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The U.S. Is Becoming More Attractive for Manufacturing Firms

MANUFACTURING, TAX REFORM

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Conditions are improving in the U.S. manufacturing industry, which may lead firms to consider constructing new facilities or relocating their operations back to America.

Tax relief, in the form the Tax Cuts and Jobs Act, was signed into law by President Trump in late 2017. The bill lowered the U.S. corporate tax rate from 35% to 21%. In addition, favorable interest rates and a robust credit environment are also contributing to manufacturing growth. These factors allow U.S. firms to increase capital spending on technology and machinery. Advances in automation, as well as machine learning and simulation, are also contributing to productivity growth and increased efficiency, which should make the U.S. more attractive to manufacturers.

President Trump has also called for the U.S. to renegotiate its trade agreements to be more equitable. Most business leaders generally praise the idea of revisiting our trade deals, but some warn of the potential negative effects. Under NAFTA, for example, many large U.S. manufacturing operations have come to rely on complex supply chains with suppliers in Canada and Mexico. If negotiations were to interrupt the free flow of goods over U.S. borders, it could cause interruptions in the supply chain. At the same time the White House is pushing back on international trade agreements, the EU is signing new agreements with Canada, Japan and Mexico; and the Trans-Pacific Partnership is proceeding without U.S. involvement.

Generally, the U.S. manufacturing industry is improving. However, for firms to commit to long-term investments in American manufacturing, the U.S. will have to overcome significant hurdles. Labor costs continue to be significantly higher in the U.S. than in other parts of the world, and decades of uncertainty about the long-term viability of American manufacturing stand in the way. In order to succeed, the U.S. must advance the specific types of manufacturing where America has unique and long-lasting advantages over other countries. For more information on how the new tax laws are affecting the manufacturing industry, [contact us](#).

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