

Changes and continuities in the US import structure post-US-China trade war

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This article utilizes trade data from the United States between 2017 and 2022 to analyze the changes in the US import structure after the US-China trade war. It aims to understand the differences in the US import structure following the US-China trade war and the COVID-19 pandemic, to grasp the current situation of global supply chain adjustments. Additionally, it aims to observe whether the trends of "Nearshoring" and "Friendshoring" in the US are gradually emerging.

The US trade deficit continues to widen

The US-China trade war officially started in mid-2018. However, except for a slight 2.8% reduction in the trade deficit in 2019, the US trade deficit has been expanding year after year since 2020, reaching a record high of \$1.18 trillion. This indicates that the US tariffs imposed on mainland China under Section 301 did not achieve the intended goal of resolving the continuous expansion of the US trade deficit (see Figure 1).



Source: The author used data from the GTA database for calculations

Figure 1. 2017-2022 Overview of U.S. Trade

However, the proportion of the US trade deficit attributed to mainland China has indeed decreased, from 48.1% in 2018 to 32.4% in 2022, a reduction of 15.7 percentage points. This confirms that, following the US-China trade war, the US has increased imports from regions outside of China. However, this trade diversion has resulted in additional costs for the US, as it needs to import goods from third countries at higher prices. This further expands the US trade deficit, reflecting the significant trade diversion effects of the Section 301 tariffs. However, the benefits of reshoring manufacturing to the US are currently not evident.

The United States is diversifying its import sources toward its allies

After the US-China trade war, bilateral trade between the US and China continued to grow. However, concerns over the "weaponization of trade" led to a gradual reduction in their reliance on each other's trade. Both countries witnessed a decrease in the proportion of imports and exports from each other. Notably, mainland China experienced the most significant decline in its share of imports to the US, dropping by over 5 percentage points from 2017 to 2022. During the same period, the proportion of imports from Canada and Mexico in North America, Taiwan, and South Korea in East Asia, Vietnam, Thailand, Malaysia, Indonesia, and Singapore in Southeast Asia, India in South Asia, and Ireland, Switzerland, the Netherlands, Belgium, and Spain in Western Europe increased. Additionally, Russia dropped out of the top 25 import sources for the US, indicating a clear trend of import diversification toward the allies for the US.

The phenomenon of 'nearshoring' is currently limited to specific industries

Observing the changes in the top three import sources for major industries in the United States, the phenomenon of 'nearshoring' is currently more apparent in specific industries. For example, there is a significant increase in the import share of automotive and machinery products from Mexico and the oil and mining industry from Canada. However, for industries such as ICT products, electronic components, and furniture, countries like Vietnam and Taiwan remain the main sources replacing China's production capacity. This suggests that the completeness of a nation's supply chain and the competitiveness of its industries remain the primary considerations for multinational corporations when deciding on investment and relocation of production. Reshoring or nearshoring may come with a high cost or prove to be unsustainable over the long term if there is a significant disparity in production efficiency or costs compared to other production bases.