

Macro Roundup Article

Headline: Pettis on “Friend-Shoring”

Article Link: <https://twitter.com/michaelxpettis/status/1609860749589086209>

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Publication	@michaelxpettis
Publication Date	January 03, 2023

Tweet: .@michaelxpettis argues that moving production away from chronic surplus countries like China to countries like Mexico will increase global demand as Mexican export revenues are converted to imports.

Summary: There is a stronger economic reason for Washington to encourage switching production from countries with large-persistent trade surpluses to countries, like Mexico, with balanced trade, or even trade deficits. Because wages and household income comprise a higher share of Mexican output, when an American business shifts production to Mexico, this will likely increase US imports from Mexico. This is not what happens when a US business relocates to a trade surplus country. In that case, because their workers receive a much lower share of what they produce, and their businesses a higher share, part of the country's export revenues are converted into savings.

Primary Topic: Trade (not deficits)

Topics: GDP, Op-Ed/Blog Post, Quote, Savings Glut/Trade Deficit, Theory, Trade (not deficits)

Permalink: <https://www.edwardconard.com/macro-roundup/michaelxpettis-argues-that-moving-production-away-from-chronic-surplus-countries-like-china-to-countries-like-mexico-will-increase-global-demand-as-mexican-export-revenues-are-converted-to-imports?view=detail>