

## **Will Regional Supply Chains Replace Globalization?**

All commercial and productive activities of multinational companies, whose investments diversified in the Global Supply Chain, were disrupted as a result of Covid-19 Pandemic and the Russian – Ukrainian war, which led to an in-depth and serious discussions in the sober economic research centres on the importance and validity of the Global Value Chains (GVCs); where various stages of production processes across different countries fall into deep crisis after realizing the dangers of transferring industrialization away from the countries of consumption.

Economic data so far do not support the increasing efforts in the sustainable economic development, but the need to favor more of the regional print of industries will increase in some strategic sectors. In general, economists considered that economic policies resulting from decarbonization can be achieved in large part by moving from globalization to regionalism, which is the most urgent goal at the present time.

Here an important question arises; will the Global Value Chain turn into a regional one, or will it change to a new global chain after restructuring? In the economic field, the Organization for Economic Cooperation & Development (OECD) described regional restructuring or spatial approximation as the decision to relocate the activities that were previously relocated far aboard at the time of the globalization boom and relocate them in closer regional countries, and it is not necessary to return to the original home of the company. After years of booming globalization, companies started to increasingly look for production strategies and more diversified sources and considering more options to structure their production processes, given the changing environment due to governments such as the war in Ukraine, or unexpected crisis such as Covid-19 Pandemic after observing the emergence of restrictions for

economic commodity exhibit that were very low and dangerous, from which all humanity suffered during the Pandemic and war, which requires increased strength and effort to strengthen and fortify the chains of supply.

Therefore, structural changes must be made to the chains of supply based on consumers requirements, who have become a more influential engine in the manufacturing value chains, and the consumer has begun to demand more customized products that have greater proximity and flexibility in production. All this has led to an increase of logistic costs, especially with sustainability standards and the need to consider better working conditions and reduction of the carbon print to achieve at least the modest goals of the Climate Summit (COP 27).

The development of new technologies, with more robots to replace low-cost skilled labor, is making the regional cost chains more attractive. McKinsey Experts (one of the three largest management strategic consulting firms in the world) estimate that automation, artificial intelligence and additive manufacturing may reduce global trade of goods by 10% by 2030. On the other hand, McKinsey Experts mention another opinion of regionalism. They believe that it is better to reimagine globalization rather than reverse it, and this was mentioned in Singapore New Economy Conference 2022, where they found need for continued global cooperation, as researchers find that there is no region and no country today that is a model of the magical productive island.

Some examples were presented on the aforementioned, as experts estimate that up to 10 to 40 percent of the Global Gross Domestic Product (GDP) entirely depends on staying connected to the globalizing countries that make up the current Global Supply Chain. In addition, when we think of the world's most complex problems; climate, health, security and innovation, we have no hope of solving such problem individually; these are the problems that require cooperation not

detachment, and the problem of supply and demand mismatch in the world cannot be solved individually.

If we look at the year 2050 and consider Europe and China alone, these countries will lose about 120 million laborers from their workforce by 2050. The only two places where we can hope to achieve that detachment from globalization in the Supply Chain are India and Africa. This requires massive and significant cooperation and investment of consumption countries. It should also be noted that industrial labor costs have increased in China, Mexico and Vietnam by 30% per hour, however, they remain 75% less than the same sector in the United States for example.

Finally, the most important indicator that will resolve this debate is the national security issues of countries related to the supply of strategic commodities whether in the field of technology or health care. We find that we are witnessing a new configuration of supply chains that mixes globalization and regionalization. It must now be clearly recognized that the world has become completely different after the Pandemic and the Ukraine war than before.