

U.S. shutdown proves how global the supply chain has become



By [Simon Campbell-Young](#)

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When America sneezes, the world catches a cold. The famous quote was initially uttered about France and Europe by Austria's Prince Klemens von Metternich during the French Revolution and Napoleonic wars to describe the effect it had on the rest of Europe.

His quote was later adapted to the economically powerful United States and how what happens there tends to have such an enormous impact, the shockwaves ripple through the entire globe. This became evident again most recently when the U.S. government underwent a partial shutdown for sixteen days during October 2013.

Delayed payments

The shutdown saw nearly one million non-essential U.S. government workers indefinitely furloughed, with another 1.3 million asked to report to work amidst the nerve-racking uncertainty of having no idea when their next pay cheque will be handed to them. But as the dominoes toppled, it tipped over into the private enterprise too, affecting various industries - including the technology sector, which was actually among the worst hit, since the federal government alone reportedly spends more than \$80 billion on technology and IT each year.

Every IT company that conducted business with the government was subject to delayed payments - including Google and Microsoft, both of whom have massive federal contracts - as well as thousands of independent contractors that provide tech services to government institutions. Many government websites, although they remained visible, were not updated during the shutdown, and Web users were unable to turn to them for information.

According to the financial ratings agency Standard & Poor's, the shutdown cost the U.S. economy at least \$24 billion. That number could still be a conservative early estimate, bound to spike even further as many companies still have to tally up their fourth quarter losses and gains. Forrester Research concluded that technology spending growth specifically had been cut by about 2% as a result of the shutdown, and believes that this will only amount to IT growth of 3.9% for 2013, which is down from 5.7% the year before. For 2014, Forrester forecasts IT expenditure for both the government and private sector to rise at only around 5.3%.

Global yet fragile

The consequences of the shutdown were even felt as far afield from the U.S. as here in South Africa, as was demonstrated by several of the reseller channels. During early to mid-October 2013, many consumers who surfed to or purchased anything from several of South Africa's major online retailers, such as [Exclus1ves.co.za](#) or [Kalahari.net](#), received a message to inform them that their orders might be subject to a delay due to the U.S. government shutdown, since many products sold via these channels are sourced and shipped from the U.S. and were therefore at the mercy of U.S. Customs (CBP).

In early October, a few days after the shutdown, Exclusives.co.za published a letter from their U.S. suppliers on their blog. In the letter, it was explained to them that, even though CBP remained open during the shutdown, many other U.S. government transportation-related agencies which impacted worldwide shipping and the ability for the suppliers to expedite shipping, were shut down, which was why the retailer passed on the warning to consumers to expect delays on some orders.

The U.S. government shutdown has demonstrated yet again how global the supply chain has become, but also how fragile it can be, with political happenings on the far side of the world having such a direct impact on local businesses. Fortunately, shipping to the affected online retailers in South Africa has already returned to normal, and the U.S. government shutdown appears to have had no knock-on effects, wrapping up before it could have had the opportunity to - perhaps adversely - impact the holiday shopping season.

ABOUT SIMON CAMPBELL-YOUNG

Having started his career as a startup partner for FSA Distribution in 1990, Simon Campbell-Young went on to start his own company called Mentek Distribution in 1995. This was sold to a public company called Siltek Holdings between 1998 to 2000. Shortly thereafter, he took his experience in the technology sector, garnered over more than 23 years, to form specialist distribution company Phoenix Distribution in 2000.

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