

Macro Roundup Article

Headline: [Global Supply Chains: The Looming “Great Reallocation”](#)

Article

Link: https://www.kansascityfed.org/Jackson%20Hole/documents/9747/JH_Paper_Alfaro.pdf

Author(s)	Laura Alfaro and Davin Chor
Publication	Federal Reserve Bank of Kansas City
Publication Date	August 30, 2023

Tweet: [A "Great Reallocation" of US supply chain activity is underway with Vietnam and Mexico being the largest beneficiaries. @lalfaro](#)

Summary: Rather than signaling a trend towards deglobalization, the available data hints at a looming “great reallocation” of US supply chain activity. This shift is marked by a decline in direct US sourcing from China, with a corresponding rise in import share from low-wage locations, chiefly Vietnam, and regional trade areas, particularly Mexico. Recent policy efforts may ultimately not succeed in their objective to reduce US dependence on supply chains tied to China. Despite a decrease in US direct reliance on China, there has been an increase in China’s import share in “friendly” nations, including the EU, Mexico, and Vietnam. Chinese firms are stepping up FDI and production facilities in Vietnam and Mexico in critical sectors, albeit from a low base. This suggests that plants in which China is the ultimate owner may continue to play a significant role in US value chains. Related: [How America Is Failing To Break Up With China and Setser On Rumors Of Decoupling and Global Firms Are Eyeing Asian Alternatives to Chinese Manufacturing](#)

Primary Topic: Trade (not deficits)

Topics: Academic paper, GDP, Trade (not deficits)

Permalink: <https://www.edwardconard.com/macro-roundup/a-great-reallocation-of-us-supply-chain-activity-is-underway-with-vietnam-and-mexico-being-the-largest-beneficiaries-lalfaro?view=detail>

Featured Image Link: <https://www.edwardconard.com/wp-content/uploads/2023/08/Evolution-of-Trade-Partners.png>