

South East Asia and India to benefit from realignment of supply chains

“Micro, small and medium enterprises (MSMEs) in India should take advantage of the realignment in global supply chain that is expected in the post-COVID world.” This was the message of Dr. Mukhisa Kituyi, Secretary General, United Nations Conference on Trade and Development (UNCTAD) in his address at the webinar on ‘Role of Multilateral Organisations to promote Trade and Industry post COVID-19’. The webinar was organized by MVIRDC World Trade Center Mumbai on July 3, 2020 to celebrate ‘World Trade Centers Association Day’.

Most analysts and global trade observers expect the COVID pandemic to trigger reshuffle in global supply chain. In this context, it is relevant to examine the key findings of a survey conducted by Bank of America (BofA) Global Research in February 2020.

According to the survey, South East Asia and India were the planned destinations for half of North American and Asian supply chains. The survey was conducted on analysts of more than 3,000 companies and it found that companies in 80% of 12 sectors have implemented or announced plans to shift at least a portion of their supply chains from current locations. These 12 sectors, that comprise USD 22 trillion of market capitalization, are software, tech hardware, capital goods, materials, semiconductors, healthcare, consumer durables, food and beverages, retail, autos and others.

The survey found that European retailers have either already moved or intend to move to South East Asia and India. About 60% of the global sectors prefer South East Asia as their destination for relocation, followed by India (33%), according to the survey.

Further, half of the supply chain stakeholders in North America and Asia will prefer to relocate to South East Asia and India. The decision to prefer these destinations is driven by attractive labor costs in Asia-South, although productivity of labour and inadequate infrastructure in these destinations pose challenges.

The survey predicts that even Chinese companies are considering to establish or expand supply chains in the markets where their end consumer resides. Similar to their Asian peers, South East Asia is their preferred choice for relocation, followed by India and North America, the survey found.

The authors of the survey concede that most of these relocations are small compared to their installed base. However, they also feel that the breadth of the shift suggests initial reversal from globalization to localization. BofA predicts that this realignment may be the initial reversal of the past three decades of dramatic expansion in international trade and the globalization of supply chains.

For more details, visit:

https://www.bofam.com/content/dam/boamlimages/documents/articles/ID20_0147/Tectonic Shifts in Global Supply Chains.pdf

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