



THAT'S WHAT (ECONOMIC) FRIENDS ARE FOR: GUIDING PRINCIPLES TO BOOST SUPPLY CHAIN SECURITY

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EXECUTIVE SUMMARY

The United States has recently pursued “friendshoring” of supply chains to trusted countries in the Indo-Pacific as part of its efforts to reduce dependence on China and make supply chains more resilient to global shocks. Friendshoring initiatives include plurilateral forums such as the Minerals Security Partnership and the Chip 4 Alliance, as well as initiatives to bolster bilateral economic relationships with Indonesia, Vietnam, and India, among other countries.

However, the implementation of U.S. friendshoring policy has met its fair share of challenges, including how potential tariff increases may impact its viability. Moreover, it is not always clear who is a “friend” of the United States, and there is uncertainty about the longevity and durability of the “friendship” classification. In addition, the increase in U.S. policies (and dollars) supporting domestic production—for example, through the 2022 Inflation Reduction Act—seems to be somewhat at odds with the goal of friendshoring to strengthen trusted supply chains. Furthermore, friendshoring policy reinforces trends toward the bifurcation

of the global economy along a U.S./China split, contributing to a slowdown in global economic growth.

In interviews with Indo-Pacific experts both inside and outside government, the Asia Society Policy Institute (ASPI) heard that while U.S. engagement in the region is welcome, there are also some frustrations with the friendshoring policy. Interviewees bemoaned the lack of real economic benefits for their countries from initiatives to date and highlighted their disappointment with U.S. policies that subsidize domestic production, especially when they cannot compete with such incentives. The recent political positioning around Nippon Steel's attempted acquisition of U.S. Steel was cited as undermining trust among friends of the United States. Respondents also emphasized the difficulty of excluding China from their supply chains, with several stressing the importance of balancing ties with China and the United States.

As the new administration considers the future of this policy, ASPI recommends bolstering friendshoring policies by adopting five guiding principles:

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The objectives [of friendshoring] were twofold: to reduce the United States' economic dependence on China and to better respond to global supply chain shocks.

1. **Strategic Focus:** Working closely with the private sector, focus friendshoring first on a limited number of strategic sectors in line with U.S. priorities, such as chips, critical minerals, and pharmaceuticals, and expand to other sectors over time.
2. **Certainty:** Take a long-term approach to building confidence among friends by situating friendshoring policy in a new, comprehensive U.S. economic security strategy. This would provide a clear direction, certainty, and consistency of application for friendshoring policy.
3. **Expanding Membership:** Look beyond traditional partners to include trusted developing economies that will provide greater access to resources and supply networks for businesses.
4. **Substantive Benefits:** Strengthen the benefits of friendshoring for both sides, including gains in market access, collaboration on research and development, and increased support for capacity building.
5. **Engagement:** Ensure that engagement with trusted partners—and the U.S. business community—goes both ways, creating ample opportunities for early discussion and feedback on new initiatives.

INTRODUCTION

The United States, like many other countries, has seen its economy become increasingly intertwined with China's over the past few decades. However, the risks of overdependence on China, especially in critical sectors, are rising more to the fore and spurring action. At the same time, the potential for global trade disruptions from external forces such as climate change, pandemics, and geopolitical tensions is on the minds of many businesses. As governments and businesses look to shore up their supply chains to tackle these challenges, they are quickly coming to the realization that not everything can be made at home. A strong economic security policy requires the United States to consider how it can build resilient supply chains through effective partnerships with its friends and allies—the so-called friendshoring policy.

This paper examines the rise of the United States' friendshoring policy over recent years and delves into some of the challenges and

tensions that have arisen from the implementation of this policy in the Indo-Pacific. Valuable perspectives on the U.S. friendshoring policy from experts across Asia are shared. Finally, five guiding principles to enhance this policy are recommended for the new U.S. administration.

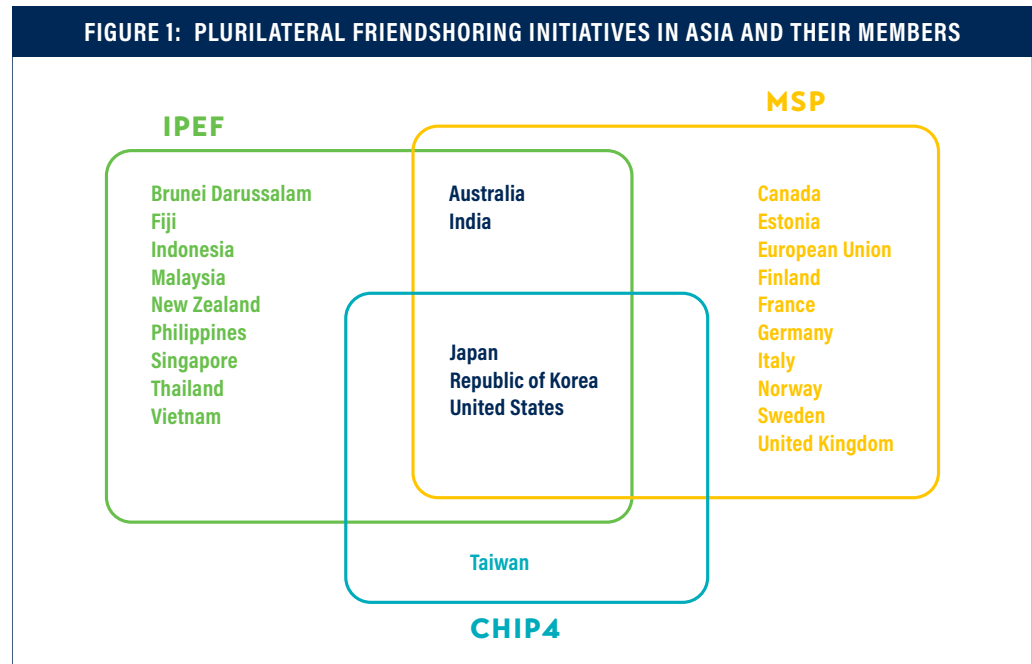
THE RISE OF U.S. FRIENDSHORING POLICY

In April 2022, then-Treasury Secretary Janet Yellen articulated a U.S. policy “favoring the friendshoring of supply chains to a large number of trusted countries,” arguing that doing so would allow the United States to “continue to securely extend market access” and thereby “lower the risks to our economy as well as to our trusted trade partners.” While other terms like “ally-shoring” had already gained currency,¹ Yellen and others in the Joe Biden administration latched onto “friendshoring” as a key plank of U.S. economic security policy. The objectives were twofold: to reduce the United States' economic dependence on China and to better

¹ See, for example, Elaine Dezenski and John C. Austin, “Rebuilding America's Economy and Foreign Policy with ‘Ally-Shoring,’” Brookings Institution, June 8, 2021; and the Biden administration's [100-Day Supply Chain Report](#), June 2021.



The Indo-Pacific has become a key region for implementing effective friendshoring policy.



respond to global supply chain shocks, such as the disruptions caused by the COVID-19 pandemic. Furthermore, Yellen explained that the United States would focus on strengthening supply chains with countries that “have strong adherence to a set of norms and values about how to operate in the global economy and how to run the global economic system.”

The Indo-Pacific has become a key region for implementing effective friendshoring policy. The launch of the Indo-Pacific Economic Framework for Prosperity (IPEF) in May 2022 offers an illustration of friendshoring policy in action. A key goal of the 14-member IPEF² is supply chain resiliency: this was the first pillar of work to be concluded in May 2023, reflecting both lessons learned from the disruptions of the pandemic and a keen eye on the risks of overdependence on China. Amid growing concerns about China’s dominant role in the critical minerals sector—China is the world’s largest producer of 28 metal and mineral commod-

ities³—the U.S.-led Minerals Security Partnership (MSP) was also established in 2022. Comprising 14 countries plus the European Union, the MSP was designed to accelerate the development of diverse and sustainable supply chains of critical minerals. MSP countries have launched 32 projects to date, including several focused on upstream mining and mineral extraction. The Chip 4 Alliance between the United States, Japan, Republic of Korea, and Taiwan is an example of efforts to bring together key allies in the Indo-Pacific with the goal of building resilience across the semiconductor supply chain and lessening China’s role in this strategic industry.

Alongside these plurilateral economic initiatives, the United States has strengthened its bilateral trade relationships with key economic partners in the Indo-Pacific as part of its friendshoring push. For example, in 2022, India and the United States launched the Initiative on Critical and Emerging Technology, which supports the development

² The IPEF comprises the United States and 13 partners: Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, and Vietnam.

³ See International Energy Agency, “Global Critical Minerals Outlook 2024”; and Eric Onstad, “In Race to Regain Rare Earth Glory, Europe Falls Short on Mineral Goals,” Reuters, June 28, 2024.



From 2021 to 2023, U.S. foreign direct investment in the Philippines increased by 27%, in Indonesia by 24%, and in India by 13%.

of high-tech industries in India, including enhancing semiconductor supply chains. The United States also elevated its relationships with Vietnam and Indonesia to the level of “comprehensive strategic partnerships” and

bolstered its cooperation with these two important Southeast Asia players to support and improve, inter alia, semiconductor supply chains and, in the case of Indonesia, critical minerals.

SIGNS OF DIVERSIFICATION OF SUPPLY CHAINS

While it takes time for supply chains to adapt and change, the following are some indications of U.S. companies diversifying their supply chains.

Friendshoring is just one factor contributing to the diversification of U.S. companies' supply chains; other policies such as stricter export controls, increased import tariffs for Chinese products, and investment screening rules also have roles to play.

Declining U.S.-China trade:

- Overall, U.S.-China goods trade has been declining since 2021. Bilateral goods trade between the United States and China as a share of total U.S. goods trade with the world dropped from just over 15% in the fourth quarter of 2021 to 11% in the fourth quarter of 2024.

Increasing foreign direct investment in South and Southeast Asia:

- From 2021 to 2023, U.S. foreign direct investment in the Philippines increased by 27%, in Indonesia by 24%, and in India by 13%.

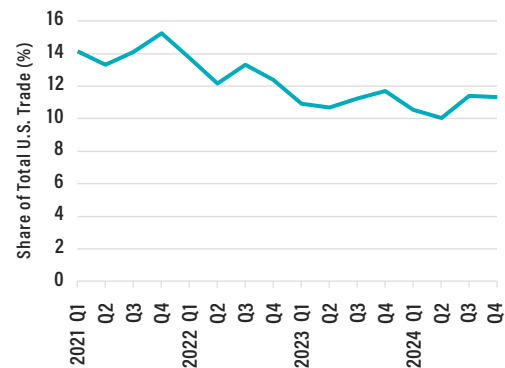
Moving production out of China:

- The 2025 annual China Business Climate Survey Report by the American Chamber of Commerce in China revealed that 30% of businesses considered or started relocating manufacturing or sourcing out of China in 2024, with India and South East Asian countries the top destinations.
- From March through September 2024, Apple's exports from India increased by one-third over the previous year as it expanded its manufacturing network in India from China.

Shifting lithium battery supply chains:

- In the lithium battery supply chain, the highest-value U.S. import from China was chemical products and preparations. However, from 2021 to 2023, U.S. imports of chemical productions and preparations from China shrunk by almost 60%, while at the same time, imports of these products from the Republic of Korea saw a more than 3000% increase; from Japan, a 73% increase; and from India, a 38% increase.

FIGURE 2: BILATERAL US-CHINA GOODS TRADE RELATIVE TO TOTAL US GOODS TRADE WITH THE WORLD



Source: U.S. Census



[A] 2023 World Bank report found that the reduction of U.S. imports from China may not have diminished dependence on China because countries that were more deeply engaged in Chinese supply chains saw the fastest growth in exports to the United States.

A BUMPY PATH FOR FRIENDSHIP: CHALLENGES IN FRIENDSHORING POLICY

While the United States has pursued friendshoring with some vigor in recent years, the implementation of the policy has encountered its share of challenges.

Who is a “Friend” of the United States?

One of the first tough issues to work through is the definition of friendship: Who is a “friend” of the United States? The Trump administration’s recent announcements of new U.S. tariffs that could be applied to friends and allies alike will no doubt make Indo-Pacific friendshoring partners and businesses pause for thought on the future economic engagement of the U.S. with its ‘friends’. For its part, the Biden administration often described friendshoring policy as applying to “trusted” partners, and those countries that espouse a common set of values about international trade. Japan has long been a trusted partner and friend of the United States, and it is committed to the international rules-based trading system. The United States and Japan have also worked together in forums such as the G7 and IPEF to enhance supply chain security. However, former President Biden’s decision in January 2025 to block the acquisition of U.S. Steel by Nippon Steel, citing national security concerns, raised questions about the durability and reliability of the “friendship” category. In the wake of this, friendshoring partners may well question whether their friendship with the United States is enduring or will be limited to certain situations at the whim of the U.S. government.

Friendshoring has also been described as involving countries with which the United States does not have any geopolitical

concerns. The reality is that countries’ policies can, and indeed do, change over time. This means that while a country may be considered a friend at one point, the relationship may later change in a way that makes supply chains between that country and the United States difficult, inadvisable, or even impossible. For example, the extent of Chinese investment in a country or a country’s level of engagement with Beijing may, over time, lead the United States to view that country less favorably. We are seeing heightened U.S. concerns about Chinese companies moving production to other Indo-Pacific countries and exporting to the United States from those countries to avoid U.S. trade restrictions and benefit from tariff advantages. For example, [Vietnam’s and Mexico’s imports to the United States have grown](#), but at the same time their imports from China have grown even faster, and Chinese investment in manufacturing in those countries is rising. Indeed, a [2023 World Bank report](#) found that the reduction of U.S. imports from China may not have diminished dependence on China because countries that were more deeply engaged in Chinese supply chains saw the fastest growth in exports to the United States.

Were the United States to go so far as to exclude a friendshoring partner from the supply chain because of increased Chinese investment there, that would mean a reversal of fortunes for the friendly country. This potential uncertainty around the longevity of the “friend” classification poses a challenge for businesses that are looking for certainty and stability when they consider investment decisions.

The definitional issues extend to questions about whether countries that have been identified as “friends” for supply chain purposes (and where the United States is



On the face of it, onshoring policies focused on supporting domestic production seem to be somewhat at odds with the goals of friendshoring, which are about strengthening international supply chains.

actively encouraging closer economic ties) are in fact reliable partners with which the United States has no geopolitical concerns. Vietnam, for example, has been a part of initiatives to strengthen supply chains with the United States, including those in critical sectors like semiconductors, but it has also been included on the United States' list of countries that raise national security concerns for dual-use goods, meaning that specific export controls apply.⁴

Inconsistencies with Onshoring Policy

At the same time that it has been pursuing friendshoring policy, the United States has also been ratcheting up its industrial policy and subsidizing production at home in recent years—the so-called “onshoring” policy. The Inflation Reduction Act (IRA), passed by the U.S. Congress in 2022, set out an ambitious plan to support climate and clean energy technology. This includes tax incentives and credits for electric vehicles assembled in North America and domestic production of clean energy components like solar panels and wind turbines. Since its passage, more than \$265 billion in clean energy investments have been announced, contributing to \$900 billion in total manufacturing investments.

The Infrastructure Investment and Jobs Act (2021) and the CHIPS and Science Act (2022) also provide financial incentives for building semiconductor manufacturing plants in the United States, and include “Buy America” provisions that mandate the use of some domestically produced materials for federally funded infrastructure projects. Dozens of companies have committed to nearly \$400 billion in semiconductor investments across the United States, spurred largely by the CHIPS and Science Act’s incentives program.

On the face of it, onshoring policies focused on supporting domestic production seem to be somewhat at odds with the goals of friendshoring, which are about strengthening international supply chains. While in some cases, U.S. domestic policies offer incentives that certain foreign countries may be able to access, this mechanism is not the same as friendshoring of supply chains. Limitations on which countries can access the incentives, such as a provision that countries must have free trade agreements with the United States, are also problematic given that many “friends” of the United States do not have such agreements in place.

The increase in U.S. subsidies for domestic production also creates an uneven playing field. The effects of these measures are especially acute for countries that cannot afford to provide similar incentives to support production at home. While Secretary Yellen commented that friendshoring is “open and inclusive of advanced economies, emerging markets, and developing countries alike” and that the United States is “working to strengthen—not weaken—our ties with the emerging and developing world,” these industrial policies may run counter to such goals. Indeed, significant incentives to manufacture in the United States effectively diminish the competitiveness of many emerging and developing economies in global supply chains.

Increased Bifurcation of the Global Economy

Friendshoring is also contributing to the bifurcation of the global economy along U.S./China lines. International Monetary Fund researchers concluded that friendshoring trends could lead to a more fragmented global trade network and the loss of 2% of the world’s gross domestic product. Developing

⁴ See U.S. Export Administration Regulations (EAR) and the list of Country Group D:1, which includes Vietnam.



Some interviewees were nevertheless pragmatic that the current friendshoring policy is “the best that we can get from the U.S. right now” and that “it’s better to have it than not have it.”

countries, which would otherwise benefit from more foreign investment, are most vulnerable to the loss of economic output. Similarly, when the World Trade Organization considered the implications of the war in Ukraine, it predicted that if supply chains were reoriented based on geopolitical blocs, global GDP would drop by 5% in the long run as a result of restrictions on competition and the stifling of innovation. Countries that try to operate in both blocs would also be faced with duplicative supply chains, creating significant inefficiencies and raising costs.

PERSPECTIVES FROM THE INDO-PACIFIC: FRIENDSHORING IS WELCOME, BUT IT’S NOT ALL PLAIN SAILING

The success of the United States’ friendshoring policy relies on its friends around the world—but what do those friends think of the policy? To gain insights into the Indo-Pacific region’s view of this policy, the ASPI interviewed experts from across the region to hear their frank assessments of the implementation of the U.S. friendshoring policy. Interviewees discussed how the policy has been received in their countries, as well as whether and how it could be strengthened. These interviews were conducted in the last quarter of 2024. The experts interviewed included current and former government officials, businesspeople, academics, and senior researchers from think tanks in India, Indonesia, Japan, the Republic of Korea, Singapore, and Vietnam.

Overall, the interviewees gave the U.S. friendshoring policy mixed reviews. They noted that the region welcomes stepped-up U.S. engagement and increased cooperation to strengthen supply chains, but they also expressed frustrations with the limited benefits that so-called friends receive. There was

also some confusion among friendshoring partners about the mixed messages coming from the United States about the importance of onshoring versus friendshoring. The United States’ Indo-Pacific partners were also cognizant of their strong economic ties to Beijing and the need to balance relations with both the United States and China.

The Importance of Concrete Benefits

Most experts agreed that it is important for the U.S. friendshoring policy to provide benefits to both sides. While Secretary Yellen commented that “achieving resilience through partnering with Indo-Pacific countries means gains for Indo-Pacific economies as well,” several interviewees noted that, from an economic perspective at least, friendshoring had not brought them substantial benefits. One interviewee commented that “the Indo-Pacific Economic Framework and Minerals Security Partnership are examples of friendshoring, but they focus more on geopolitical considerations, like reducing dependence on China, rather than offering real economic benefits. Without market access, it’s hard to see substantial gains from joining them.” Furthermore, one interviewee expressed the view that friendshoring is “not sustainable in the long term unless the U.S. provides clear incentives for allied countries.” Another expert pointed to a real lack of benefits compared with traditional trade agreements. Others commented that the benefits of friendshoring for partners are simply “unclear.” Other interviewees were nevertheless pragmatic that the current friendshoring policy is “the best that we can get from the U.S. right now” and that “it’s better to have it than not have it.”

Still, some respondents identified tangible benefits for their countries, such as greater U.S. investment in key sectors, stronger



One expert summed it up as “friends are not always aligned 100% but you need trust in the relationship.”

supply chain integration, improved business collaboration, increased strategic economic ties, and benefits for specific sectors where the United States is trying to lessen China’s role. Others found the policy aligned with broader trade and investment goals. For example, one expert commented that friendshoring is useful for those seeking greater openness to foreign investment in the United States, while another highlighted the value of friendshoring in terms of boosting business confidence, given that the United States is “still engaging in the region.”

Concerns About U.S. Onshoring and Domestic Policies

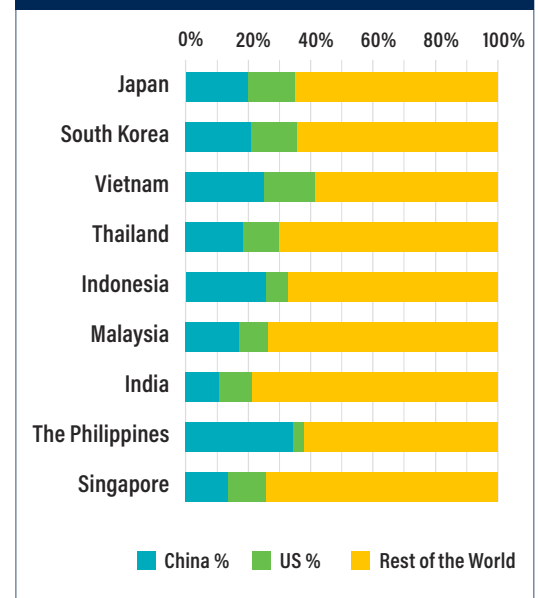
A number of respondents expressed concerns about U.S. domestic policies, with both confusion and frustration arising from the perceived inconsistency between some domestic policies and friendshoring. One expert commented that “on the one hand, the U.S. says, ‘you are our friends,’ but then they pass policies like the IRA that hurt their friends.” Another expert similarly noted that “the U.S. is very keen on promoting growth back home, with policies like the Inflation Reduction Act and CHIPS [and Science] Act providing subsidies to incentivize companies to move production back to the U.S. This sometimes creates confusion or tension between supporting supply chains overseas or bringing them entirely back to the U.S.” One interviewee remarked that U.S. subsidies supporting domestic manufacturing were undercutting plans in their own country to become a manufacturing hub; this was a double hit because their country is not eligible for any of the IRA’s tax credits. Some experts added that while they had raised their concerns with U.S. officials, communication was not always easy, and they did not believe their concerns had been adequately addressed by the Biden administration.

The politicization of Nippon Steel’s proposed acquisition of U.S. Steel was also cited by some interviewees as a move that had undermined trust in friendshoring—one that would have a lasting effect, and not just for Japan. One expert summed it up as “friends are not always aligned 100% but you need trust in the relationship.” There was a sense among several interviewees that the United States was prioritizing its domestic industries at the expense of its so-called friends. In this regard, one respondent observed that friendshoring worked best when the friend was complementing the U.S. initiatives, rather than trying to compete.

De-Risking from China is Difficult

Respondents emphasized that their supply chains remain largely intertwined with China, not least because of their free trade

FIGURE 3: ASIA’S KEY SUPPLY CHAIN RELATIONSHIPS: TWO WAY TRADE IN GOODS WITH THE US, CHINA AND THE REST OF THE WORLD (2023)



Source: Japan Customs, Korea International Trade Association, Vietnam’s General Statistics Office, Thailand’s Ministry of Commerce, BPS-Statistics Indonesia, Malaysia External Trade Development Corporation, India’s Ministry of Commerce and Industry, Philippine Statistics Authority, Singapore’s Department of Statistics



[The] 2024 report from the ISEAS–Yusof Ishak Institute on “The State of Southeast Asia”... found that China continues to be seen as the most influential economic power in Southeast Asia, outpacing the United States 59% to 14%.

agreements with China. Balancing the competing interests of relationships with the United States and China was important to players in the region given their heavy economic reliance on China. One expert remarked that “just cutting off the supply chain with China is not easy—it’s almost impossible.” Another explained that in their view, the economic calculations for business will always play out first, and “if producing in China makes the most sense, companies will continue there.” Nevertheless, a few interviewees acknowledged that a growing number of companies are relocating from China to other parts of Asia as they seek more stable production sites.

For some, keeping their relationships with China and the United States balanced meant that increased engagement through the U.S. friendshoring policy resulted in a need to boost engagement with China too. Yet other interviewees commented that the friendshoring policy did not significantly alter their country’s relationship with China. Some noted that the two relationships are not mutually exclusive—they want to benefit from both relationships and prioritize economic benefits over ideological alignment. One respondent commented that many in Southeast Asia prefer the term “like-minded” rather than “friend” because it avoids being strictly aligned with the United States or China and “reflect[s] our position of not taking sides.”

Views on Friendshoring Entangled with Broader Attitudes Toward the United States

Many interviewees commented on how the friendshoring policy impacted public sentiment in their countries toward the United States. One interviewee noted a persistent trust deficit with the United States in their

country, but added that friendshoring was one initiative that was helping this to move in the right direction. For some countries, the general public feeling was that the United States was more distant than China, with the latter’s investment in infrastructure projects in particular being more visible. Some countries also raised questions about the long-term reliability of U.S. engagement in the region. This concern resonated with a 2024 report from the ISEAS–Yusof Ishak Institute on “[The State of Southeast Asia](#),” which found that China continues to be seen as the most influential economic power in Southeast Asia, outpacing the United States 59% to 14%. China also edged past the United States to become the prevailing choice if Southeast Asia were forced to align with either China or the United States. While multiple factors contributed to this shift in public sentiment, reversing this trend may require greater clarity on how the region can effectively participate in U.S. economic strategy.

ENHANCING FRIENDSHORING POLICY: GUIDING PRINCIPLES

Considering the objectives of the friendshoring policy, the challenges identified, and the perspectives shared by interviewees in the Indo-Pacific region, five principles should be adopted to enhance U.S. friendshoring policy. Many of these principles apply equally to the United States’ Indo-Pacific partners as they shape their own approach to building greater economic resilience.

1. **Strategic Focus:** Working closely with the private sector, focus friendshoring first on a limited number of strategic sectors in line with U.S. priorities, such as chips, critical minerals, and pharmaceuticals, and expand to other sectors over time.
2. **Certainty:** Take a long-term approach to building confidence among friends



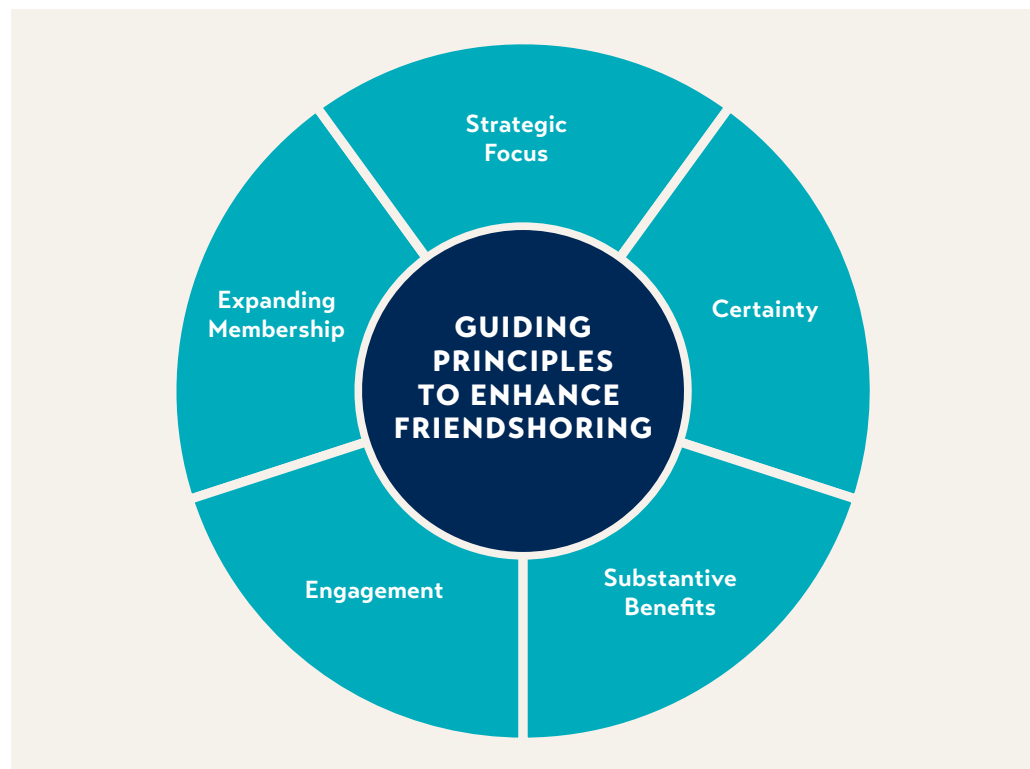
Look beyond traditional partners to include trusted developing economies that will provide greater access to resources and supply networks for businesses.

by situating friendshoring policy in a new, comprehensive U.S. economic security strategy. This would provide a clear direction, certainty, and consistency of application for friendshoring policy.

3. **Expanding Membership:** Look beyond traditional partners to include trusted developing economies that will provide greater access to resources and supply networks for businesses.

4. **Substantive benefits:** Strengthen the benefits of friendshoring for both sides, including gains in market access, collaboration on research and development, and increased support for capacity building.

5. **Engagement:** Ensure that engagement with trusted partners—and the business community—goes both ways, creating ample opportunities for early discussion and feedback on new initiatives.



Principle 1: Strategic Focus

Friendshoring policy should focus first on areas of greatest strategic interest to the United States, as well as areas in which reducing supply chain dependence on China and increasing resilience are most critical. The Administration should ensure that it works closely with the private sector to identify these sectors given business’ expertise in shaping supply chains and their interest in stability and certainty.

One sector that should be prioritized is semi-conductors, given the importance of chip technology for security and U.S. technological leadership. More work should be put into reinvigorating the Chip 4 Alliance, particularly to ensure that it supports the new administration’s priorities in artificial intelligence. Critical minerals is another strategically important area where more can be done and efforts to reduce dependence on China should be redoubled. During President



[T]he United States should broaden the membership of the Minerals Security Partnership and evaluate what additional benefits and trade facilitation measures should be advanced.

Trump’s first term, he prioritized reducing U.S. vulnerability to disruptions in critical mineral supply chains “through cooperation and coordination with partners and allies.” As critical mineral producers continue to impose significant export controls and market access improvements are lacking, the United States should broaden the membership of the Minerals Security Partnership and evaluate what additional benefits and trade facilitation measures should be advanced.

Pharmaceuticals should also be a strategic focus for friendshoring, especially active pharmaceutical ingredients for which China is the dominant global player. The United States should forge closer economic and supply chain arrangements on pharmaceutical products with friendly countries such as India and the Republic of Korea, which are investing in the development of domestic pharmaceutical industries. These strategic sectors should be regularly reviewed and updated so that the policy can take account of new developments, including new technologies, and supply chain pressures and challenges, and expanded over time.

Principle 2: Certainty

Businesses need certainty to make sound investment decisions, as it is costly and difficult to align with shifting criteria. Therefore, an effective friendshoring policy should take a long-term approach, assuring friends and businesses that international relationships are secure and less likely to be undermined by short-term developments and domestic politics.

To support this long-term approach, the United States should situate the friendshoring policy more clearly within its broader economic security priorities through the development of a comprehensive U.S. economic security strategy. This would provide

clear direction for the policy, including key elements such as having well-defined objectives and criteria, consistency of application, and clear definition of who qualifies as a friend. These elements would help clarify when a country is no longer part of the friendshoring group of countries, the process for making such a determination, and the implications of that decision. This consistency and certainty should extend to outlining the expectations for friends—transparency on these requirements would help develop a smoother relationship from the outset.

Principle 3: Expanding Membership

With China’s economic playbook continuing to evolve, potential supply chain disruptions due to geopolitical uncertainty increasing, and projected growth of the Global South’s role in the world economy, Washington should look beyond its traditional friends to ensure a broad membership for its friendshoring policy, including more emerging market partners. This will enable U.S. businesses to have greater options and access to different resources and supply networks as they build more resilient supply chains. At the same time, this would help support the economic development of trusted developing country partners, for example, by encouraging foreign investment.

Principle 4: Substantive Benefits

Both sides need to see benefits from the friendshoring policy for it to be successful and for countries to stay engaged over the long term. As our interviewees underscored, the United States’ friends are clearly seeking more tangible benefits from friendshoring. To keep these friends in the game, small gains in market access should be considered as part of a binding and durable friendshoring package. This access could be achieved



The OECD noted that intellectual collaboration with foreign partners fosters greater innovation as it allows firms to access a broader pool of resources and knowledge at lower costs, and share risks.

through limited, sectoral agreements in strategic sectors of priority to both sides, such as critical minerals or semiconductors. This would also send an important signal, including to investors, about the United States' commitment to these relationships.

The United States should also consider expanding this policy from primarily supporting goods supply chains to encompass “intellectual friendshoring”—that is, collaborating on research and development. The OECD noted that intellectual collaboration with foreign partners fosters greater innovation as it allows firms to access a broader pool of resources and knowledge at lower costs, and share risks. In addition, the United States should increase its capacity-building support for emerging market partners as a concrete advantage tied to this policy. This could encompass areas such as digital transformation, and critical minerals management.

Principle 5: Engagement

Friendship requires good communication. Early and fulsome consultation by Washington with its friendshoring partners on new or evolving policies will go some way toward allaying concerns and responding to diminishing trust. Offering advance notice and, whenever possible, opportunities for feedback would allow the friends to be heard and to contribute ideas that could help maximize benefits and minimize costs for both sides. These communications would also reinforce

the key message that despite domestic measures, the friendship remains important to the United States. This would enable a softer landing for such policies and support strong relationships with the friends.

In addition, more effective engagement should extend to the U.S. private sector. While governments can influence and incentivize business decisions on their supply chains, at the end of the day, the determination of supply chains remains for the business to decide. While firms are increasingly including geopolitical considerations in their risk calculations, a friendshoring policy that takes account of business perspectives through effective engagement will be more likely to achieve its objectives.

CONCLUSION

Friendshoring is a valuable tool in the United States' economic security toolbox that helps the United States build more resilient, secure and diverse supply chains and reduce the risks of overdependence on China. The United States' Indo-Pacific partners welcome increased supply chain cooperation but they are also looking for clarity on friendshoring benefits and the alignment of friendshoring with domestic industrial policies. The Administration should be encouraged to revisit U.S. friendshoring policy, address the challenges, and build on the foundation that has been laid to date in order to deliver real economic benefits to business and workers both here and in the Indo-Pacific.