



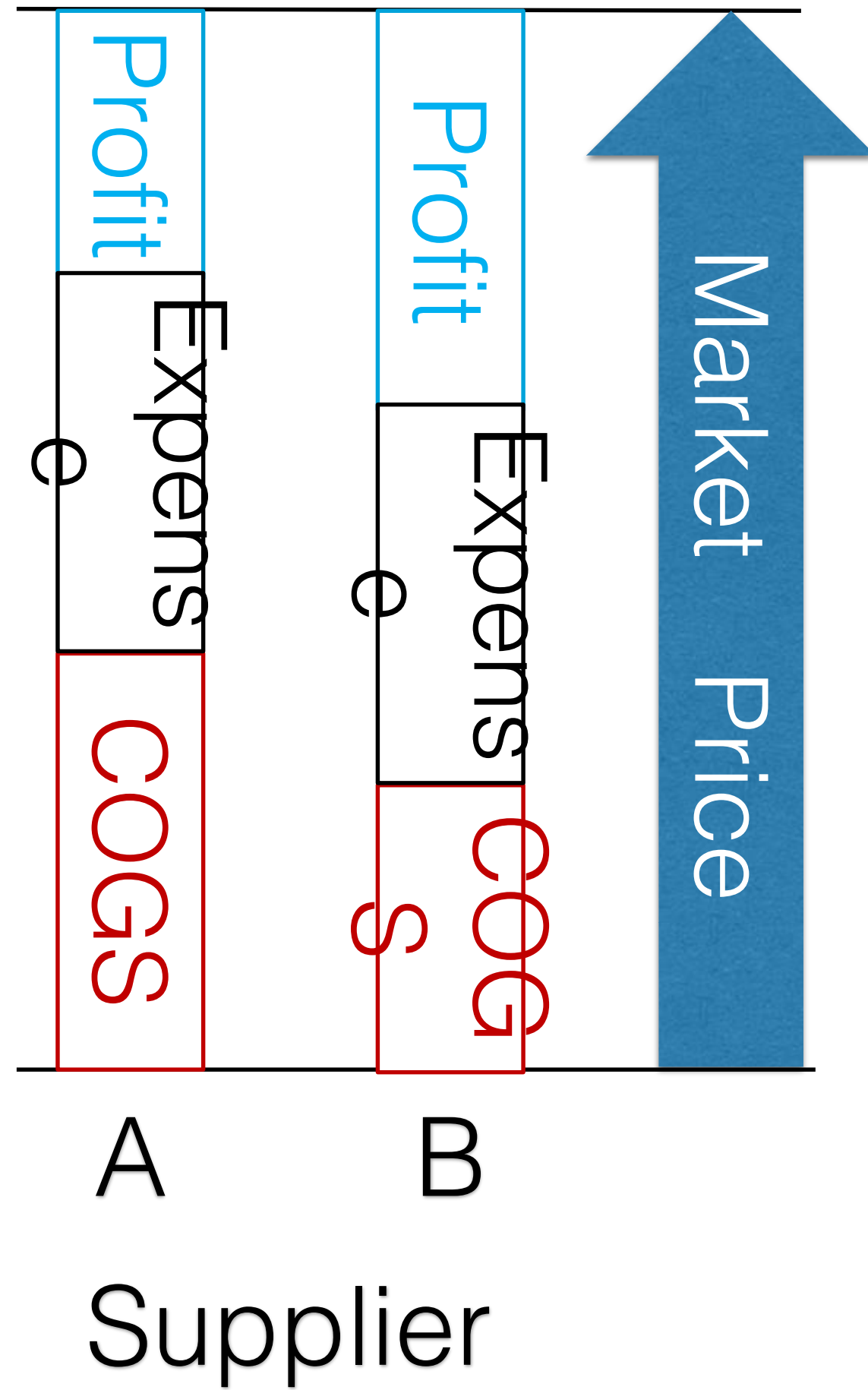
# Deglobalization and how it impacts Sales & Supply Chain

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# Agenda

- Enabling Globalization
- Driving Factors for Deglobalization
- Impacts on the Value Chain
- Trends, Winners, and Losers

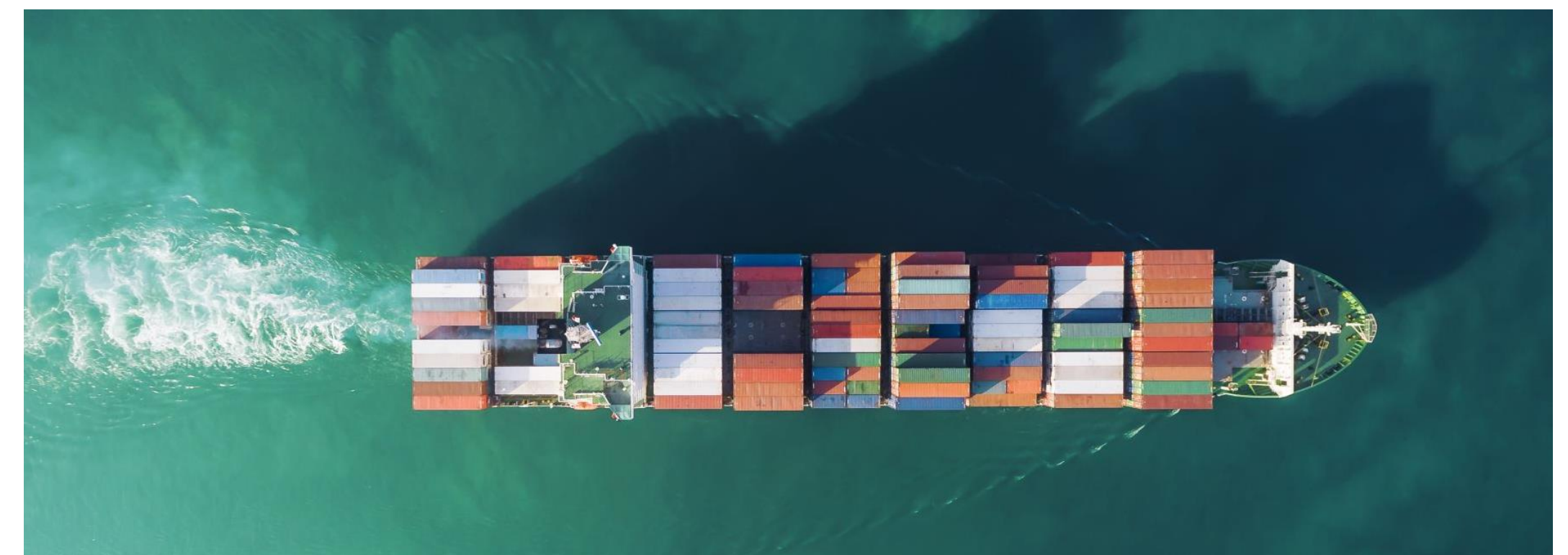
# How to Maximize Profits?



Economies of Scale



Supply Chain



# Influential Factors of Globalization

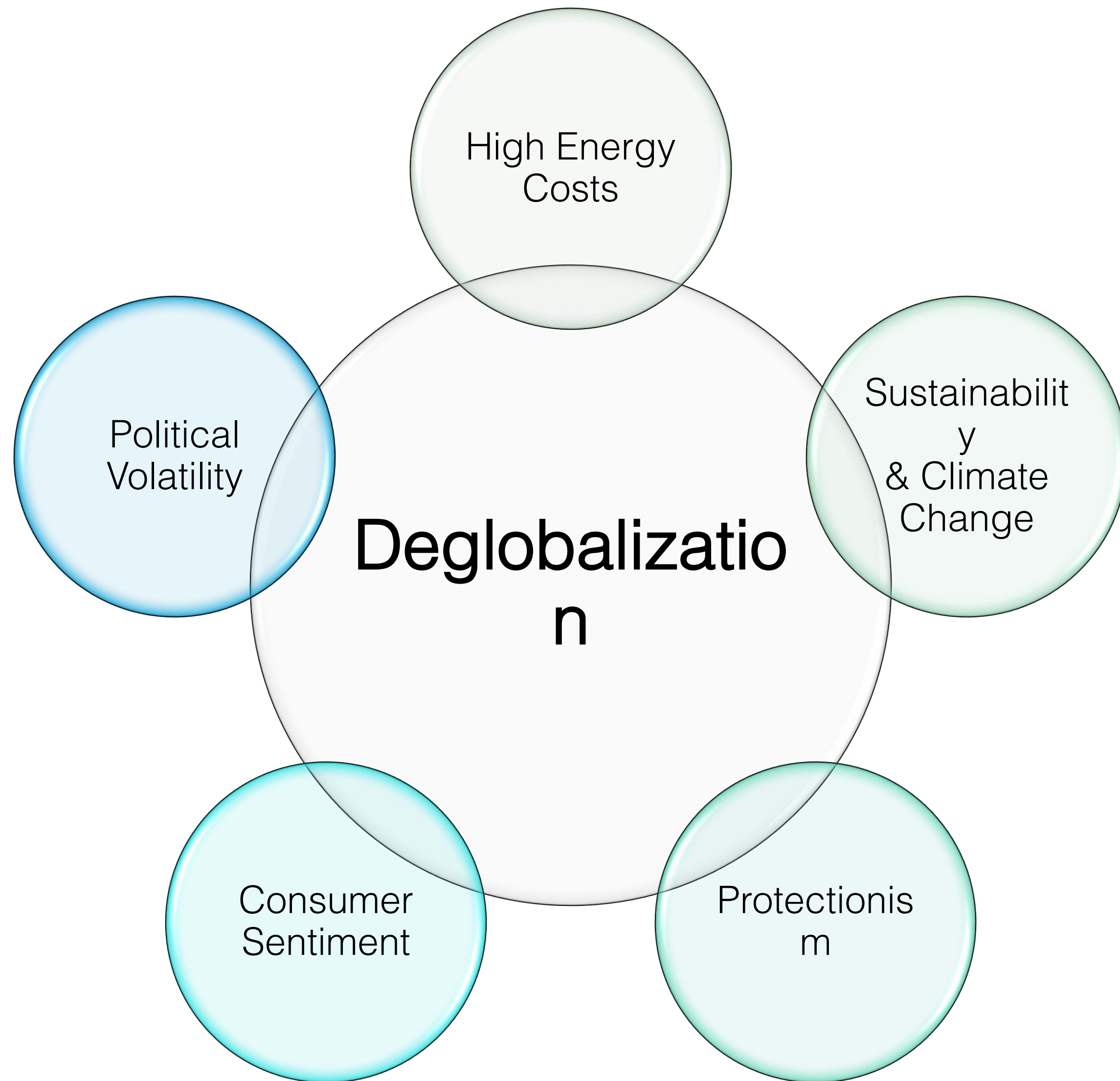
- Transportation combined with Low Energy Cost makes it cost effective to move goods around the world.
- Developing Economies with strong Infrastructure allows goods to be produced with a competitive cost structure.
- Free Trade reduced the barriers to offshore production and warehouses.
- Digitalization allows the supply chain to become closer to the end user.



# Beneficiaries of Globalism

- Companies with a global supply chain or global footprint especially in emerging markets in order to capitalize on a lower cost of goods sold.
- Emerging economies especially with strong infrastructure and graduates with a technical education enabling a faster transfer of knowledge and know-how.
- Consumer's ability to purchase more goods at lower prices.
- Interdependence of countries and cultural exchange

# Influential Factors of Deglobalization



- High Energy Costs have reduced the benefit of global transportation.
- An emphasis on Sustainability & Climate Change reduces the potential of emerging economies.
- Protectionism policies are increasingly being changed with regards to tariffs, sanctions and subsidies.
- An increasing sense of nationalism and a change in the needs can be found from the Consumer Sentiment.

- Political Volatility increases the risk

# Industrial Policy Examples

The European Union is placing “green tariffs” on carbon-intensive imports.

- Bloomberg

Congress passed the CHIPS Act of 2022 to strengthen domestic semiconductor manufacturing in the US

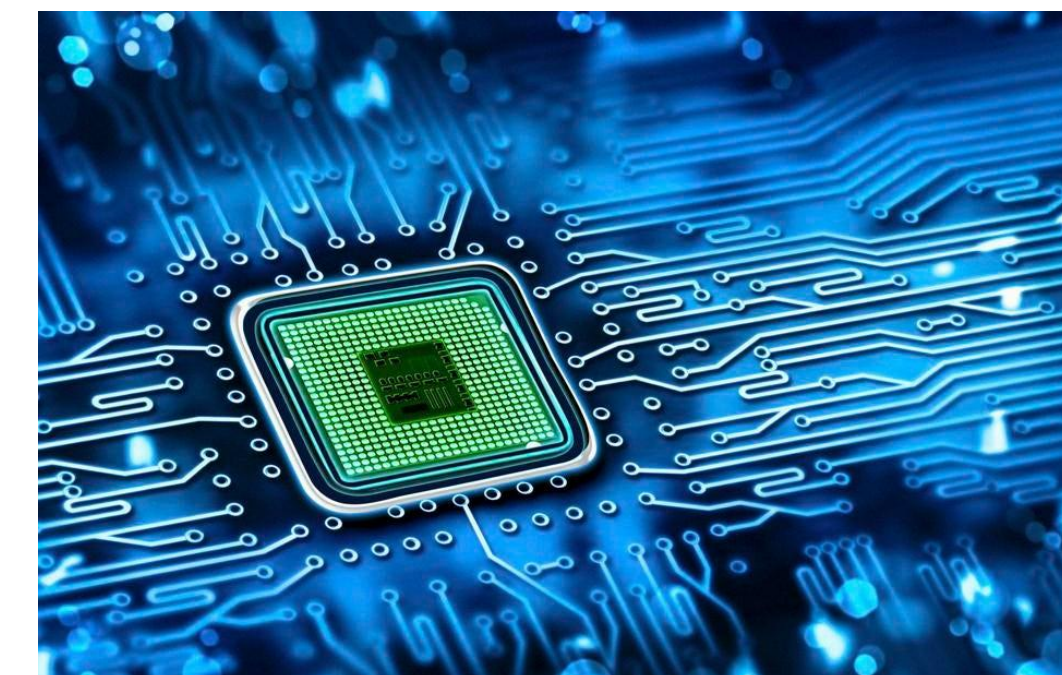
- Semiconductor Industry Association

The US is giving green-energy subsidies to domestic firms.

- Bloomberg

The European Chips Act aims to increase the production of semiconductors in Europe

- European Parliament



# Political & Consumer Sentiment

- War in Ukraine and the impact it has on a global level
  - Defense Markets
  - Made in China
  - Protecting Technology & Information
- Cost of Energy driving a change in sentiment
  - The Importance of Sustainability
  - A Shift Government Funding
- The impact of COVID-19 on consumer habits
  - The Process of Acquiring Information
  - Changes to how Goods are Consumed



# On-Shoring & Near-Shoring

- Examples of shifts to On-Shoring
  - Defense Industry due to an increasing of demand of regulations and policy
  - Semiconductor & Energy Supply Chains due to a high cost of capital and availability of funding
- Examples of shifts to Near-Shoring
  - Industries with less restrictions such as contract manufacturing, life sciences, pharmaceutical, machined parts, etc.
  - Heavy industries where goods are more difficult to ship around the world such as automotive & aerospace.



In 2021, Chinese companies were responsible for 30 percent of foreign investment in Nuevo León, Mexico, second only to the United States at 47 percent.

How China's factories are pivoting from an export-oriented business model to rely more on domestic sales

**Table 1. Largest greenfield projects announced in 2022**

Host economy	Industry segment	Parent company	Home economy	Estimated capex (Millions of dollars)
United States	Semiconductors	Taiwan Semiconductor Manufacturing (TSMC)	Taiwan, Province of China	28 000
South Africa	Real estate	URB	United Arab Emirates	20 000
India	Semiconductors	Vedanta Resources	United Kingdom	19 500
Ireland	Semiconductors	Intel	United States	13 366
Egypt	Renewable energy	ACME Group (ACME Cleantech Solutions)	India	13 000
United Kingdom	Renewable energy (wind)	Marubeni	Japan	12 240
Egypt	Renewable energy	Globeleq Generation	United Kingdom	11 000
Egypt	Renewable energy (wind)	Mubadala Investment Company	United Arab Emirates	10 815
Morocco	Renewable energy	Eren Groupe	Luxembourg	10 280
Egypt	Renewable energy	Fortescue Metals Group	Australia	10 000

Source: UNCTAD, based on information from the Financial Times Ltd, fDi Markets ([www.fDimarkets.com](http://www.fDimarkets.com)).

## Globalization Shocks: Winners and Losers

Overall rankings reflect the average performance of each country on the given dimensions

■ Higher potential ■ Lower potential

Rank	Country	Cost-advantage potential	Labor cost potential	Nearshoring potential	Skilled migration potential
		Year-over-year change in relative prices of exports and imports, July 2022	Percentage-point change in share of working-age population, 2022-32	Foreign markets covered by free-trade agreements, % of GDP	Global Talent Competitiveness Index, 2021 (0-100)
1	Malaysia	1.9	1.7	8.5	60
1	Mexico	0.5	2.6	25.7	46
3	Argentina	0.3	2.1	5.1	48
4	Colombia	1.7	0.8	6.5	44
5	Philippines	-1.4	2.2	8.3	45
6	Peru	-2.0	1.9	49.4	40
6	S. Arabia	10.9	-0.7	2.2	54
8	Egypt	0.7	1.3	5.8	40
9	India	-0.9	3.3	6.9	40
9	Poland	0.1	-2.2	28.3	56
9	Turkey	-0.4	0.2	22.2	43
9	Vietnam	0.6	-0.7	39.6	41
13	Indonesia	3.3	0.7	2.8	42
14	S. Africa	0.0	0.3	1.1	46
15	Brazil	-1.3	0.6	1.2	43
15	Chile	-5.6	-1.5	7.5	60
15	China	0.3	-2.2	1.3	57
15	Pakistan	-0.6	3.8	10.9	32
19	Thailand	-1.8	-3.7	5.7	45
20	Nigeria	5.2	2.1	0.8	31
20	Russia	7.7	-3.5	0.4	52
22	Sri Lanka	-1.0	-0.2	12.0	39

Sources: IMF, World Bank, United Nations, INSEAD

Bloomberg

## Additional Criteria to Consider

- Proximity to the consumer base
- Political stability for the foreseeable future
- Ease of doing business (Capital & Regulatory)
- Hedging strategy of foreign exchange

# Takeaways

- Deglobalization is more likely to be a shift in the methods of Globalization rather than a complete Deglobalized structure.
- It is critical to identify where your value creation is in the value chain and how it is impacted by political and consumer sentiment.
- A redesign of your global network might be necessary to reduce the cost of political borders.

# Kiitos