Nearshoring, Friendshoring, Reshoring and Dual-Sourcing: Options for Businesses Rethinking China-Based Supply Chains

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Contents

Introduction

While U.S. businesses seem to agree that a China-based supply chain is not as ideal as it once was, there are broad differences of opinion about how to rectify the situation. For some, the answer has been to shift a portion of production out of China, but not out of Asia, usually to Vietnam, Malaysia, Singapore, or other low-cost countries. Others have returned manufacturing back to North America, with Mexico the primary beneficiary. Still others are choosing to add resiliency by lining up backup suppliers that can be called upon should supplies from China go awry.

Regardless of the solution, the trend is undeniable. American attitudes about doing business in China have changed. A 2025 report from the American Chamber of Commerce in China (AmCham China), which represents U.S. businesses operating in China, found 63% of its members ranked "U.S.-China tensions" as their top business challenge, with more than half expressing concern about further deterioration. The report also found the number of companies that no longer consider China "a preferred investment decision" has more than doubled, with 30% having moved production out of China, or actively considering doing so.

There are many reasons for this change in attitude:

- An escalating trade war between the United States and China that has been marked by a series of tariffs and counter-tariffs, as President Donald Trump seeks to return manufacturing to the U.S. and find relief from what he calls China's "unfair trade practices."
- A series of "lessons learned" from the pandemic, when China's near-complete shutdown of factories and ports triggered a global supply chain crisis. This resulted in businesses prioritizing supply chain resiliency, either by moving production out of China, or by identifying suppliers located closer to home.
- Another lesson from the pandemic was the over-reliance on China for certain products including pharmaceuticals and medical devices.
- Complicated supply chains.
- A shift in China's economic situation which has resulted in increased labor and production costs.
- Changing perceptions about China, with 2025 Pew Research finding that one-third of Americans consider China an "enemy" of the United States, with 42% saying China "poses the greatest threat to the U.S." Although these findings were an improvement over 2024 results, they show that "Americans hold largely negative views of China."

- Investments and policy decisions made by governments including Vietnam, India, and throughout Latin America to become more competitive as a source for international procurement.

As compelling as these factors may be though, China remains the global leader when it comes to manufacturing. According to reporting by CNBC, the growth rate of manufacturing in China was 6.1% during 2024 which, although a slight decrease from previous years, accounted for 30% of global manufacturing. China's manufacturing output was greater than the combined output of the United States, Japan, and Germany.

China's role as "the world's factory" has resulted in many U.S. companies building deeply-rooted supply chains in that country, so rooted that leaving the market entirely is simply not feasible. Supply chains have become entrenched, built up over the decades since China first emerged as a source of low-cost manufacturing.

In 2025 though, China's manufacturing dominance has taken a hit, due to an escalating U.S.-China trade war. According to the Wall Street Journal sharp tariff increases on Chinese goods caused a "steep drop in new orders, which declined at the quickest pace in over two-and-a-half years." It remains to be seen though, if the current trade dispute will be long-lasting, and what the overall impact will be.

As American businesses consider their best path forward in adapting to these changes, logistics will be an important consideration. Businesses moving production out of China will want to improve their supply chain operations and add efficiency. A business will want to ensure ready access to required transportation services, full visibility, service guarantees, and flexibility in building a viable logistics strategy. Afterall, a business won't want to invest the time and resources to relocate its supply chain, only to encounter a new set of challenges.

The following discussion will delve into current options available to businesses considering a shift in their supply chain operations. This includes an overview of current practices including nearshoring, reshoring, dual-sourcing, friendshoring, and a "China-plus-One" approach. The discussion will also highlight logistics considerations, and the importance of partnering with an experienced, capable logistics provider.

North American Businesses Rethink Reliance on China

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The World Bank cites 1978 as the year in which China opened to international markets and began to reform its economy. In the ensuing 47 years, the impact of China's refocused economic zeal fundamentally changed the world order.

Consider U.S. goods trade with China which, according to the Congressional Research Service totaled about $2 billion in 1979 but by 2024 had grown to more than $582 billion. Today China is the second largest economy, behind the United States.

With regard to manufacturing, China overtook the United States as the world leader more than 10 years ago. China currently accounts for almost 30% of total global output for manufacturing, with a value of more than $4.6 trillion.

China earned the title "world's factory," and when U.S. manufacturers began outsourcing production to China, management could depend on production costs that were generally 25% to 30% lower than in the United States. Reduced labor costs, a well-trained workforce, relaxed regulatory standards, favorable tax structures, and government-support for building facilities and other assets caused China to grow its outsourcing revenues by 30% annually through 2013.

As analysis in Foreign Policy magazine pointed out, offshoring to China became "a financial imperative," given the reality that U.S. manufacturing workers who earned $20 per hour —or more—could be replaced by workers earning less than one dollar an hour.

Overall, Foreign Policy notes, "in 1982, U.S. multinationals had 30% of their labor forces abroad; in 2014, the share had doubled to 60%.

Companies that moved at least a portion of manufacturing offshore included a veritable "Who's Who" of American businesses, including Apple, Caterpillar, Boeing, General Motors, Nike, and Ford, among many others.

> "We need China as much as they need us, if not more so," Caterpillar CEO Doug Oberhelman told CNN in a 2012 interview. Oberhelman noted that 70% of his company's revenue came from outside the U.S., and with the Chinese economy and population rapidly growing, "why wouldn't we want that marketplace open to us and do all we can to really lead and be a winner in China?"

Changing Tides—China Slows Down while the U.S. Picks Up Steam

As enthusiastic as Caterpillar's chief executive was about his company's production shift to China, just two years later he was addressing a significantly different landscape. "We have definitely seen a slowdown from the past couple of years," he told CNBC in 2014, addressing changing economic conditions in China. "I don't see a doom and gloom atmosphere coming up, but certainly I don't see a boom either," Oberhelman said.

Instead, he suggested that "what we're witnessing is the continuing transition from a really good, solid, double- digit growth rate of 12-15% a few years ago down to maybe 7-or-8%, and frankly we're all caught up in that kind of a slowdown.

That's a big adjustment to make in a relatively short period of time."

As U.S. businesses adapted to a "less robust" Chinese economy, other factors emerged including:

- Increased labor costs. According to CNBC, average hourly wages for Chinese factory workers increased by 64% over the 2011-2017 period, reaching US$3.60 per hour. By 2020 the hourly wage was $6.50, compared with US$4.82 in Mexico and US$2.99 in Vietnam, as reported by international consultants Dezan Shira and Associates.
- Volatility in world oil markets significantly increased production costs.
- The U.S.'s own domestic energy boom dramatically reduced energy costs for U.S.-businesses.
- Political instability and international catastrophes— ranging from the COVID-19 pandemic to an escalating trade war—have demonstrated how vulnerable an Asian-based supply chain can be to external factors.
- Severe time zone discrepancies stymied communication between U.S.-based managers and their Asian production facilities.
- Difficulty in monitoring quality control and protecting company intellectual property and assets.
- Poor working conditions in some Asian factories have caused a backlash against low-cost goods manufactured in "sweatshop conditions."
- U.S. manufacturing, largely driven by advances in artificial intelligence and automation, has become more productive, resulting in decreased production costs.
- Need for faster access to goods. Outsourcing decisions that were based primarily on lower labor costs were able to accept complicated supply chains that involved long transit times and very little room for flexibility. At that time, it was "normal" for an Asian supply chain to involve a 35-to-45-day transit time. Now though, as business needs have evolved, extensive lead times are no longer sustainable.

The cumulative effect of these factors caused many companies to question whether their supply chains had become too dependent on a single country, located on the other side of the world. The result has been a recalibration among North American businesses—big and small—about supply chain sourcing and management.

Current Trends—Reshoring, Nearshoring, Friendshoring, China-Plus- One, and Dual-Sourcing

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Deciding to move production away from China—or to scale back—requires a great deal of thought and calculation. Companies considering a change quickly learn there is no single solution. Instead, there are multiple options for addressing a business's specific needs. Current practices generally include:

- **Reshoring.** Reshoring occurs when a business returns production to its home country. This is the opposite of offshoring, which occurs when a business moves production to another country, usually to China or another Asian country.
- **Nearshoring.** Nearshoring is the practice of shifting production or supplier networks to a country located in close proximity to a business's home country. This is usually done to improve supply chain management. A company that chooses to nearshore will often share a border with the country in which its manufacturing partner is located.
- **Friendshoring.** Friendshoring is the "new buzzword in the global trade room," according to the World Economic Forum, and refers to companies choosing partners located in countries with shared values as a way to minimize the risk of supply chain disruptions.
- **China-Plus-One.** Another option called "China-Plus-One," occurs when a business moves certain operations to other countries, usually within Asia, while keeping other functions in China.
- **Dual-Sourcing.** As described by TechTarget, dual-sourcing refers to the practice of using two suppliers for a specific component, raw material, product or service. The practice can be extended to include "multi-sourcing," in which more than two suppliers are used.

Following is an overview of each supply chain practice.

Reshoring

For many reasons, a growing number of businesses are returning manufacturing to the United States. The Wall Street Journal reported in 2024 that "an epic factory building boom" was underway, with spending on factory construction reaching a record high of nearly $240 billion. The last time factory spending grew this fast, the Journal noted, "was at the height of the space race in the 1960s."

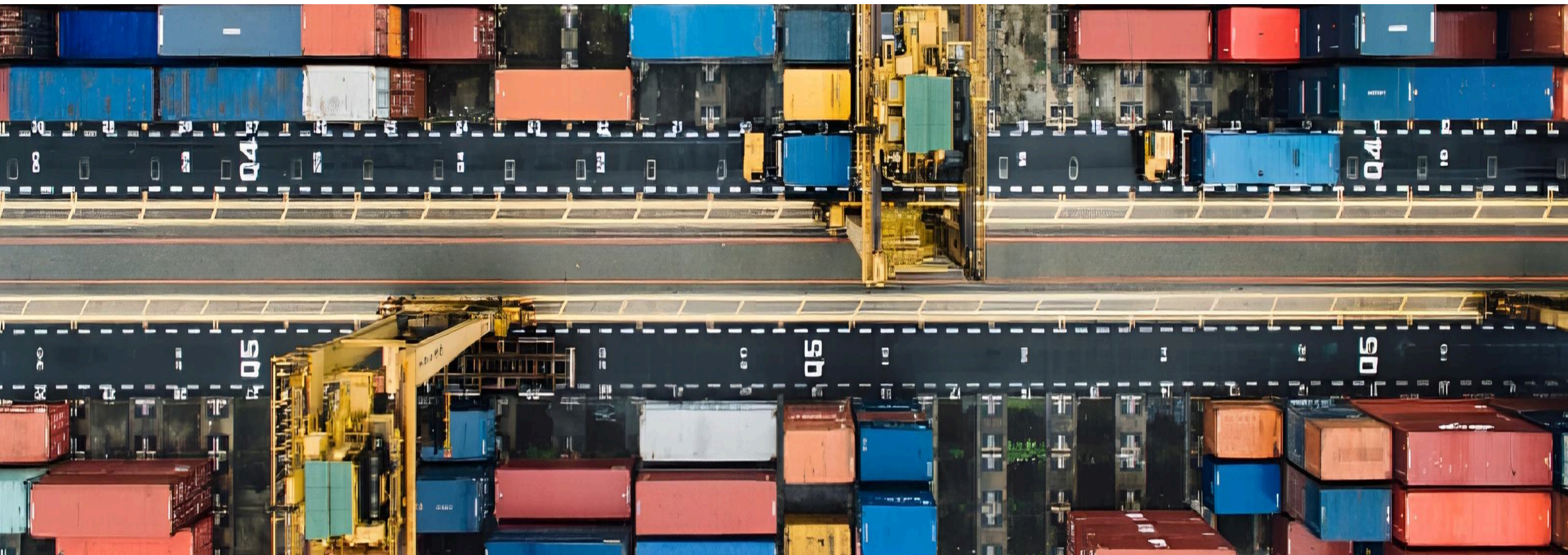
Much of the spending is occurring in high-tech fields like semiconductors and electric-vehicle batteries that are backed by government incentives. But it's also being driven by companies that once relied "exclusively on lower-cost countries for manufacturing and now are responding to shifting supply chain imperatives."

The Journal noted one apparel supplier who cited retailers' desire "to cut down on in-store inventories," by switching to U.S. factories that allow for faster stock replenishment. "Much of the nationwide manufacturing buildup," the article continued, "aims to shorten the distance products travel from factory to sales floor. Toy maker Lego says that is why it is building it first U.S. plant in Virginia."

Tool manufacturer Stanley Black and Decker cited automation in U.S. manufacturing facilities as integral to its decision to open a manufacturing facility in North Carolina. "You've gone from a situation where if you did a power tool assembly in China or Mexico, you might have 50 to 75 people on a line," chief executive Donald Allen Jr., told analysts, as reported by The Wall Street Journal.

"The automated solution we've created in North Carolina, current version, has about 10 to 12 people on that line because of the high level of automation, and the 2.0 version looks like it's going to get down to two to three people on the line."

According to the Reshoring Initiative, almost 245,000 reshoring-related jobs were created during 2024, continuing an upward trajectory that began in 2010. "Since 2010, over 2 million jobs have been announced as U.S. companies and foreign investors bring manufacturing closer to U.S. customers," an accompanying press release noted. Reasons for shifting production back to the U.S. include "rising geopolitical risk, supply chain vulnerabilities, and growing bipartisan support for American industrial competitiveness."



The Reshoring Initiative notes that high-tech industries were responsible for 88% of reshoring jobs during 2024. Specific industries leading the way back to the U.S. include:

1. **Electrical Equipment** (which includes category- leader electric vehicle batteries and charging stations).
2. **Computer and Electronic Products** (including solar panels, robotics, and semiconductors).
3. **Chemicals** (including pharmaceuticals, renewable fuels like hydrogen, and rare-earth based chemicals).
4. **Transportation Equipment** (including drones, EVs, and aerospace).
5. **Medical Equipment and Supplies** (including PPE, gowns, masks, and medical devices).
6. **Apparel & Textiles.**

Why Are Companies Returning To The United States?

The Reshoring Initiative Analysis Found Several Reasons Why Businesses Were Choosing To Return Production To The United States, Including:

- **Benefits of having manufacturing located near engineering (45%).**
- **Reduction in freight and duty costs (45%).**
- **Desire to reduce geopolitical risk (38%).**
- **Proximity to customers' market (35%).**
- **Improved quality (32%).**
- **Supply chain disruptions (28%).**
- **Robust supply chain (21%).**
- **Intellectual property risk (21%).**
- **Proximity to Customers/Market.**
- **Image/Brand of "Made in USA" (17%).**
- **Automation/Improved productivity (10%).**
- **Skilled workforce availability (7%).**
- **Social/Ethical Concerns (7%).**
- **Section 301 Tariffs (4%).**
- **3D Printing/Additive (4%).**
- **Manufacturing (4%).**
- **Energy/Utility costs (4%).**
- **Government incentives (4%).**

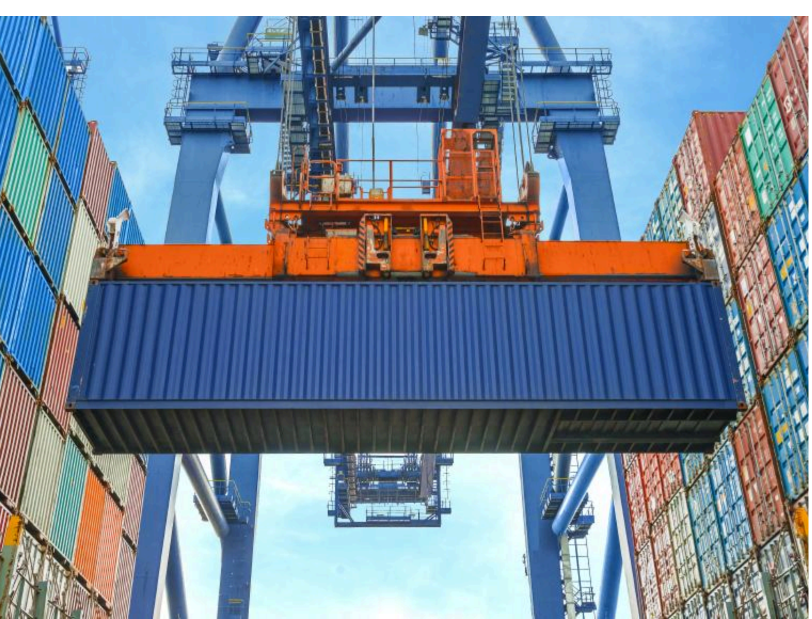
Source: 2025 Reshoring Survey Report

Nearshoring

A preferred option for many businesses has been to return operations to countries located closer to U.S. shores, while achieving efficiencies not available within the U.S. This practice is referred to as "nearshoring" and allows businesses to address shortcomings inherent to their China-based strategies. While Mexico and Canada are obvious nearshoring destinations, countries across Central and Latin America have implemented policies and practices to attract international investors.

This includes signatories to the Dominican Republic-Central America Free Trade Agreement (CAFTA-DR), described by the Office of the U.S. Trade Representative as "the first free trade agreement between the United States and a group of smaller developing economies." Signatories to that agreement include the U.S. along with Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, and the Dominican Republic. The United States also has trade agreements in place with Columbia and Panama that eliminate tariffs and remove trade barriers.

Following is a brief overview of several "nearshoring contenders," as provided by the Wilson Center.



Costa Rica

According to the Wilson Center analysis, Costa Rica "checks all the boxes" when it comes to nearshoring. The country currently lists 20 Fortune Ten companies and 250 multinationals including Amazon, Microsoft, Intel, IBM, and Google operating within its borders. Costa Rica has become a preferred destination for medical technology firms, with companies including Roche, Bayer, and Boston Scientific among those that have made significant investments in its production facilities.

Foreign companies are drawn to Costa Rica for reasons that include: Access to highly-educated technology developers, free trade zones, English proficiency, time zone alignment, proximity to the United States and Canada, reduced labor costs, and skilled workforce.

The Dominican Republic

This island nation saw a 5.1% rate of growth during 2024 and was the second-fastest growing economy in Latin America and the Caribbean. The country's stable government and economic progress first caught the attention of multinational companies in the early 2000s, when firms including GE Energy, Johnson & Johnson, Medtronic, Eaton, and Rockwell Automation established a foothold. The Wilson Center reports that "eight of the top 30 companies in the world use the country as a production base for electrical components, jewelry, electronics, textiles, footwear, and many other industries."

Panama

The Wilson Center calls Panama "ideally positioned to serve as a major nearshoring locale," and cites its advantageous geographical location and logistics capabilities. An important logistics-positive is the country's automated cargo release, which reduces delivery times and adds efficiency. The Colon Free Trade Zone—the largest free port in the Americas—is home to more than 2,500 companies including Stanley Black & Decker, Calvin Klein, Diesel, Fisher-Price, and Westinghouse.

In 2020, the government established a framework known as EMMA designed to attract light manufacturing companies by offering financial incentives. According to Kraemer & Kraemer law firm, EMMA offers qualified companies tax exemptions, labor and immigration benefits, and customs incentives. These benefits are in addition to free trade incentives already in place.

Mexico

While Western Hemisphere countries such as those highlighted above have made progress in elevating their appeal as a nearshoring destination, no country comes near to matching the success that Mexico has achieved. Consider an overview from the U.S. Department of State's 2024 Investment Climate Statement for Mexico: "In 2023, Mexico was the United States' largest trading partner in goods. Bilateral trade grew nearly eight times from 1994 to 2023, and Mexico is the United States' second largest export market."

This assessment is supported by Wall Street Journal reporting, which noted that "companies from around the world are moving production and equipment to Mexico as they seek a manufacturing hub closer to the U.S." The report notes that companies are drawn to Mexico by favorable attributes including a manufacturing-based economy, free trade agreements including the United States-Mexico-Canada Agreement (USMCA), an educated workforce, reduced labor costs, and proximity to the United States.

Mexico also offers access to an extensive infrastructure network which includes 10 major seaports, more than three dozen international airports, and a 2,000-mile border with the United States. According to the U.S. Federal Highway Administration, the entry point at Laredo, Texas is the most important truck crossing on the United States/ Mexico border, accounting for 60% of traffic crossing between Texas and Mexico.

U.S. companies benefit from provisions of the USMCA, including duty-free status for qualified goods.

Companies may also have access to Mexico's network of maquiladoras, which are foreign-owned factories that export the products they produce. The maquiladora program provides duty-free import of all manufacturing materials, and access to Mexico's reduced labor and operating costs.

U.S. companies also take advantage of Mexico's investments in industrial clusters, including medical devices in Tijuana, electronics and high-tech in Guadalajara, the aerospace industry in Queretaro, automotive in Toluca, and textiles in Puebla.

Most notably, U.S., Canadian, and Mexican supply chains are deeply integrated, with parts and supplies crossing the border multiple times during the production process. In the automobile industry, parts and components may cross U.S.-Mexico-Canada borders as many as eight times before final assembly, according to the Canadian Vehicle Manufacturer's Association.

Overall notes The New York Times, roughly 40% of the value of Mexico's exports to the United States consist of parts and components made at American plants.

Mattel, BMW, Walmart, Home Depot, Samsung, Heineken, and Bosch are among the international companies that have moved production to Mexico. These companies are among the 400 companies that were reported by the Mexican government to have shown an interest in moving production from Asia, as reported by The Wall Street Journal.

Despite these positive attributes, many financial and government experts have raised concerns about various aspects of the Mexican market. Access to reliable electricity and water supplies prevent Mexico from fully capitalizing on nearshoring opportunities, notes Scotiabank. In addition, the U.S. State Department lists regulatory unpredictability, contract enforcement, and corruption as additional factors that should be considered.

Canada

Nearshoring—which can also be described as "friendshoring" in this instance—is also happening north of the border, with a growing number of U.S. businesses looking to Canada for critical suppliers and manufacturing partners. Canada's close relationship with the U.S. along with its favorable tax environment, free trade status, and geographic closeness make our northern neighbor an obvious choice.

In today's volatile world environment, Canada continues to offer the respite from turmoil and instability that businesses are craving. Following is a brief overview of advantages businesses regularly cite in choosing to source operations in Canada.

- **Favorable political environment.** The U.S. Department of State notes that the U.S.-Canada relationship is "one of the closest and most extensive in the world." This relationship manifests itself in many ways including a sustained commitment to mutual prosperity and security, with the State Department noting that U.S. defense arrangements with Canada are more extensive than with any other country.

  Analysis by Invest Canada notes that Canada ranks number two among G7 countries for political stability, number one for fiscal soundness, and number one for banking stability. "Canada is recognized around the world for its stable, open business environment," which includes predictable business costs, a stable political environment, and a low corporate tax rate.

"It's no wonder, the analysis notes, "Canada is home to the largest Fortune 500 firms and many forward-thinking companies."

- Strong and growing trade opportunities. In July 2020, the United States-Mexico-Canada Agreement (USMCA) took effect, replacing the North American Free Trade Agreement (NAFTA) that had been in place since 1994. The USMCA maintains all core tenets of NAFTA, including duty free status for qualified goods, and addresses 21st century market realities such as eCommerce and digital property. Most notably for U.S. businesses operating in Canada, the agreement bans taxation of digital products, prohibits data-localization requirements,and seeks to eliminate red tape and regulatory obstacles wherever possible.

  In 2025 the USMCA remains in effect, although it is subject to a scheduled review in 2026.

- Customs Efficiency. Efforts to expand and facilitate trade extend to the border clearance process, where several programs and harmonized processes expedite the clearance process and minimize the risk of inadvertent delays. Both the United States and Canada maintain "single window" filing systems, which significantly improve the compliance process.

  According to the International Trade Administration, businesses that ensure timely and accurate submission of all required documentation can reasonably expect their shipments to clear customs within a certain time frame for on-time deliveries to Canadian manufacturing facilities. This is especially helpful for U.S. companies that supply manufacturing-based industries including the automotive and aerospace sectors.

- Favorable business climate. Global Affairs Canada lists several attributes that position the country as a good option for businesses looking to relocate production. A few findings include:

  - Canada is the second-best country in the G20 for doing business and is projected to hold that ranking for the 2025-2029 period.
  - Canada ranks third among G20 countries when it comes to ease of starting a business.
  - Canada has the lowest overall tax rate on new business investment, and the lowest business costs in advanced manufacturing among all G7 nations. This includes a 15% federal corporate income tax rate, which is the lowest of all G7 countries (but does not include provincial taxes).

The U.S. International Trade Administration cites several "best prospect industry sectors" for U.S. businesses within the Canadian market. Those industries include:

- Aerospace and Defense.
- Agricultural.
- Automotive.
- Defense Equipment.
- Information and Communications Technology.
- Energy.
- Medical Devices.

- Logistics Efficiency. With an experienced logistics provider on their team, U.S. businesses operating in Canada can be assured of comprehensive transportation and logistics services to meet 100% of their supply chain needs. Certain Canadian logistics companies maintain extensive distribution networks that ensure comprehensive service to all provinces and territories, along with extensive service options that accommodate cross-border delivery needs.

Businesses can access comprehensive logistics services with solutions rooted in ground, rail, ocean and air services. Again, depending on the logistics provider selected, businesses can have flexibility within their logistics plans to accommodate specific needs. This includes availability of "mission critical" expedited services for urgent deliveries, time-specific ground deliveries to meet just-in-time manufacturing needs, full truckload or less-than- truckload options for ground service needs, along with multi-modal air-ground solutions.

With regard to service between the United States and Canada, it is possible to have "regular" ground shipments delivered in Canada within three-to-four days, depending on a logistics provider's capabilities. This guaranteed service allows businesses to have confidence in their production schedules, and for better warehouse and distribution center capacity planning. In addition, businesses that sell online to consumers can meet expectations for fast, hassle-free deliveries.

Friendshoring

The World Economic Forum refers to "friendshoring" as "the rerouting of supply chains to countries perceived as politically and economically safe or low-risk, to avoid disruption to the flow of business."

Former U.S. Treasury Secretary Janet Yellen is thought to have coined the term when she suggested U.S. businesses should concentrate their supply chains on international partners with which the U.S. has similar outlooks and strong alliances.

"Rather than being highly reliant on countries where we have geopolitical tensions and can't count on ongoing, reliable supplies, we need to really diversify our group of suppliers," she said in an address to the Atlantic Council. "Friendshoring means… that we have a group of countries that have strong adherence to a set of norms and values," Secretary Yellen continued, "and we need to deepen our ties with those partners and to work together to make sure that we can supply our needs of critical materials."

Four broad product categories were identified that would benefit from a friendshoring-based strategy: (1) public health and biological preparedness, (2) information and communications technology, (3) energy, and (4) critical minerals and materials. The International Trade Administration identified more than 2,400 products that fell within those four categories of which more than 16% were supplied by China.

Apple's decision to shift some iPhone production from China to India was cited by the World Economic Forum an example of friendshoring. And in June 2025, research by the Bank of America listed likely "friendshoring winners" including Indonesia, Mexico, Vietnam, India, and Thailand.

China-Plus-One

In a discussion on the New York Times podcast The Daily, reporter Peter Goodman talked about businesses' changing attitudes about supply chain practices, and the current shift away from a total reliance on China-based sourcing. He cited as an example Walmart, the world's largest retailer, and noted that "20 years ago, if you were a factory trying to sell a product to Walmart to put on their shelves, and you weren't making it in China, they pretty much didn't want to talk to you, because that was an indication that you weren't producing at the lowest possible cost," he said.

But in a sign of how dramatically things have changed, Goodman cited a recent visit to Walmart's corporate headquarters in Bentonville, Arkansas. "I met with a representative from a bunch of factories in China that's now exploring factories elsewhere," he explained. "He told me that now, if you're only relying on Chinese factories, that's the end of meeting with Walmart."

As this example illustrates, companies are increasingly trying to minimize the risk of an over-reliance on China by adding regional suppliers and partners. This "China- Plus-One" approach recognizes that for companies with supply chains deeply rooted in China, a complete withdrawal from that market may not be feasible. Instead, a business can protect itself from unexpected supply chain disruptions by moving parts of operations to other countries. Maybe start with secondary suppliers and establish relationships with contract manufacturers located in less-volatile regions.

For many companies, this has meant shifting production out of China, but not necessarily out of Asia. Maintaining a footprint in Asia allows businesses to take advantage of low-cost alternatives, while maintaining access to overall manufacturing processes that remain in China.

Several Asian nations including Thailand, Singapore, Malaysia, and Vietnam, have positioned themselves to benefit from the shift away from China. These countries have enacted favorable trade policies, improved infrastructure, invested in worker training, and undertaken ambitious marketing campaigns. Following is a brief overview of each.

Important to note, Mexico is also well-positioned to benefit from China-Plus-One strategies. Mexico has been discussed preciously, in this paper's Nearshoring section.

Shandong, China

Vietnam

International consulting firm Dezan Shira and Associates cites Vietnam's geographic proximity, lower wages, skilled labor, trade agreements, and regional connectivity as reasons for the country's appeal to manufacturers. Companies including Apple, Microsoft, Intel, General Dynamics, Qualcomm, Nike, and Boeing are among U.S. manufacturers that have established a presence in the country in recent years. CNN reported that representatives from more than 50 international firms attended a seminar sponsored by the US-ASEAN Business Council, intended to showcase the country's attributes.

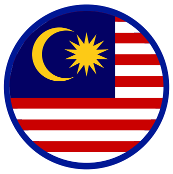
"Big brands that previously placed manufacturing lines in China are gradually moving to Vietnam," noted regional trade association Asia Quality Focus (AQF). Consider the experience of athletic giant Nike for instance. In 2010, according to Bloomberg, China accounted for 34% of Nike-branded footwear while Vietnam accounted for slightly more, at 37%. But by 2024, Vietnam's share had surged to 50%, while China's had fallen to 18%.

According to the U.S. International Trade Administration, Vietnamese export volume to the U.S. has surged by 230% over the past five years, and the U.S. is now Vietnam's largest export market. The ITA lists several reasons for Vietnam's appeal which include:

- Young and increasingly urbanized population.
- Growing middle-and-affluent classes in the region, providing the right demographics for growth and receptivity to U.S. products and services.
- Political stability.
- Recently-signed free trade agreements including the EU-Vietnam Free Trade Agreement, the UK- Vietnam Free Trade Agreement, and the Regional Comprehensive Economic Partnership.
- Proximity to China, which is advantageous to companies pursuing a China-Plus-One strategy.
- Strong GDP growth.

The ITA also noted challenges that preclude Vietnam from reaching even higher levels of success.

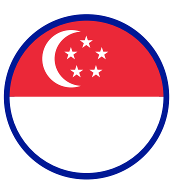
Those obstacles include corruption, a weak legal infrastructure, poor enforcement of intellectual property rights, a shortage of skilled labor, restrictive labor practices, and a slow decision-making process.



Malaysia

The U.S. International Trade Administration describes the Southeast country of Malaysia as an upper middle-income economy with a population of over 34 million. "The country's growing affluent middle class is increasingly driving consumer and business demand for quality products and services," the analysis notes. Further, U.S. companies operating in Malaysia "can benefit from the country's developed infrastructure, an English-speaking business and consumer environment, a well-established legal framework and the ability to repatriate capital and profits."

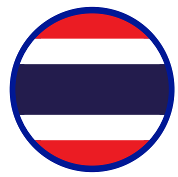
The Malaysian government has attempted to attract international businesses by developing targeted manufacturing sectors. Manufacturing "hubs" have been created for a range of industries including electric vehicles, semiconductors, pharmaceuticals, furniture, textiles and apparel, and electronics, among others.



Singapore

The U.S. International Trade Administration lists several factors that make the island-nation of Singapore an attractive option for businesses looking to relocate their supply chains. Those factors include:

- Duty-free trade. The two countries have had a bilateral Free Trade Agreement (FTA) in place since 2004, which facilitates the movement of goods, and offers key incentives.
- English-speaking population.
- Strong intellectual property protection.
- Business-friendly laws and regulations.
- Transparency and lack of corruption.
- Major distribution, logistics, and financial hub, with the country considered a gateway to the Southeast Asian region.



Thailand

The U.S. International Trade Administration describes Thailand as "an upper middle-income country" and the second largest economy among the ten countries that comprise the ASEAN trade bloc. According to the Wall Street Journal, significant and sustained investments by the Thai government have paid off with several multinational companies choosing to relocate production to the country, and some – Toyota, Exxon Mobil, Michelin -- making it their international hub.

The government has targeted investment in the country's manufacturing sector, with special emphasis in the electronics industry, along with medical devices, petrochemicals, agriculture, and automotive. Most notably, Thailand is attempting to establish itself as the "Detroit of Asia," by appealing to foreign electric vehicle manufacturers.

Currently more than 2,500 international companies operate in Thailand, including Samsung, Toshiba, Mitsubishi, Sony, LG, and Siemens.

Dual-Sourcing

In the early days of the pandemic, many companies were surprised at how little visibility they had into their supply chains. This was especially true with regard to understanding "the suppliers of their suppliers." Many businesses were caught off-guard to learn how reliant their supplier networks were on China. In some instances, a full understanding of their over-reliance on China didn't kick in until parts and components suddenly became unavailable. This, as the effects of China's "Zero-Covid" shutdowns set in, resulting in severe manufacturing delays and product shortages. In the aftermath, companies vowed "never again."

For many, this meant identifying backup suppliers that would be available to fill the void should a primary supplier suddenly be unable to fulfill orders. The idea was to locate backup suppliers as close as possible to end users or consumers. The concept is referred to as "dual- sourcing," and for many, has provided a welcome sense of relief and added supply chain resilience.

Research by McKinsey & Company found that 81% of companies had implemented dual-sourcing strategies in 2022, up from 55% during 2020. The survey also found support for developing regional supply networks, with 44% having identified supplier alternatives located closer to home. And nearly 70% of supply chain leaders surveyed said they believed dual-sourcing would remain "relevant" for the foreseeable future.

A good example of a company deciding to pursue a dual-sourcing strategy is British-bicycle maker Brompton. According to the U.K. Guardian, the company announced in early 2023 that it had become concerned about its dependence on China and Taiwan for parts "amid fears of a growing military threat to the island from Beijing." The company, Britain's largest bike manufacturer, produces models that require more than 1,200 separate parts. Like many companies worldwide, Brompton had endured a severe parts shortage during the pandemic, with critical parts affected by global supply chain disruptions and shipping delays.

In an effort to protect the company from another supply chain disruption, the company decided to "dual source" key supplies by identifying alternate "just in case" suppliers. Managing Director Will Butler-Adams explained to the U.K. Telegraph that many companies are deciding to pursue dual-source strategies, where they continue to work with partners in Taiwan and China, but lock-in alternatives to ensure operations can continue should a disruption occur.

"You don't want to have all your eggs in one basket," he told the Telegraph.

Process Starts With Supply Chain Mapping

A first step in a dual-supply strategy, as outlined in Chicago Booth, a magazine published by the University of Chicago's Booth School of Business, is for a business to gain full visibility into its supply chain, at all levels.

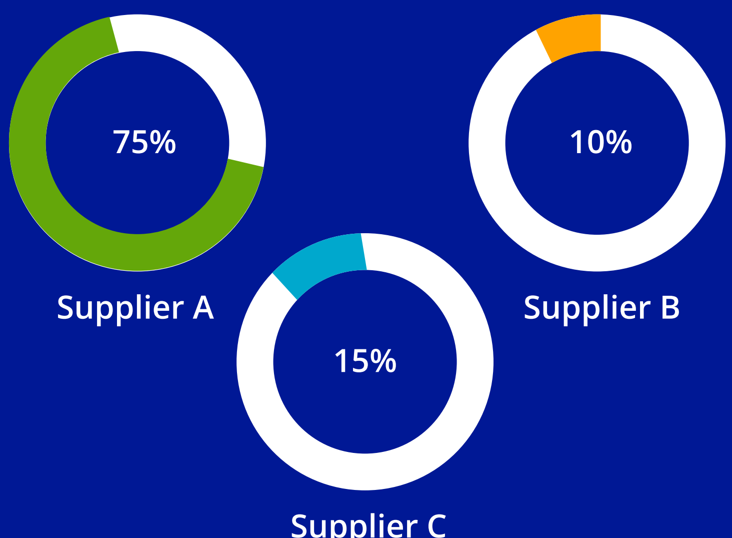
Few companies, the article notes, "know all the parties with which they are directly or indirectly doing business, and few have enough information to know where the next crisis could come from, much less how to address it."

To do this, a business will need to map their supply chain network, from tier-one suppliers down, so that every contributor down to the smallest, seemingly most insignificant part is accounted for. This though, can be easier said than done, with some companies reluctant to share data. "Consider an automaker and a brakes supplier three tiers down on the chain," notes the report. "The brakes supplier could be concerned that if it were to share capacity or cost information, the automaker might try to squeeze costs, or even try to bypass it and work with the supplier's suppliers."

A business will need to persevere though, and in instances in which complete accuracy is not possible, rely on technology-based assessments to complete its supply chain map. The business can use this map to understand its detailed supplier network—and to identify potential vulnerabilities that should be shored up by engaging additional "backup suppliers."

"Qualifying and engaging multiple suppliers of course has a cost, but, in times of disruption, those costs can be paid off multiple times over," explained Professor John Birge of the Booth School. "If more companies react to current conditions by increasing redundancy in their supplier base, that should lead to more resilience in the overall supply chain network," he added.

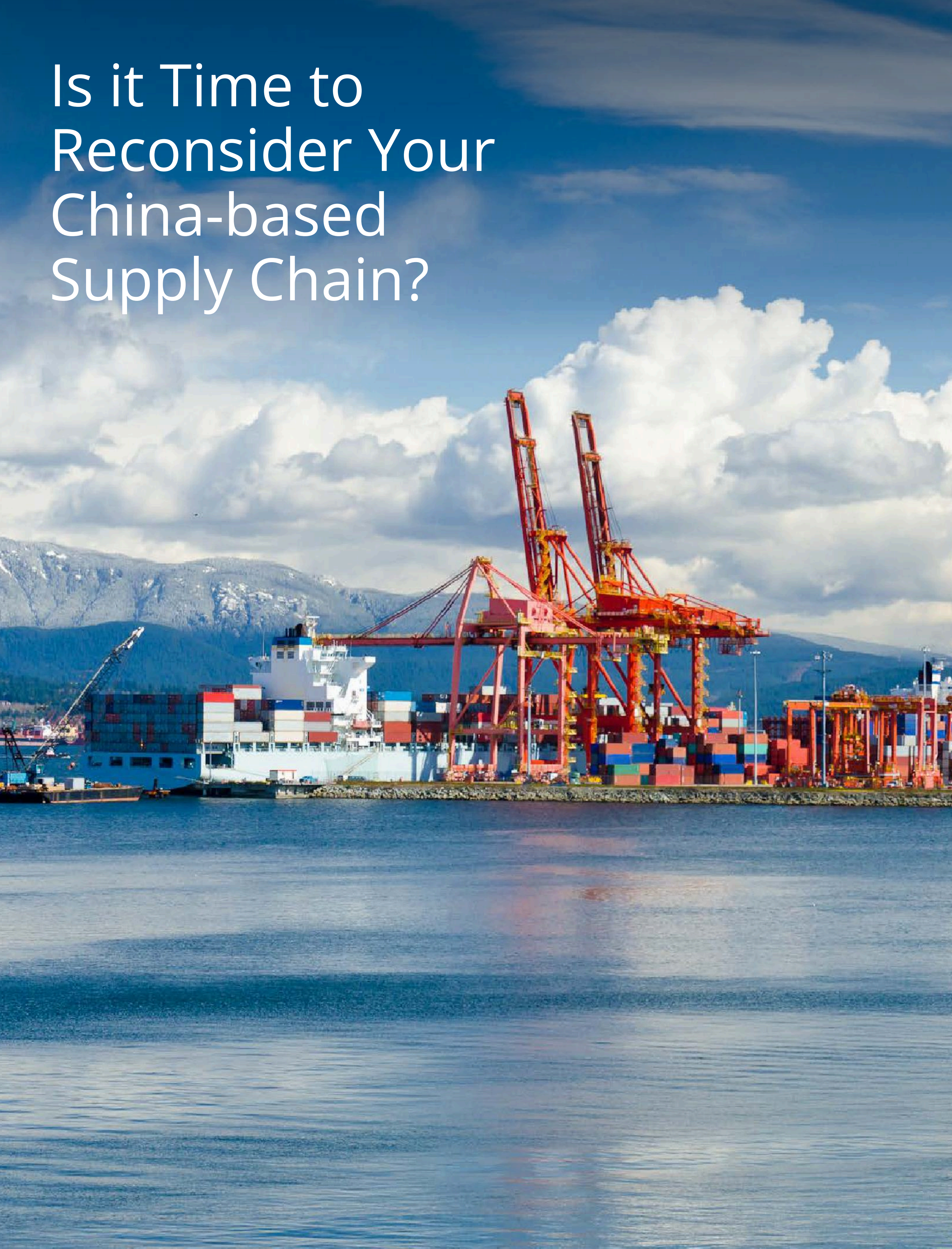
Once a business understands the breadth of suppliers involved in its supply chain, it can pinpoint areas of vulnerability and take steps to minimize risk. To do this, a company might enlist a primary supplier, along with one or two secondary suppliers. Richey of Auburn University explains: "Companies in these cases will often award Supplier A with 75% of the order, Supplier B gets 15% and Supplier C gets 10%. That not only lessens the risk involved if the primary supplier is unable to perform -you have other suppliers already in the procurement system and prepared to step in it also fosters health competition where Suppliers B and C are always trying to get a bigger share of the pie."

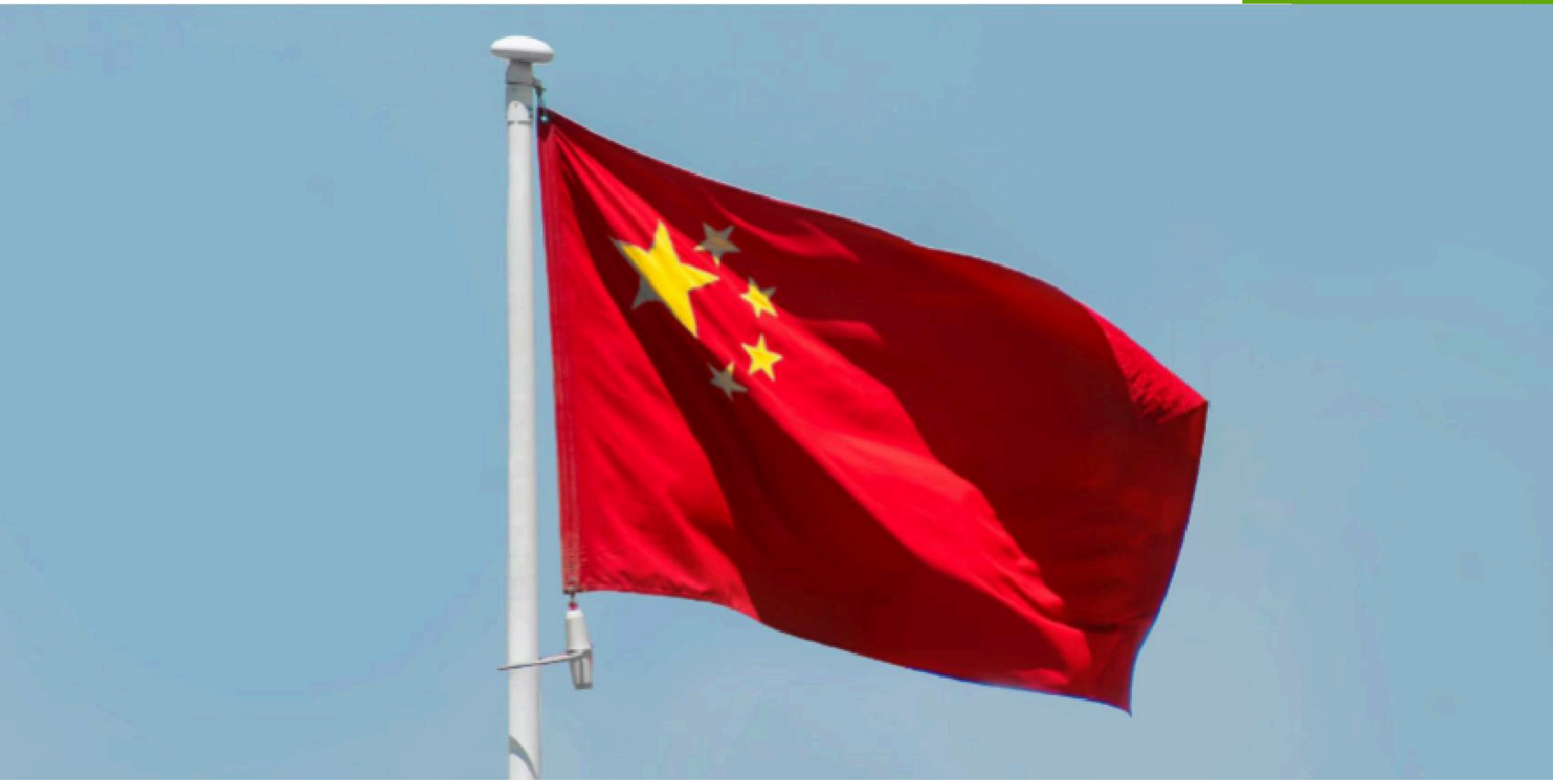


For many, this has meant a shift away from the "efficiency at all cost" mantra that fueled the decision to offshore production to China in the first place. Instead, a strategic shift is underway described by the Times as a move from a "just in time," to "just in case."

As the above discussion makes clear, businesses have options when it comes to reducing supply chain risk and improving supply chain functionality. Whether a business chooses to return production back to the U.S., line up secondary suppliers, or shift production to another country, the decision will be based on each business's unique needs and objectives, and the outcome of an internal cost/benefit analysis.

Is it Time to Reconsider Your China-based Supply Chain?





Is it Time to Reconsider Your China-based Supply Chain?

Although a shift away from China is clearly underway, the country is likely to retain its status as the global leader in manufacturing. As the Financial Times reported, "the degree of manufacturing dependence on China is huge. The nation tops global output market share for three-quarters of the world's manufacturing categories tracked by the United Nations including apparel, pharmaceuticals, chemicals, computers, electrical, and industrial equipment."

Dependence on China is evident throughout the deeply-rooted supply chains U.S. companies now have in that country, built over periods that span decades. Research by Bank of America determined that a complete departure from China would cost U.S. and European companies $1 trillion over a five-year period, making a complete withdrawal prohibitively expensive. For many of these businesses—Apple, Dell, Hewlett Packard, Caterpillar—a wiser option has been to relocate portions of their supply chains.

Other businesses though, with more flexibility with regard to sourcing locations, are finding that a shift away from China can add badly-needed resilience to their supply chains, improve transit times, and simplify processes. But, notes international affairs expert Elisabeth Braw, "companies will continue to run their operations in the locations that make the most financial sense...."

As businesses consider their sourcing and production options, key considerations should include:

Supplier Availability. Many U.S. companies have experienced difficulties identifying qualified suppliers to replace their China-based networks. Finding suppliers with "the right raw materials, production quality, and networks for getting their own components" are among the challenges reported by The Wall Street Journal.

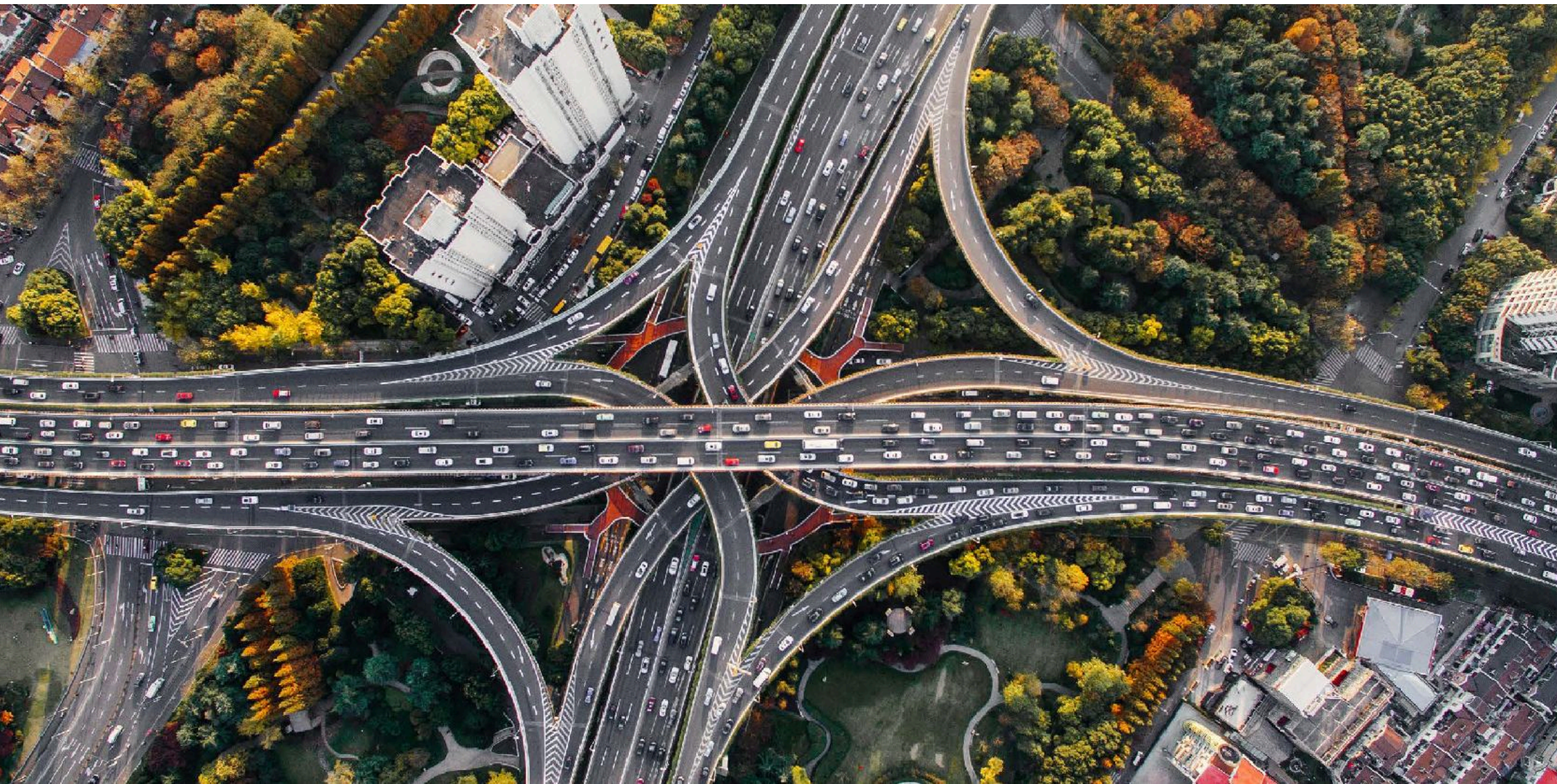
The report highlighted one Florida-based bedding manufacturer that attempted to shift some of its production to Mexico and South America as a way to protect its China-based manufacturing strategy from future disruptions. However, the article noted, the company "has struggled to get materials such as cotton and synthetic fabrics that aren't prohibitively expensive…."

Supplier certification. Industries including medical devices and pharmaceuticals rely on partners that have undergone rigid certification processes by the U.S. Food and Drug Administration (FDA) and other agencies.

Such suppliers have a deep understanding of regulatory issues and best practices in place to ensure their full compliance. A manufacturer looking to add secondary suppliers will need to ensure that those companies have the required certifications and industry expertise.

Scalability/access to required materials. A business will need to ensure that a company enlisted as a "secondary" supplier is aware of its role, and able to provide required parts and materials IF they are needed. Since a supplier will tend to prioritize established customers with recurring orders, a business will need to ensure that a new supplier will have the bandwidth to respond to additional orders.

Tariff/Duty Implications. President Donald Trump implemented a tariff-based trade policy during 2025 that dramatically altered global trade and manufacturing. Tariffs ranged from a rate of 10% imposed on most countries' exports, to country-specific rates. China, for example, was targeted with a 145% tariff, which was later reduced to 30%. This has made Chinese imports more expensive and caused many U.S. companies to cancel pending orders with Chinese suppliers, and for many, to consider shifting operations to another country.



Labor Costs. Businesses will need to carefully access the impact of a shift away from China on its labor costs. In 2020 hourly wages for Chinese factory workers reached US$6.50, compared with US$4.82 in Mexico and US$2.99 in Vietnam. But a business should conduct a complete assessment to determine comprehensive labor costs.

Workforce Accessibility. In addition to wages, a business should also ensure that a potential supplier has access to the type of workers needed to complete its work. This may include skilled workers with experience

in advanced manufacturing, technology, or industrial production.

Electricity/Utilities. It's easy for U.S. businesses to overlook the importance of ensuring a reliable electrical grid, access to water, and other resources required to operate a business. American businesses sometimes take these necessities for granted and can be taken aback to realize that other nations cannot provide regular access to electricity and other utilities. The U.S. International Trade Administration, for example, lists Mexico's unreliable electrical grid as a "challenge" to businesses considering locating production in that country. A business interested in moving production to a new location will need to do a thorough review of that country's utility services and rates to ensure uninterrupted access to the required supplies, at a favorable rate.

Taxes. Although each country maintains its own tax structure, it's safe to say that most companies will consider any tax assessments a "pain point," and will want to carefully assess any impact a shift in production will have on its tax obligations. The Tax Foundation maintains a listing of global statutory corporate tax rates. Based on 2024 data, the United States imposes a rate of 25.6%, compared with 25% in China, 20% in Vietnam, 27% in the Dominican Republic, and 17% in Singapore. As far as North America, Canada's statutory corporate rate is 26.14%, and Mexico's rate is 30%.

Infrastructure. A U.S. business will want to ensure that any manufacturing partner or supplier has access to developed transportation and telecommunications networks. Access to paved roads and a connected highway system, high-functioning seaports, reliable

air service, and an established rail network are among the critical "must haves" in considering a new supply chain partner. The World Economic Forum's global "competitiveness" ranking includes a country's investments in transportation systems as one of the core "pillars" that go into its overall rankings.

Categories assessed in the WEF ranking include:

Road connectivity.

Quality of roads.

Railroad density.

Efficiency of train services.

Airport connectivity.

Efficiency of air transport services.

Liner shipping connectivity.

Efficiency of seaport services.

A sample of current rankings includes:

- Singapore: 1
- Hong Kong: 3
- Japan: 5
- United States: 13
- Taiwan: 16
- Canada: 26
- Malaysia: 35
- China: 36
- Mexico: 54
- India: 70
- Vietnam: 77
- Dominican Republic: 79
- Columbia: 81

Customs Efficiency. While customs compliance is an avoidable part of international trade, many countries have taken steps to facilitate the process and have implemented incentives to encourage international investment. The United States and Canada, for example, each maintain electronic "single filing" entry systems that add efficiency to the compliance process and allow shippers to view shipment clearance activity in real-time. Further, the USMCA free trade agreement allows low- value shipments to cross U.S, Canadian and Mexican borders with minimal documentation requirements.

The World Economic Forum also ranks countries based on "border clearance efficiency." A few listings include:

- Germany: 1
- Japan: 3
- Singapore: 6
- United States: 10
- Canada: 18
- Vietnam: 22
- China: 31
- India: 41
- Mexico: 54

Experienced Logistics Provider. Since most businesses cite "reducing freight costs" as a top supply chain goal, it is essential to have a qualified logistics provider that can help steer the planning and eventual shift in supply chain operations. Not every logistics provider can do this.

Therefore, a high degree of research will be necessary to ensure that a logistics partner has the capability and experience to oversee this undertaking. This is especially true when border crossings are involved, including production returning to North America, since a high degree of expertise and experience is needed to ensure shipments can travel between countries hassle free.

A few other considerations with regard to choosing a qualified logistics provider:

Distribution Network.

Make sure your provider has a distribution network in place that meets your entire coverage needs.

If your supply chain includes suppliers or customers in Mexico, for example, make sure your provider offers reliable solutions for reaching customers throughout the United States and Canada.

Flexibility.

A major reason for returning operations to North America will likely be to recapture a degree of flexibility and scalability in your supply chain. Don't assume a U.S.- based carrier will be able to accommodate your needs. Many providers are still stuck in a "one size fits all" service mentality. You will need to shop around to find a carrier that is able to offer a customized supply chain that meets your precise needs.

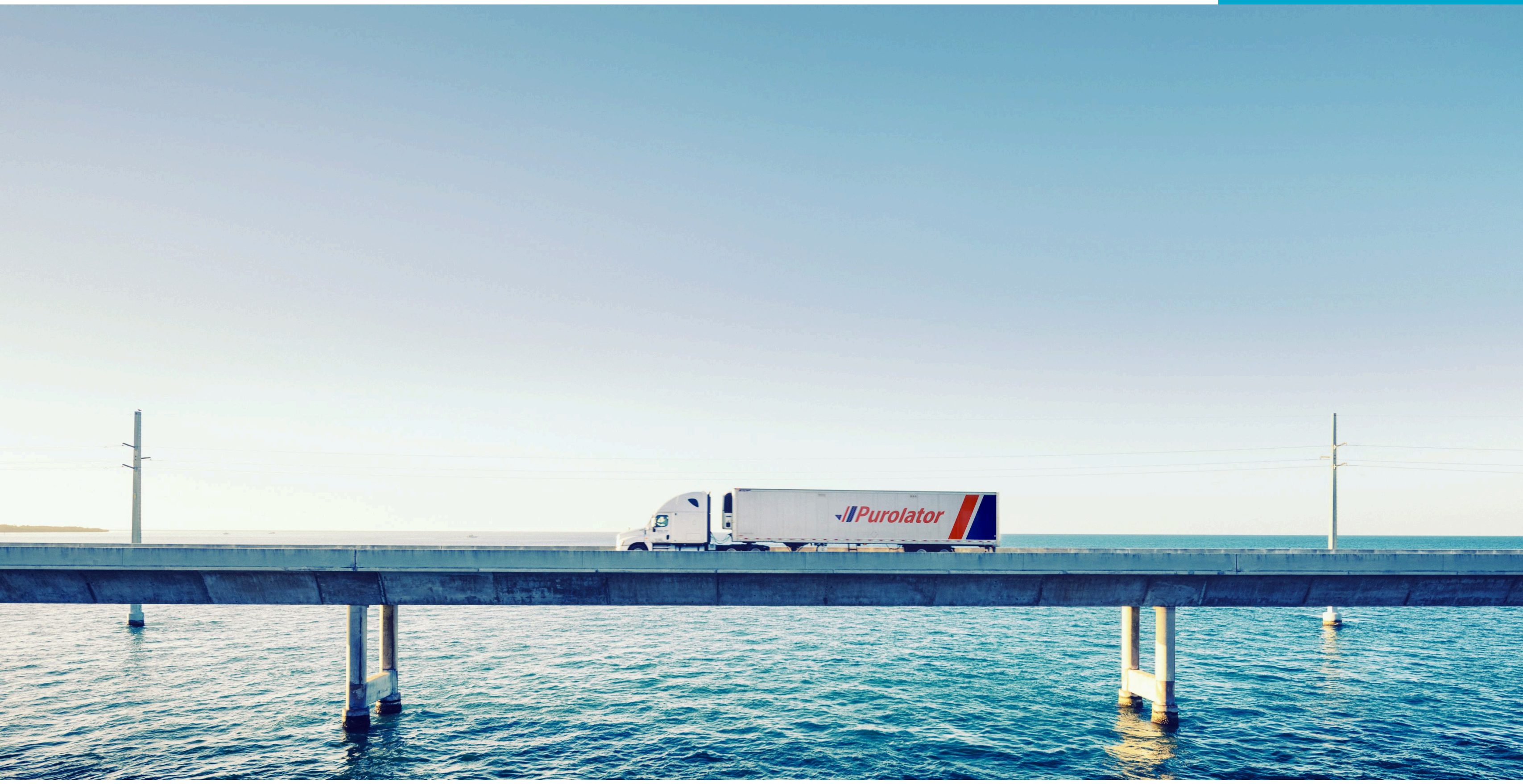
Customer Service.

Similarly, your logistics provider must take seriously your commitment to your customers. A good logistics provider will have staff dedicated to your business, who understands your objectives, and who can advise how best to meet those goals. Equally important, that customer service representative must be easily accessible should something go awry, or a last-minute change become necessary.

Experience.

Do not assume a logistics provider has the necessary experience. When it comes to delivering shipments through a complicated supply chain, or clearing shipments across a border, or meeting on- time delivery guarantees, the proof is in the pudding! Check a provider's references, scan the Internet for any customer feedback, and talk with businesses that may have used that provider. A little due diligence can ensure that you partner with the right logistics provider.

A Shift in Sourcing Requires a Solid Logistics Strategy



A Shift in Sourcing Requires a Solid Logistics Strategy

Businesses considering a shift in their supplier or manufacturing networks quickly realize that any change must be carefully considered, and a solid plan developed for all contingencies. This includes a well-thought-out logistics strategy that outlines precisely how products will move from point-of-pickup right through to end delivery.

The process becomes much easier though, when an experienced logistics provider is added to the team early-on. U.S. businesses that nearshore/ friendshore production to Mexico or Canada, for example, will need a strategy for seamless movement of products across the continent.

A business will want to ensure maximum efficiency, regardless of where in the world products are sourced.

In doing its due diligence, a company will soon realize that Purolator International is a leading provider of logistics services for shipments moving between the United States and Canada. Purolator offers extensive capabilities that enable single-source, comprehensive solutions that address even the most challenging supply chain needs. This includes direct service for Mexican-based shipments headed to Canada, and seamless service for products arriving from China and other global locations.

Considerations in developing a North American logistics strategy, along with an overview of Purolator's capabilities, include:

Transit time. Many U.S. companies are unpleasantly surprised to receive transit time estimates of 10–14 days for regular ground service from the U.S. to Canada. Estimates are even longer for shipments originating in Mexico. This can seriously hamper U.S. businesses that ship regularly to Canada, and must meet manufacturing schedules, or consumer expectations.

Why does it take so long? A few reasons include:

- Lack of providers that "specialize" in Mexico-US- Canada coverage. Ground service between Mexico, the United States and Canada is an underserved market. Businesses with shipments moving from Mexico to Canada often find they have no choice but to rely on major carriers that piece together solutions by combining routes. Such an approach usually results in multiple hand-offs, excessive down time, and time wasted on additional pickups and distribution center stops.
- Most U.S. logistics companies have limited access in the Canadian market. For most U.S. providers, service capabilities end at the Canadian border. Once shipments pass through customs, they are often handed off to Canadian carriers. Such hand-offs take time, and often require time-consuming diversions to a Canadian distribution center for unloading and sorting, before being reloaded for delivery within Canada. Such carrier transfers can add days to a shipment's transit time and be problematic for companies pressed to meet just-in-time delivery requirements.
- Lack of comprehensive intra-Canada service. Once a shipment is transferred to a Canadian provider, it is possible that shipment will have to be handed off again, resulting in additional delivery delays. This is because most Canadian companies offer only regional service, and shipments in need of service beyond a certain geographic point will be transferred to a different provider. For U.S. companies with delivery needs across Canada, this often means enlisting a patchwork of regional providers, with each responsible for deliveries to a certain geographic area.

Purolator though, is different. For one thing, Purolator can offer comprehensive service from the Mexican border, through the United States, and into Canada.

Here's how it works:

- Within the United States, Purolator International is an "asset light" company, meaning it does not own any trucks or facilities. Instead, the company relies on relationships with established service providers to select the ideal solution for each customer. This allows Purolator to schedule pickups based on a customer's preferred schedule, and guarantee service from any point in the United States, including southern Texas.
- Purolator's flexibility within the U.S. also allows the company to offer extensive consolidation services. This is an important time-and-cost-saver. Through consolidation, smaller shipments are combined with other northbound shipments, and travel as a single unit. This allows direct service with no additional stops, freight savings, and customs efficiency.

- Once in Canada, the shipment immediately enters Purolator's Canadian network. Smaller shipments enter Canada's leading courier network which offers capabilities that include:
    - Comprehensive coast-to-coast coverage throughout Canada. This includes service to all provinces and territories, and access to 100% of all postal codes. Purolator's courier network also extends to remote areas, including oil fields and other job sites that have no physical addresses, and facilities located in regions not accessible via highways.
- Extensive delivery options. A business can choose from Purolator's extensive service options to ensure on-time delivery. These options include:
    - Extensive same day/next day offerings for time-sensitive shipments.
    - Extensive ground service options for less urgent deliveries.
    - Saturday/Evening delivery capabilities.
    - Mission critical air and freight services that ensure the fastest service possible.

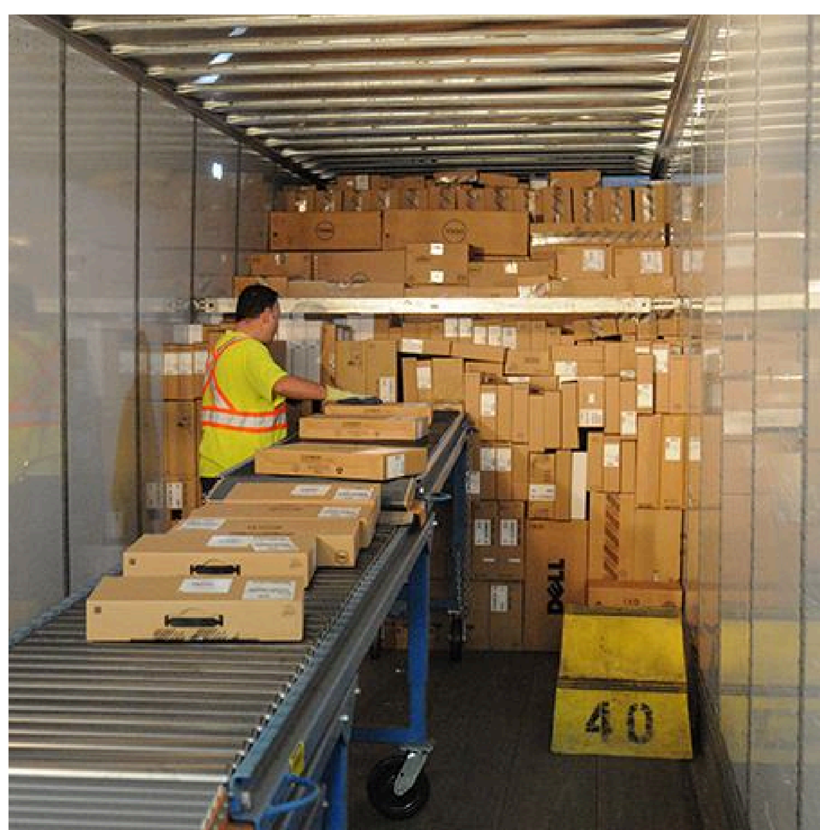
Very few logistics companies offer end-to-end service from the Mexican border throughout Canada.

Purolator stands apart, with ready solutions to seamlessly manage all supply chain needs, including for global shipments and shipments originating at the Mexican border.

Inventory Sourcing. The pandemic exposed the vulnerability of global supply chains, which is why many companies are now considering relocating parts of their manufacturing processes away from China, and back to North America. In doing so, U.S. businesses operating in Canada may find they have options with regard to where inventory is sourced.

Specifically, Purolator's direct ground service from the United States can make it possible to eliminate Canadian warehouses and distribution centers and instead source inventory from the United States.

Many U.S. companies have revamped their inventory practices and now rely on Purolator for on-time deliveries within Canada that enable U.S.-based sourcing. This allows companies to manage their cross-border supply chains more efficiently, while also achieving significant cost savings.



Expedited Services. Expedited or "mission critical" services have become an increasingly attractive solution for ensuring guaranteed deliveries of time-sensitive shipments, especially in meeting time-specific delivery requirements. An expedited solution can be customized to meet a shipper's specific needs, with delivery available on a global basis. In Canada, expedited services are especially helpful for deliveries to remote regions, which lack access to major highway networks.

Although expedited services have traditionally

been associated with "rush" or high value shipments, certain sectors—auto, health care, tech—have incorporated this solution into their regular supply chains, because of its guaranteed delivery times, and high levels of customer service.

Businesses can rely on Purolator's extensive mission critical services which ensure fast, guaranteed service to just about any location in the world. Businesses with operations in China or other Asian countries can count on Purolator's service to overcome supply chain bottlenecks, or for peace of mind assurances that shipments will arrive on-time, every time.

North American businesses can also take advantage of mission critical services to meet tight delivery deadlines, or for sensitive shipments. Purolator offers extensive mission critical services ranging from "next flight out" for most urgent shipments, to a hybrid-model, whereby a shipment might be transported via air for part of the journey, with ground service used for final delivery.

Experience. There is no substitute for experience. And with so many providers from which to choose, it's essential for a business to carefully research a logistics provider before signing on the dotted line. Purolator offers decades of experience in cross-border logistics, and a sterling reputation on either side of the border.

Customer Service. Any business that undertakes a transformation of its supply chain will want the assurance of good customer service from its logistics partner. What happens if a scheduled pickup doesn't occur, and a shipment is at risk of missing an urgent delivery deadline? Or what if something gets damaged, or a last-minute change is needed? A business will want to know that its logistics partner is ready and able to help. Too often though, companies are provided with an 800 number, or told to interact with an online chat bot. Such impersonal customer service options often fall short of what's needed, and result in angry, disappointed customers.

Purolator International though, prioritizes customer service. Each Purolator customer is assigned a client relations representative who has complete visibility into the account and is accessible to the customer at all times. A client relations representative is a part of the account team and knows each customer's logistics schedule. Many times, a client relations representative notices a problem—and provides a solution—before the customer is even aware.

Customization and Collaboration. It's essential to view your logistics provider as a partner. You want to build a relationship based on mutual understanding of your business objectives, priorities and needs. This information sharing can only happen through many, many direct conversations, and ongoing open lines of communication.

Conclusion

A Wall Street Journal profile of U.S. businesses that have decided to reshore manufacturing activity back to the United States asked managers to shed light on the factors that went into their decisions. Some cited concerns about increasing tensions with China, better inventory control, a need for resilience, reduced transit time, and a desire to have the "made in the USA" label on products. One individual though, a nutritional supplement manufacturer based in Tennessee simply stated: "We want to be masters of our own destiny."

Whatever the reason, a growing number of U.S. businesses are rethinking their supply chains and reducing their reliance on China. For some, this means a move closer to home, while others will forge new relationships with partners in other Asian countries.

Regardless of where production and suppliers are located, good logistics will be integral to success. U.S. and Canadian businesses will find that Purolator is there to help, with an ideal solution, however complicated their supply chain may seem.

The Canadian customs process is a lot more manageable with Purolator on your team.

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