

Article

June 2004

The Rhubarb Vendors

Rhubarb had a long run. It was a prized medicinal product during the 15th & 16th centuries and was therefore a hot commodity. It was imported to Europe from China; through a vast spice supply chain, operated by Chinese, Arab and Venetian traders. This global trading system was so profitable, that investors could lose 6 out of 7 ships, and still make money. Globalization is not new. Nor is the economic power of China. We are simply witnessing the reemergence of its dominant role played throughout history, save for the last four hundred years.

Much of the debate in North America is now focused on the loss of domestic jobs resulting from outsourcing to India and China. However, in my view, a more significant issue is the long term consequences of huge investments being made in research and development capabilities throughout Asia, particularly in China. These are likely to create massive competitive shifts.

In North America, the “tide is going out” - taking with it offshore investments and outsourcing contracts. But the economic future is more disconcerting. I believe the incoming trade flow could begin to look more like a “tidal wave”, in the form of high technology goods and services, backed by product development, manufacturing processes and marketing paradigms that will unseat American economic hegemony.

Political leaders have adopted the ritual incantation that innovation will be our salvation. However, every economic system, and every product within it, has a cycle. Economic rhetoric is a weak tool to defend against emerging competitive forces. Just ask the rhubarb vendors.

