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## Globalization 2.0 Requires New Development and Purchasing Strategies

The automotive industry, and especially automotive electronics, is characterized by globalization. Over the last 40 years, production of semiconductors and electronic components was moved to Asia, battery cells and the corresponding materials, including mining and extraction of raw materials, have been dominated by Chinese manufacturers already from the beginning. Location and sourcing decisions were made according to primarily economic considerations, and geopolitical aspects were largely ignored. And geopolitical risks were almost never a decision criterion between technical concepts. But globalization is the result of geopolitics and geopolitical change. With the opening of China, the fall of the Soviet Union, the financial crisis, subsequent democratization in South America, and the rise of India, the BRIC countries promised new growth opportunities and massive cost savings. For some years now, we have once again seen a geopolitical shift – this time with the opposite sign. In China, geostrategic considerations dominate over economic ones; in the U.S., Trump's nationalism has marginalized Republican free trade advocates; China is declared the main enemy across party lines; and Europe is increasingly involved in the trade war.

Nevertheless, the American Inflation Reduction Act (IRA) has taken many companies by surprise. Volume vehicles will only be able to be sold if the 7500 US dollar tax credit

promised there can also be credited – which makes the promotion and processing of battery materials from countries with a free trade agreement as well as local production of the battery necessary and prohibits supply circumferences from countries such as Russia and China. Pressure for regionalization is also growing for environmental reasons. What was considered protectionism yesterday is becoming necessary today to create a level playing field with the goal of global greenhouse gas reduction.

Does this mean the end of globalization? No – a global division of labor will remain important to maintain cost advantages and competitiveness. It is therefore imperative to include geopolitical considerations and scenarios in all corporate decisions:

- Technology and sourcing decisions must anticipate potential import and export restrictions on components, raw materials and technologies.
- China and the West are decoupling: hardware and software architectures must enable the exchange of functions and components according to regional requirements.
- Strategies must define no-regret moves and safeguard strategic flexibility, for example by qualifying alternative technologies and suppliers.

In short, management is required more than ever to think strategically!