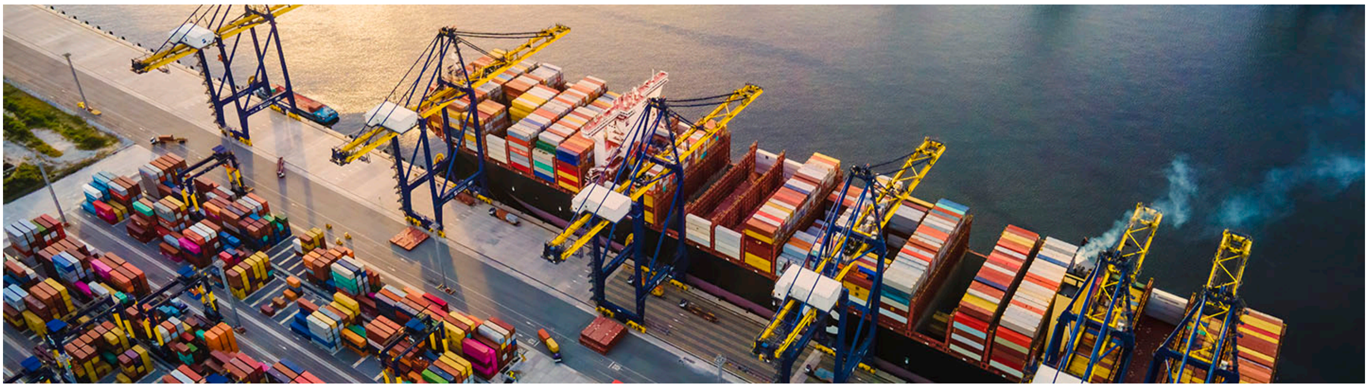

Metalworking

Reshoring Reboot: Tariffs Heighten Supply Chain Pressure

Kip Hanson | Apr 29, 2025

It's been five years since COVID-19 started making U.S. industries rethink their reliance on global supply chains and just-in-time inventory. As a result, companies across the nation have been building production plants at a pace not seen in decades.

According to the ***U.S. Census Bureau***, construction spending for new manufacturing facilities was just under $80 million per month in January 2020; today, it's nearly three times that rate, despite the country's ever-increasing construction, labor and regulatory costs.

The Upside of Coming Home

The math is definitely changing. With countless Chinese products currently carrying tariffs of 145 percent, ***reshoring becomes more than patriotic***—it becomes urgent. That's because the buying public can't ignore tariffs when they're baked into the cost of imported goods, making domestic offerings suddenly more competitive—even if they weren't cheaper to begin with. For small and medium-sized manufacturers, many of them locked in a pricing race to the bottom, this means the playing field is beginning to tilt in their favor.

Increased competitiveness extends beyond cost, however. The pandemic made painfully clear the fragility of long, complex supply chains. Raw material delays, container backlogs, port closures—these weren't theoretical risks. They were daily disruptions. For companies burned by delivery chaos in those days of lockdowns and social distancing, the idea of tighter, localized supply chains now holds enormous appeal, including the promise of shorter transit times, greater control and far fewer unknowns.

Reshoring also addresses several national security concerns. Policymakers are questioning the wisdom of outsourcing critical manufacturing such as semiconductors, magnets, batteries and optical components—as well as the rare earth elements needed to make them—to geopolitical rivals.

As a result, we've seen big-ticket investments in domestic chip fabs and electric vehicle supply chains through the CHIPS and Science Act and the Inflation Reduction Act, although their continued implementation remains uncertain. Long story short, manufacturers both large and small are sailing in uncharted waters.

The Hidden Costs of Reshoring

For manufacturers, ***reshoring isn't a slam dunk***. It's an arduous calculation that pits long-term control and tariff avoidance against the brutal math of higher input costs.

Consider construction. Building a new factory in the U.S. can cost several times that of one in China, Vietnam or Mexico, and take longer besides. Much of this is due to tighter environmental and zoning regulations, although the labor needed to construct a building is also more expensive, assuming it's available. This last part is especially true in sectors like electronics, where the local talent pool often isn't deep enough to support construction and equipment ramp-up, let alone scaled production, without significant training or automation.

Then there's the toolroom and production floor. Virtually every manufacturer relies on workholding systems, machine tools, inspection equipment and automation, much of which is sourced globally. Even companies who proclaim "Made in America" still depend on tool steel from Germany, carbide powder from China, castings from India and vises from Taiwan. In the age of broad-spectrum tariffs, these necessary inputs are now more expensive, harder to get, or both. The result? U.S. sources (if they exist) must ramp up quickly.

Yet this is easier said than done. Automakers, for example, can avoid tariffs by producing parts domestically. But if the materials needed to make the tens of thousands of components in a typical car are subject to 25 percent duties or worse, they're still absorbing cost increases that directly hit their margins. The same can be said for their tier suppliers—the machine shops, sheet metal fabricators, plastic injection molders, and tool and die makers—all of which can expect to see increased manufacturing costs.

Nor are these increases always predictable. It's not uncommon for shops to receive multiple price updates from suppliers in the time it takes to complete a single production run. As a result, distributors are stockpiling. Lead times stretch. Quoting becomes guesswork, as does planning, and what was already a challenging business becomes even more so.

Read more: Examining Supply Chain Strategies: Just in Time vs. Just in Case

The cutting tool industry illustrates the broader reshoring problem. On paper, domestic production of end mills, inserts, drills and other tooling sounds easy enough to ramp up. But most American toolmakers still rely on global supply chains. Raw materials like tungsten, cobalt and vanadium aren't mined or processed at scale in America. Coating systems and grinding equipment are often imported. And the talent to run those systems—as it is throughout the U.S.—continues to be in short supply.

Harry Moser, founder of the Reshoring Initiative, has tracked these ripple effects for years. He watched as reshoring announcements surged in 2017, only to fizzle out in 2018 as businesses got whiplash from shifting tariff policies. "We all remember when Trump put tariffs on steel imports," Moser says. "Now, steel in the U.S. costs roughly one-third more than it does in Mexico or China. Steel producers celebrated, while the downstream manufacturers who employ far more workers watched as their margins evaporated."

Dive deeper: Q&A with Harry Moser, Founder and CEO of the Reshoring Initiative

A Hybrid Approach

That's not to say reshoring isn't happening—it is. But most manufacturers aren't yet going fully domestic. Instead, they're embracing hybrid models. Call it strategic reshoring, if you will. That means keeping critical production in-house while sourcing commodity components from friendlier markets, offsetting higher costs or unavailable labor with automation, and shortening some supply chains while diversifying others.

In the tooling world, that means forming closer ties with trusted domestic suppliers. Blanket orders will become more common, as will investment in systems that don’t lock a shop into one supply source. For instance, a cutting tool supplier might look for coating partners and carbide sources closer to home, or invest in automation to compensate for the higher labor costs of in-house tool grinding.

For many manufacturers, it also means doing more than just cutting metal or assembling finished goods. These companies are adding value through application support, rapid prototyping, repair services and integrated solutions—anything to differentiate themselves in a market where simply being “Made in America” is no longer enough.

Looking Ahead

What reshoring ultimately delivers will depend not just on tariffs but on how manufacturers respond to them. For small and medium-sized shops, long-term success will require more than a zip code advantage. It will require rethinking process efficiency, moving to digital workflows and embracing advanced technology.

Policymakers face their own challenge. Tariffs may nudge behavior, but they’re a blunt instrument. Long-term reshoring needs long-term investment: in skilled trades and infrastructure, and in tax and permitting reform. Without it, even the most patriotic company may think twice before bringing production home.

As Moser and others have argued, this is less about restoring the past and more about rebuilding from the ground up. The U.S. didn’t just outsource jobs—as we’ve learned, it also lost immense capabilities and institutional knowledge that will take decades to replace.

So yes, reshoring is real. And yes, tariffs are fueling it, often at a frantic pace. But whether it becomes an industrial renaissance or just another policy pendulum swing will depend on how well the manufacturing sector and those who support it adapt to the complex reality on the ground.

In the end, this isn’t just about where things are made. It’s about whether they can be made well, profitably, and consistently in a world where tariffs might change, but the pressure to deliver never does.

How is your machine shop navigating the balance between reshoring and relying on global suppliers? Tell us in the comments below.

