THIRD WAY

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American Manufacturing is Making a Comeback. A Second Trump Term Would Send It Packing.

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Takeaways

- If he wins a second term in office, Donald Trump plans to reverse policies that have revitalized American manufacturing and, in the process, helped create tens of thousands of good-paying manufacturing jobs and elicit billions in private sector investment.

- Trump plans to end crucial federal investments in US manufacturing, scrap tax incentives that help US manufacturers compete with China, and make it harder for US manufacturers to obtain loans.

- For years, foreign competitors have surpassed the US in the manufacturing sector. Policies like the Inflation Reduction Act (IRA), the Bipartisan Infrastructure Law (BIL), and the CHIPS and Science Act have made it possible for the US to make a comeback, but Trump plans to overturn these laws and send American manufacturing backwards.

In October 2022, Brian Deese—former Director of the National Economic Council—issued a warning: “A nation that cedes its manufacturing capabilities risks ceding its technological leadership as well.”

“For decades,” he continued, “we have been ceding that ground.”

In the past three years, the United States has begun to reverse this tide, bringing thousands of good-paying manufacturing jobs back to the United States. This is thanks to a modern industrial strategy, which takes a whole-of-government approach toward leveraging public spending on infrastructure, innovation, and clean energy to crowd in private investment. Federal policies have reportedly attracted $5.47 in private investments for every $1 of public spending.

All told, landmark legislative accomplishments such as the Inflation Reduction Act (IRA), the Bipartisan Infrastructure Law (BIL), and the CHIPS and Science Act have unlocked more than $150 billion in private investments for US clean energy and vehicle technology manufacturing. Since passage of the IRA in 2022, the clean energy industry has announced plans to launch or expand 164 manufacturing facilities in the US, leading to nearly 45,000 new jobs building American-made solar panels, wind turbines, electric vehicle batteries, and more.

This trifecta of legislation has just begun delivering monumental gains to the American domestic manufacturing industry, but it faces the threat of disruption if Donald Trump's agenda is allowed to progress. As president, Trump repeatedly worked to defund crucial parts of the federal government that supported clean energy manufacturing. If he is reelected, the Heritage Foundation, a conservative think tank closely aligned with Trump and his former administration, has outlined even more aggressive plans to dismantle US industrial strategy in Project 2025—the group's playbook for a second Trump term. These policies would surrender US manufacturing leadership to foreign competitors, undermine national climate goals, and eliminate thousands of quality jobs nationwide. Specifically, the Trump agenda would harm American manufacturing in three important ways:

- Ending crucial federal investments in US manufacturing,
- Scrapping tax incentives that help US manufacturers compete with China, and
- Making it harder for US manufacturers to obtain loans.

How Will a Second Trump Term Threaten US Advanced Manufacturing?

Project 2025, the playbook for a second Trump term, claims to "support domestic manufacturing and technology leadership." In reality, its proposed policies—such as repealing the IRA and BIL—would be outright ruinous for America.

Funding basic research and then cutting all subsequent support, as Trump plans to do, opens the door for other countries to swoop in and claim market share. We've seen this pattern play out before. In the 1970s and 1980s, NASA and the Department of Energy (DOE) invested heavily in solar research, producing major advances in solar technology. The United States led the world in solar manufacturing, only to relinquish this dominance when the federal government pulled back its support some years later. As a result, the US share of the global solar market plummeted from 95 percent to just 9 percent between 1978 and 2005, with Germany and then China taking the lead.

Sustained government support through consistent industrial policy is essential for US manufacturing and technology leadership. If reelected, Donald Trump would shred that support at great expense to the United States—and to the delight of countries like China. Here are three ways that Trump specifically threatens US advanced manufacturing:

Trump Will End Crucial Federal Investments in US Manufacturing

As President, Donald Trump repeatedly tried to slash the DOE's budget. Today, his closest policy advisors envision an even more aggressive dismantling of the DOE. Project 2025 calls for a fundamental reorganization of the agency, with a narrowed focus almost exclusively on energy security and scientific research. Notably absent from this reduced writ are the agency's applied programs, which take concepts developed through scientific research and help move them to market through catalytic investments that bring in private sector dollars.

One such program on Trump's chopping block is the DOE's Office of Manufacturing and Energy Supply Chains (MESC), which invests in domestic manufacturing capacity and helps train a growing energy workforce. The office has supported scores of clean energy manufacturing projects across 38 states, resulting in the creation of thousands of permanent, good-paying jobs. For every $1 in MESC spending, the office has attracted nearly $3 in private investment.

The DOE's applied programs have developed US manufacturing capacity across various sectors, including solar, geothermal, and battery technologies. These funds have gone toward ventures such as Ascend Elements, which received two BIL-funded grants totaling $480 million to produce cathode materials from recycled batteries for use in electric vehicles and energy storage systems. The planned manufacturing facility in southwestern Kentucky is expected to create 270 good-paying jobs and reduce US dependence on China, which currently controls 70 percent of cathode production capacity.

This and other projects demonstrate US commitment to reducing China's influence on the global stage—but those goals will slip out of reach, should Trump follow through on plans to eliminate all DOE programs that help develop and commercialize new technologies, as outlined in Project 2025.

Trump Will Scrap Tax Incentives that Help US Manufacturers Compete with China

In no uncertain terms, Project 2025 calls for repealing the IRA and BIL. If that were to happen, it would eliminate crucial programs such as the Advanced Manufacturing Production Tax Credit (45X), which subsidizes domestically produced clean energy technologies, including components for solar energy, wind energy, batteries, and applicable critical minerals.

Why exactly does eliminating this particular tax policy matter? For years, foreign competitors like China have eaten the United States' lunch when it comes to advanced manufacturing. Using aggressive subsidies and "dumping" cheap goods to flood the market, countries like China have stifled the competition and prevented many promising US manufacturers from ever getting off the ground. 45X, however, has helped level the playing field and bring production back home.

Consider solar manufacturing. Currently, China produces approximately 97 percent of wafers, 85 percent of PV cells, and 75 percent of PV modules. But with strategic subsidies and tax incentives, Biden's industrial policies—like 45X—have helped bring down costs for US manufacturers and onshore each stage of the solar manufacturing process. Recent analysis by Boston Consulting Group (BCG) and Third Way estimates that the IRA's solar provisions will make domestically manufactured PV modules approximately 30 percent cheaper than imports. Such policies have allowed the United States to compete for a rapidly expanding domestic market projected to exceed $4 trillion between now and 2050—and a global market of around $15–16 trillion. If sustained, this industrial strategy could also create more than 500,000 solar manufacturing and deployment jobs in the United States by 2050.

Policy Zig Zags Hurt Manufacturers

One of the worst ways to waste taxpayer money is to put a policy in place in one term—passed by Congress and signed by the President—and then rip it away the next. Manufacturers often need to develop 3- to 5-year business plans to get their products from design to engineering to production on the assembly line. These plans are built around investment timelines that account for existing federal, state, and local policies like tax credits, R&D funding, and workforce training grants, just to name a few. When lawmakers shift gears rapidly and change these policy provisions, it means manufacturers' plans are compromised, and investment dollars often are then wasted. Policymakers need to be aware that this policy volatility costs businesses and puts American manufacturers and workers behind.

One beneficiary and fierce advocate of 45X has been the United States' largest solar manufacturer: First Solar. With federal support, First Solar is constructing two new manufacturing facilities in Alabama and Louisiana—each of which is expected to employ around 700 people with an average manufacturing salary of $80,000. Mark Widmar, First Solar's CEO, praised 45X and the IRA in remarks before the Senate Finance Committee in March, referring to the latter as "America's first durable solar industrial strategy...[with] the potential to dismantle China's stranglehold of solar manufacturing value chains." If Trump follows through on his promise to destroy IRA incentives, he'll be destroying an opportunity for the US to reestablish leadership in global manufacturing.

Trump Will Make it Harder for American Manufacturers to Obtain Loans

Following the Project 2025 plan, Trump would "sunset DOE's loan authority through Congress and eventually eliminate the Loan Programs Office." By eliminating the LPO—including its Advanced Technology Vehicles Manufacturing (ATVM) Loan Program—this reckless Republican policy would hobble the US auto industry.

Authorized during the George W. Bush Administration, ATVM uses its loans to "onshore and scale-up the manufacturing of eligible vehicles and qualifying components…[by supporting] manufacturing facilities for vehicles, batteries, battery precursor materials, other key vehicle components, and the processing of critical minerals." The program is essential for providing manufacturers with access to low-cost, debt capital and specialized technical support.

Since ATVM's inception, it has helped produce more than four million advanced technology vehicles through $8 billion in loans. One of its most important projects has been its $102.1 million loan in 2022 to Syrah Technologies to produce graphite-based active anode material for lithium-ion batteries. This project—the first of its kind in the United States—is helping to break China's chokehold on the graphite market. Currently, China is responsible for 90 percent of the world's refined graphite for EV battery anodes. Syrah's Louisiana facility is expected to ultimately provide the United States with 25 percent of its graphite needs.

Revenues from electric vehicle manufacturing offer enormous potential, with $27 trillion in cumulative, global value projected in the original equipment manufacturing market through 2050. Globally, Third Way and BCG estimate that effective industrial policy could increase the US market share from 10 percent to 55 percent across highly competitive EV sector value chain segments by 2030.

Today, ATVM is at an inflection point: the IRA supercharged the program with an additional $40 billion of loan authority. A reasonable administration would take advantage of that financing to help US industries take the lead in global auto markets. Meanwhile, Trump's closest advisors have pledged to throw these funds away, to the benefit of the nation's competitors.

Call to Action: How Can Industry Make Their Voices Heard?

NGOs, unions, and other advocates are sounding the alarm about what a Trump re-election could mean for American manufacturing. But with so much at stake this November, it is imperative that industry leaders are also taking robust action to preserve the policies that are strengthening US manufacturing. Here are five ways that companies can make an impact ahead of the election:

Tell their stories: Companies can go on the record explaining how they are using or intend to use vital programs and tax credits like ATVM and 45X. What have they been able to create as a result of these initiatives? How many people have they employed? How does the entire nation benefit from their work, and how could all of these efforts grind to a halt in the absence of sustained federal support? They can partner with think tanks like Third Way, research institutions, and the press to explore and explain the economic impacts of the IRA, BIL, and CHIPS on their respective industries.

Act publicly: Companies can speak with their communities directly through public events, social media, and op-eds to discuss why it is important to protect these programs and support candidates that champion these initiatives. They can reiterate the community benefits—particularly, good-paying, permanent jobs. In doing so, they should solicit letters of support from their community that they can bring to their Republican lawmakers.

Build coalition power: Companies can contact business organizations and chambers of commerce to build unified support for these programs. They can build coalitions across multiple industries—including solar, batteries, minerals, and automotive—for even greater impact. Once again, they should solicit letters of support that they can take to their Republican elected officials to convince them of the necessity of these programs.

Contact your elected officials: Companies can explain the importance of these initiatives and the community benefits that they provide. They can illustrate how smart industrial strategy benefits traditionally Republican states as well as both energy communities and historically disadvantaged communities.

Engage politically: Companies can make sure that candidates and campaigns know this issue is a priority for them. For companies looking to make political contributions, they can confirm candidates' positions on these programs and highlight the value of these initiatives at every opportunity.

Conclusion

Advanced manufacturing industries will power future US prosperity—but only with the support of sound and sustained government policies. Under President Biden, the government's coordinated approach has brought manufacturing roaring back to the United States, creating thousands of union jobs, expanding the availability of low-cost, clean energy, and bolstering national security. Donald Trump returning to the White House puts all of this at risk. Policies that make it tougher for American companies to access federal investments, tax incentives, and loans threaten the immense manufacturing gains this country has enjoyed over the last two years, including 164 new or expanded facilities, 45,000 quality jobs, and $152 billion in new investments in clean energy and vehicle technology manufacturing.