

# Global Trade Interdependence: U.S. Trade Linkages With Korea, Mexico, and Taiwan

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Korea, Mexico, and Taiwan represent vital trade partners for the United States, not only as destinations for U.S. exports, but more importantly as key partners whose firms supply critical intermediate goods on which the health of America’s advanced-technology industries depend.

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The global economy has become increasingly interlinked, as nations—and enterprises therein—specialize in productive activities wherein they enjoy the greatest levels of comparative advantage. This phenomenon has become especially pronounced in the globalization of value chains for sectors such as information and communications technologies (ICT), electronics, aerospace, and automotive, with Asia becoming a central player in many of these supply chains, especially for ICT products. This internationalization of supply chains means that the success of original equipment manufacturers (OEMs) depends greatly on the health and vitality of suppliers in other nations and the ability to pursue trade, ideally on mostly unimpeded terms, with them. This report examines trade linkages between the United States and three key partner nations—Mexico, Korea, and Taiwan—analyzing the extent of inter- and intra-industry trade across six key sectors: automobiles, chemicals, computers and electronics, machinery, other transportation equipment (including aerospace), and pharmaceuticals. The report demonstrates both that U.S. industries in these sectors depend greatly on trade with suppliers in study partner nations and that these nations are key importers of U.S. goods in these industries.

The report begins by analyzing the evolution of trade in the 21st century, characterized especially by the rise of global supply chains. It next provides an in-depth analysis of U.S. trade with the three partner nations, including analyzing value added and inter- and intra-industry trade linkages

and flows in the six industries across the three countries. In order to illustrate the nature of global value chains in concrete terms, it then provides a case study assessing the nature of U.S.-Taiwan trade and economic linkages. The report concludes by offering policy recommendations.