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Macro Roundup Article

Headline: The Complication of Concentration in Global Trade

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Summary: For many products, countries rely on a diversified pool of trade partners. This is particularly true for larger economies. For example, China imports crude oil from more than 40 economies, and the United States imports cars from more than 25 nations. A significant portion of global trade is concentrated in the sense that an economy relies on only a handful of nations to source almost all of its imports of a specific product. Indeed, 40% of the value of global goods trade corresponds to cases where the importing economy relies on three or fewer nations for the supply of a given manufactured good or resource. Narrowing the focus further, about 15 percent of global goods trade corresponds to cases where the importing economy relies on only two or fewer nations. Most concentration is due not to a lack of supplier economies. Instead, concentration arises because of specific choices to source products from only a few countries despite the fact that other potential supplying countries are available. In this research, this type of concentration is described as “economy-specific concentration.” Of the 40% of global trade value that relies on three or fewer supplier economies, about three-quarters corresponds to economy-specific concentration.

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