Enhancing Supply Chain Resilience and Preparedness for Future Shocks

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GVC activities recovered to pre-pandemic level

World exports of intermediate goods

- COVID-19 shock to supply chains - increase in demand, decrease in supply
- causing delays (transit time doubled), shortages, and price increases (shipping cost across the Pacific increased by more than 10X)
- as of Nov. 2021, 11.5% of global vessel capacity are offline

- World exports of intermediate goods (indicator of GVC robustness) posted increases in all regions since Q3 2020, and surpassed pre-pandemic IG export level (Q3 2019)
- Global IG exports grew by 27% YoY in Q3 2021 (China 36%↑ in exports and 25%↑ in imports)

Source: WTO (2022)
But supply chain shocks remain a threat

- 57% of respondents expect economies to improve both globally and in their economy in the next six months
- Pandemic, inflation and supply chain disruptions are among the top concerns for businesses

Source: McKinsey, December 2021
as they become more frequent and severe

Companies can expect to lose 42% of one year’s EBITDA every decade.

Source: McKinsey Global Institute
MSMEs see larger impact from COVID-19

- Less resources and experience
- Less preparedness
- Less supported by ecosystem
- Less access to information

**Note:** Respondents were asked ‘How have your business operations been affected by the coronavirus (COVID-19) pandemic?’ and ‘How many full-time employees does the business have?’ Definitions: Microenterprises, up to 4 employees; small firms, 5-19 employees; medium-sized firms, 20-99 employees; large firms, 100 or more employees. Data on 2170 businesses in 121 countries. Response rates vary across countries and regions.

What can be done to enhance SC resilience?

Trade and investment policies
• An open, non-discriminatory, predictable and stable trade and investment environment, for APEC economies, and also at global level
• Facilitation efforts, such as implementing TFA, autonomous services liberalization, investment facilitation
  • Further acceleration of digital trade facilitation implementation could cut average trade costs in the region by more than 13%. (ESCAP 2021)

Covid response
• Timely and clear information on health protocols
• Jointly support global efforts, such as COVAX and WTO TRIPs waiver
• Facilitate trade and investment in manufacturing of essential products and medical supplies
• Enhancing cooperation in pandemic control/relieve, e.g. increase immunization, restoring production capacities, build new business linkages
• Exchange on strategies and lessons learned in dealing with supply chain shocks, increased preparedness for future SC shocks
What can be done to enhance SC resilience?

Technology and innovation
• IoT, AI, blockchain, predictive analytics, robotics, autonomous vehicles increase automation in supply chains, e.g. automation in ports could increase productivity by 35% and reduce operating cost by 50%
• Standardization of shipping data and data sharing
• Increasing services role in supply chains, e.g. platforms, data
• Increasing digital trade calls for update of data governance, competition and taxation policies

Business strategies
• Monitor changes in MNC business strategies and potential impacts, e.g. shorter supply chains, closer to markets, regionalization, near-shoring (but all costly)
• Support SME participation in supply chains, e.g. diagnostics of practical challenges and address policy bottlenecks (ITC SMECS), supplier development programmes, better risk-sharing throughout supply chain for SMEs
• Support MSME digitalization
  • "SMEs using cross-border digital payment services enjoyed a 97% first-year survival rate compared to 43% for all SMEs in their first year"
APEC action plan

Addressing the chock-points:
(1) lack of coordinated border management, and underdeveloped border clearance and procedures;
(2) inadequate quality of, and lack of access to, transportation infrastructure and services;
(3) unreliable logistics services and high logistical costs;
(4) limited regulatory cooperation and best practices; and
(5) underdeveloped policy and regulatory infrastructure for e-commerce.
Thank you

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