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As a reporter in the 1980s, I watched U.S. industries as they failed to adapt to foreign competition.



Japanese cars at a port in 1980. KAKU KURITA/ GAMMA- RAPHO VIA GETTY IMAGES

How America Lost Manufacturing

By Amal Naj

By putting eye-popping tariffs on imports, President Trump hopes to bring manufacturing back home. What his administration overlooks is U.S. industries' culpability in the current state of affairs. It's an open question whether American companies can change course.

President Reagan tried. His administration used a variety of tactics in the 1980s to restrict steel and auto imports, giving U.S. manufacturers time to remake themselves in the face of a formidable foreign onslaught.

But domestic manufacturers failed to rise to the occasion and failed miserably, as I witnessed as a reporter for the Journal covering America's industrial belt at its most pivotal moment of decline.

That failure foreshadowed what has become a national concern today: our extraordinarily heavy reliance on manufacturing offshore in industries critical to our national security and

economy. Last year, steel, autos, machinery, electrical equipment and pharmaceuticals together accounted for 77.5% of the country's \$1.2 trillion trade deficit. Take the auto industry: Only about half of new cars sold in the U.S. in 2024 were manufactured locally, and many of these had imported parts.

In the 1980s, it was a common refrain that if General Motors—America's largest industrial enterprise—sneezed, the rest of the country caught a cold. Steel and a host of other industries depended on the car industry's well-being. So did many U.S. workers and consumers. But in the face of growing foreign threats, American manufacturers seemed in denial. Seemingly thinking they could never be knocked off their pedestals, they changed little about how they fundamentally operated.

Unions didn't help. The United Steelworkers and the United Auto Workers viewed U.S. import restraints simply as a means for protecting their jobs and their wages, which were twice those in Japan. The unions also resisted companies' attempts to revise outdated union job classifications to combine tasks into one employee's workload to bolster productivity. Business leaders failed to win over the labor unions with a promising master plan to protect their future as well as the companies' against imports. But firms seemed incapable of articulating one.

If anything, automakers sent a confusing message about the fight with foreign competition. Even as they asked workers to sacrifice, the companies got in bed with the enemy. GM signed deals with Japan's Isuzu and Suzuki to import their cars into the U.S. and subsequently formed a joint venture with Toyota. Other automakers struck similar deals with Japanese competitors,

including joining hands to build cars in the U.S. GM then shamelessly lobbied to raise import quotas so it could bring in cars from Japan. The American companies professed that they wanted to learn from the Japanese before launching new high-tech factories themselves.

Even if taken in good faith, this was a bad call. U.S. automakers would eventually invest billions in new technology and automation to remake their Henry Ford-era assembly operations. GM called its venture Saturn, Ford's was Alpha, and Chrysler's was Liberty. They aimed to reduce drastically the parts and labor that went into a car, to close the gap on the Japanese cost advantage of \$2,000 a vehicle. And they planned to do it in roughly four years.

In 1986 GM unveiled its \$600 million plant in Hamtramck, Mich., on Detroit's east side, to showcase industrial high technology. But the robots broke down easily and were prone to error. They welded the wrong joints and missed spots when spray-painting cars. Sometimes they sprayed each other. Workers couldn't get the complicated machines, with their programmable instructions and electronic sensors, to communicate with each other and pass tasks to the next station. "I have bolted 50 wrong bumpers—Cadillac on an Olds, an Olds on a Buick, a Buick on a Cadillac," a worker bolting robot-chosen parts told me on a visit to the plant.

The final blow to American automakers came when Japanese manufacturers set up plants across the U.S. The Mazda plant just south of Detroit began producing cars for 25% less cost than GM—on American soil with American workers.

The U.S. auto industry's demise inflicted collateral damage on other domestic manufacturing. Steelmakers, with their umbilical cord tied to Detroit, had hobbled along after automakers' lead without much thought to foreign competition until it was too late. There had been little talk in boardrooms of modernizing their age-old blast furnaces or adopting new technologies and production approaches, such as electric arc furnaces to make cheaper steel from scraps. In the early '80s, domestic customers—from can and appliance to automotive part producers—turned to foreign suppliers for better prices and quality.

Ford abandoned its storied Rouge Steel plant in Dearborn, Mich., blaming the union. In succession, steel businesses closed, merged or disappeared into companies steelworkers had never heard of. These were manufacturers whose names had evoked the might of American industrial power, with their miles-long factories converting iron ore in mammoth blast furnaces and rolling mills—Bethlehem Steel, Jones & Laughlin, National Steel and Republic Steel.

The last of the great American steelmakers, U.S. Steel, once the world's largest, is now fighting for its life. In 2023 it agreed to be owned by a Japanese company, Nippon Steel.

The robots that U.S. automakers had embraced also fell by the wayside. The American inventor of industrial robots, Unimation, along with others that jumped into the business—such as Westinghouse and General Electric—quit. Japan, which licensed the technology from the U.S., is now a major robot manufacturer, along with South Korea and China.

"Our basic approach was wrong," the head of Westinghouse's advanced technology group told me in 1990. "It was a classic case of trying to merge an entrepreneurial organization into a relatively slow-moving, large American corporation."

Far from learning from their mistakes, U.S. automakers repeated them as foreign competition intensified. In the early 1990s, GM, Ford and Chrysler spent billions to develop electric cars. GM unveiled its first commercial electric car in 1996. But eventually these manufacturers gave up because they couldn't see the future. "It was as if Henry Ford had built his Model T before the discovery of gasoline," an auto executive lamented.

GM's then-Chairman Roger Smith admitted in 1986 that the carmaker was mistaken in believing it could fundamentally change manufacturing with technology in one fell swoop. Thousands of little innovations in manufacturing have nothing to do with automation but find fruitful application through trial and error—what's known in industry as "continuous improvement." Aimed at cutting cost and enhancing quality, these innovations evolve over time. Humans, not technology, drive the process. In the future, Mr. Smith vowed, "solid human partnerships will form the ground floor on which high technology systems will be built."

American manufacturers have always known that remaking domestic manufacturing would be hard. It would require winning labor concessions, investments in training workers in new skills, creating a factory culture that fostered creativity and innovation on the floor level, and taking a longer view on the investments to fight competition. Instead, companies circumvented these challenges by relocating offshore. They took their business wherever they could make money; shareholders demanded it. They didn't lie awake worrying about trade imbalances. Why would they now?

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