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The *"Reshoring"* Myth

For years, U.S. companies have successfully *"reshored"* manufacturing previously sourced from SE Asia, predominantly China. Reshoring will continue to be an effective tool when it optimizes the technical, financial, and commercial performance of operating companies. Whether reshoring can materially impact global supply chain interdependence is a different question.

Reshoring to reduce foreign dependencies for greater national industrial self-reliance is sound policy in the pharma, integrated circuits, and defense industries. However, trade data does not indicate that reshoring is reducing global supply chain interdependence … and there are valid reasons why that won't happen.

U.S. trade statistics reveal that there is year-to-year volatility, but the gap between SE Asia and USMCA-sourced imports has remained materially stable since 2015, while overall U.S. imports from each region have increased significantly. Even with far shorter supply chain distances utilizing USMCA suppliers, imports from these thirteen SE Asia trading partners increased 46% over the nine-year period and remain 19% greater than U.S. imports from USMCA countries.

Data Source: https://www.census.gov/foreign-trade/balance/
Asia: China, Vietnam, S. Korea, India, Taiwan, Thailand, Malaysia, Indonesia, Thailand, Philippines, Hong Kong, Pakistan, Cambodia – Japan & Singapore not included.

U.S. Import Trends - SE Asia vs Can+Mex			
Year	Total Imports	Southeast Asia % of Total	Can+Mex % of Total
2024	$3,266.4	33.7%	28.1%
2023	$3,076.8	32.5%	29.0%
2022	$3,239.7	35.6%	27.5%
2021	$2,828.5	36.1%	26.2%
2020	$2,331.5	35.9%	25.5%
2019	$2,491.7	33.4%	27.1%
2018	$2,536.1	34.9%	26.1%
2017	$2,399.5	34.8%	25.5%
2016	$2,186.8	35.4%	26.1%
2015	$2,248.8	35.2%	26.4%

What is changing is the mix of country-of-origin imports from SE Asia. Imports from China have stagnated at a high level, with 2024 China imports essentially equal to imports from China in 2015. In contrast, imports from the other twelve SE Asia countries more than doubled to $587B – 33% greater than imports from China. China remained the second largest U.S. import sources at $438B in 2024, trailing only Mexico at $505B.

The profile is similar with exports. U.S. exports to China grew 24% over the 2015-24 period to $143.2B, while exports to the twelve other SE Asia countries grew 49% to $260B collectively. Despite this non-China growth, the U.S.'s largest SE Asia export national market remains China – receiving more than double the 2022 U.S. exports compared to the next largest SE Asia recipient country – South Korea. In total, China is the third largest U.S. export market behind only Mexico and Canada that with the U.S. comprise the preferred trading region defined by the United States-Mexico-Canada Agreement (USMCA) which replaced NAFTA.

Manufacturing labor shortage is the #1 reason supply chain interdependence is unavoidable. The unescapable fact is that the North American labor pool cannot support enough reshoring to materially change the balance. Many products sourced from SE Asia require high-volume, low-skilled manual assembly. The North American labor pool has insufficient capacity to do this work. Where automation can reduce labor content, factors such as technician skills to operate and maintain advanced equipment also lag the capacity required to support reshoring at a pace to rebalance the macroeconomic equation.

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SE Asia Market Potential Drives Many Production Location Decisions. SE Asia is the fastest growing global market opportunity. The population of the same seven leading SE Asia trading partners is more than 6X the size of the North American countries. Internal growth of consumer and industrial demand in SE Asia dwarfs that of North America. Rapid regional growth of manufacturing to serve these markets drives product cost curves down, unavoidably strengthening the global competitiveness of SE Asia manufacturers.

2025 Population (Millions)			
SEAsia (7 Countries)		North America	
Country	#	Country	#
China	1,412	U.S.	349
Vietnam	102	Canada	40
S. Korea	52	Mexico	133
India	1,477		
Taiwan	23		
Thailand	72		
Malaysia	36		
Subtotal	**3,174**		**522**

Many Critical Materials and Components are Dominated by SE Asia Production. Just a few of many examples where sufficient domestic supply is impractical and offshore dependence unavoidable:

- Light-Emitting Diodes (LEDs) are core components in countless modern products. China dominates LED production with >50% of world capacity based on availability of key materials required.
- Battery technologies are central to the future of energy. China dominates lithium-ion battery capacity with ~67% of the world's total in 2024, and 56% market share of world's EV batteries.
- Electric motor production and demand is the highest in SE Asia (dominated by China) and approaching 50% of the world's market for electric motors is in Asia.

Many other commodities and materials are concentrated in SE Asia due to true comparative cost or capacity advantages, restricting supply options and population driven demand, reinforcing global interdependence trends.

Tariff and Trade Restrictions Will Continue Trade Diversification to More Countries. China still dominates the SE Asia-to-U.S. import flows. However, tariff actions, national trade policies and improving industrial competencies, will continue to drive higher growth rates in imports from other SE Asia countries.

Key SE Asia Manufacturing and Development Capabilities Lag Western Expectations. Supply chain interdependency is not a *"one-way"* dilemma with the U.S. on the losing end. SE Asia quality and advanced technology competencies significantly lag the norms of USMCA/EU markets and will indefinitely. With the demand-driven expansion of SE Asia industrial bases, the dependence on advanced Western technology, and competitive motives for Western industry to compete in these markets assures greater global industrial interdependence, not less.

Respect and Manage Economic Interdependence … Don't Fight it … Leverage it! Western technology and quality competency will remain a strategic core advantage. The U.S. exported $361.4B to the same top seven SE Asia countries in 2022 – 36% more than in 2019, the last pre-COVID year – concentrated in high technology and specialty products where the U.S. has strong and sustainable comparative advantage. Since SE Asia economies are highly dependent on this Western technology supply, bilateral global economic interdependence will expand while selective reshoring will thrive simultaneously. The best strategy is to extend and defend core competencies (technology, knowhow, process) while carefully assessing and managing the advantages of trading partner countries and individual suppliers.

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