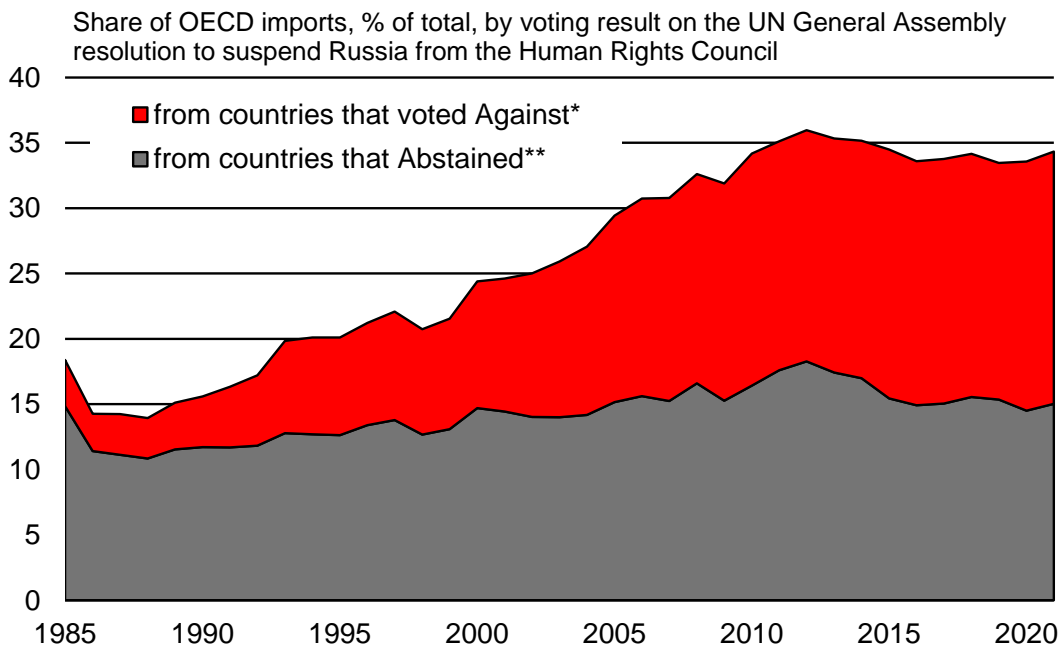


## "Friend-shoring" supply chains won't be easy



Note: \* denotes the 24 countries that voted against the UN General Assembly resolution to suspend Russia from the Human Rights Council on April 7th, 2022; \*\* denotes the 58 countries that abstained from the process.

Source: UN, IMF, UniCredit Research

- In a speech on 13 April, US Secretary of State Janet L. Yellen spoke of "friend-shoring", a term that has been gaining importance for some time in connection with supply chain issues and especially in connection with strategies to improve the sustainability of the supply of strategically important goods.
- Specifically, Ms. Yellen said, "Favoring the friend-shoring of supply chains to a large number of trusted countries, so we can continue to securely extend market access, will lower the risks to our economy as well as to our trusted trade partners."
- Our *Chart of the Week* shows that, whatever preferential trade measures are taken, and assuming those countries that supported the UN resolution to suspend Russia from the Human Rights Council on April 7<sup>th</sup>, 2022, are deemed "friendly", some large exporting countries will not be party to it. The share of OECD imports from countries that voted against the UN resolution to suspend Russia from the Human Rights Council was 19%. If we add to this the countries that abstained, we arrive at a total of around 35% of OECD imports. Strikingly, this share has more than doubled from below 15% in the late 1980s. Of course, the share of imported goods is only a first picture, as imports from an "unfriendly" country can also contain value added from a "friendly" country, and vice versa. Since many of the countries that abstained or voted against the UN resolution are emerging markets, their share of OECD imports is likely larger than their share of value added in producing these imported goods. Still, the chart highlights that global supply chains have become increasingly integrated over time.
- If imports from these countries were to be partially restricted in the future, this would certainly have an impact on economic developments in the OECD countries, especially on price development, as these countries include,

for example, China, India, Brazil and Mexico. The integration of these countries into global supply chains has likely significantly contributed to the low inflation in industrialized countries over the past 30 years. It also includes many major commodity exporters, especially of energy.

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