

Will Current Economic Turmoil Scale Back Globalization?

Not Really, Says Gene Tyndall, but Now is a Good Time to Relook at Supply Chain Strategies and Networks

SCDigest Editorial Staff

Amid the financial crisis and global economic slow down, some observers are betting that the powerful rush towards globalization will slow dramatically and perhaps even reverse itself.

Indeed, there were some indications this was happening even before the brewing financial crisis kicked into high gear. (See *Is the World Going Unflat?*). Now, some companies are seeing their Chinese suppliers disappear, as tens of thousands of manufacturers in China shut their doors. (See *Will there Turn out to be a "China Import Bubble" Too?*)

There are some changes going on for sure, but not as dramatic as some of the reports would have you believe," said Gene Tyndall, Executive Vice President at Tompkins Associates and an SCDigest Contributing Editor.

"There is a lot of news - and rumors - about thousands of China factories closing and assertions that North American and European multi-nationals are bringing sourcing and production back, but that trend is being over exaggerated," Tyndall says.

The trend is both a matter of degree and China Government policy, Tyndall says.

For example, while thousands of Chinese factories are closing, 98% are for low-end commodities that the government there wants to transition out of anyway, Tyndall says.

He also says more of those closing are related to the economic downturn and not due to the supply chain strategies of the multi-nationals.

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He also notes that China continues to invest in infrastructure and new plants that make high-end components and products, and that the Chinese government has recently announced a series of stimulus plans to build out still more infrastructure and stoke export business, which is still positive but currently well down in terms of the growth it enjoyed over the past few years.

Tyndall says, however, he is seeing some trends towards greater sourcing diversification to low cost countries outside of China. "We're seeing interest in Mexico, Eastern Europe, and Brazil, depending on the industry," Tyndall says.

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While globalization is here to stay, Tyndall says, the current dislocation does provide an opportunity to rethink global supply chain strategies.

"To me, the winners coming out of the recession will be those companies that have planned and established a new business model -- one that yields the lowest Total Delivered Cost to their customers, no matter where they are located," Tyndall says.

