



A New Globalization Emerges

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Our Head of Equities Stephen Dover gives his take on the new globalization, how the US Midwest may be the next emerging market, and what he thinks it means for strategic industries and supply chains.

The global spread of COVID-19 may drive changes in the way countries and companies engage with each other globally. There were already trade wars and a growing anti-globalization movement prior to the current crisis. As people look to their own governments for guidance in this health crisis, a rise in nationalism is to be expected. Is globalization dead? No! I believe COVID-19 is a catalyst for a new globalization to emerge.

- **Newly defined “strategic industries” will require local sourcing and manufacturing.** Health care and health supplies, food services, 5G networks, telecommunications and perhaps some additional technologies will increasingly be domestically manufactured.
- **Supply chains will change from “just-in-time” inventory management and manufacturing to “just-in-case.”** Companies are likely to move manufacturing and supply chains away from China toward other countries and home. This will be less efficient and more costly for companies and ultimately more costly for consumers.
- **Companies that help localize supply chains will benefit.** Technological innovations such as robotics, 3D printing, artificial intelligence and automated production facilities will allow manufacturing to be more local.
- **“Work from home” becomes “work from anywhere”.** Many businesses will either allow or require their employees to work from outside of the office into the foreseeable future. While manufacturing may localize, this will allow companies to utilize workers from any location globally. Working from home creates huge cybersecurity issues, which should be a good opportunity for cybersecurity companies.
- **A possible resurgence in industrial spending.** Investment could become a larger part of the economy as companies bring manufacturing home.
- **The Midwest of the United States may become a “new emerging market”.** As US companies seek to source manufacturing locally, the Midwest could offer the right mix of workforce and an affordable standard of living.
- **New restrictions on capital flows and foreign investment** The loans and grants that governments have given companies during the crisis will give them more leverage to dictate how companies behave. Governments may restrict foreign capital investment and foreign ownership of their domestic companies.

I don't believe we had real globalization before COVID-19. China produced most of the world's exports and the United States was—and remains—its largest customer. The United States and other developed countries are likely to diversify their supply chains, particularly to other emerging markets. And so, that's positive for neighboring countries that can easily supply developed markets, such as Southeast Asia or Mexico.

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