



The Future of Friendshoring

Webinar

August 2025





Executive Summary

Section One: New Tariffs

- Deals with partners identified by Onyx as Tier 1 have largely been completed
- The competitiveness of Tier 2 partners have not changed substantially with negotiations

Section Two: Likely Tariff Progressions

- The proposed transshipment tariff impacts access to the US market unevenly for trading partners
- Definition of transshipment tariff will impact sectors with more Chinese content such as electronics

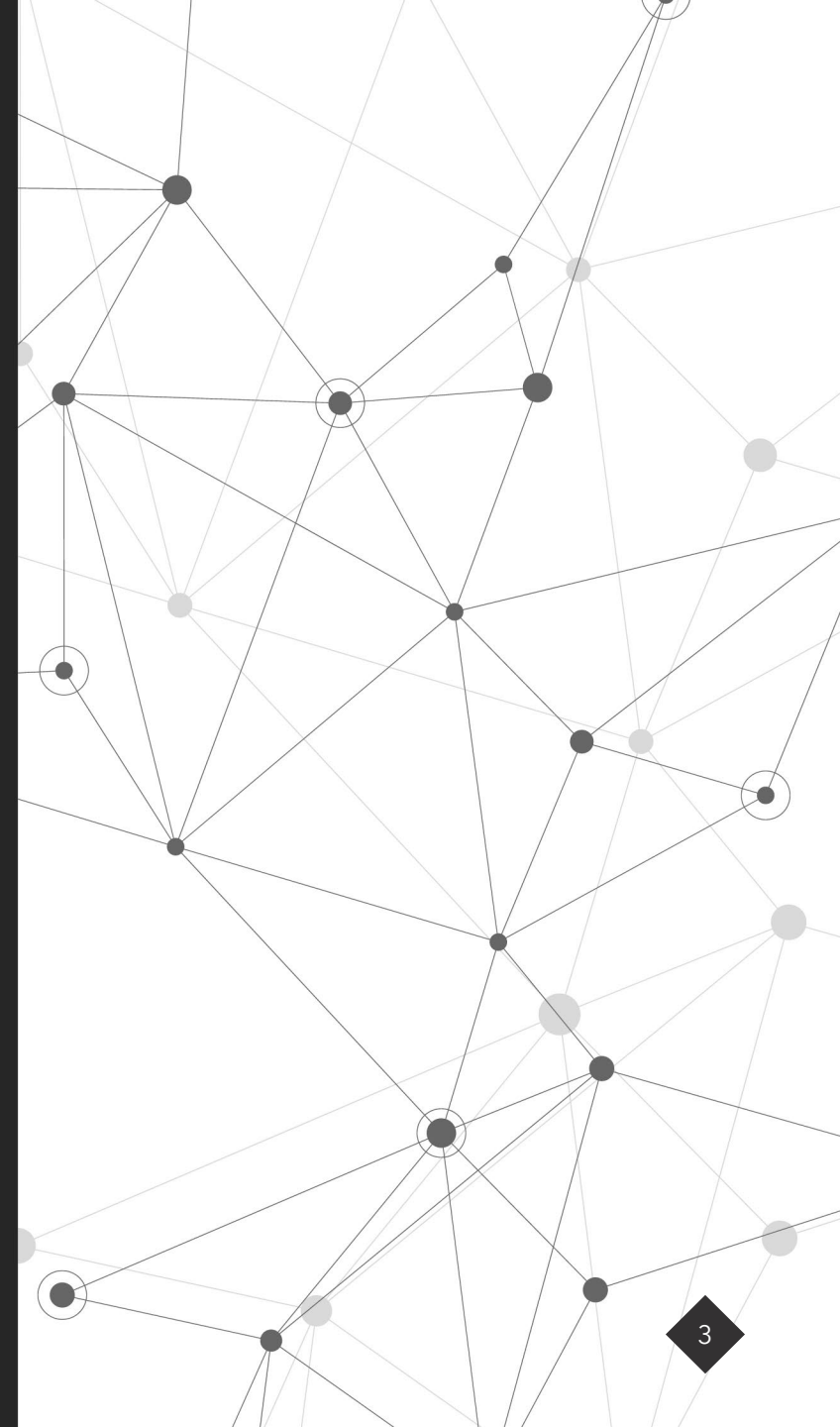
Section Three: Relative Manufacturing Attractiveness

- China and India are worst off under the new tariff rates and SE Asia remains highly competitive
- Tariffs favor markets at risk of overheating

Section One











New Tariffs



Deals within Tier 1 vary widely between trading partners

Ongoing negotiations focus on product concessions and economic security provisions

Tier 1 – Trade and security, containing China			Outlook	Outlook
Clearly articulated deal		US pledged actions	Partner pledged actions	Short-term <ul style="list-style-type: none">Additional Section 232 tariffsChallenges by courts and existing FTAsEcon security not yet clearly definedFinalizing deals will be a challenge Medium-to-long term <ul style="list-style-type: none">Global trade diversificationPartners pursue self-sufficiencyCosts to partnersComplications likely with revisions to USMCA and India deal stretching to 2026
UK 	KR 	<ul style="list-style-type: none">+10%-15% headline tariffProduct concessions (232 list)	<ul style="list-style-type: none">Increase in 0% tariffsStrategic sector purchases, investment, & provisions	
JP 	EU 			
No clear deal announced		US pledged actions	Partner pledged actions	
AU 	CA 	<ul style="list-style-type: none">+0-25%No new product concessions	<ul style="list-style-type: none">Limited non-tariff barrier concessions by MEX and AUS	
MX 	IN 			

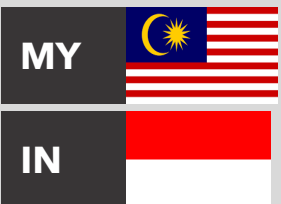
Source: Onyx

US largely focused on non-tariff barriers with Tier 2 partners

Ongoing negotiations focus on product concessions and economic security provisions

Tier 2 - Trade and security, containing China

Clearly articulated deal



US pledged actions

- +19% headline tariffs
- No product concessions

Partner pledged actions

- Increase in 0% tariffs
- Non-tariff barrier removal
- Econ. security controls

No clear deal announced



US pledged actions

- +10-20% for most
- 14 countries receive >20%

Partner pledged actions

- None

Outlook

Short-term

- Negotiations ongoing
- Impacts to country competitiveness
- Lower trade barriers
- Questions over transshipment
- Additional Section 232 tariffs

Outlook

Medium-to-long term

- Balancing focus
- No new security guarantees

The EU-US Joint Statement keeps focus on parallel trade systems

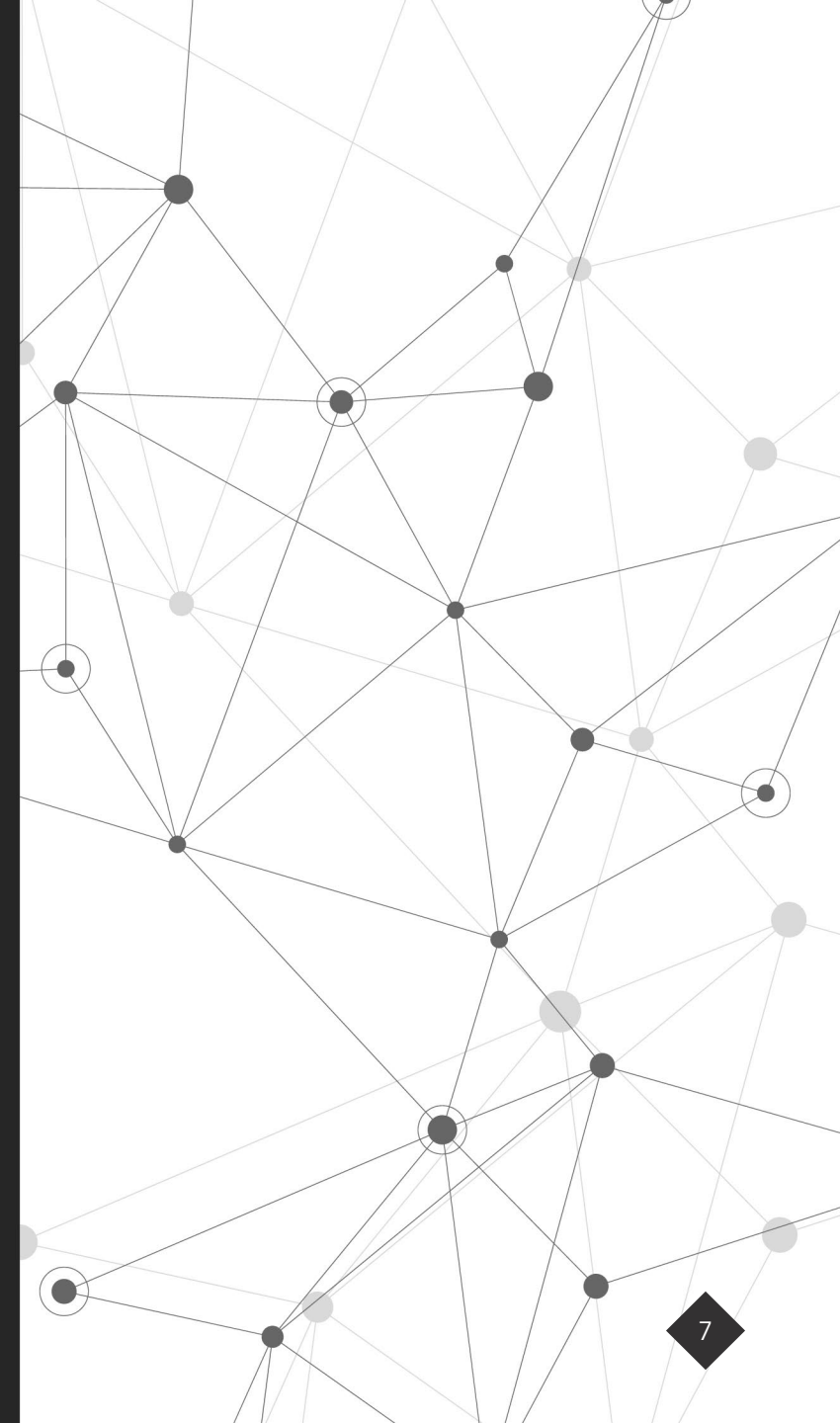
Agreement has few commitments but US focus on coordination of policy vis-à-vis China is evident

Exclusions of third countries	Trade policy cooperation areas	Potential friendshoring impacts
<ul style="list-style-type: none"> Foreign investment review coordination Rules of origin requirements Possibility of ring-fencing domestic markets in steel & aluminum 	<ul style="list-style-type: none"> Non-market practices Unfair competition Prevention of duty evasion Forced labor Export controls on critical minerals and other resources by third parties US export controls 	<ul style="list-style-type: none"> Coordinated investigations (e.g. forced labor or anti-dumping) Exclusion from strategic supply chains due to ring-fencing Risk of US-EU cooperation using coercive trade policy

Source: Onyx

Section Two

◆ Likely Tariff Progressions

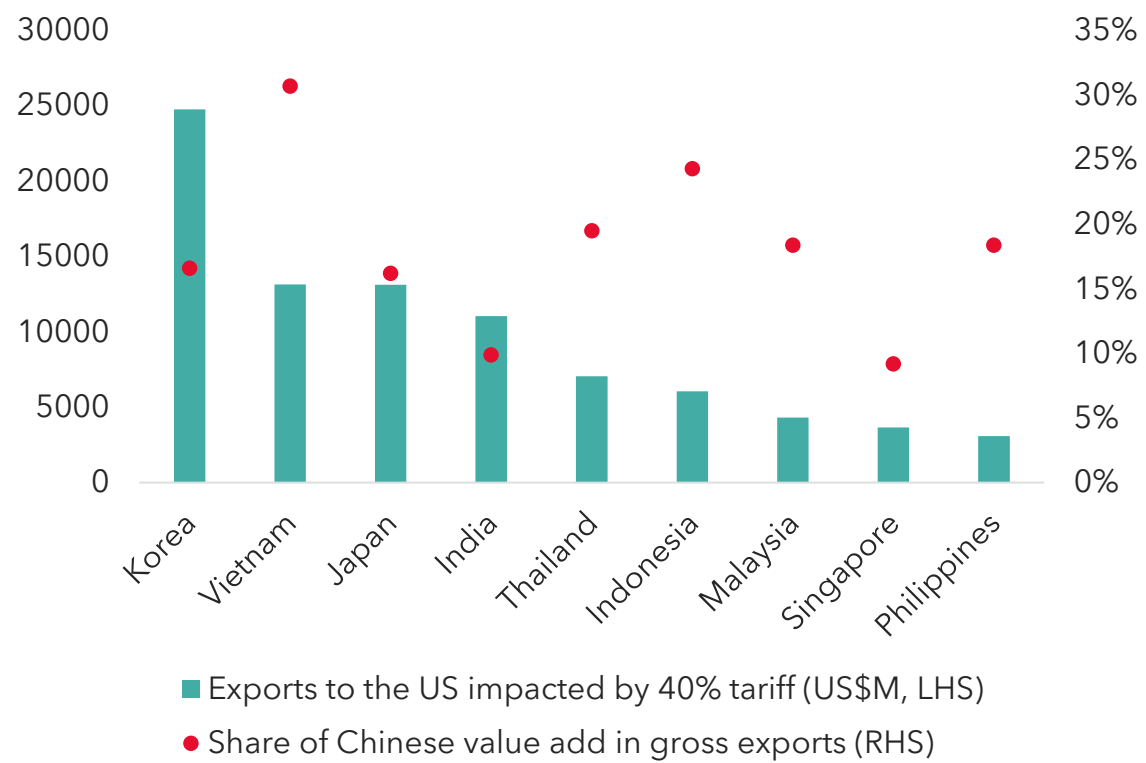


Transshipment may reshape access to the US market

Depending on how the US Customs and Border Protection defines “transshipment”

No.	Interpretation	Mechanism	Potential economic impact	Potential supply chain impact
1	Anti-transshipment	Targets minimal processing to disguise origin	Low - aligns with WTO rules; limited new restrictions	Minimal supply chain disruption
2	Content-based rules of origin (ROO)	Tariffs vary by % of Chinese content	Moderate - reduces third country tariff advantage	Complex enforcement
3	Ownership-based origin	Targets products made by Chinese-owned firms	High - directly deters Chinese FDI	Supply chain fragmentation

PROJECTED IMPACTS TO EXPORTS OF US TRADING PARTNERS



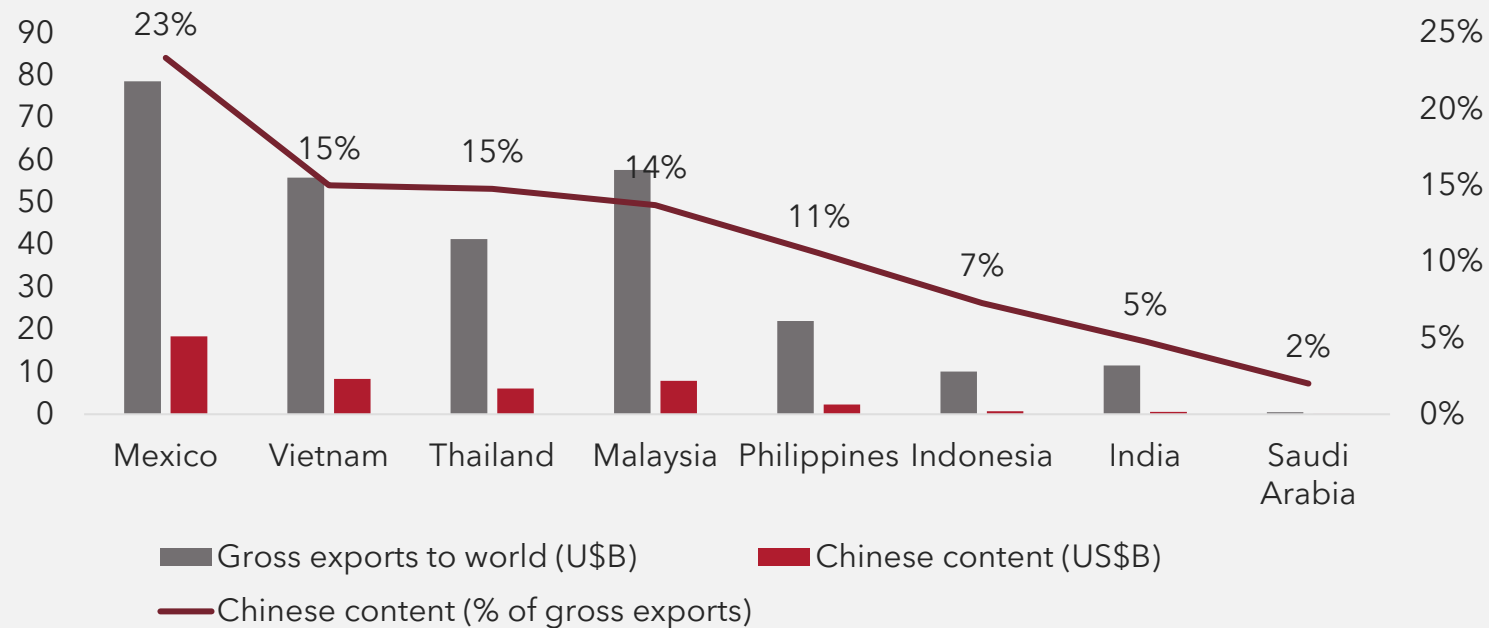
Source: EAI, OECD, UN Comtrade, Onyx

The electronics industry is the most exposed

If the US decides to tariff 'Chinese content' in other countries' electronics exports

'Chinese content' in US trading partners' electronics exports

Left axis: US\$ billions, right axis: %



Mexico and ASEAN stand out

Chinese content to have grown since 2020

- Data is in year 2020
- Directionally, Chinese content would have increased with a rise in Chinese electronics FDI in Mexico and ASEAN

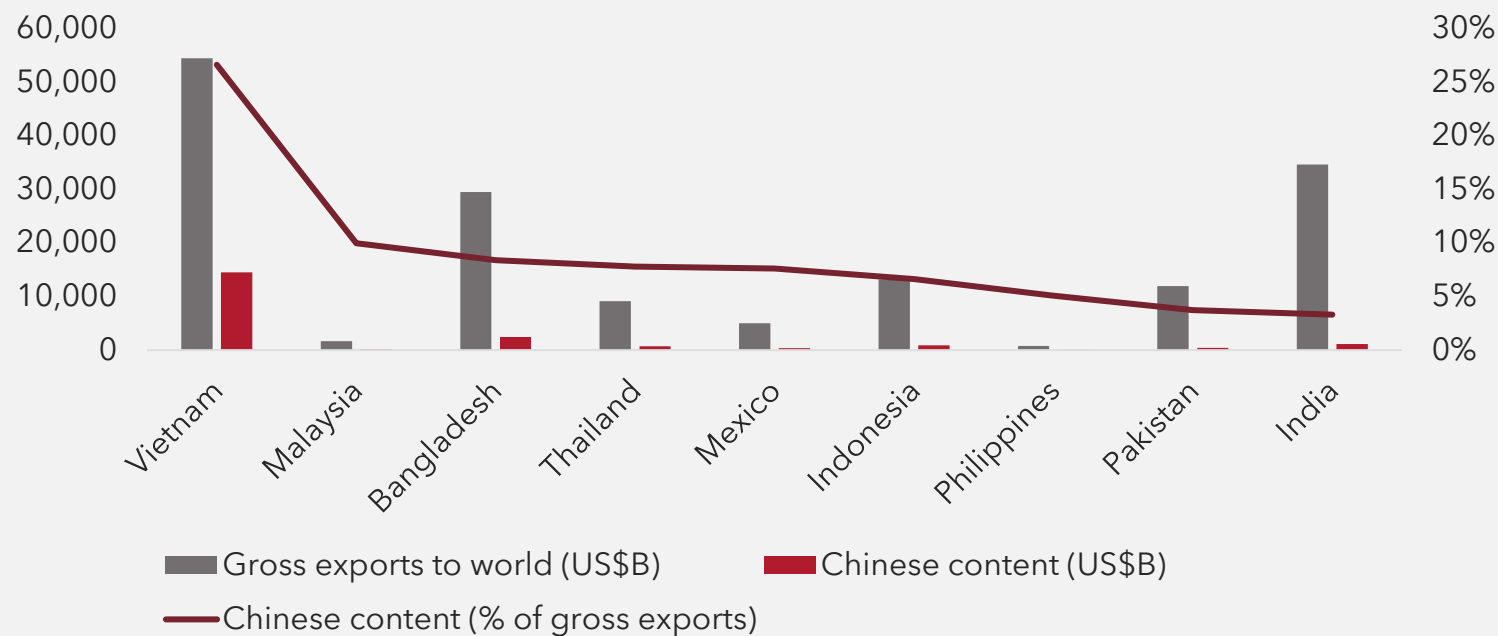
Source: OECD, Onyx

Exposure to the 40% tariff in apparel is patchy across exporters

Across top apparel producers, only two have double-digit 'Chinese content'

'Chinese content' in US trading partners' textile and apparel exports

Left axis: US\$ billions, right axis: %



Vietnam and Bangladesh stand out

Other exporters don't rely on CN as much

- In terms of volume, the largest exporters are Vietnam, India, Bangladesh, Indonesia, and Pakistan
- Only Vietnam and Bangladesh have double-digit 'Chinese content' in their exports
- India stand out as having very low 'Chinese content' and therefore limited in its exposure to the transshipment tariff

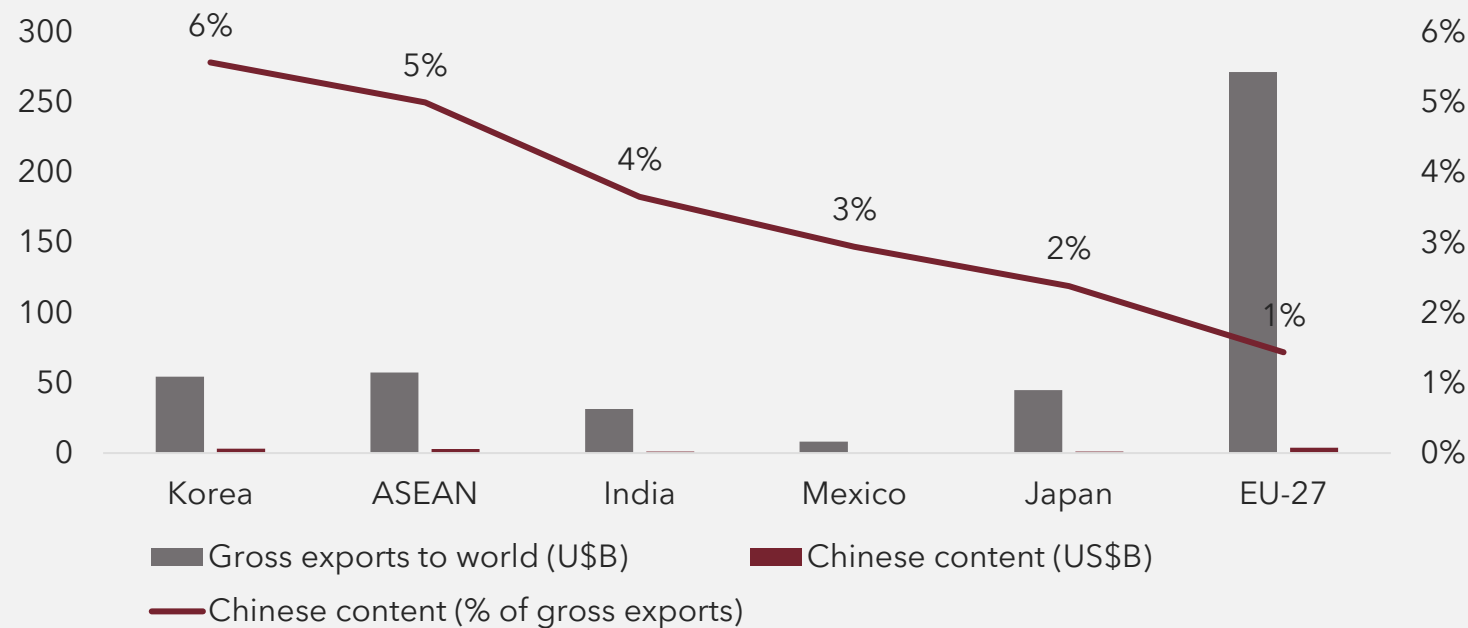
Source: OECD, Onyx

Pharma is largely shielded from the transshipment tariff

However, applicable 232 pharma tariffs will likely still supersede the transshipment tariff

'Chinese content' in US trading partners' chemicals and pharma exports

Left axis: US\$ billions, right axis: %



All exporters are limited in exposure

Particularly the EU

- Limited impacts on the pharma sector highlight differentiated exposure for various industries
- Critical to understand exposure in terms of country and industry

Source: OECD, Onyx

Increasing local content is now key for US trading partners

Alongside restricting illegal transshipment and building domestic consumer markets for Chinese goods

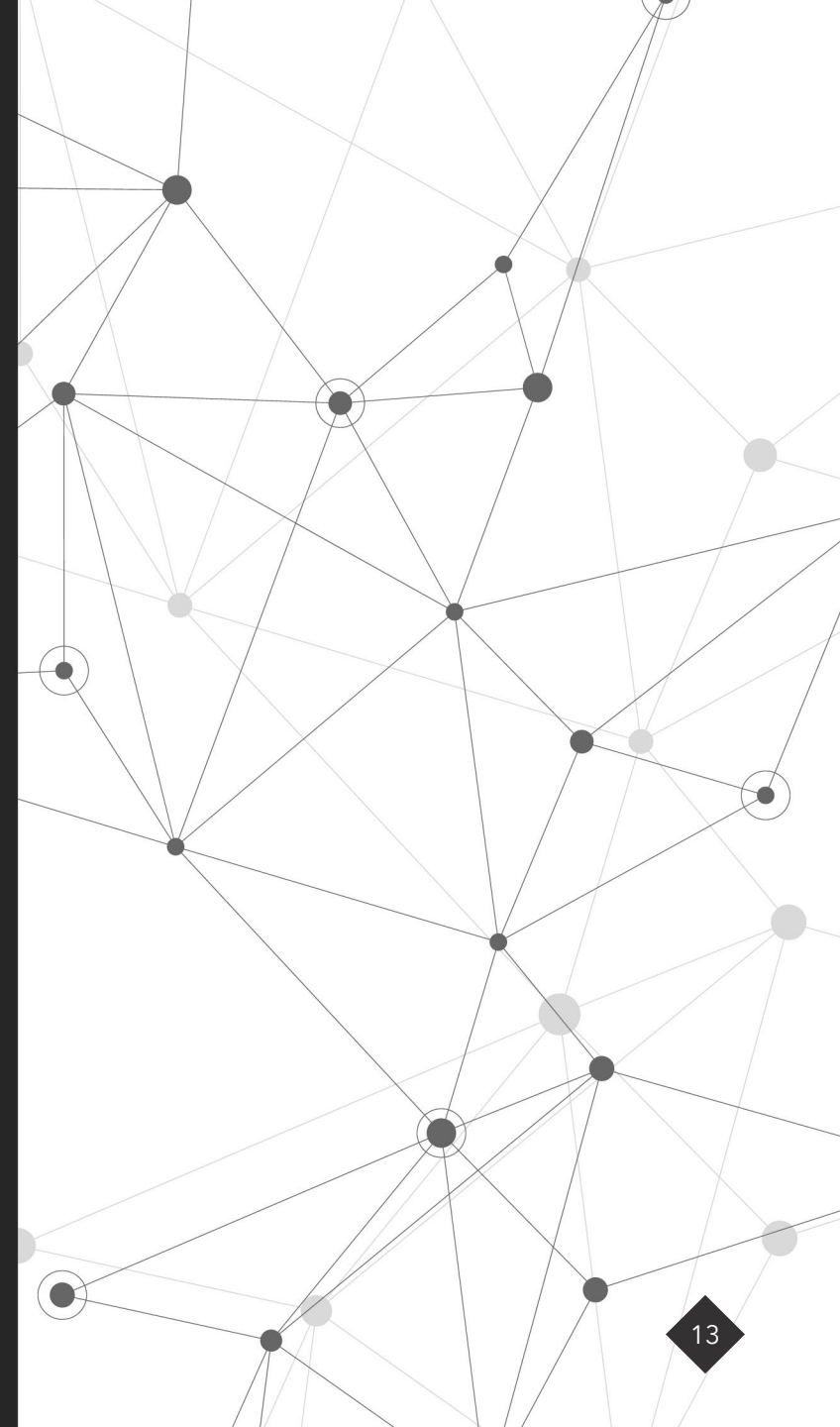
Region and Country		Exposure	Actions	Details
Southeast Asia	Malaysia	High	<ul style="list-style-type: none"> Clamping down on illegal transshipment Building domestic consumer markets 	<ul style="list-style-type: none"> Designated MITI as the only body to issue certificates of origin for shipments to the US, increased audits at ports of entry and exit Encouraging Chinese companies to restart mothballed factories to make solar panels for domestic market
	Vietnam	High	<ul style="list-style-type: none"> Clamping down on illegal transshipment Increasing local content 	<ul style="list-style-type: none"> Stricter measures to prevent fraud, focusing on wooden furniture, plywood, steel, machine parts, electronic products Diversifying textile supply sources to alt. markets such as Pakistan and Thailand and increasing localization rate to over 50%
East Asia	Korea	Medium	<ul style="list-style-type: none"> Clamping down on illegal transshipment Investment diversification 	<ul style="list-style-type: none"> Diversification of high tech, defense, energy, and infrastructure exports and investments to ME, Central & South America
	Japan	Low	<ul style="list-style-type: none"> Investment diversification 	<ul style="list-style-type: none"> Continued derisking from Chinese content and exposure to Chinese imports/exports

Source: Onyx

Section Three



Relative Manufacturing Attractiveness

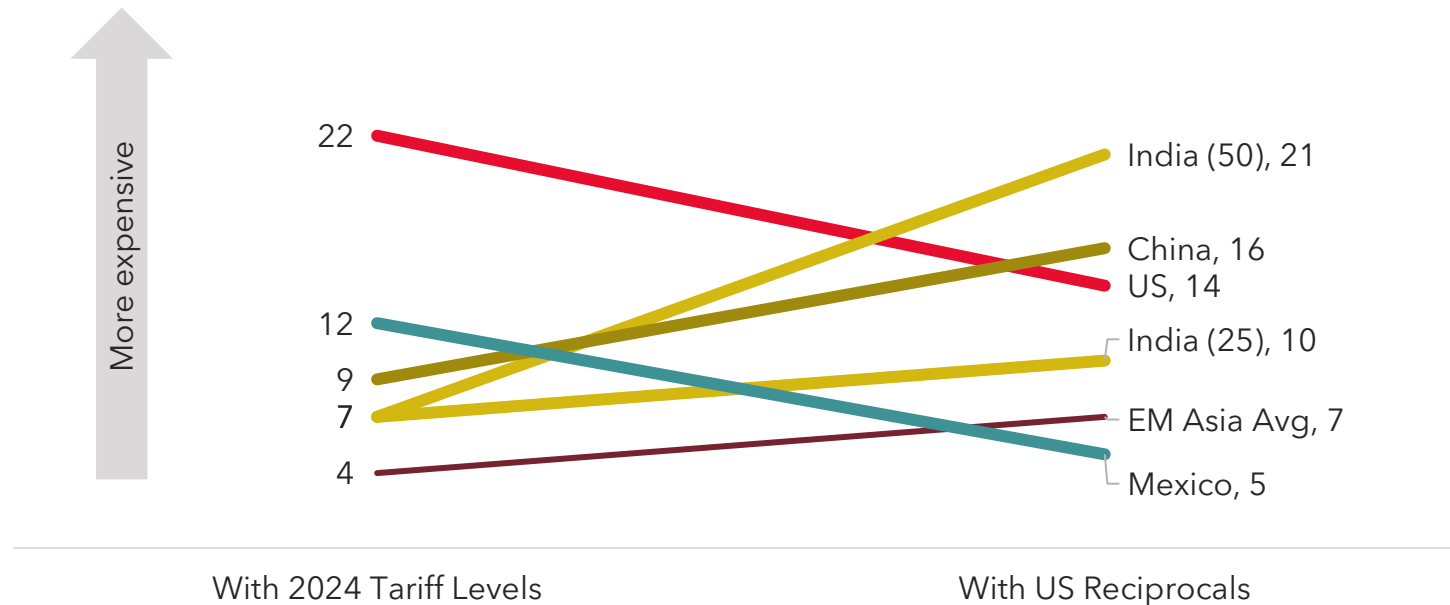


US tariffs will have the largest impact on India and China

Emerging Asia maintains its relative attractiveness as a low-cost exporter to the US

Relative cost of manufacturing before and after US reciprocal tariffs

Ranking based on cost of manufacturing index; 1 = least expensive



Key points

Worse off

- China becomes materially more expensive than Emerging Asia
- India's ranking depends on 50% (21st) or 25% (10th) tariff

Better off

- US (but still more expensive than SE Asia and Mexico)
- Mexico: If USCMA applies

Mexico and Vietnam facing persistent cost pressures

Japan is also on our watch-list

Risk of overheating

	Capacity utilization Percentage points relative to 82% threshold	PPI Y/Y % change in 2025	Unemployment rate 3-year average minus current
CHN	-8.00%	-2.70%	-0.30%
IDN	-8.40%	1.00%	0.40%
IND	-6.60%	1.30%	0.30%
JPN	8.30%	2.40%	0.10%
KOR	-9.60%	1.80%	-0.20%
MYS	0.50%	-1.30%	0.40%
PHL	-5.40%	-0.10%	0.60%
THA	-22.4%	-2.00%	0.10%
VNM	0.50%	4.10%	0%
MEX	0.00%	4.20%	0.10%

Source: Onyx, Oxford Economics

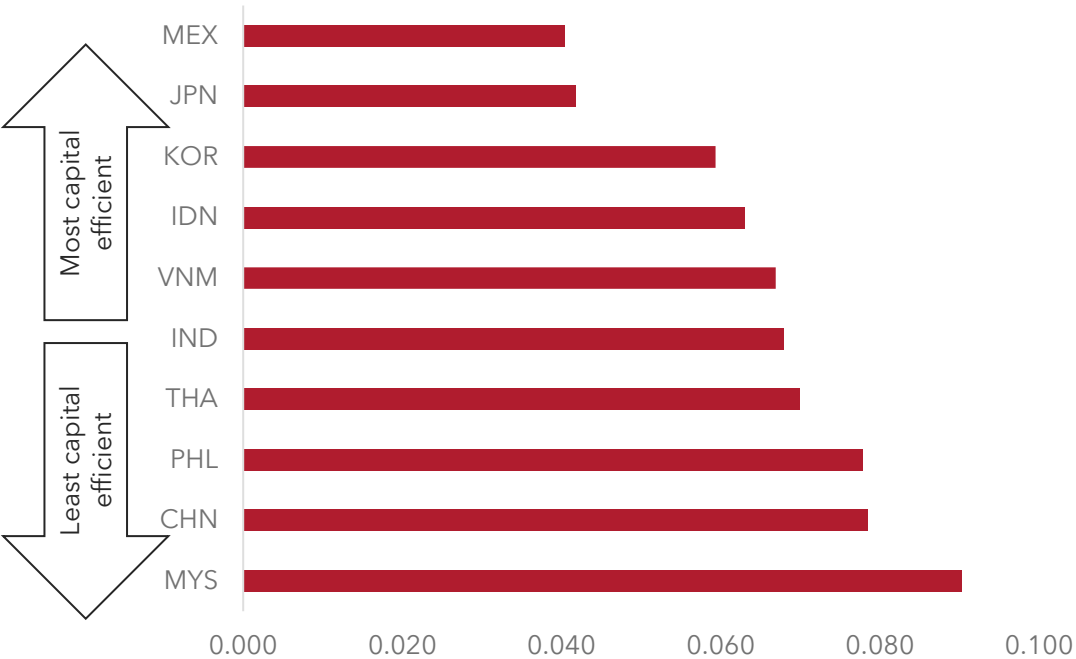
Note: Vietnam capacity utilization estimated

Mexico’s capital productivity is in decline, Vietnam treading water

China continues to move up the value-add curve

Capital Productivity Ratio

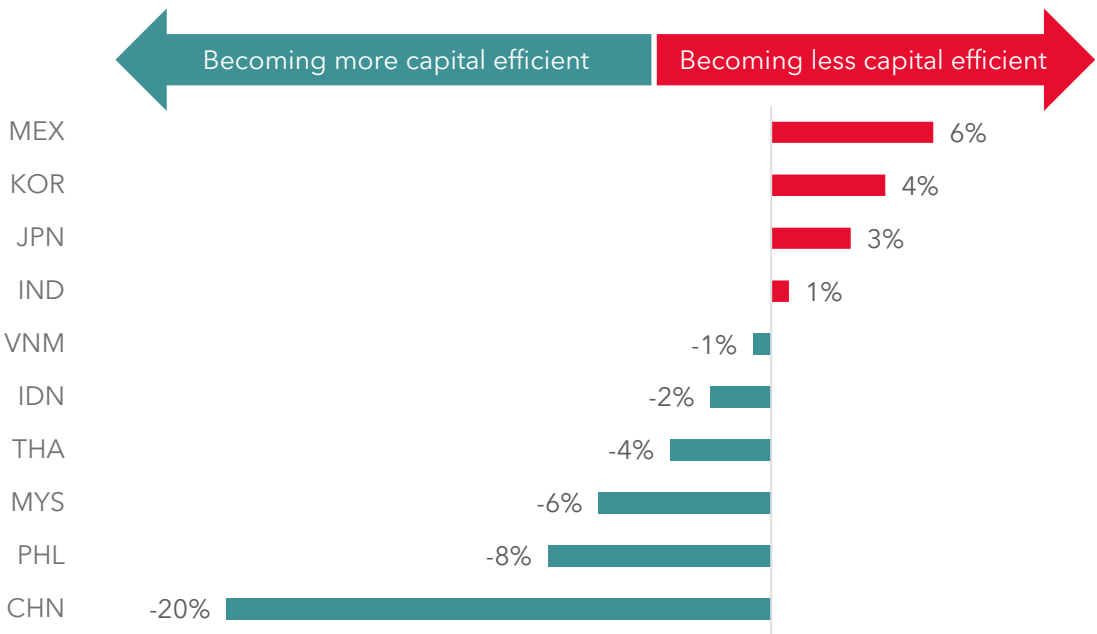
Manufacturing Output divided by Capital Stock (in real, local currency)



Source: Onyx

Capital Productivity Outlook

2025-2034 % change in Capital Stock per unit of manufacturing output



Overall, SE Asia likely to maintain its competitiveness

Mid-tier economies face serious threats to their economic development under the new trade paradigm

Combined ranking by country				
	Cost Rank	Slack Rank	Productivity Rank	Combined Rank
Southeast Asia	1-8	8-18	3-10	4.8-12.1
China	16	7	1	8.1
India	21	8	12	13.6
Mexico	5	17	19	13.8
Japan	11	18	15	14.8
Korea	17	12	18	15.6

Key points

- PHL, IDN, THA, MYS are in strong positions
- Vietnam needs to significantly improve productivity
- China's competitive position isn't completely eroded - has a chance to invest/innovate its way to a strong position
- India still has a lot of capacity but 50% tariffs could dissuade FDI

Source: Onyx

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