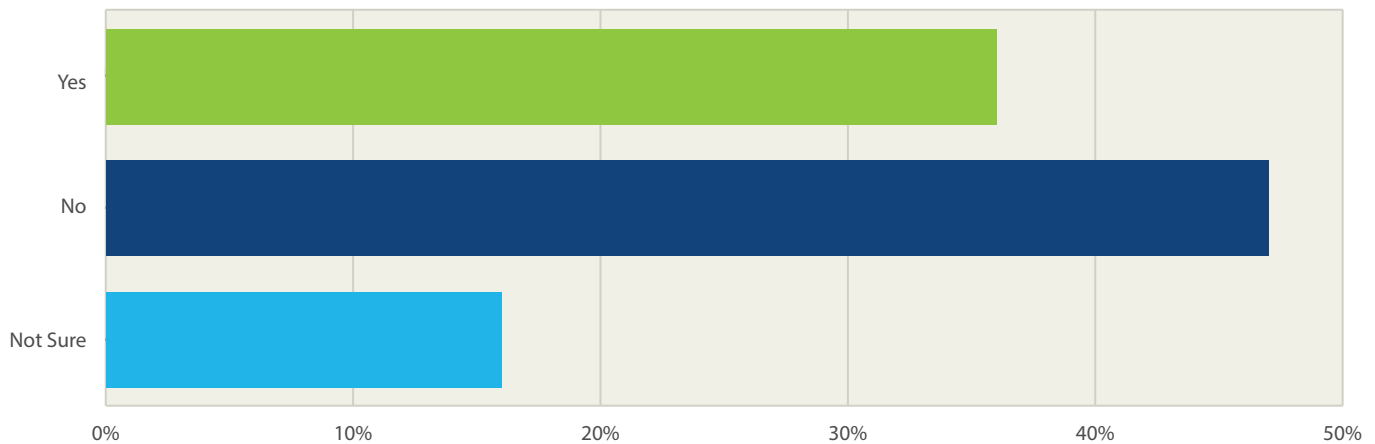
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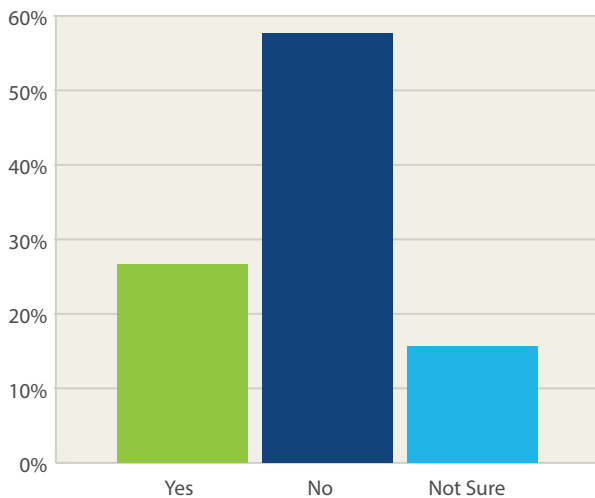
Remarkably, both U.S. Suppliers AND U.S. Buyers overwhelmingly favored labeling China as a currency manipulator and assigning tariffs on Chinese products. This sign of solidarity is in stark contrast to other areas of the survey, such as the value of free trade deals on the overall U.S. manufacturing base and their individual businesses, the impact of tariffs on offshore manufacturing jobs and whether tariffs should be applied at all to Chinese or Mexican goods.

# PRESIDENT-ELECT TRUMP SUGGESTED TARIFFS AS HIGH AS 30 PERCENT OR EVEN 45 PERCENT ON CHINESE (AND MEXICAN) GOODS. DO YOU THINK TARIFFS OF THIS SIZE SHOULD BE IMPOSED?

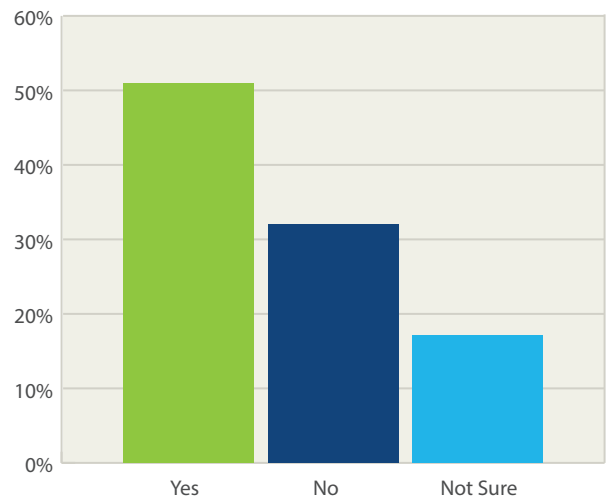
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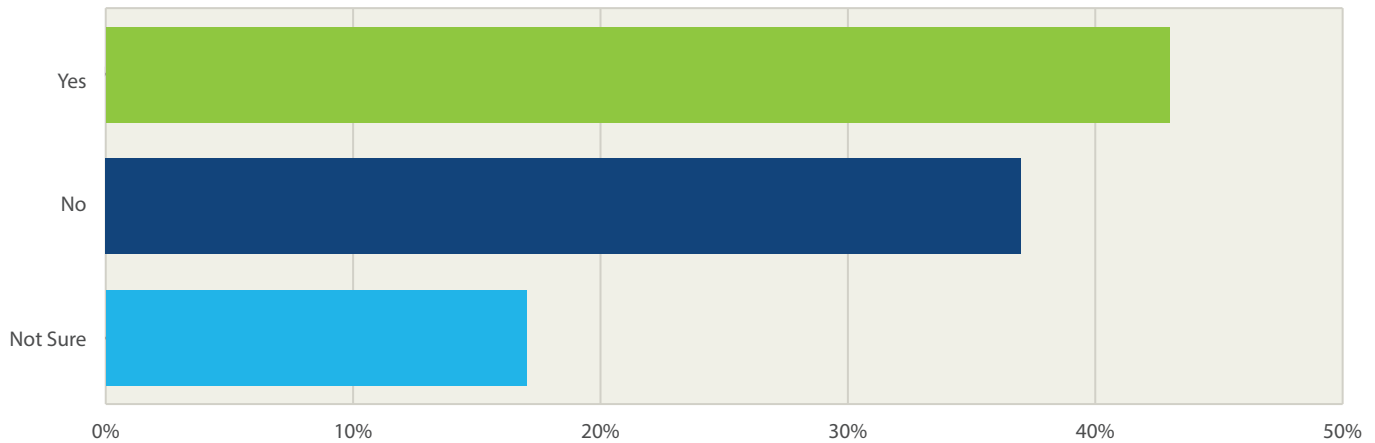
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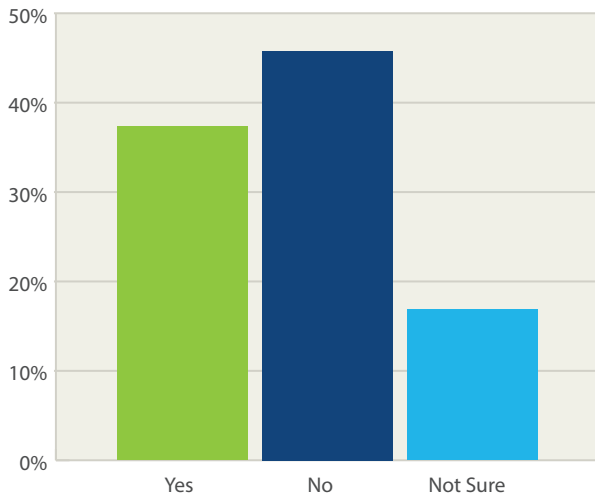
When it comes to tariffs of 30 to 45 percent on Chinese and Mexican goods, U.S. Buyers and Suppliers diverged widely in their reactions. While Buyers stated a strong desire to label China a currency manipulator and impose tariffs on Chinese products, they overwhelmingly refuted tariffs this high. Suppliers, by a margin of nearly 20%, were in favor of this level of tariffs.

# DO YOU THINK SUCH MEASURES WOULD ENABLE U.S. MANUFACTURERS TO COMPETE FAIRLY WITH THOSE IN CHINA?

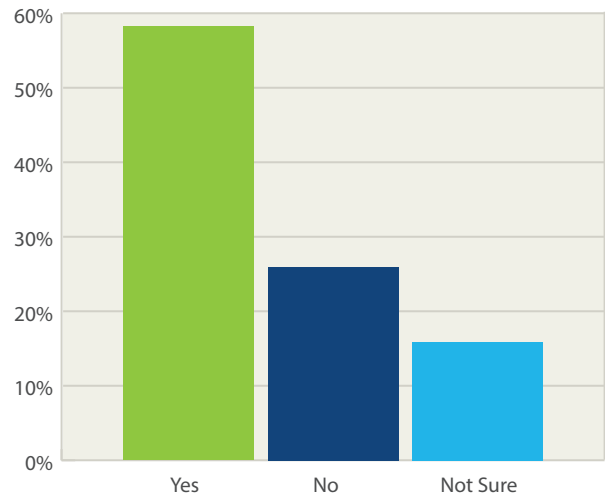
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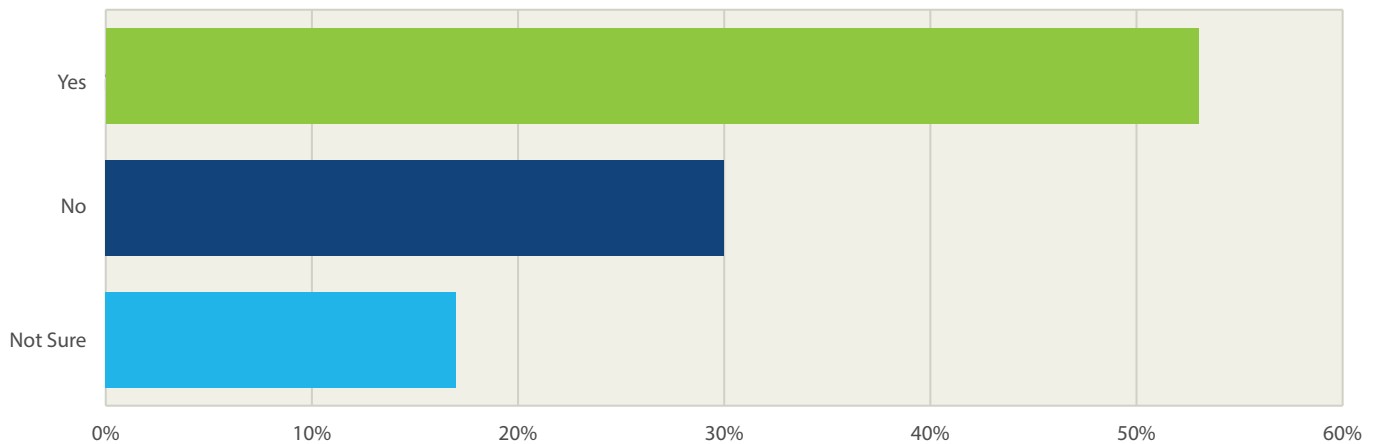
SUPPLY SIDE SURVEY



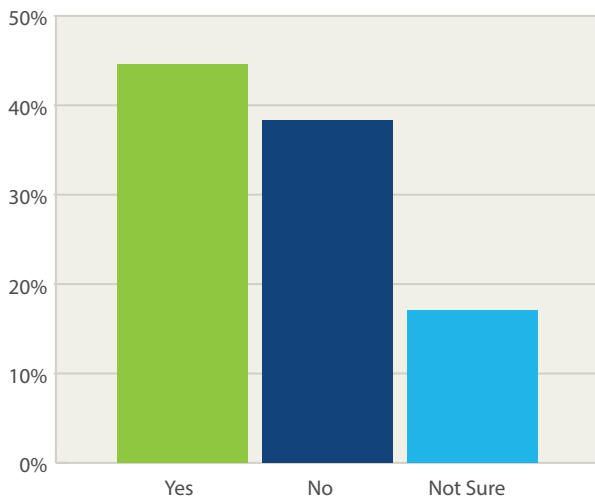
Buyers did not feel that high tariffs would improve U.S. manufacturing's competitive posture with China, while Suppliers agreed that they would improve competition by a margin of greater than 2 to 1.

# IF SUCH TARIFFS WERE GOING TO ULTIMATELY RAISE THE PRICE OF GOODS FROM THOSE COUNTRIES (WHETHER CONSUMER GOODS OR INDUSTRIAL INPUTS) BY AN EQUIVALENT AMOUNT, WOULD YOU STILL BE IN FAVOR OF THE TARIFFS?

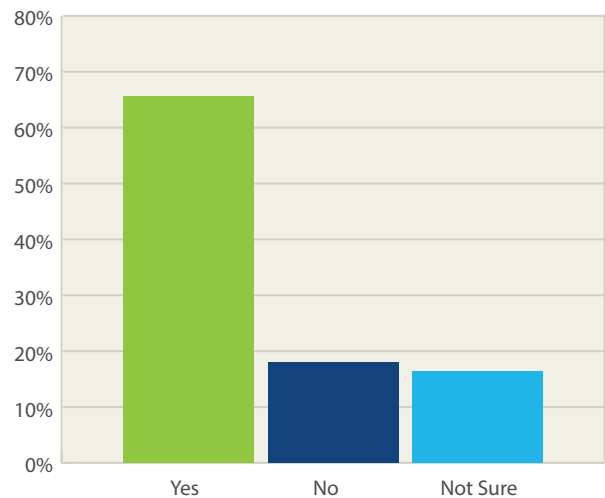
COMBINED SURVEY (BUY & SUPPLY SIDE)



BUY SIDE SURVEY



SUPPLY SIDE SURVEY



U.S. Buyers, despite their belief that too-high tariffs would have negative effects on U.S. manufacturing and its ability to compete, stated they would support trade sanctions at these levels – an astonishing response. Suppliers, as expected, overwhelmingly pledged support for potentially inflated tariffs in spite of the risk of higher costs for consumer or industrial goods.

## SUMMARY & CONCLUSIONS

The reactions of U.S. manufacturing to the incoming administration's stated intentions with regard to trade, jobs and immigration seemed to indicate broad-based support. While there are pockets of skepticism – especially from U.S. manufacturing OEMs/Buyers whose general investment in offshore sourcing is greater – in many cases both Buyers and their Suppliers agreed that these new policy directions are positive for the U.S. manufacturing landscape.

The solidarity of U.S. manufacturing stood out when it came to U.S. manufacturing's relationship with China. There is considerable support for labeling China a currency manipulator and for leveling tariffs on Chinese products. Further, while U.S. manufacturing OEMs are resistant to higher tariffs (30 to 45 percent, as stated by the President-elect), both Buyer and Supplier groups voiced support for them even at the risk of potentially higher costs for consumer products and industrial inputs.



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