**Circling U. S. Sanctions. Not just Chinese companies have gone offshore, so have many U.S. companies.**

US sanctions put on Chinese goods have driven some Chinese companies to move their manufacturing plants to other Asian countries including Vietnam, Pakistan, India, and a few other Asian locations.

Similarly, some American companies have pulled out of China and moved their production to other Southeast Asian countries or maybe to Mexico or Canada.

So when you, or I, pick up something at Costco, or Walmart (or many other stores) that’s labeled “Made in Pakistan, or Made in Indonesia, or Made in Vietnam, or Made in the Philippines, they may in fact, be made by Chinese, or American businesses, that have move their operations off shore.

Even if the goods may have been manufactured in Canada, or Mexico, they may actually be Chinese, Taiwanese, or American companies that have businesses there. In a world that is now so convoluted, a buyer may not have any idea where products we purchase really originated, or that the product manufactured by a local company owned by a third party, very possibly owned by a Chinese company, or an American company. Welcome to a homogenized world.

Mexico has benefitted from a major Taiwanese computer company opening a plant for Acer computer products for over 10 years. Mexico, of course, has been the destination for Fentanyl precursor chemicals to convert to Fentanyl and Fentanyl laced drugs. Canada and India have also received Fentanyl precursor chemicals and presumably are also producing Fentanyl and byproducts to ship to the U.S. and other countries

**=============================================**

**SOURCE:**

**U.S. Companies Find It Hard to Quit China**

***The Wall Street Journal* | Page B001, 12 December 2023**

**HONG KONG**—**American companies, under heavy pressure to reduce their exposure to China, are increasingly turning to factories in places such as Vietnam, Indonesia, and Mexico.**

Many are finding it hard to avoid China, however.

Trade data, corporate announcements and new academic research show **that a large portion of the products shipped to the U.S. from places such as Southeast Asia and Mexico are being made in factories owned by Chinese companies,** which are expanding overseas, in part to avoid U.S. tariffs.

Many other goods finished in smaller countries are being made with key inputs from Chinese suppliers, meaning they wouldn’t get produced at all without Chinese involvement.

Those realities underscore the challenge for policy makers and companies seeking to disentangle the U.S. from China’s colossal manufacturing machine. Far from decoupling, some supply chains connecting the U.S. and China have merely added another link or two, increasing the complexity and cost.

A study published by the Bank for International Settlements in October found that supply chains between China and the U.S. have turned more complicated since 2021 as more trade gets rerouted through other places. Yet many goods supplied to the U.S. still originate from China, implying limited progress with diversification.

“We have to recognize that there’s ongoing mutual interdependence,” said Frederic Neumann, chief Asia economist at HSBC.

Since 2018, Washington has placed tariffs on hundreds of billions of dollars of Chinese goods, from shoes to chemicals, as part of a wider effort to reduce American dependence on China. U.S. corporations from Apple to Tesla have shifted some production away from China or encouraged suppliers to follow suit.

Those efforts are helping reduce U.S. reliance on China for some products, such as consumer electronics and furniture, economists say. They have also spurred investments in U.S. manufacturing that have created new jobs for Americans.

According to official U.S. trade data, China accounted for just 13.3% of U.S. goods imports during the first six months of this year—the lowest level since 2003, and far below the annual peak of 21.6% in 2017.

The U.S. and Chinese economies are also decoupling in other ways. Direct U.S. investment into China hit a 20-year low of $8.2 billion last year, according to Rhodium Group, a New York-based research firm. Some U.S. companies have pulled out of China.

But a closer examination of available data reveals a more complex picture, in which some parts of the economies of U.S. and China are breaking apart, while others aren’t. In some cases, U.S. policies are triggering supply-chain adjustments that are actually locking in further dependence on Chinese suppliers, economists say.

In part, that is because Chinese business owners are pouring money into operations in smaller countries, so that when Americans buy from factories in places such as Thailand, sometimes they are actually buying from Chinese companies.

Zhejiang Haers Vacuum Containers, a Chinese producer of thermos cups, built a new factory in Thailand in late 2021. The investment was partly aimed at “preventing potential trade frictions,” it said. Some vacuum cups exported to the U.S. from China are subject to tariffs ranging from 6.9% to 7.5%, still below the 25% tariff that was imposed on some imports from the country.

Jason Furniture (Hangzhou), a Chinese furniture maker that exports products under the brand name Kuka Home, opened its second factory in Vietnam’s Binh Phuoc province over the past year to make bar stools, ottomans and other products for overseas clients.

Direct investment from China to South-east Asia reached nearly $19 billion in 2022, compared with $7 billion in 2013, with manufacturing investment accounting for the largest share, according to calculations by economists at DBS, a Singapore bank. Chinese direct investment into Mexico was $232 million in 2021, up from $42 million a decade earlier, according to CEIC.

When China doesn’t own the factories in these places, it often supplies them.

Research by DBS shows China has significantly increased the amount of “intermediate,” or partially finished, goods it ships to smaller countries, which then assemble them into final products before sending them to the U.S.

Rhodium Group said in a September report that rising U.S. imports from Mexico and Vietnam over the past five to seven years were matched closely by an increase in Chinese exports to these markets.

China is merely adjusting its role in global supply chains, rather than relinquishing it, said Neumann, the HSBC economist. He said his research shows exports from China that require inputs from elsewhere fell starting in 2014, while exports from China that feed into production in other countries have risen sharply. “China is quickly becoming a critical component supplier to the world after years of being largely an end-stage assembler,” he said.

Some of China’s moves have drawn rebukes from Washing-ton.

The U.S. government in August unveiled new tariffs as high as 254% on solar panel makers after ruling that manufacturers in four Southeast Asian countries illegally bypassed tariffs by using Chinese- sourced materials, and then shipping the final goods to the U.S. without paying duties. Some analysts broadly expect the move to push up costs for U.S. solar projects and slow decarbonization efforts.

Economists say China’s push into smaller countries may be adding costs in other industries, as more steps are added to the production process.

In a paper published in August, economists Laura Alfaro from Harvard Business School and Davin Chor from the Tuck School of Business at Dart-mouth found that between 2017 and 2022, a five-percentage- point drop in the share of U.S. imports from China was associated with a nearly 10% increase in import prices from Vietnam and 3% from Mexico.

U.S. officials have indicated they aren’t trying to steer all business away from China, and that their focus is to ensure there are adequate controls in sensitive sectors such as computer

Still, continued heavy reliance on China—even when final goods are assembled elsewhere— could leave some U.S. companies exposed to further business risks if tensions between Washington and Beijing keep rising.

While Apple has been expanding efforts to increase production in India and Vietnam, it still depends heavily on manufacturing capacity inside China.

Apple’s share prices took a hit in September after reports surfaced that China had ordered officials at central government agencies not to use iPhones, fueling fears among investors that the American company could face further pressure in China as geopolitical tensions climb.

Some U.S. buyers might conclude that sourcing from a Chinese-owned factory in Southeast Asia or elsewhere is still preferable to buying directly

China’s share of U.S. goods imports in the first six months of the year