

Global Supply Chain and Value Chain Relocation Strategy under Deglobalization

José G. Vargas-Hernández*, Omar C. Vargas-González**

**Postgraduate and Research Division, Instituto Tecnológico Mario Molina, Unidad Zapopan, Camino Areneros 1101, C.P. 45019 El Bajío, Zapopan, Jalisco, México. Email: jvargas2006@gmail.com*

***National Technological Institute of México, Campus Cd. Guzmán, Av. Instituto Tecnológico 100, Cd. Guzmán, 49000, Jalisco, México.*

Abstract

This paper 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 favours deglobalization processes 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.

Keywords: Global Supply Chains, Production Chains, Protectionist Policies, Value Chains

Introduction

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 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 transactions 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 deglobalization 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 & 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.

Review of the Literature

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 centres. 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 between the great economic and commercial powers. To protect national production, domestic markets increase tariff barriers with the intensification of trade wars between western and eastern markets. What the health crisis has done is accelerate the process.

The international competition on economic systems in the world economy is reduced to economic structures and enterprises mechanisms of macroeconomic players supported by the strengthened functions of the state to stabilize macroeconomics, protect intellectual property rights, to ensure legality and enforcement of contracts, infrastructure provision, and other microeconomic

policies to establish incentives and mechanisms for corporate governance, stimulating research and development, investments in human development. Protectionist, nationalist, and populist policies can be functional or dysfunctional depending on their correct design and implementation.

Some of the phenomena that disappointed the scope of the globalization economy were job insecurity and flexibility due to stagnant wages and rising unemployment. The far-right has channeled discontent to promote protectionist measures. These situations have given rise to deglobalization processes through the implementation of protectionist economic policies. A greater presence of the State is necessary in the face of the challenges of economic growth, greater economic and social equality, social inclusion, environmental sustainability, protection of biodiversity and conservation of socio-ecosystems, the energetic and climate crisis, etc.

History of National Protectionism Policy

During the winter war era from 1914 to 1945, from the outbreak of the First World War until the end of the Second World War, globalization processes were in retreat for the first time, after a period of increased economic integration from 1870 until 1914 (Broadberry & Harrison, 2005). After the First World War, protectionism and nationalism were on the rise as international institutions and organizations weakened, but the economic depression deepened. After the year 1918, with the rise of nationalism, international organizations were weakened, and an economic depression arose that drove national states to protective economic models.

The abandonment of global economic integration is an option for nation-states framed by a Keynesian scheme through the implementation of protectionist trade measures and maintaining democracy. These methods favoured the economic growth of some developed countries that later embraced economic globalization (Rodrik, 2000, 2007; Steinberg, 2007, p. 45). The countries that remained with borders closed to trade through protectionist and nationalist measures were imposed asymmetric trade conditions, as was the case with the colonies. When these nations achieved their independence, they could already take off in their economic and social development.

After the Second World War, a system of international governance institutions was established with the programs of the Marshall Plan, the Bretton Woods institutions, the United Nations (UN), and the General

Agreement on Customs Tariffs (GATT) (Reinalda, 2009). During this period of globalization, retreatment and economic dislocation led to reduced integration, the Great Depression and protectionism as the solution. After the Second World War, and until the 1980s, new global institutions for economic cooperation were created and developed to promote economic integration and enable national economies to be opened to foreign markets (Spero & Hart, 1997). In 1989, the slow food movement was created to protect the consumption of local products, cultures, traditions, and gastronomic customs perceived as healthier and safer (Petrini, 2001). The movement aims to create awareness of decisions for food consumption and its origin.

During the international financial crisis of 2008 and 2009, the leaders of the most advanced economies managed adequately to avoid the trend of protectionist economic nationalism. The national state recovers functions that were taken from it and, together with international institutions, assumes responsibilities to protect national economies and societies. In 2017, China promoted globalization as a mechanism for economic integration, generating wealth and multilateral cooperation, while the United States promoted trade protectionism (Liu et al., 2018). Protectionist trade policies used as an instrument for multilateral and bilateral negotiations do not always result in benefits for the country that promotes them, as has been recently demonstrated in the case of the United States, which has encountered strong resistance from the trend of economic globalization processes.

Modern National Protectionism Policy in North America

In 2018, many North American companies announced the relocation and transfer of their production plants back to the national territory. In 2019, the Kearney index detected a strategic trend in company production towards a greater weight of the “made in America” content of manufacturing production (Doh et al., 2021). In part, this was achieved by the warning that if they wanted to receive the protection of the American legal system, they should return their jobs. European countries grant aid through anticrisis plans to their companies that disengage from tax havens.

Following North American policy, France encourages the repatriation of its companies, while Japan favours its companies that return from China with incentives. Nation-states have difficulty regulating the financialization that dominates the real economy and offshore strategies, as

well as putting limits on the power of monopolies in the digital economy (Rasiah et al., 2010).

The unilateral discourses practiced by some powers attempt to control the world agenda of globalization processes through neo-protectionist mechanisms under the world economy revolving around a multipolarity. Geoeconomics and geopolitical analyzes show a transition of leadership from the global economy to China. Now the United States plays the option of a more protectionist economy that drastically affects the economies that are more dependent on global trade. However, the slowdown in economic globalization began long before the pandemic, which has contributed to accelerating it by declining national economies.

The goal of the new United States government was to eliminate the trade deficit through the implementation of protectionist and nationalist fiscal policies, and started a trade war against its trading partners, but above all with China, its main competitor, but which had repercussions worldwide, because it drastically reduced world trade. The elimination of the deficit simply to date, has not been achieved, but also worsened and deepened. The coronavirus health crisis imposed a truce on the trade war that paralyzed the negotiations of trade relations. However, the largest producer of medical supplies is in China (Qin, 2020). With the health crisis, countries want to maintain their own economic activities and be in proximity through protectionism. Consistent with this, multinational companies plan to repatriate in reshoring part of their international production.

The world economy faced threats in its globalization process long before the 2020 health crisis, such as the growing challenge of trade wars and the protectionism of the economies of different national states with the implementation of a tariff war. The health crisis is the result of negative externalities of an interconnected world in globalization processes that are perceived to be linked to physical security in identity and economic spheres, whose responsibility to protect against risks has fallen more on the nation-state rather than on the international community.

Economic Deglobalization Trend

The health crisis caused by the pandemic has accelerated the protectionist tendencies and the populist and nationalist policies of the nations and has caused tensions and trade wars in the face of the fall in international trade flows and foreign direct investment. The health crisis has accelerated and deepened this trend of economic

deglobalization through protectionist actions, reduction of multilateral treaties, etc., with economic consequences that are legible, but uncertain and unpredictable (Didea & Ilie, 2020).

The protectionist tensions that lead to a trade war constitute a reconsideration in the opposite direction to the progress of trade liberalization. This situation that arises unilaterally resists the continued opening of markets and international economies to position itself as a closed economy, erodes economic, commercial, and political relations with its partners. In other words, the country that was the greatest promoter of economic globalization processes is now the greatest opponent of deepening economic, commercial, and financial relations.

The liberalization of regulations of local financial markets that protected the host countries from foreign investments allows MNEs to have access to local natural resources and get actively involved in local markets. Because of this deregulation, the global FDI flows had increased regularly until 2000 and since then it had been falling until it reached a peak in 2007 (World Bank, 2016).

Now local governments have tried to implement different initiatives with protectionist measures against global markets since 2008, as ways to recover the economic growth of their economies, resulting in limitations to international trade. All these initiatives are strengthened to weaken the processes of economic globalization and cry out for deglobalization (Irwin, 2020). After the subprime crisis, citizens demand to governments for protection of their own interests against the globalization interest through the redesign and implementation of more protective economic and financial liberalization policies.

The processes of economic globalization are being pressured by isolationist positions that seek to deepen the self-sufficiency of national states to protect local interests over global interests. These changes in perspective have implications and effects on the harmonious development of people. The national state recovers relevant functions in this process of deglobalization for the financial rescue in the face of the economic debacle of important economic actors and agents, such as multinational companies and financial institutions (Napolitano, 2011). The new scheme is configured with less market and more state with a geopolitical reconfiguration of national borders evidenced in return to nationalist protectionism and more controls on cross-border financial transactions.

Factors such as technology-based automation, protectionist practices in national economies, rapid shipments, and deliveries, among many other factors,

contribute to the acceleration of the processes of slowing down or reversing globalization. Rather, the concern is diverted towards how profound these changes that are already occurring will be, but above all in the way, they are going to be managed. These trends are driven by rising wages in countries that previously offered low labour cost advantages, as well as protectionism in local economies.

The restrictive and protectionist economic policy measures that materialize in the deglobalization processes are, among the most common, the increase in tariff rates, the establishment of phytosanitary measures, cross-border labour restrictions, limitations on foreign investment, control of movements immigration, trade wars, etc. (Gaillard, 2020). As part of protectionist measures, importers raise their tariff barriers in response to the trade war.

Nation-states are receding, driven by protectionist trends due to falling global trade and investment flows driven by the health crisis. With the health crisis of the pandemic, the nation-states enact protectionist, deglobalizing economic policy measures that reduce and retract the advance of globalization processes, such as, for example, the closure of the border to commercial exchange activities and nationalist control of migratory movements of the population. Nation-states adopt nationalist, populist, and protective economic policies to recover their regulatory functions and fields of action in a gradual process of control of globalizing dynamics.

Trade protectionism is the relevant element of deglobalization for protecting the losers of globalization, assuring gains through imposing high rates of industrial and trade protection and imposing manufacturing tariffs (Findlay & O'Rourke, 2008, p. 401). Trade protectionism is a relevant action implemented in this deglobalization process. Deglobalization processes have repercussions that damage the economies that promote protectionist economic policies. The lack of leadership in the globalization processes makes it easier for each nation to reverse or at least slowdown progress by adopting more protectionist measures.

National markets and economies are now less dependent on international markets and rely on the regulations of national economies to protect themselves. To exploit the advantages offered by the new environment, an emerging strategy has emerged that supports the resurgence of protection measures for national markets. The deglobalization of economic integration processes moves the centre of gravity back from the market to the sustainable local market through a commercial policy and the use of fiscal, tariff, and quota mechanisms to protect the national production of transnational companies (IMCO,

2020). The uniformity and standardization of commercial regulations threaten regional and local development where the asymmetric is normal for self-protection.

Therefore, the protectionist attempt of an economy has a negative impact on national companies in such a way that the protectionist measures taken unilaterally by a country, and damages the competitiveness of its companies and, therefore, its own economy. It is the same multinational companies that promote the relocation of production, distribution, and consumption processes. Countries now attempt to relocate the production of goods within or near their national borders for the benefit of integrated regions through tariff protection measures.

The deglobalization process is supported by the promotion of protectionist measures and is characterized by export flows, investments, migratory movements, and technological innovation that are reduced or diminished, are reflected in political and economic decisions to orient themselves to domestic demand with measures with tariffs, cross-border restrictions and limitations on investment and foreign labour (Shavshukov & Zhuravleva, 2020).

Greater attention to domestic demand leads governments to reduce the growth of exports through direct or indirect protectionist measures. Countries alone are unlikely to oppose globalization given the omnipotence of global financial markets, so the alternative is to recur to the risks of trade wars more focused on national protectionism. National governments grant tax incentives that benefit protectionism and populism for the repatriation of manufacturing plants and investments. Manufacturing employment is likely to decline while most forms of services employments are likely to be heavily protected from internationalization, therefore avoiding anti-globalization backlashes focus more on improving the quality and provision.

The same powers that before spread the gospel of open market and free trade are the same that now predicate protectionism and support deglobalization markets. It has been said that the global economic and financial elites pursue the creation of a world government by centralizing order and power by protecting from enemies through a surveillance system based on traceability (Vanham, 2019)

Cultural globalization and an increase of human interactions have been the result of the economic, financial, and trade exchanges, contributing to the different values, traditions, customs, habits, etc., are being shared among local communities and other communities in such a way that it is homogenizing a world's culture. Local culture requires protection to maintain its uniqueness at a

community level, environmental and development social movements and activists need the support of the nation-state to defend society to defend and protect society from the destructive capacities of the economic globalization and global market to exploit the human and natural resources.

Discussion

The entire global economic structure is reeling from the health crisis of the pandemic. Governments of Nation-states and corporations are assessing the global market as a growing source of disruption of global value, production, and logistics chains, as well as the source of risk and competitive disadvantages. Local governments are retracting global policies of economic integration and are increasing the protectionist policies for the repatriation of manufacturers (Abdal & Ferreira, 2021). However, other national economies have already developed capabilities to become resilient, recovering, restructuring, and enhancing the new institutional governance emerging from the pandemic.

Global Supply and Value Chain

Trade openness, economics, financial and commercial liberalization, information, and communication technology innovations facilitated the special and operational expansion of transnational and multinational corporations, which, in turn, contributed to altering the exchange of resources flows and supply chains between intra- and inter-firm as well as to a global power redistribution. Economic globalization processes accelerated the flow of goods through global supply chains and global trade (Kano et al., 2020).

The development of ICTs and the emergence of the internet accelerated the processes of globalization with world communication in real time and, with financial digitization and the logistical development of supply and value chains, accelerated the scope of a global economy. Technological and scientific advances have intensified with economic globalization with the monopolistic emergence of digital companies that control the financialization of processes around global supply and value chains where BRICS countries have become the managers of changes in global competitiveness (Barykin et al., 2021).

The value chains as well as the supply chains of the companies in a global economy scenario are distributed throughout the world. Multinational and transnational corporations have established networks of supply chains,

subcontractors, and logistics around the world. The networking-based global economy is formed by chains developed by a large group of shadow enterprises that are connected for economic activities across the boundaries of countries and makes meaningless the concept of distance and national borders.

In a competitive global market, the costs of the entire chain of supply, production, and consumption spread worldwide should be the lowest (Bello, 2013). However, globalization is based on the economies of scale and scope due to the location of production where is most efficient is over, while the concern is for the fragility of supply-chain diversification because their processes rely on each other to add their value.

The global production and distribution chains show the fragility of the high dependence on the processes of economic globalization to provide products and inputs to the economies that require them to continue their manufacturing processes. This failure in global production chains has exposed the weaknesses of national security and national industry, arguments that support protectionist positions, such as measures to guarantee supply in national markets. The national security policy acquires greater force by pressing for reversions in global production chains encouraged by supply decisions in local markets.

Starting in the 1990s, global production and value chains grew steadily. Since 2007, with the outbreak of the economic and financial crisis, the indicators of globalization processes show a trend of decrease in global production and supply chains due to a drop in demand from international markets and not so much to the structural changes. Since the financial crisis of 2008–2009, world trade has failed to maintain the level of world GDP due to the emergence of protectionist policies (WTO, 2021). Global economic, financial, health, and contingency crises such as natural disasters have a domino effect that has a greater impact on global production and value chains (FAO, 2021). An example is the tsunami in Japan in 2011 that affected global automobile production chains.

These stagnations in economic globalization processes have negative effects on the global economy due to the relocation of the production chain, although the reorientation may have some positive effects for certain national territories where some phases of this production chain can be carried out to take advantage of low labour costs. Reversing or slowing down the processes of economic globalization will mean changes in the practices and activities of multinational and transnational companies.

Fragmentation of Global Supply Chain

In 2019, there is a high fragmentation of global supply chains, which is deepened by the 2020 health crisis. The ruptures of global supply chains produce a dislocation of production that produces in response to the withdrawal of companies located abroad for. The Coronavirus has paralyzed the growth of global trade, which contributes to more than 60 per cent of the domestic product world gross (Ellyat, 2021). This situation has been called deglobalization, aggravated by the health crisis, which has made interconnections more difficult for commercial practices between different countries.

The current scenario of the health crisis has affected the complex global supply and value chains of intermediate goods without being able to stop their fragmentation. This has shown that global supply chains are very vulnerable and complicated for companies to immediately redesign and redirect, which has accelerated deglobalization processes.

The critical situation of the health crisis has forced the space of global logistics and supply chains to be reduced to be replaced by shorter chains in such a way that the localities for the supply of raw materials and production of inputs or parts of a product must be shorter than the places where the final product is assembled (Shih, 2020). The health crisis has highlighted the limitations of global logistics and supply chains in sectors such as electronics, automotive, aeronautical, medical equipment, pharmaceutical products, textile industry, etc. The health crisis has broken global production chains.

The inability of the globalization processes to find a way out of the relocation of the production and supply chains, as well as the inability of the national industry in many countries to produce the required sanitary material, has complicated the economic scenario. The health crisis has exposed the dysfunctionality of global and multinational supply chains, placing excessively dependent companies at vulnerability (Baldwin & di Mauro, 2020). The health crisis has affected the global production chains of countries that are prone to international trade, although it is contradictory that it depends on corporate companies that originally relocated their production processes.

The dependence on imports of inputs for national production through supply chains has been affected by the health crisis, so many nation-states have accelerated the processes of deglobalization by strengthening the production of inputs and operations in local spaces. Deglobalization processes imply having greater controls

over commercial, financial, migration, travel flows, etc., which gives rise to retreats in the global supply and production chains.

Protecting and stimulating national food supply chains can help reduce the impact caused by the health crisis of the pandemic. Global supply and value chains have proven to be inoperative amid the health crisis (Bardt et al., 2021). Multinational corporations transferred their production operations to places where costs were lower, achieving supply through long global supply chains, which were suddenly interrupted during the COVID-19 health crisis, with serious threats to paralyze the production of certain essential products such as agro-food.

Relocation of Production and Supply Chain

Deglobalization processes attempt to unlink local production from global supply chains to reorient production towards the internal market supported by movements in favour of food self-sufficiency and sovereignty based on domestic industrial and agricultural production, undertaken by economic policies and progressive commercials and not by right-wing nationalist governments that only serve the interests of the dominant ethnic and cultural group and displace minorities and immigrants.

With the emergence of the health crisis of the pandemic, countries have had to reconsider their supply chains and value of strategic production activities, as in the case of food production. For this reason, strategic production industries are a priority for national development, which is why they are maintained and strengthened with actions such as the development of local, flexible, and fast supply chains of value chains (Boiral et al., 2021).

Globalization undergoes profound changes with the crisis of the coronavirus pandemic and will not be as we knew it before in the modes of production, distribution, and consumption and in the global production, supply, and value chains. The dynamics of contemporary globalization processes have registered a strong interruption that calls into question the entire international economic system, disrupts global supply and value chains, as well as a slowdown in all economic sectors.

The continuity of the processes of economic globalization requires leading the mitigation of the negative impacts in the production and supply chains in the global economy based on the location in places where costs are lower. The priorities of the production, distribution,

and consumption systems are changing their priorities through the location of supply chains as secure as possible rather than as economically as possible as was achieved during globalization (Ibn-Mohammed et al., 2021). The economic efficiencies of globalization processes are being highly questioned with the dysfunctionality of global supply chains that lead to more protectionist economic and fiscal policies.

Deglobalization Process

Deglobalization is a period of slowdown and decline in international economic, commercial, financial, and people flows intensified by the coronavirus that has made companies rethink the risks of global supply chains that occur in remote locations. The economic phenomenon of deglobalization of the world economy is a period marked by a decline in commercial and financial flows, intensified by the coronavirus pandemic that has caused a rethinking of the risks of the global chain of supplies that come from geographically remote locations. Disruption of the supply chains of local companies dependent on a global system generates economic losses.

With the interruption of global production and supply chains, and due to perceived risks, production and consumption turn to alternative sources of inputs, goods, and services from local suppliers, passing the acquisition cost to second term economic deglobalization. Witt (2019) considers the strategic policies that affect the political sustainability of multinational companies, the dynamic organizations of value chain specializations and the national context in which these decisions about strategies, structures, and behaviors are made. The breakdown of global supply chains has direct consequences on the profitability of many of these multinational companies.

The main cause that has given rise to the deglobalization processes, the slowdown in the growth of the global economy, the regression of global supply and value chains, and the increase in protectionism of local economies against multilateral processes, is the reduction of the concerns about external dependence on essential supplies (Abdal & Ferreira, 2021). The regression of global supply and value logistics chains go into regression processes for different causes, such as protectionism, wage increases, and the level of income reduce the advantages of countries that were the destination of relocations. If production is less delocalized, flows in global supply and value chains are reduced, along with the investments that accompany them.

The interruption of global supply chains and, therefore, of value is a consequence of the trade wars started by countries with deficiencies in commercial and financial exchanges. The Sino-US trade war is the landmark event for furthering the tendency of deglobalization with the disruption of the global supply chain and declining global trade flows in value and volume.

The trade wars coupled with the risks of the coronavirus have caused the blockage of global supply chains and international supplies. They have been shortening their global supply and value chains for several years now, because of trade wars, through the relocation of their plants, production processes, and the manufacture of their own components that came from distant locations and through the diversification of the origin of inputs and products. Companies around the world rethink their internationalization decisions as a reaction to dependence on global supply chains that distribute the production of products with the relocation of their plants and their production processes (Nandi et al., 2021). This situation has shown the vulnerability of companies due to their excessive dependence on these chains.

Effect of Deglobalization

Deglobalization manifests itself in changes in production systems based on the locations where production is most efficient, leading to many logistical mismatches in supply chains and value in trade connections. The creation of alternative supply chains modifies the rules of globalization processes. For the United States, the intensity of globalization shows vulnerabilities, such as in situations where national economies depend on a single country for the supply of goods, which leads to the blockage of supply chains (Nandi et al., 2021).

Global supply chains are more complex in the production, distribution, and consumption of products that have had to be interrupted or reduced due to the lack of provision of essential components. Globalization is transformed to be different than it was before the pandemic and it is possible that the modes of production, distribution, and consumption are transformed due to changes in the global value, provision, and supply chains.

Destructuring the networks in which currently major strategic activities are included in supply chains, production, management, and distribution on a global scale are organized and interconnected in real time on a sophisticated information and communication system. Companies are moving away from just-in-time

production systems to more secure supply chains. The reduction of global supply and value chains negatively affects commercial, financial, investment and people flow. The deglobalization processes are pressing the global production, provision, and value chains to change in organizational forms subject to local decisions.

Multinational companies are already reconsidering their logistics processes for the transport of goods that include socio-ecosystem concerns to try to shorten geographic distances and links in their global supply chains through the use and development of new technologies that reduce the costs and risks of production, increase quality, and respond more quickly to market demand. Multinational companies reconfigure global value chains to strengthen themselves in the face of shocks.

National economies are bounded together in globalization through the supply chains to achieve manufacturing efficiency and better prices in international trade. The flow of international business activities is retracted as global supply and supply chains are reconfigured, prioritizing production over economic efficiency. Business organizations are assessing the location of global supply chains relocating their production elsewhere, which is a globalization trend of natural churn and premises (Paul & Dhir, 2021). International trade replicates its operations while reconfiguring its supply chains sacrificing economic efficiencies in exchange for greater security in the provision of its inputs. International trade is territorially withdrawn to the nation through the reconfiguration of its production chains and supply, leading to importers raising tariff barriers.

Populist and nationalist nation-states have taken up this message, supported by political parties and social organizations to promote actions to deglobalize the economy that attempt to dismantle globalization through withdrawals of global value chains, repatriation of investments, and strategic relocation of Business.

Global supply chains are relocated, which implies the reorganization of production, distribution, and commercialization activities, reinforced with government policies, especially in sectors considered of national security. Returning plants to the country of origin can be more expensive, but in the current conditions of interrupted global supply chains, it turns out to be more productive and competitive due to savings in logistics risks, transportation, tariffs, etc. The reduction of dependence on the provision of supplies from other geographically distant locations through global chains of manufactured inputs has led to relocation or reshoring trends. Not only

are the production sites relocated close to the markets, but also innovation, design, logistics, distribution, marketing activities, etc.

New technologies advance innovations in automation, robotization, artificial intelligence, internet of things, etc., which tend to replace the more routine and cheap labour, which implies that global supply and value chains reduce their importance with localized and robotic production.

The deglobalization trend converted into regional trade agreements allows economies to be fully integrated and to take advantage of regional and local value chains. From the crisis that economic globalization is going through, companies that have fewer global supply chains, more regional and therefore shorter with respect to assembly or marketing lines, will emerge strengthened, not necessarily from lower cost suppliers and with minimal inventory levels, which confirms deglobalization. The interruptions of the global supply chains forced people and companies to look for alternative local or regional sources of supply, even though they were more expensive.

The less advanced economies have seen their global value chains reduced with premature processes of deindustrialization, lower economic growth, a commodity boom that has given rise to the Dutch disease phenomenon, non-redistributive and regressive fiscal reforms with an increase in income levels of poverty and inequality. Countries are backtracking in their globalization advances and trying to avoid the continuity of outsourced production chains to maintain strategic production activities internally or as regionally as possible, with more flexible and faster local value chains.

The blockade of global supply chains represents the opportunity for Mexico to be the beneficiary due to its proximity to the North American market, as has been the case in the automotive, electronics, and aeronautical sectors. Without the supplies produced in Mexico by these industrial sectors, the manufacturing of finished products is interrupted. Deglobalization and the T-MEC favour the rapid integration of the sectors of the electrical, automotive, medical equipment, aeronautical, pharmaceutical, aeronautical industries, etc., to the supply chains of North American companies. Complementation among the member countries of the T-MEC facilitates regional integration processes and solves the problem of supply and logistics chains.

Risk assessment focuses on disturbances in production processes mainly due to supply chains of inputs that come from geographically distant locations, or other phenomena such as natural disasters, wars, etc. One of

the risks that are run with deglobalization is derived from geopolitical and geoeconomics uncertainty and its impact on investments with repercussions on production levels for global supply chains, exports, and market volatility. Companies have reacted to the perception of risks through a strategy of geographic diversification of sources of supply and production that can affect global trade as production is relocated in the country itself.

The inability of the globalization processes to find a way out of the relocation of the production and supply chains, as well as the inability of the national industry in many countries to produce the required sanitary material, has complicated the economic scenario.

Solutions and Recommendations

In a free market system under the invisible hand, companies continue to track the location of their production, distribution, and consumption systems through offshoring or relocation decisions that mean benefits and cost-efficiency. Tensions and trade wars accelerated the deglobalization processes under the premise of relocating the production and supply of resources from sources as close as possible, which confirms the trend towards open regionalism.

The processes of economic and financial deglobalization propose that local economies should be reoriented in short circuits towards production for local consumption, avoiding the relocation of companies that generate competition because they look for places where labour costs are lower, production standards and ecological are less restrictive, etc. On the other hand, foreign direct investment movements facilitate the relocation of production systems in global factories, taking advantage of the advantages offered by other national economies in cheap labour, more direct transport systems, the privatization of public companies, etc. The relocation of production is manifested in the flows of direct foreign investment (Grunwald & Flamm, 1985).

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, which reduces the advantages to relocating. Delocalized production of companies motivated by lower production costs is returning to a closer place through relocation or reshoring processes. Discontent over the growing impoverishment of the working middle classes in the most developed countries, the precariousness of employment and labour benefits, and the loss of employment due to the relocation and flight of companies to locations where

labour costs are lower. The advantages for relocating production, distribution, and consumption systems have been reduced due to an increase in the income and living standards of workers in the countries that were the destination of these relocations.

There are several reasons that are making the processes of economic globalization dysfunctional to the growth and development of some countries, such as the loss of their political and economic sovereignty, growth in unemployment due to the relocation of production, and the increase in automated systems and robotization, which also reduces relocations.

Companies have reacted to the perception of risks through a strategy of geographic diversification of sources of supply and production that can affect global trade as production is relocated in the country itself. Extraterritoriality characterizes economic globalization (Palomares, 2006, p. 30) because of the capacity that transnational companies must relocate production with geographic fragmentation. In such a way, this trend of regional proximity of production occurs, pointing to the relocation of production processes in countries that belong to the same economic region. The processes of regionalization of production are a trend in proximity to consumer markets that ensures the supply of resources, goods, and services in places to consumer markets to respond quickly and flexibly to demand through customization or product customization.

With globalization, companies become more dependent on the places from which the inputs and products necessary for production are provided, so national states are now offering incentives to their companies to return operations that they had relocated to other countries. The continuity of the processes of economic globalization currently marks a break in the breakdown of international economic relations that, although it attempts to relocate production, the competition for the attraction of talent, technology, and more advanced production capacity.

Relocation as a strategy of deglobalization processes has as immediate consequences the increase in labour costs due to differentials between nations, but also to the health crisis, with a tendency to reduce economic inequality. Another trend that accelerates because of relocation is robotization, which in times of pandemic is positive because it reduces the risks of contagion by eliminating or reducing face-to-face contacts. Another trend is the increase and consolidation of teleworking, with many implications for people's movements and the market for office space, parking lots, etc.

The increase in e-commerce is a trend that increases more with relocation and the health crisis of the pandemic. Pandemics have shown the risks that the globalized economy has under the logic of relocation of production to take advantage of lower costs that are then marketed in other regions of the world without establishing the pertinent health controls.

Future Research Directions

Deglobalization processes and their implications on global supply chains remain a topic for future research, which can be presented in scenarios of their future development. A first scenario is one of the soft changes that do not modify the structures of international institutions but that focus on regulating distortions to free trade, as well as the conditions imposed on developing countries. The deconstruction of globalization processes, known as deglobalization, must be for a better reconstruction that truly integrates humanity through economic, political, and social change, and does not disintegrate. This change requires weakening the hegemony of the system of globalizing institutional powers, delegitimizing its ideology and its rules.

On the implications of digital technologies in supply chain values, international governance needs the potential transformation of information and communication technologies for the research and analysis of big data. The integration of the process of economic globalization requires the use of digital technologies for the world government function through the institutionalization, market, and global redistribution functions. The design and implementation of economic policies to promote the positive effects of the digital and political dimensions and eliminate the negative ones of economic globalization processes, enhance global governance and economic integration.

Another important issue to study in the future is the relocation of companies to places of production and local consumption. It is supported by protectionist regulations, recovery of customs fees on imported goods and services, control of capital transfers, levies on financial transactions.

Another topic to be considered for future research is the current deglobalization processes that show a clear subordination of emerging and less developed countries to powerful international financial interests, international organizations, and multinational companies. The construction of alternative integration processes requires national initiatives under a scheme different from the capitalist financial and transnational capital, not only at

the economic and commercial level, which is supported by self-organization and self-management to satisfy social needs. These alternative processes of deglobalization have multiple economic, social, environmental, political, sociocultural, gender dimensions, etc. For the deglobalization alternatives to deepen their changes, they must acquire the character of anticapitalism.

An analysis should be conducted on the difficulties for the processes of economic globalization to be completely reversed, after necessary adjustments that have slowed down progress to overcome the health crisis and the crisis of neoliberal financial capitalism. The construction of alternative integration processes requires national initiatives under a scheme different from the capitalist financial and transnational capital, not only at the economic and commercial level, which is supported by self-organization and self-management to satisfy social needs. These alternative processes of deglobalization have multiple economic, social, environmental, political, sociocultural, gender dimensions, etc.

Conclusion

The post-pandemic world economy tends to be less globalized as it is rejected by national governments and populations to protect their national economies. The processes of economic globalization are deepening instead of a gradual process of deglobalization, under the argument of the principle of sovereignty with economic policies and measures that show a tendency towards a nationalist, protectionist, and populist retreat. The actions of national states and international organizations promoting globalization processes such as regional integration treaties for free trade tend to weaken the sovereignty of the states. This is somewhat paradoxical in its contradictory processes due to its origin of globalized localisms that have contributed to strengthening hierarchies and inequalities both between nations and between individuals. It creates victims who lack the protection of the state subject to their localities or force the state to abandon them.

The world order that has prevailed since the Second World War has been considered under the conception of linear processes of irreversible economic globalization and has undergone structural changes in the last ten years that require reconfiguration. This reconfiguration has been called a deglobalization stage and corresponds to a regression of global integration processes in the form of retractions in world trade and international financial investments carried out through nationalist, populist, and protectionist policies.

The movement of trade protectionism as a retreat from the processes of economic globalization with the renegotiation of trade agreements and trade wars was initiated by the United States. The trade war declared by the United States against China tries to weaken its strategic position in economic growth, cooperation, trade, finance, etc. The phenomenon of deglobalization is a popular political cause motivated by protectionist and reindustrializing economic forces.

The nation-states face great challenges to guarantee the protection of the minimum welfare of the citizens. Another consequence of the reversal of the global integration of production processes is the increase in costs and, therefore, consumer prices, which results in a drop in welfare. From an ethical perspective, deglobalization processes should give higher priority to values over interests, cooperative relationships over the competition, and community welfare over efficiency. From this same perspective, real economic thinking strengthens the values of social solidarity, justice, equity, and community to subordinate the action of the market.

Local economies must exercise fiscal and economic policy mechanisms for the protection of their own production, distribution, and consumption systems, as well as their socio-ecosystems from the subsidized importation of large transnational corporations that establish subsidized and artificial prices. A viable alternative as a sample is the emergence of large self-centred spaces that are constituted as poles of economic, political, social, cultural, and civilization power.

The new nationalist and protectionist sentiments that drive the decisions of the n countries have a high impact on migrant workers who seek better economic conditions and greater well-being for their families. Nation-states can prevent the flight of endogenous technological talent to other economies by creating institutional and instrumental frameworks for the establishment and protection of competitive advantages through reindustrialization processes.

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Key Terms and Definitions

Deglobalization: The slow-down or reverse of globalization. A political project opposed to neoliberal globalization. In the first definition, the term describes how global flows of trade, investment, and migration can decline.

Global supply chain: A set of activities, facilities, and means of distribution throughout the world necessary to carry out the entire sales process of a product. This is from the search for raw materials, their subsequent transformation, and their transportation and delivery to the final consumer anywhere in the world.

Production chain: A system made up of people and companies related to each other by a succession of production operations.

Protectionism: A commercial policy established by a government that aims to protect the national industry against foreign competition with the application of tariffs or any other type of import restriction.

Relocation of production: The international displacement of a production structure.

Value chains: A theoretical model that graphs and allows to describe the activities of an organization to generate value to the end customer and to it.