



Reconfiguring Global Trade

Insights and Analysis

May 2025



Our vision

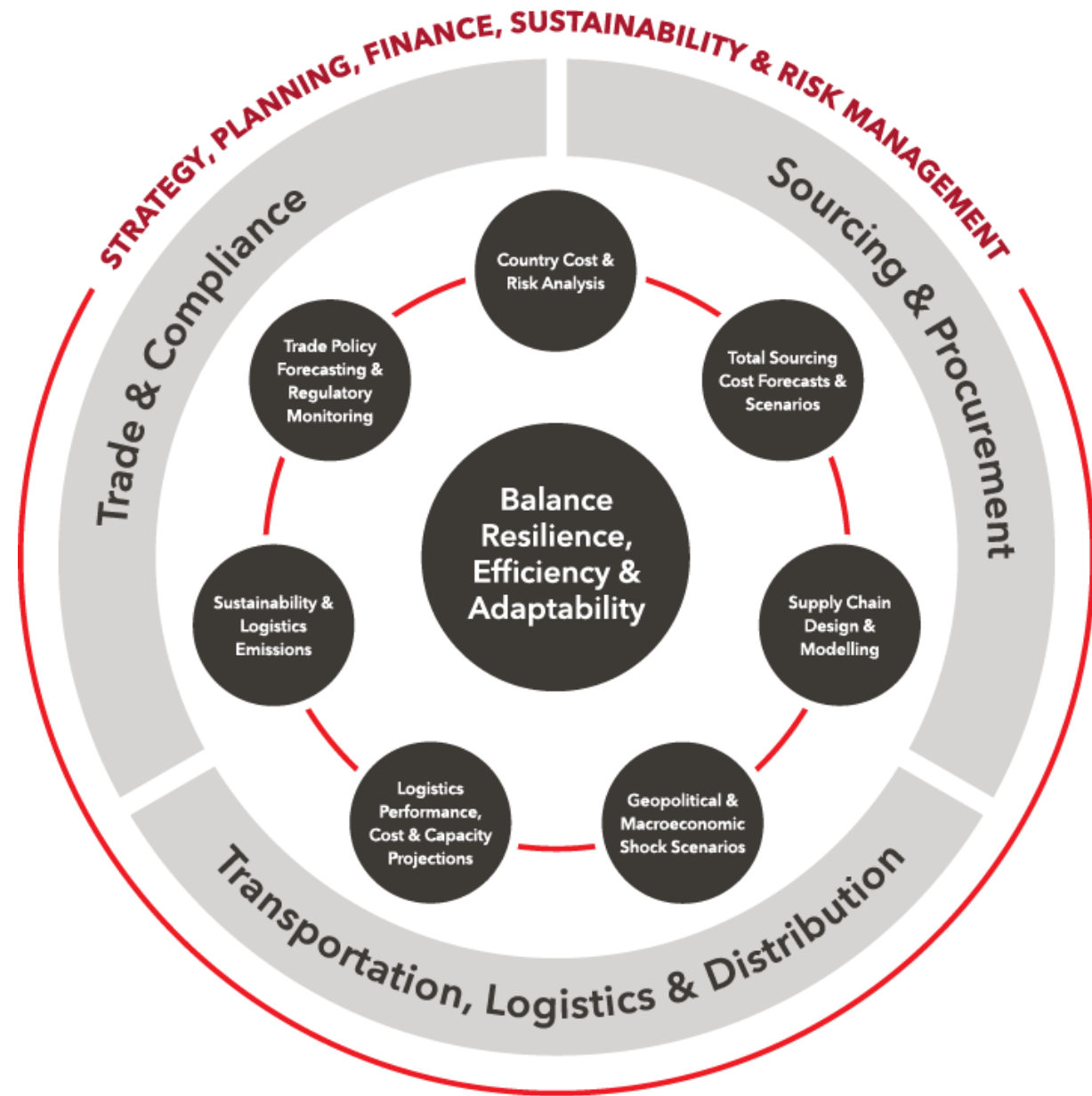
Help clients build more efficient, resilient and sustainable supply chains

.... focusing on geopolitical, regulatory, economic and operational disruptors

... through advisory engagements and insights

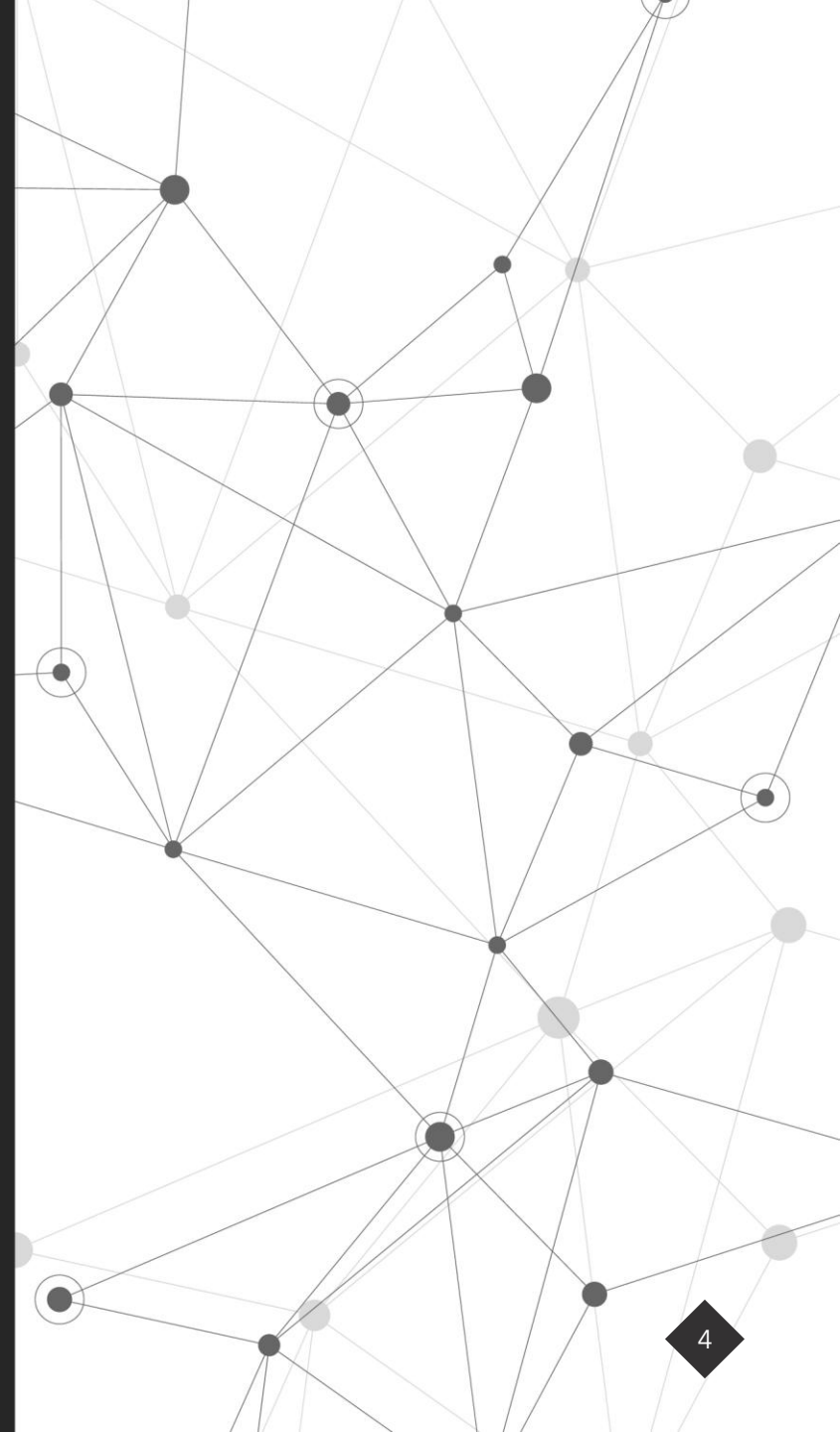
Our service lines

Bringing together actionable insights in service of global supply chains



Section I

Global trends



2025 outlook: costs growing across the board

Uncertainty on sudden disruption v. gradual trajectory

Global trade	Global geopolitics	Macroeconomics, sourcing and production
<p>A looming trade war</p>	<p>A new disrupted normal</p>	<p>A delicate return to growth Tariff impact uncertainties</p>
<p>Protectionism ramps up Retaliations in the offing **Increasing costs**</p>	<p>Hoping for the best, preparing for the worst **Increasing costs**</p>	<p>Slight improvement in 2025 overshadowed by growing tariff threats **Increasing costs**</p>

The US is opening additional fronts in the trade war

Upcoming signposts point to potential pathways for escalation

AMERICA FIRST MEMO STUDIES

Due by April 1, non-exhaustive

- Causes of trade deficit
- **External Revenue Service**
- Unfair trade practices
- **USMCA impact**
- Exchange rate manipulation
- FTA reciprocity
- Bilateral or sector FTAs
- AD/CVD application
- De minimis and fentanyl
- Discriminatory taxes
- **Export control enhcement.**
- Connected vehicles
- China
 - Phase 1 agr. Review
 - Section 301
 - **PNTR**
 - IP, tech, trade diversion
 - Unfair trade practices
 - IP practices

OTHER PLANNED ACTION

CHINA

? - Section 301 action on shipbuilding

CANADA & MEXICO

? - 25% tariff EO implementation

? - accelerated start of USMCA review

WORLD

May - auto parts 25% tariff EO in force; China de minimis

July - reciprocal tariffs suspension ends

? - section 232 action on copper, pharmaceuticals, semiconductors, and lumber

? - section 232 action on other articles, esp. metals beyond steel and aluminum

? - Venezuela oil importers

? - De minimis beyond China

? - investment and export control agreements

Source: Onyx

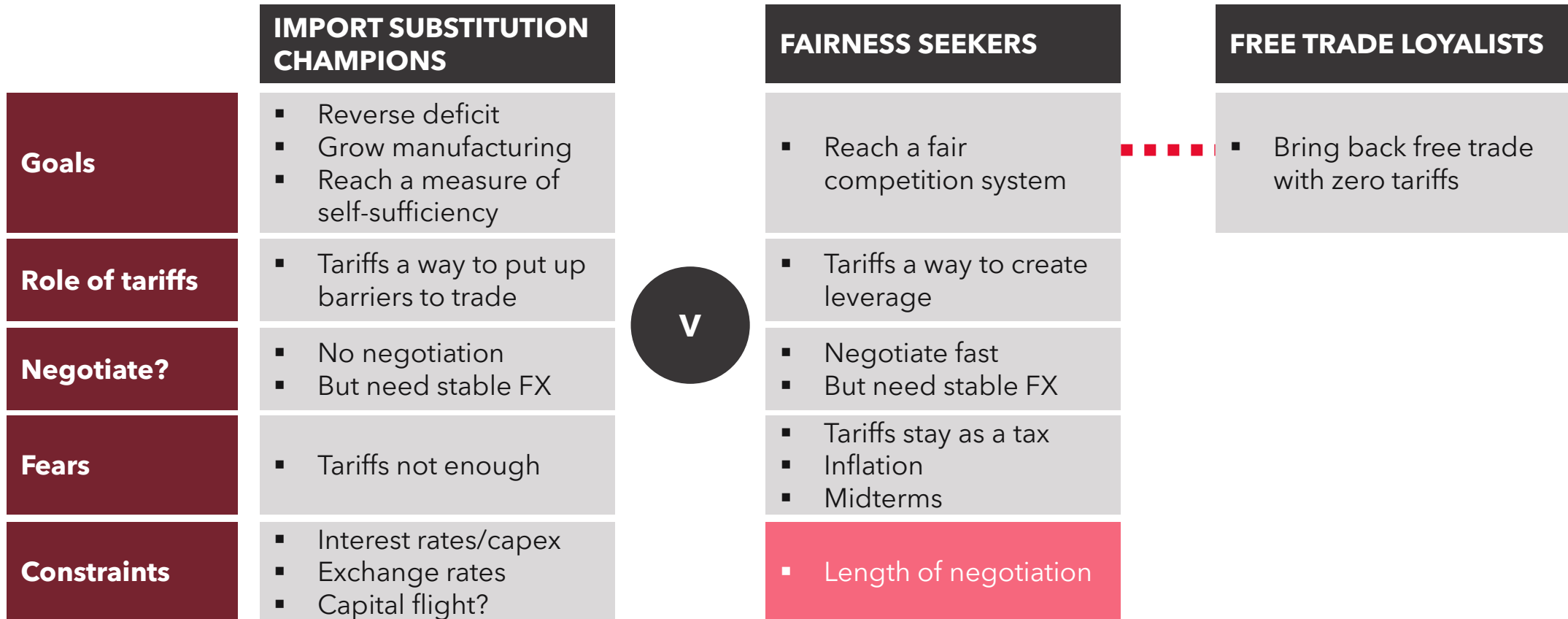
US seeking to maximize pressure on USMCA

Rules of origin, immigration, and labor are key issues

USMCA TIMELINE	KEY POSITIONS AND GOALS	
<ul style="list-style-type: none"> ▪ Jan 20, 2025: Inauguration Day, likely followed by formal notification ▪ October 2025: Public comment period ▪ By December 31, 2025: USTR review of USMCA due to Congress ▪ By June 2026: Deadline to submit issues for review ▪ July 2026: USMCA Free Trade Commission review 	<p>US</p>	<ul style="list-style-type: none"> ▪ Containing Chinese trade diversion and investment <ul style="list-style-type: none"> – A veto on investments? – China tariff harmonization ▪ Strengthening US manufacturing, reducing deficits <ul style="list-style-type: none"> – Currency devaluation – Digital Services Tax – Auto, ag, chemicals – Environmental restrictions to energy, critical minerals ▪ Revising rules of origin in strategic industries
	<p>Canada</p>	<ul style="list-style-type: none"> ▪ Addressing current disputes, including dairy ▪ Protecting energy exports ▪ Containing Chinese market access
	<p>Mexico</p>	<ul style="list-style-type: none"> ▪ Move upstream in manufacturing ▪ Protecting energy, telecoms ▪ Addressing current disputes, including corn ▪ Using border control, labor concessions as key levers

US objectives remain fragmented

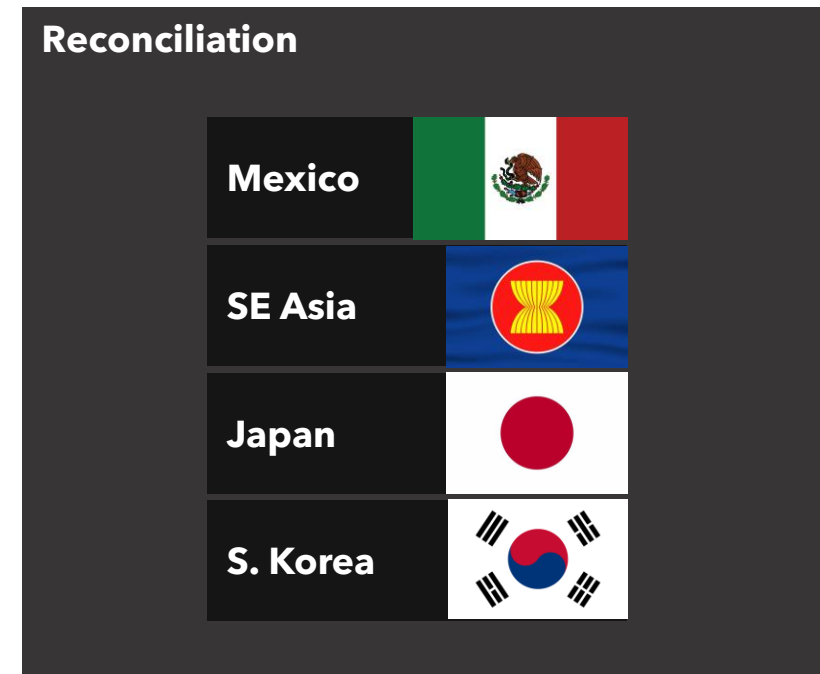
Range of views and ultimate goals in White House and Congress, illustrative only



Source: Onyx

Different strategies, same outcome for now

Except for China



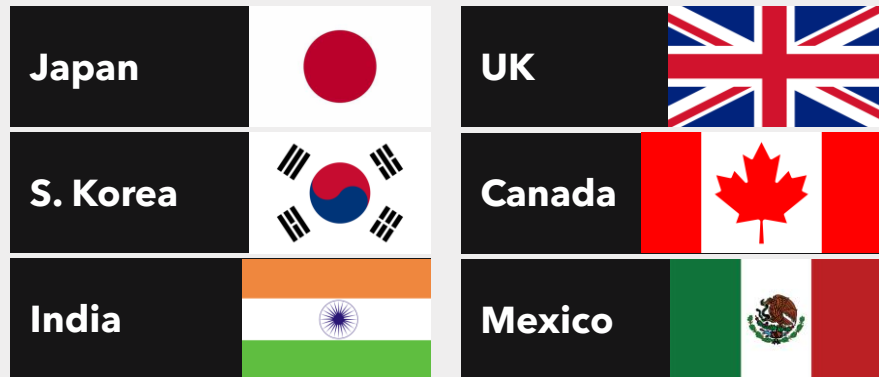
Source: Onyx

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But a potential tiered strategy seems to be emerging

Unclear timelines for EU, SEA, China

A network of allies with priority on negotiations
Converging trade and security, containing China



Second tier
Unclear timeline



Arms-length
Unclear timeline



Out of scope
Section 232: national security

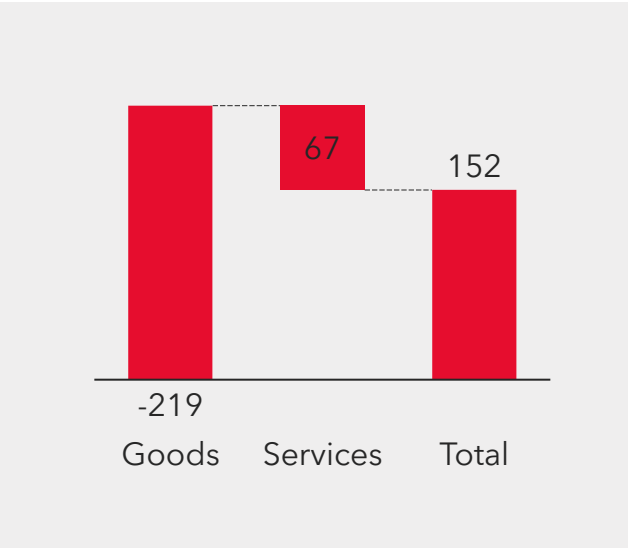
- Semis
- Pharma
- Auto
- Basic metals
- Metals for advanced tech

Source: Onyx

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Range of EU responses to maximize impact on US

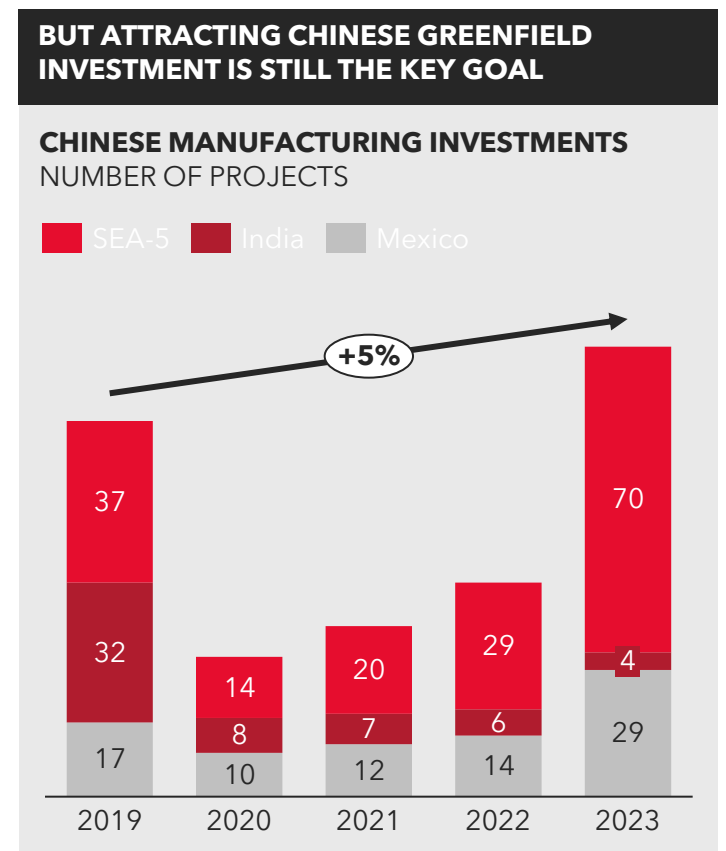
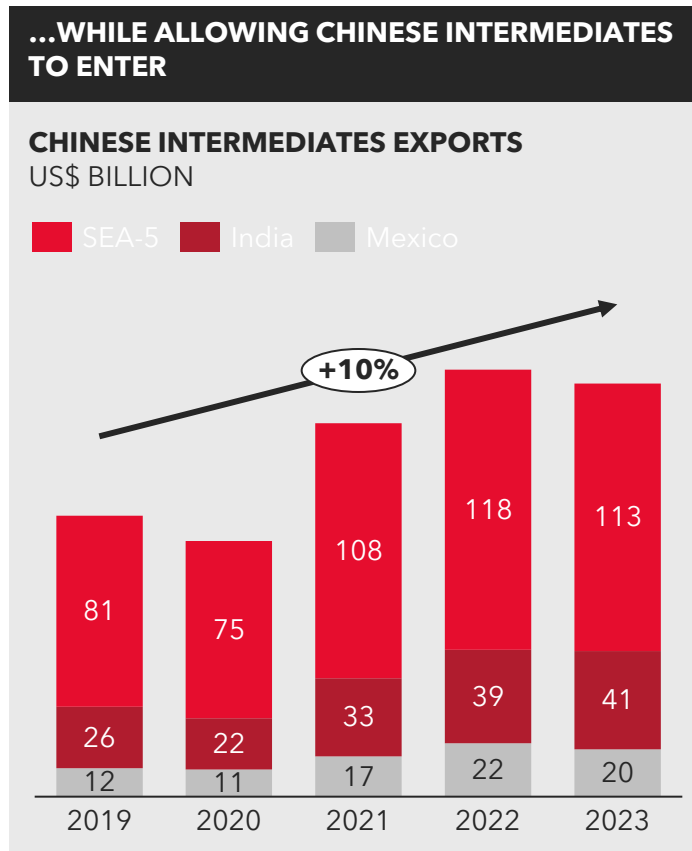
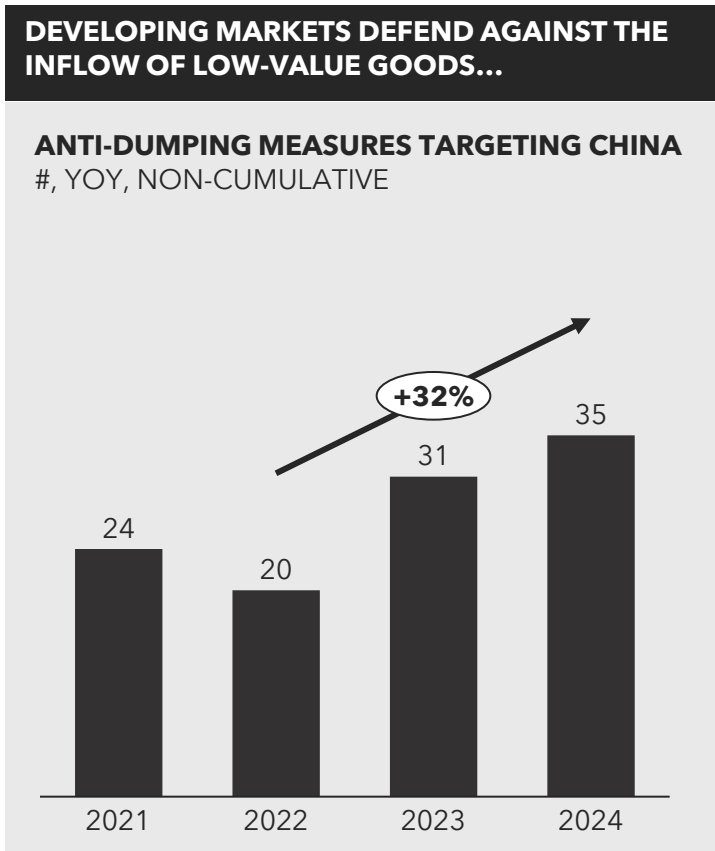
Balancing act with China

THE EU IS CONSIDERING A RANGE OF RESPONSES...	EU-US TRADE BALANCE 2022, USD BN	... BUT THERE ARE LIMITS TO DIVERSIFICATION AWAY FROM US								
Zero-tariff offer	 <table border="1"> <caption>EU-US Trade Balance 2022 (USD BN)</caption> <tr> <th>Category</th> <th>Value</th> </tr> <tr> <td>Goods</td> <td>-219</td> </tr> <tr> <td>Services</td> <td>67</td> </tr> <tr> <td>Total</td> <td>152</td> </tr> </table>	Category	Value	Goods	-219	Services	67	Total	152	China as a strategic rival <ul style="list-style-type: none"> Meddling in EU politics Alliance with Russia Dumping concerns
Category		Value								
Goods		-219								
Services		67								
Total		152								
Tit-for-tat tariffs	Rise of protectionism and limits to FTA dealmaking									
Tariffs over services, esp. US tech	Focus on security									
Anti-coercion mechanism										

Source: Trade Map, Onyx

Developing markets are also for now targeting China

While hoping to move upstream



Source: WITS, Onyx

Emerging ideas on potential scenarios

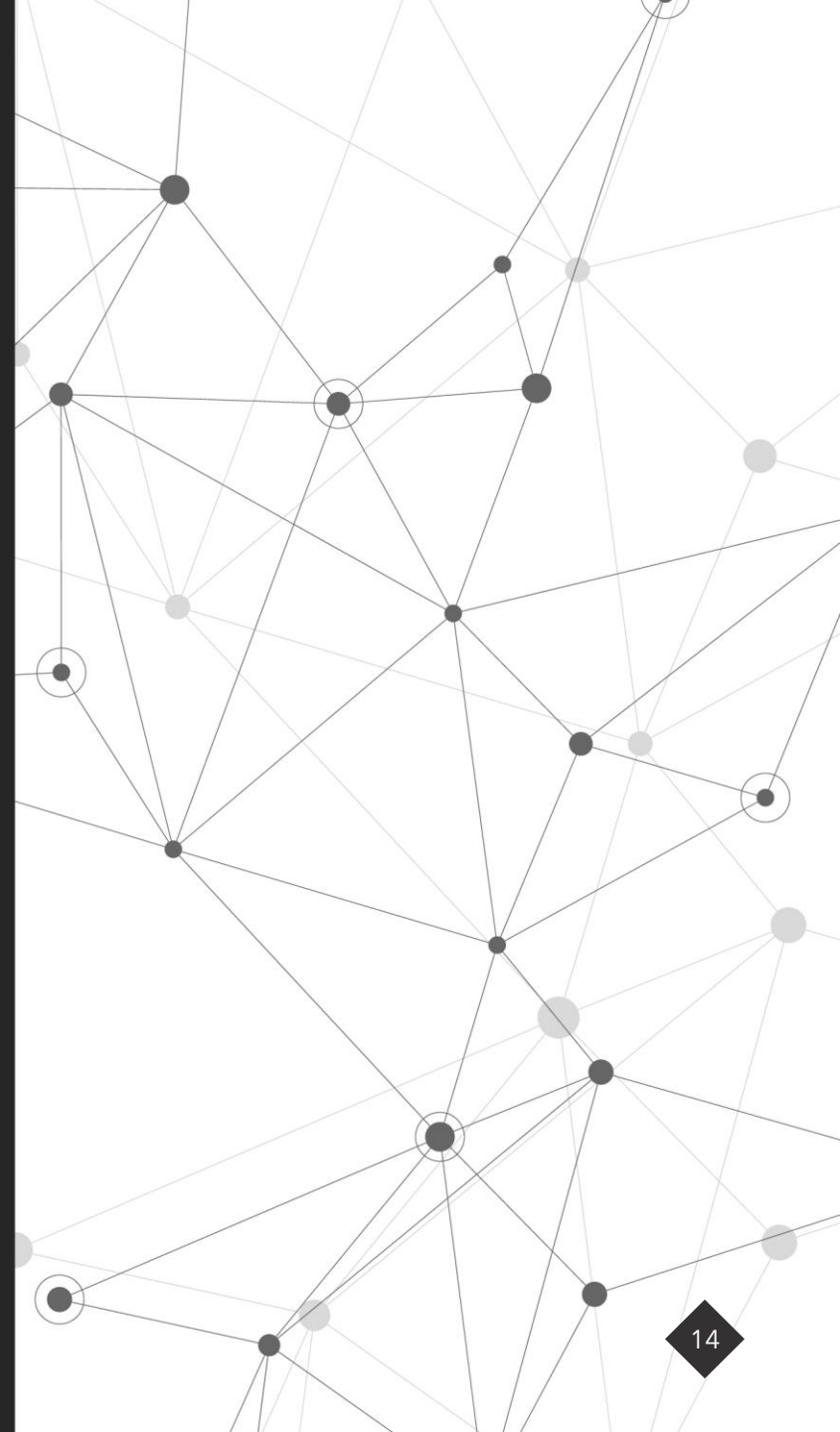
Medium to long-term, non-exclusive

	NEGOTIATED SOLUTION	TIT-FOR-TAT CYCLE	US DIVERSIFICATION
Key traits	<ul style="list-style-type: none"> 10% base stays Reciprocal lowered Pot deals on export controls 	<ul style="list-style-type: none"> 10% base stays Reciprocal lowered for some EU, CN, CA retaliation 	<ul style="list-style-type: none"> New "regional" coalitions emerging
Signposts	<ul style="list-style-type: none"> Formal negotiations kick-off 	<ul style="list-style-type: none"> Popular opinion EU, CA positions 	<ul style="list-style-type: none"> FTA negotiations Coordinated responses
Constraints	<ul style="list-style-type: none"> Length of negotiation Ratifications Diverging goals 	<ul style="list-style-type: none"> Mutual dependencies Capex cycles 	<ul style="list-style-type: none"> Protectionism Diverging goals Capex cycles
Risks	<ul style="list-style-type: none"> Creeping inflation Political backlash 	<ul style="list-style-type: none"> Creeping inflation Capital flights 	<ul style="list-style-type: none"> Creeping inflation Capital flights

Source: Onyx

Section II

Northeast Asia



Japan closest to a deal as Korea struggles with domestic politics

China likely to stand ground for now in the face of Trump's policies



Goals

- Stabilize break in US-China trade
- Maintain domestic structures

Potential paths to an agreement

- Purchases of US goods and (tentative) investment in US production in return for geopolitical concessions

Constraints to an agreement

- China's strategy of leveraging other trade partners in defying appeasement
- Dissonance within Trump team on negotiation end goal



Goals

- Maintain US market access and defense presence while maintaining economic balance with China

Potential paths to an agreement

- Cost burden sharing for defense
- Purchase deals and investment in US
- Agreements on monitoring trade diversion, reducing Chinese content

Constraints to an agreement

- Domestic leadership crisis
- Intertwined defense and trade goals
- Balancing possible Chinese retaliation
- Pre-empt semi and pharma tariffs



Goals

- Maintain US market access and defense presence while maintaining economic balance with China

Potential paths to an agreement

- Cost burden sharing for defense
- Purchase deals and investment in US
- Opening of JPN ag and auto markets
- Agreements on monitoring trade diversion, reducing Chinese content

Constraints to an agreement

- Looming focus on currency
- Intertwined defense and trade goals
- Balancing possible Chinese retaliation
- Pre-empt semi, pharma tariffs

Source: Onyx

US hints at willingness to de-escalate with China, but a grand bargain is unlikely

China's alternatives are contingent on the acquiescence of other trading partners

Objectives

- **Lower overall tariff rate** to a more tolerable level
- **Stabilize ties** to preclude further mutual retaliation
- **Preserve access to non-substitutable US goods**, such as semis, pharma, aerospace
- **Preserve US market access** for exporters

Scope of a potential agreement

- **Purchase of US energy and agricultural goods**, potentially on top of fulfilling Phase One terms
- **Investment in US manufacturing capacity** especially in EVs, batteries, new energy, depending on internal Trump team debate
- **Geopolitical sweeteners** promised in rhetoric, difficult to realize

Constraints

- **Strategy to decry appeasement and rally allies** undermined by any potential deal
- **Lack of point person and consistency** within Trump team, raising chance of renegeing deal
- **Very low chance of acceding to major concessions** on industrial policy and subsidies - a key Trump concern

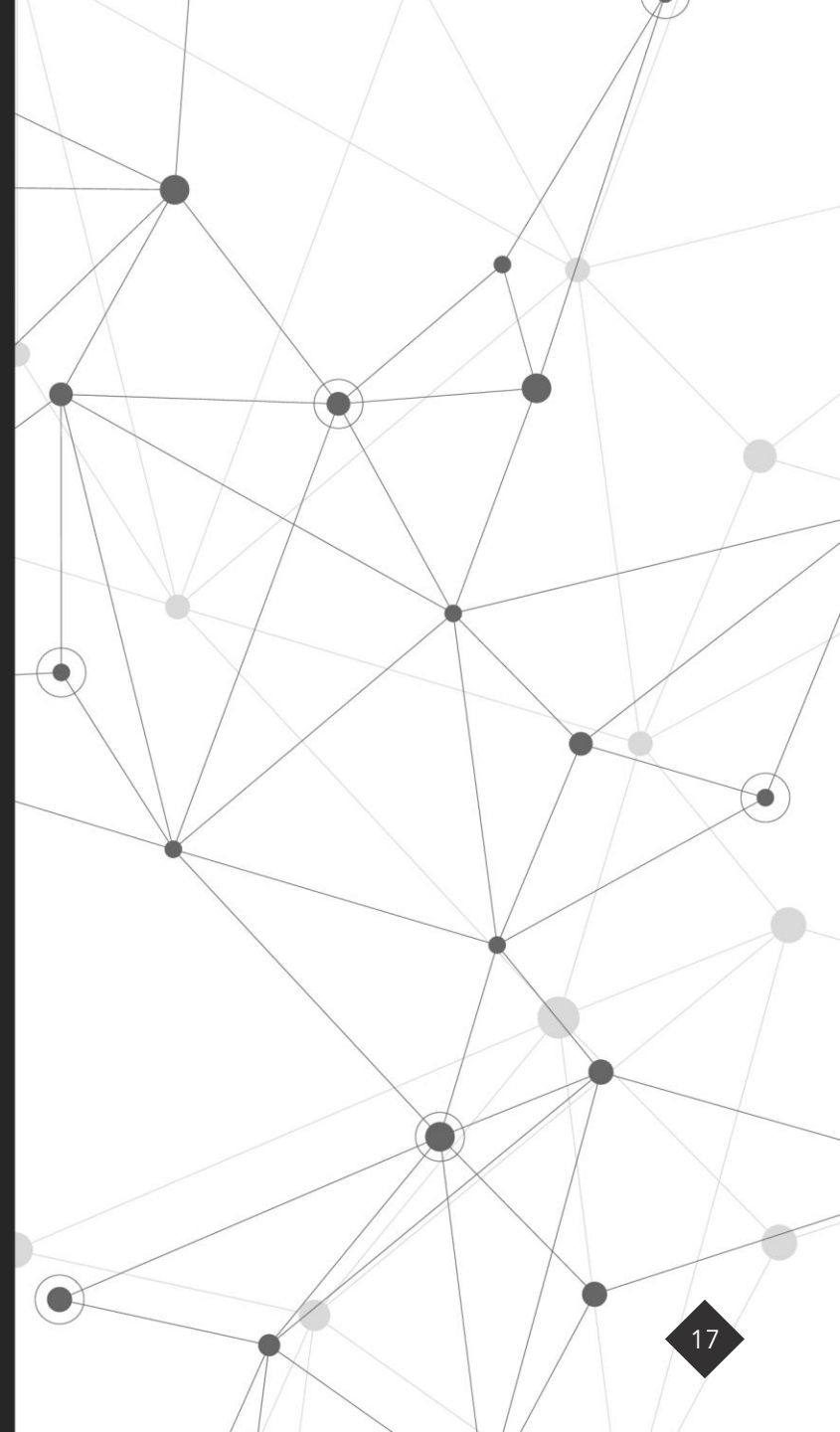
Best alternative to negotiated agreement

- **Negotiation of trade deals with US allies** in particular, APAC, EU, Latam, MENA
- **Continued investment in third markets**
- **Export shift to domestic sales** through state policy backing
- **Opening up of services sector** to counter turmoil in goods

Source: Onyx


Section III

Southeast Asia



Key negotiation goal: preserve U.S. market access for key exports

Market access for U.S. goods possible, but risks domestic pushback

 VIETNAM	 MALAYSIA	 THAILAND
<p>Goals</p> <ul style="list-style-type: none"> Preserve market access for key exports 	<p>Goals</p> <ul style="list-style-type: none"> Reduce harm to export manufacturing 	<p>Goals</p> <ul style="list-style-type: none"> Protect critical sectors from U.S. tariffs
<p>Potential paths to an agreement</p> <ul style="list-style-type: none"> Improved market access on key U.S. exports (agricultural and machinery) Reduction of non-tariff barriers 	<p>Potential paths to an agreement</p> <ul style="list-style-type: none"> Market access improvements for U.S. goods (agriculture, pharmaceutical, and high-tech) Reduction of import duties Bilateral trade balancing mechanism 	<p>Potential paths to an agreement</p> <ul style="list-style-type: none"> Improved market access for U.S. agricultural products Targeted tariff reductions on select U.S. manufactured goods
<p>Constraints to an agreement</p> <ul style="list-style-type: none"> Pushback from domestic industries for lowering protection Limited bargaining power given dependence on U.S. market access 	<p>Constraints to an agreement</p> <ul style="list-style-type: none"> Pushback to concessions impacting domestic agri and pharma industries Risks of undermining domestic SMEs by liberalizing too quickly 	<p>Constraints to an agreement</p> <ul style="list-style-type: none"> Strong domestic opposition in protected sectors Public opposition to perceived foreign dominance

Source: Onyx

Vietnam aims to ease market access without harming local industries

Export diversification is an alternative if negotiations yield no satisfactory outcome

Objectives

- **Preserve market access** for key exports – electronics, textiles, footwear
- **Avoid steep U.S. tariffs** that could harm manufacturing
- **Balance trade relations** without undermining economic competitiveness

Scope of a potential agreement

- **Offering selective zero-tariff agreements** on key U.S. exports (agricultural goods, machinery)
- **Increasing imports** of U.S. agricultural products (soybeans, corn, pork), LNG, ethanol, aircraft, and automobiles
- **Reducing non-tariff barriers**, including customs procedures and import licensing

Constraints

- **Domestic industries resistant to lowering protection** in sensitive sectors (agriculture, automotive)
- **Potential political backlash** if concessions harm domestic producers
- **Limited bargaining power** given dependence on U.S. market access

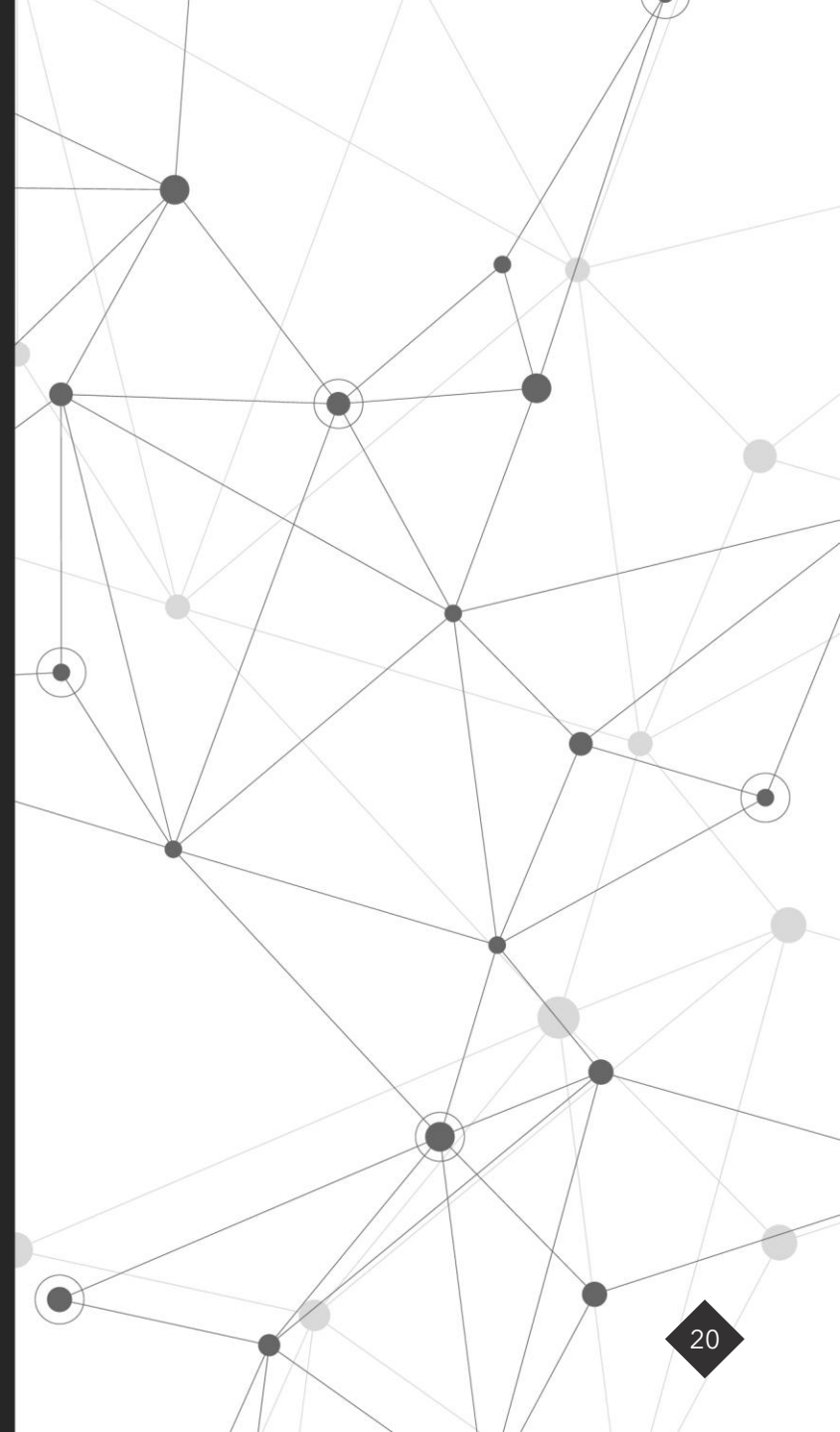
Best alternative to negotiated agreement

- **Diversify export market to the EU** through the recently signed EU-Vietnam FTA
- **Bolster intra-Asia trade** through deeper utilization of RCEP
- **Deepen the ASEAN regional economic integration** to enhance intra-ASEAN trade

Source: Onyx

Section IV

Wrap-up



Short- to long-term reactions to policy pressure

Strategic choices and customer focus

Immediate

Inventory repositioning

Medium-run

Strategic compliance

Seeking loopholes, FTA advantages

Testing unusual region-to-region volumes, network designs, routes

Long-term

“Regionalization” (FTAs)

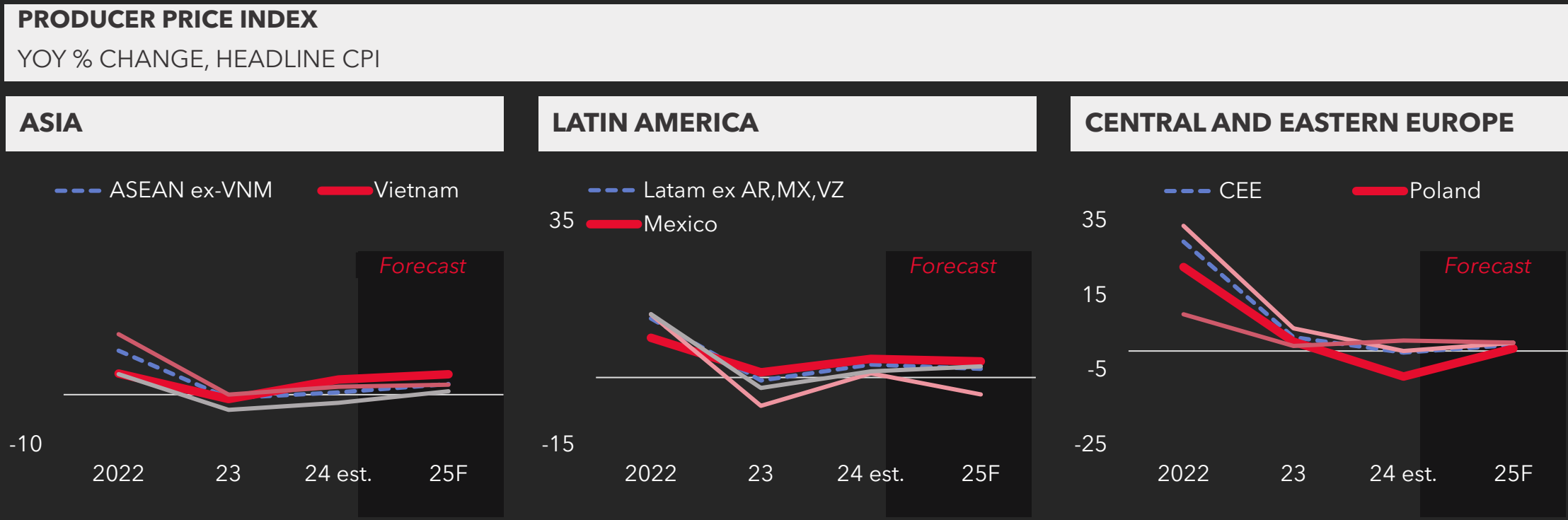
Reshoring

Source: Onyx

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Sourcing cost pressure already acute pre-tariffs

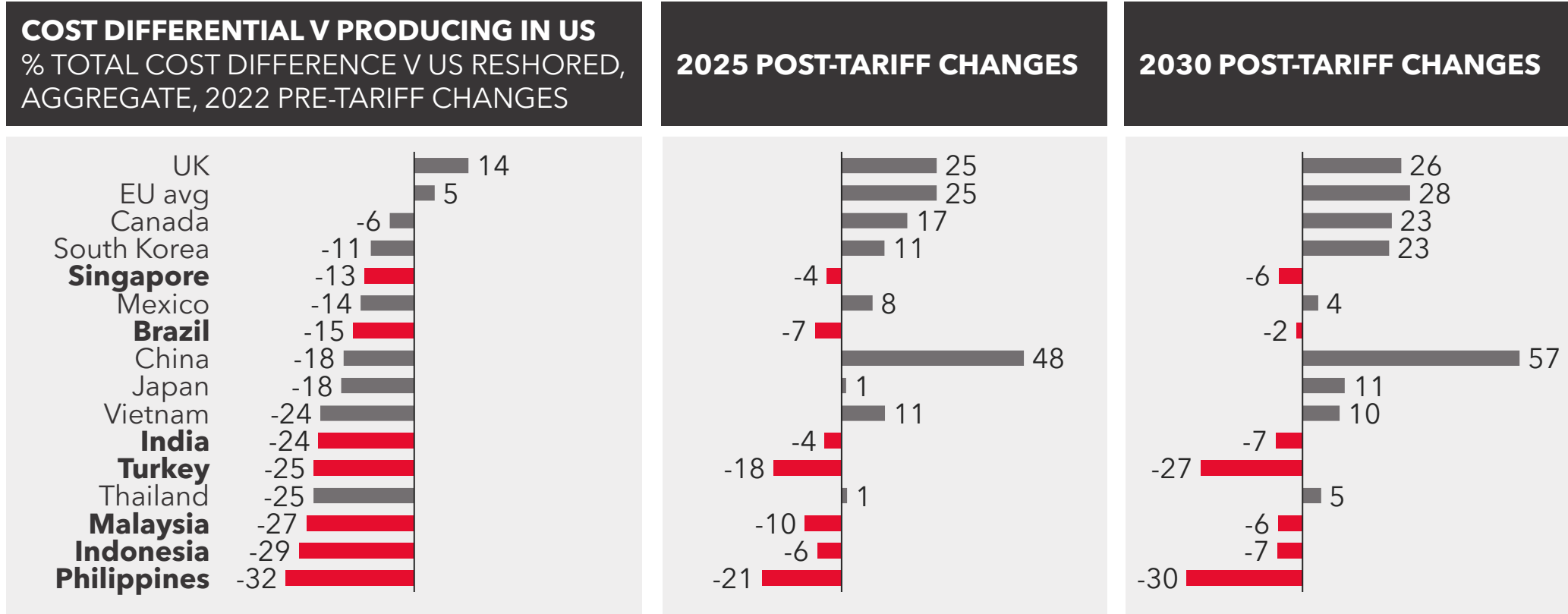
With Vietnam leading the pack



Source: Oxford Economics, Onyx

But tariffs upend economics of offshoring

Critical to estimate accurate landed costs by country/product



Source: BCG, Bloomberg, Onyx

Emerging globalization models

Illustrative, non-exhaustive

	STAY THE COURSE	SELF-CONTAIN REGIONS	GO FOR THE MIDDLE
Key traits	<ul style="list-style-type: none"> Continue to invest in nearshoring and China +1 	<ul style="list-style-type: none"> Region-for-region approach US self-contained 	<ul style="list-style-type: none"> Stay the course ex-US US self-contained
What you must believe	<ul style="list-style-type: none"> Tariffs will be temporary Cost control meanwhile 	<ul style="list-style-type: none"> Tariffs are structural Not just US Lower competition benefits 	<ul style="list-style-type: none"> Other regions will strengthen ties
Constraints	<ul style="list-style-type: none"> Budgets Price-sensitive demand 	<ul style="list-style-type: none"> Rising capex costs Long time to materialize 	<ul style="list-style-type: none"> Pushback on China Geopolitical tensions

Source: Onyx

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