


Chapter 5

Relocation Strategy of Global Supply Chain and Value Chain Under Deglobalization

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ABSTRACT

This chapter aims to critically analyze the implications that the national protectionist policies have on the global supply and value chains and the relocation of production. The analysis is based on the assumptions that the global economy is facing the possibility of decoupling of many trade connections, and this trend favors deglobalization processes that have long been promoted by populism, nationalism, and economic protectionism. It is concluded that global supply, production, and value chains, although being economically efficient, are no longer any more secure under national protectionist policies, and therefore, the relocation of production processes is mainly due to the increase in the level of income and wages of the developing countries that are the destination, and which reduce the advantages to relocate.

INTRODUCTION

This chapter discusses the relocation of the global supply chain. Due to globalization, supply chains behave globally. Materials and products have been transferred and manufacturing facilities have been allocated globally. On the other, deglobalization has occurred many times. It is almost impossible for a company to control globalization and deglobalization trend. However, companies construct supply chains and change their structure globally according to internal and external factors.

The processes of economic globalization are in difficulties, showing a contraction in international trade flows in 2019, which are aggravated by the responses that companies have given to the health emergency. The outbreak of the coronavirus pandemic has immediate negative effects with a considerable impact on global trade, investment, and financial flows. Coronavirus is changing the way the world does business for bad or good. Business corporations and companies are being forced to rethink their

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global value, production, and logistics chains, shaped to maximize efficiency and profits. Resilience, recovery, and adaptation are becoming relevant in the world economy (Javorcik, 2020).

This analysis shows expansive periods of free trade alternate with other periods in which protectionist measures and the relocation of production are part of a process that is called deglobalization and is characterized by a reduction in export growth that is compensated with increased consumption of the domestic market to defend national interests. Some developed economies have trade imbalances with negative effects on less developed countries.

The current environment of economic, social, political and health instability has intensified the increase in the economic costs of transaction and coordination of the subsidiaries of multinational companies located in other international host territories, making relocation processes unviable, for which they have initiated processes of repression or de-globalization to return its production to the countries of origin. This situation has meant stagnation, and in some cases, a reversal in business strategy to deepen the globalization processes of companies (Meyer and Peng, 2016).

The level of economic integration in globalization processes is well advanced, as it has been shown that when production in some provinces of China is paralyzed, the supply of inputs to other companies from other nations has affected, a situation of vulnerability that has motivated deglobalization as a response that makes relocation more profitable with the repatriation of factories (Zhu et al., 2020).

This paper first makes a critical analysis of the national protectionist policies and its implications on the global supply and value chains and how these two factors determine the strategy of the relocation of production. Finally, a discussion is offered on these issues.

BACKGROUND

National Protectionism Policy

Protectionism has returned, and it will be having to think about it if it is wanted to reap all the benefits and implement this reasoned “deglobalization” that it called for and that now seems inevitable (Sapir, 2016). The term deglobalization was coined by Sapir (2011) to refer to the protectionism of countries that have a similar level of development and economic growth limited by the commercial and financial dimensions of globalization than through outsourcing and relocation processes of large companies, groups of production centers. Deglobalization processes are characterized by the recovery of the sovereignty of nations, reduction of their interdependence, implementation of automatic and protectionist policies to reduce economic and commercial relations.

In a protectionist policy, countries increase restrictions on the free flow of trade, finance, and people, reinforcing their national borders and are oriented towards deglobalization processes that threaten the internationalization of higher education, for example, which remains confined, although it is already advised to deepen the advancement of online education through platforms that reach all places, including the most remote places in the world (James, 2018). The concern about these changes is the depth in which they must occur to save and overcome the advances of globalization, so it can be considered that the advances will be different and different as it had been advancing before, although it is necessary that competition be promoted while cooperative and collaborative relationships are fostered.

Deglobalization is an inverse process to globalization that is manifested by the protectionist and regulatory economic and trade policies of the nation-states as well as the trade wars that are carried out

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