Can we actually bring manufacturing back to the USA? If so, when?

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Bringing manufacturing back to the USA is clearly a good idea. During the Covid crisis we learned just how dependent we are on foreign goods, and how big a problem that can be. We don't manufacture chips in this country even though Nvidia, an American company, designs the best in the world. 97% of apparel is imported to the USA. We have large drug companies including Merck, Pfizer and Eli Lilly, but much of the actual chemical manufacturing that underpins their medicines comes from offshore. There is virtually no U.S. domestic production of coffee, outside of small Hawaiian farms. Imports from Brazil, Colombia, and Vietnam are irreplaceable. President Trump proposes to Make America Great Again (MAGA), by reshoring manufacturing. I don't think anyone would argue that's a bad idea, but few people understand how realistic it is, or isn't! If we are going down this road as a country, it's important for people to understand how realistic "reshoring" is. It seems that many believe this is going to happen overnight, and that is just not true. Read on to get some realism.

The Big Picture

- The U.S. can expand in capital-intensive industries (chips, steel, pharma) with sustained government support and private investment.

- But in consumer goods and natural resource–based products (apparel, coffee, luxury items), the U.S. has neither the natural comparative advantage nor the infrastructure to replace imports.

- In the short term (2–5 years), tariffs are likely to be more about price inflation than true import substitution.

- In the long term (5–15 years), chips, steel, and pharma could see major reshoring, but industries like coffee and apparel will remain import-dependent.

For now, President Trump's call to "buy American" will bump up against structural limitations. The U.S. can eventually scale in semiconductors, pharma, and steel, but consumer goods and resource-based imports cannot be replaced domestically at scale. Take the iPhone for example. It has been reported by multiple sources it could cost $3,000 to $3,500 just to make a phone in in the USA. Tim Cook, CEO of Apple, is on record saying "the U.S. lacks sufficient precision tooling engineers to move manufacturing to the U.S." He stated specifically, "In the U.S. you could have a meeting of all the tooling engineers and I'm not sure we could fill the room." He's also pointed out that closing the skill gap and rebuilding a domestic supply chain at scale "would take a generation", making mass U.S. production virtually impossible for now. Imports will remain critical across multiple sectors for the foreseeable future.

Here is a sector by sector breakdown:

Semiconductors (Chips & Related Equipment)

- The U.S. still depends heavily on imports for advanced semiconductors, particularly leading-edge logic chips, where Taiwan accounts for 92% of global fabrication capacity and South Korea the remainder.

- Despite the CHIPS and Science Act, domestic share of leading-edge chip production remains small; there's no leading-edge chip fabrication in the U.S. as of now.

- The CHIPS Act is fueling a ramp-up in U.S. capacity: reports project that U.S. semiconductor manufacturing capacity may more than triple by 2032, and its share of advanced logic chip production could reach ~28%.

- However, significant supply chain gaps remain—McKinsey estimates that about 60% of materials and chemicals needed for semiconductor manufacturing lack sufficient domestic supply to support scaling.

- Additional challenges, like worker shortages, construction delays, and high production costs, continue to hinder rapid scaling.

Here is a projected timeline on bringing chip manufacturing home:

2025 (today)

- The U.S. still produces no leading-edge logic chips domestically; TSMC and Samsung (Taiwan/S. Korea) dominate. TSMC's Arizona site #2 (advanced node) is delayed to 2027–2028; site #1 (4/5nm) is later than first hoped.

- Intel's big Ohio campus timelines have slipped; construction is ongoing, but multiple reports point to production later than originally planned.

By 2030

- U.S. chip manufacturing capacity is projected to rise materially (share of global output ~14% overall by 2032; some estimates >22% for advanced nodes by ~2030). Expect meaningful but partial import substitution, not self-sufficiency.

By 2035

- If Arizona (TSMC), Texas (Samsung), and Ohio (Intel) all reach intended scale, the U.S. could cover a large portion of domestic demand for several advanced and mature nodes, yet will still import specialty wafers, materials, and some leading-edge volumes. Materials and chemicals remain a constraint.

Bottom line: The U.S. is ramping up but still can't meet demand for advanced semiconductors domestically. Imports remain essential through 2030; by 2035 the U.S. can cover much more, but not all, domestic chip needs.

Pharmaceuticals

- The U.S. produces only about 20% of the world's pharmaceuticals, yet consumes about 45%, indicating significant reliance on imports.

- Over 70% of active pharmaceutical ingredients (APIs) essential for drug manufacturing are sourced from other countries, predominantly India, the European Union, and China.

- Trump announced plans to start with a “small tariff” on drug imports, eventually rising to 150% in 18 months and potentially up to 250%, aiming to incentivize domestic production.

- However, while policies and executive support are forming for reshoring critical medicines, current domestic production remains insufficient to replace imports in many drug categories.

Here is a projected timeline on increasing drugs/pharma in the U.S.

2025 (today)

- The U.S. relies heavily on imported APIs (active pharmaceutical ingredients); only ~22% of FDA-registered API sites are in the U.S.; India, European Union, and China supply much of the rest.

- Policymakers are exploring tariffs and onshoring, but current domestic capacity cannot replace imports across most generics.

By 2030

- With sustained funding and new API facilities, the U.S. could onshore selected essential APIs and sterile injectables, reducing, but not eliminating, import dependence. Expect targeted categories to become domestically reliable; generics remain globally sourced.

By 2035

- Broader API base is feasible if projects mature. Even then, some inputs remain imported (intermediates/specialty chemicals).

Bottom Line: Expect 5–10 years for notable reshoring; imports remain critical through 2030+.

Consumer Goods (Clothing, Leather, Automobiles, Watches, Coffee)

Clothing & Leather:

- 97% of U.S. apparel is imported, mostly from Asia. U.S. domestic apparel manufacturing is niche and premium-focused.

- Leather shoes and bags face similar realities. China, Vietnam, and Italy dominate supply.

- Domestic scaling is highly unlikely because labor costs are too high.

Automobiles:

- The U.S. does have a strong auto industry (Ford, GM, Tesla), but relies heavily on imports for certain models, parts, and EV batteries.

- Tariffs may push companies to expand U.S. assembly plants, but many supply chains, especially for EV batteries and rare earths, are globally tied.

Luxury Watches:

- The U.S. does not have a competitive luxury watchmaking industry; tariffs on Swiss watches (39%) will mostly raise consumer prices.

Coffee:

- Virtually no U.S. domestic production outside of small Hawaiian farms.

- Imports from Brazil, Colombia, and Vietnam are irreplaceable.

- Tariffs (50%) on Brazilian coffee mean prices rise sharply, not that U.S. can fill the gap.

Here is a timeline for consumer goods.

2025 (today)

- Apparel/Footwear: About 97% of clothing sold in the U.S. is imported; new tariffs raise prices rather than trigger large-scale U.S. production.
- Luxury watches: Swiss-dominated; U.S. lacks comparable capacity, imports will continue.

- Coffee: U.S. has minimal coffee agriculture (Hawaii niche). Imports are indispensable.

By 2030

- Apparel/Footwear: Some nearshoring (Mexico/CAFTA-DR) and automation, but U.S. share still small; imports remain the norm.

- EV batteries/Autos: More U.S. assembly and battery plants reduce imports of some components, but raw materials and select parts remain global.

By 2035

- Apparel still import-led; autos more localized but not fully; coffee/watches still imported.

Bottom Line: In consumer goods, domestic production cannot fill the gap. Tariffs mean higher prices, not import replacement. For most consumer goods, tariffs do not equal self-sufficiency; expect persistent import reliance and higher prices.

Lack of Ship Building Capacity is my Pet Peeve!

Global Shipbuilding Market Share

- China dominates with around 50–51% of global shipbuilding by gross tonnage in recent years. It built more commercial vessels in 2024 alone than the entire U.S. industry has since WWII.

- South Korea holds about 15–17% of the global market, ranking second.

- Japan contributes significantly as well, rounding out the top three—but third behind South Korea.

- United States is minuscule in comparison, with just 0.1% (or even 0.05%) of global capacity by some estimates.

Capacity & Scale Disparities

- A single Chinese shipyard now exceeds the entire U.S. capacity. In broad terms, China's shipbuilding capabilities are about 230× greater than the U.S.'s.

- U.S. shipyards produce fewer than five commercial ships per year, whereas China, South Korea, and Japan together account for over 90% of global tonnage output.

Our lack of ship building capacity is especially troublesome for our Navy. In researching this topic I found conflicting information about how many ships are in the Chinese navy, but there is no question they have more than we do. They also have a huge advantage in shipbuilding

capacity. Our Navy is generally considered to be superior in tonnage and technology, but their technology is improving quickly, as is their tonnage. Our Navy “sails the seven seas” and plays roles in the defense of many countries. We police pirates thousands of miles from our own shores. In other words, its spread out and often stretched. For the most part their navy’s deployment is very concentrated, primarily patrolling their borders and harassing Taiwan, Japan, and the Philippines.

Multiple sources agree that the growth of their navy is accelerating and the gap between the number of ships they deploy vs ours will continue to grow.

Summary Table

Nation	Current Fleet Size (2025)	Projected by 2030	Projected by 2035
China (PLAN)	~370-395 vessels	~425 ships	~475 battle-force ships
United States	~285-292 vessels	~300 ships	~305-317 ships

China’s numerical lead is clear and widening. Its shipbuilding advantage is not only in quantity but also pace and modernization.

U.S. Navy remains strong in tonnage, thanks to its carriers (11 vs. China's 2 or 3) and large warships, but is increasingly challenged in volume and repair capacity.

This fleet gap is prompting urgent political and strategic moves, including proposed collaborations with allies and industrial investments to bolster U.S. capability. The U.S. may place some naval shipbuilding in the hands of Korea and Japan, acknowledging that there is no way we can increase capacity quickly enough.

We wrote this letter to bring some realism to the subject of “reshoring”. We hope it helps you understand this is a very long term undertaking that will take years to accomplish. Critical industries like chip manufacturing can be reshored over about 10 years. But even then it’s highly unlikely we will make all the chips needed in the USA. The odds of enjoying home grown coffee in the morning are just about zero, and in the meantime tariffs on Brazil have been levied at 50%. We know that tariffs have been put in place to encourage American’s to change their purchasing behavior. Buy a domestically made car instead of a foreign made. By domestic olive

oil instead of Italian. Buy domestic wine rather than French or Australian! But reality is that you are still likely to be buying many products including electronics, iPhones, shirts and shorts made in China, India or Vietnam, even in 2035. You'll probably be paying higher prices.

This has been a fascinating newsletter to research and to write. Sources include AP News.com, Semiconductor Digest, McKinsey & Co, ManufacturingDrive.com, Yahoo Finance, SemiMedia.cc, Reuters, DCAT Value Chain Insights, Brookings.edu, LGMPharma.com, mwjones & co, congress.gov, and Fox Business News.

All the best,

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