On Second Thought
With Jerry Cook

'Made in the World'

A lot has been made recently about moves by companies to bring production back to the United States from overseas. Apple Chief Executive Officer Tim Cook made headlines when he announced his company would manufacture some Mac PCs in the United States for the first time in over 20 years.

It's easy to see why such "reshoring" might appeal to a company. Rising wages in key emerging markets, coupled with lower energy costs at home and the need to ensure just-in-time delivery to the U.S. market makes North American production increasingly attractive. In addition, widespread anxiety over U.S. jobs supposedly lost due to offshoring may make it more politically palatable for a company to locate production in the United States.

But don't bet on a wholesale repatriation of production by U.S. companies anytime soon. After all, 95 percent of the world's consumers — and 80 percent of its purchasing power — still live outside our borders, many in fast-growing economies like China, India and Brazil. And to serve these markets, it still makes a lot more sense for American companies to locate production overseas rather than relying just on exports.

Even in a re-shoring program, competitive operations in the United States still depend on international components, inputs and effective trade facilitation, all of which support a U.S operation's manufacturing activities, as well as its ability to export, import and ramp up investment.

In recent years, we have witnessed the emergence of huge, integrated global supply networks, incorporating many companies at all stages of the production and value chains. Making a few more Mac computers in America probably won't change the overall economics of producing something like the iPad — which, as it says on the back, is "designed in California, assembled in China," but might more accurately be labeled "Made in the World."

And here is a little-known fact that rarely gets mentioned: U.S. economic growth and job creation increasingly hinge on the success of American companies in the global economy. A new report from the Business Roundtable and the U.S. Council for International Business, *American Companies and Global Supply Networks: Driving U.S. Economic Growth and Jobs by Connecting with the World,* makes this eminently clear, and turns the caricature of "shipping jobs overseas" on its head.

Authored by Matthew Slaughter of Dartmouth's Tuck School of Business, the report details the critical links among globally engaged U.S. companies, their international operations and supply networks, and U.S. economic growth and employment. The report sifts the latest U.S. economic and corporate data to show that globally engaged U.S. companies are the driving force in U.S. capital investment, R&D and international trade — all of which are essential to supporting economic growth and well-paying jobs in the United States.

Slaughter's study underscores the fact that millions of good American jobs are created when companies engage in growing global markets via international trade and investment. The benefits of global engagement impact all levels of our economy, not just those companies engaged in international commerce.

What can we and our government do to drive globally engaged companies to create and support more jobs in America? We clearly need to tackle things like tax and spending reform, education and training, and immigration policy. Even more urgently, we need to negotiate new trade and investment agreements to open up foreign markets for American exports and secure market access for U.S. firms. We have largely sat on the sidelines these last few years as other countries have forged ahead in this area.

In particular, in this era of global supply chains, we need to take steps to facilitate trade to reduce the burdens and costs of getting intermediate goods in and out of the various countries where products are designed, made and sold.

The United States is the largest trading nation and has gained significant economic advantages over nations that have not engaged well in trade or failed to advance the mechanics of trade successfully with a modern customs process. Trade barriers stifle America's potential in manufacturing, services, international investments and the value of our intellectual property.

Today, the United States accounts for nearly 20 percent of the world's trade in goods, is the second-largest exporter, and the single largest importer in the world. Nearly 25 percent of the world trade in services involves America. Goods and services sent abroad to support U.S. companies' overseas investments account for nearly 45 percent of all U.S. exports and nearly 90 percent of what is produced by U.S. companies' overseas affiliates is sold abroad, not re-imported in to the United States.

In this new world of integrated global production, neither nations nor companies can afford to go it alone. Both the private and public sectors need to demonstrate robust leadership in facilitating trade and foreign direct investment, which together form the lifeblood of the global economy and drive both competitiveness and job-creation.

Companies understand that supply-chain challenges are an ongoing part of this new reality, but we also know that practical steps by governments can have a real and immediate impact. Systemic solutions that provide advance electronic notification for targeting, payment accountability and seamless release have to be structured wisely to ensure that governments can obtain the information they need, while also safeguarding company data and trade secrets. These exchanges have to achieve a new level of performance and execution both in the context of trade agreements and as a way to attract FDI.

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