

Monthly News and Resources for Professionals in the Chemical and BioPharma Industries - April 2011

THE BUSINESS CORNER

Middle East Uprising - Why it can Impact Your Chemistry Job

By Paul Hodges, [International eChem](#)

Events in the Middle East challenge the way chemical and pharma companies have been doing business over the past 20 years. Here's why.

For the past 20 years, globalisation was a one-way bet:

- Western countries relocated manufacturing operations to emerging economies. This kept costs low, and hence inflation, and sustained high levels of consumption in the West.
- Emerging economies (eg Middle East, Brazil, Russia, India, China) gained much needed employment and manufacturing know-how.

But this "win-win" is now starting to unravel.

The focus on boosting Western consumption over the past 20 years came at the expense of infrastructure investment. Financial markets rewarded 'day-trading', not long-term investment. The result is today's supply constraints, and higher prices, for many key commodities, including energy, metals and foodstuffs.

Meanwhile, in the emerging economies, the younger generation is no longer grateful just to have a job. They want a larger share of the value they are creating. So labour costs have been rising, by up to 50% in the past year in parts of China, for example.

The Middle East is currently at the epicentre of these changes. These countries have very young populations, with median ages under 30 years. Understandably, they want better standards of living. Many also want greater political freedom.

How will these changes play out over the next few years? Nobody really knows, as we have no history to guide us. We are heading towards a New Normal, which requires major innovation in technology and business models. Opportunity abounds in the emerging market, but chemical business as we know it, will have to adapt and change.



This business insight is brought to you by Paul Hodges, Chairman of International eChem and renowned ICIS Chemicals and the Economy blogger. To read more about the New Normal, visit [Paul's blog](#) on Chemicals and the Economy. Watch ACS Webinars recording with Paul on the [2010 Chemicals and the Economy Year End Update](#).