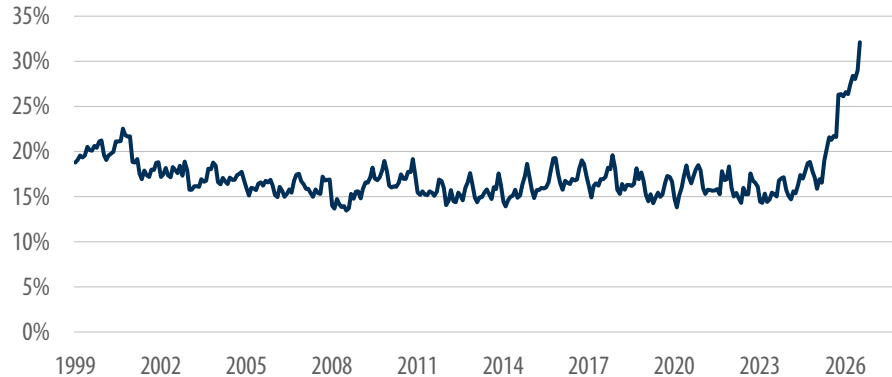


AI Investment Is Reshaping International Trade

The past two years have been some of the most volatile in the history of U.S. international trade. Between the Trump Administration's new tariff regime, the ongoing wars in Ukraine and the Middle East, and the massive wave of AI investment, it's difficult to get a clear picture of how global trade is shifting. Examining each of these forces on its own helps sharpen the picture. In this week's "Three on Thursday," we focus on the AI investment wave. This year, the largest hyperscalers are expected to spend more than \$700 billion on data centers and compute infrastructure. Estimates suggest that over half of the hardware used in this AI buildout is sourced from overseas, meaning hundreds of billions of U.S. dollars are being sent abroad to fuel this acceleration. As a result, signals on the underlying shifts in the global trade landscape have been overshadowed by one product category, computer and electronic products, which encompasses most AI-related hardware. To see how this investment wave is affecting international trade dynamics, see the three charts below.

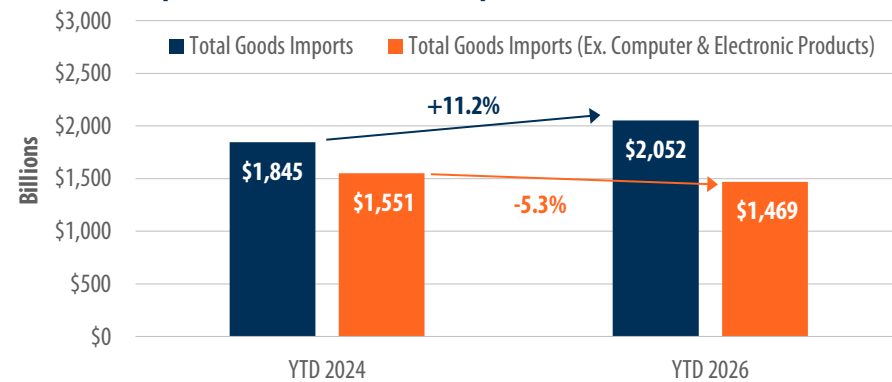
Computer & Electronic Products Share of U.S. Goods Imports



Source: U.S. Census Bureau, First Trust Advisors. Monthly data Jan 1999 - Jul 2026. Data is not seasonally adjusted.

Through 2024, computer and electronic products had historically accounted for around 15-20% of all U.S. goods imports, narrowly edging out transportation equipment as the largest import category over the past 25 years. Over the past two years, however, that share has skyrocketed as the data center buildout has accelerated. As of July 2026, computer and electronic products made up almost a third of all goods imports (32.1%), the highest share on record and well above the previous peak of 22.5% during the telecom buildout of the late 1990s and early 2000s. U.S. goods imports are now more concentrated in a single category than at any point on record going back to 1999. With so much of the total now driven by one category, we believe headline import figures do not reflect underlying strength of U.S. demand for foreign goods.

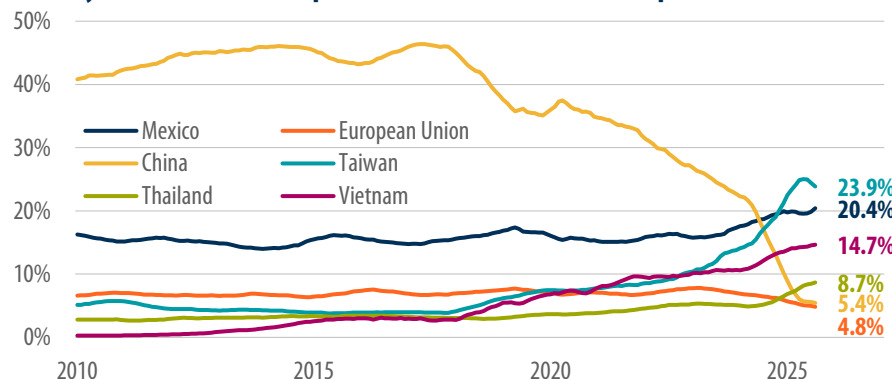
U.S. Goods Imports Before and After Trump Tariffs



Source: U.S. Census Bureau, First Trust Advisors. Data is year-to-date through July (most recent data available).

Superficially, the Trump tariffs have had little effect on international trade dynamics – total imports are higher today than before President Trump took office. A closer look at the data reveals a different story. The entire increase can be traced to the massive AI and data center buildout. Excluding computer and electronic products, goods imports are down 5.3% year-to-date compared to the same period in 2024. In the twelve months ending July 2026, imports of computer and electronic products reached \$910 billion, the largest on record reaching back to 1999. For reference, these imports were \$507 billion for the twelve months ending July 2024.

Country Shares of U.S. Computer & Electronic Products Imports



Source: U.S. Census Bureau, First Trust Advisors. Monthly data Dec 2010 - Jul 2026. Data represent the share of trailing twelve month total imports.

The AI buildout has not only changed how much the U.S. imports high-tech equipment, but also where those products are sourced from. For the past two decades, China has been the main supplier of computer and electronic products, accounting for almost 50% of all these imports at the peak in 2018. In the past few years, this has been flipped on its head: China is now the fifth largest supplier, while Taiwan, Mexico, Vietnam, and Thailand have all pulled in front. China's declining share is not solely attributed to "dilution" from the AI buildout. Year-to-date, total computer and electronics imports from China are \$27 billion, less than half the total over the same period in 2024. That said, exposure to China may not be fully eliminated. Many products imported from today's leading suppliers still rely on Chinese components further back in the supply chain.