

Doing Global Business in the Times of COVID-19: Real Experiences and Insights

Ing. Michaela Královičová, PhD.
Infinity Standard, a.s.



PERSONAL INTRODUCTION

Ing. Michaela Královičová, PhD. (孟可岚)

- Alumni of the Department of International Trade, UEBA
- PhD. studies supervised by Professor Baláž
- Focus on Asia, China particularly, both during my studies and professional life
- Worked as an import and export consultant for China
- Founded Infinity Standard, a.s. which bridges local entrepreneurs with their Asian counterparts. Providing both import and export related services with a focus on China, South Asia, East Asia and Southeast Asia.

INTRODUCTION TO THE TOPIC

- Global economy = overly reliant on "the Asia Factory":
 - 70% of all electronics are made in China
 - Over 50% of the world's manufacturing takes place in China
 - 10 of the world's largest commercial ports are in Asia
 - Over 70% of A/Cs and LED displays are made in Asia
- COVID-19 outbreak in China from late 2019 has tremendous global impacts
- I will focus on the impacts of COVID-19 on European companies that buy goods from Asia, particularly from China, and on European companies that are aiming to export their goods to China.

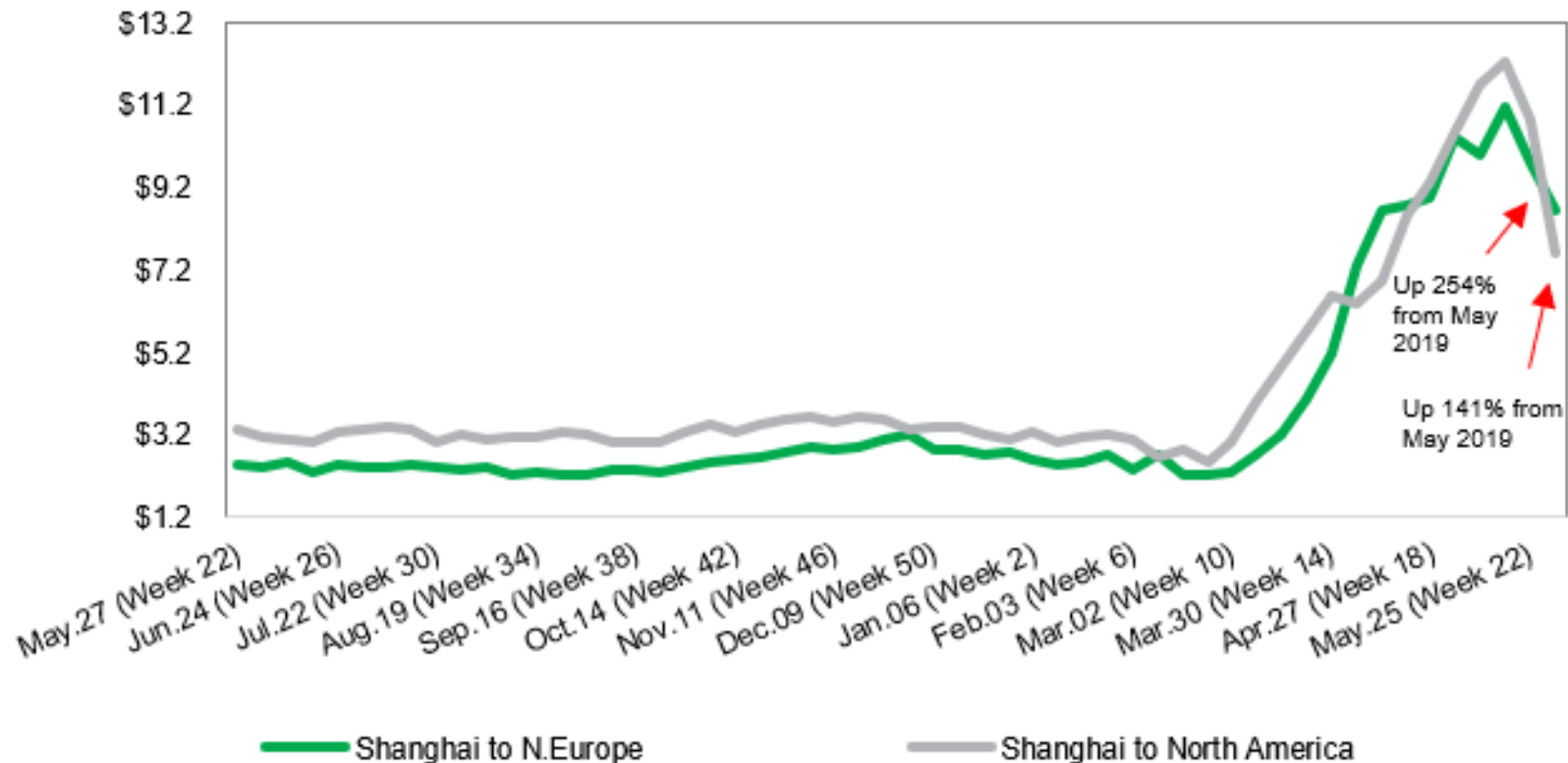
COVID-19 OUTBREAK AND ITS IMPACTS ON BUSINESSES

short-term effects

- The situation started getting bad in China in late January
 - The timing is both the worst and the best
 - Imports are traditionally on hold for 3 weeks because of CNY
- ...and got worse in middle February after CNY
 - E-shops and businesses relying on JIT deliveries ✗
 - Several weeks after CNY the factories in China resumed production but produced PPE instead of their core competence goods
- COVID-19 spread to the rest of Asia
 - Thousands of commercial flights were cancelled
 - Delays in ports due to overcapacity and export controls of PPE

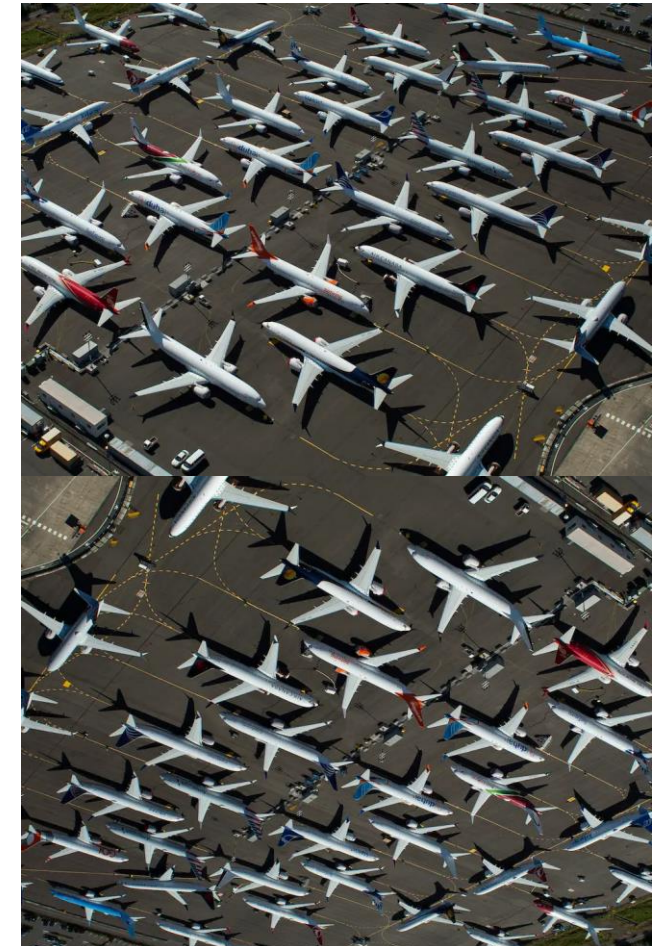
Air cargo rates from China to Europe, North America fall off highs

The average weekly spot rate per kilogram (2.2 pounds) from Shanghai to North Europe and North America



Source: TAC Index

© 2020 IHS Markit



Source: JOC & IATA, 2020

COVID-19 OUTBREAK AND ITS IMPACTS ON BUSINESSES

short-term effects

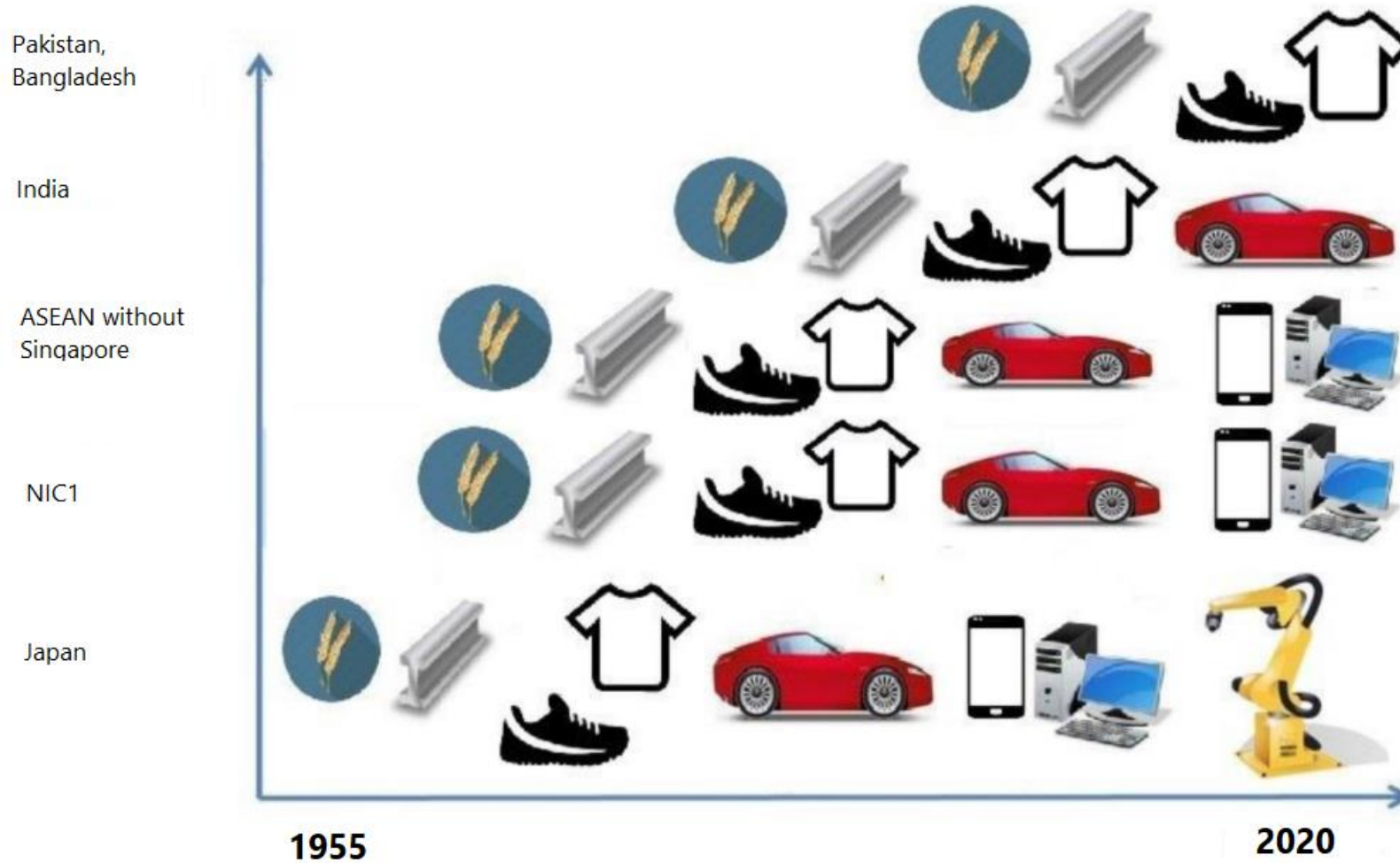
- Trade Shows are cancelled
 - Many take place online but it is not the same (Canton Fair)
 - Export goods first have to be seen by buyers ✗
- Many Chinese factories stalled R&D
 - Limited offer of new toys for X-mas sales ✗
- Exporting is more difficult than ever
 - Import controls for foodstuffs in China
 - Other Asian countries → inward looking
 - New exporters facing problems with being unknown and unable to travel

COVID-19 OUTBREAK AND ITS IMPACTS ON BUSINESSES

long-term effects

- MNCs pull out strategies for relocating manufacturing back home
 - Limited impact
 - WHY??
- MNCs understand the need to decrease reliance on China
 - Great opportunity for Southeast and South Asia!
- Initiatives around Asia to attract FDI relocating from China

POST-COVID MANUFACTURING IN ASIA



Source: Own construction, 2020

POST-COVID MANUFACTURING IN ASIA



Source: BaySource, 2020

CONCLUSION

- COVID-19 made businesses operating globally more aware of their overliance on China
- The global economy will not be the same anytime soon
- China will remain the powerhouse of the region but its Asian neighbors will take up more manufacturing – especially in the low-end segment

Sources:

https://www.joc.com/air-cargo/air-freight-rates-fall-easing-capacity-demand-imbalance_20200602.html

<https://www.cgtn.com/>

<http://www.xinhuanet.com/>

<https://www.chinadaily.com.cn/index.html>

<https://www.theguardian.com/world/2020/sep/29/inside-the-airline-industry-meltdown-coronavirus-pandemic>

<https://www.aljazeera.com/economy/2020/8/17/why-india-could-gain-as-firms-move-supply-chains-away-from-china>

<https://www.nytimes.com/2020/09/26/business/japan-onshoring.html>

<http://www.businesskorea.co.kr/news/articleView.html?idxno=53359>

<https://www.cnbc.com/2020/10/23/pwcs-tim-ryan-on-supply-chain-moves-from-china-under-biden-or-trump.html>

<https://www.merics.org/en/>

<http://www.imf.org/>

AKAMATSU, K. 1962. A historical pattern of economic growth in developing countries.

KOJIMA, K. 2000. The "flying geese" model of Asian economic development: origin, theoretical extensions, and regional policy implications

BALDWIN, R. 2009. The Spoke Trap: hub and spoke bilateralism in East Asia: Working Paper No 2009/28.

BALÁŽ, P. – SZÖKEOVÁ, S – ZÁBOJNÍK, S. 2012. Čínska ekonomika : Nová dimenzia globalizácie svetového hospodárstva (Bude XXI. storočie storočím Číny?).

Thank you for your attention!
感谢您的关注!