

US companies unlikely to remove China from supply chains - MIT professor

By Juhi Varma

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HOUSTON (ICIS)--Speculations that US companies will cut China out by reshoring supply chains seem unlikely and expensive, a university professor said on Thursday.

Asset-heavy industries are unlikely to discard the ecosystem of suppliers and infrastructure they spent decades building, said Yossi Sheffi, director of the Massachusetts Institute of Technology's (MIT) Center for Transportation and Logistics.

This is especially true for petrochemical and automobile companies.

"They're not going to just pick up and go out of China," he said. "It's too expensive and too long."

Sheffi was among a group of panellists at the Downstream Virtual Digital Conference and Exhibition. The event was organised by the firm Petrochemical Update, a business unit of Reuters Events.

Companies depend on China for raw materials or manufacturing parts. The coronavirus disrupted operations [in January and February](#), months before outbreak spread worldwide.

Sheffi said it is unlikely that the coronavirus would prompt US companies to [remove China](#) as a major raw material provider.

For example, clothing makers have moved unsophisticated, labour-intensive parts of the manufacturing process from China to Sri Lanka or Bangladesh, but they continue to use raw material textiles made in Chinese factories. It is difficult to relocate existing infrastructure.

"[Reshoring] will happen on the margins," Sheffi said. "What I call eye-candy. Some companies will move the last stage of production to the US because of political pressure trying to pacify politicians, but it's hard to imagine people doing that on a large scale."

The exception is personal protective equipment (PPE), where shortages in the US has prompted an increase in domestic production.

PPE production is unlikely to be outsourced because in a crisis, countries direct their resources to their own people. This is a lesson learned from the past few months, Sheffi said.

"The offshoring of PPE is something that people I think are concerned about," said another panelist, Beth Heyn Kennedy, supply chain account executive at Gartner.

"People are going to press legislators for some mandates. We've got to protect our national security better by having PPE available from domestic manufacturers, so I think that could definitely have some impact on relationship with lots of countries, not just China."

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