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THE IDEAL ALMANAC

The Game Of Global Chess

Hello and Welcome to the April edition of the Ideal Almanac.

How Mexico and Malaysia became the Queens of the Global chess board.

For those non-chess players, the Queen is the single most powerful and important asset in the game of chess. She can move and maneuver in ways like none of the others pieces. Mexico and Malaysia are the two newest and most powerful players in the world and here is how they did it.

During the last four years the near total dominance of China over the global supply chain has been reduced, first because of Covid. The pandemic shut down various sections of that country with the resulting slowing and or stopping of raw materials and finished good shipments around the world. Suddenly Supply Chain issues became a major global concern to the vast bulk of humanity who had taken the system for granted. Companies and individual consumers were being told that deliveries would take a lot longer, prices were going up and there was nothing anyone could do about it. Parts and products that used to take a few weeks or a few months were suddenly taking six months to a year and longer. Companies outside of China could not get the components they needed to build their products so their business either slowed or failed or they figured out ways to use substitutions which were never considered before. Companies, designers and engineers had to become more flexible to new ideas, processes, production methods, plus raw materials and components because it was the only way they could stay in business. As this situation got worse companies accelerated their moves outside of China to become less dependent.

The second part involves the global political situation. With the Russian invasion of Ukraine, the resulting drastic reduction in grain production the isolation and various sanctions on Russia and the Chinese support for them, suddenly a global supply chain was not such a great idea because disruptions across the board could happen too easily. Whether it be oil, natural gas, grain or defense, the landscape was changing so frequently that governments and companies began to make the move to a more localized supply lines. Hence, companies in North America and Europe began sending an ever increasing part of their business to Mexico. Global

companies also sending an ever increasing part of their Asian business to Malaysia since it was stable and business friendly.

The third part involved, Taiwan. If Taiwan is invaded, in whatever way that would happen, the odds are good that the United States will not send in the Sixth Fleet to protect her, at least I hope she doesn't. I do believe that there is a good chance of a Chinese blockade of Taiwan to force her into submission and the result would be a trade war with the US, Europe and probably a bunch of other countries. Again, with this threat moving local business to Malaysia and away from China and Taiwan would seem prudent, as well as, to Mexico and away from the United States. If there is a trade war, goods normally produced in China and the US could then be brokered through Malaysia and Mexico so the goods could eventually reach their intended destinations.

This is the situation that I believe will occur. By default both Mexico and Malaysia have become the key players in what will happen in the global economy. It is simple to say because it is already happening. We already have a plant in Penang, Malaysia and are already building a bigger one. We are also building a plant in Guadalajara, Mexico and we will also be focusing on the border area between the US and Mexico. While most smaller companies have not taken the same path that we have, many of our customers have moved forward. Hoping that bad things will not happen is like sticking your head in the sand. The world will keep going whether people deal with reality or not.

The reliance on the Chinese Supply chain took decades. With the combination of inexpensive labor, government support and the willing of both Chinese and non-Chinese companies to invest the powerhouse that became China dominated our world. However with their ability and willingness to sell inexpensive, high quality goods came the dependence of the rest of the world to give them an ever-increasing part of the global supply chain. Fast forward to four years ago with Covid and the other results listed above and you have the rest of the world reeling from our over dependence and risk. The two countries with the biggest immediate potential impact to counter this situation are Mexico and Malaysia. We are already there.

Regards,
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