



**Asia-Pacific
Economic Cooperation**

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Reinventing Supply Chains in a Post COVID-19 World

Submitted by: Policy Support Unit, APEC Secretariat



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Connectivity Meeting
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Economic Cooperation

Reinventing Supply Chains in a post COVID-19 World

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Advancing Free Trade
for Asia-Pacific Prosperity

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APEC Supply-chain Connectivity Framework Action Plan 2017-2020

- (1) Border management and clearance:
 - Large decreases in clearance times with (7.1%) and without physical inspection (15.8%) were observed.
 - Both border compliance cost and time to import and export have decreased substantially.
- (2) Transportation infrastructure: Substantial improvements in the RMT shipping connectivity index as it increased by 5.8% since 2016.
- (3) Logistics: Reductions in import and export lead times by 3.6% and 2.8% respectively since 2016.
- (4) Regulatory cooperation: Poor scores for internal and external border agency cooperation for APEC and OECD.
- (5) e-commerce: integrated postal development score dropped by 2%, and B2C e-commerce index increased by 3.4%



Challenges and way forward for stronger supply chain connectivity

Adoption of automation:

- SCV and efficiency can be improved by automating customs and other border management processes.
- However, digitising procedures across the supply chain is challenged by lack of digital infrastructure, harmonisation of procedures and documents, and mechanisms for data security.

Harmonisation of regulations

- Harmonisation of regulations reduces the amount of time spent on checks at the border.
- Lack of harmonisation introduces inefficiencies and prevents implementation of interoperable single window systems. E-commerce legislation harmonization in certain key areas like cybercrime, consumer protection and electronic signatures needs to be improved.

Lack of logistics skills

- Performance of logistics workers is very important to maintain the quality of service in a labour intensive logistics industry.
- However, there is a lack of supply of qualified logistics workers which makes achieving cheap and reliable logistics services challenging.

Resilience of supply chains

- Domestic and global supply chains have been hindered by natural disasters and cyberattacks.
- Damages caused to physical infrastructure and to digital infrastructure through cyber-crime have become an increasing concern. Considerable work has to be done by firms to improve their cyber security and in general to make their supply chains more resilient

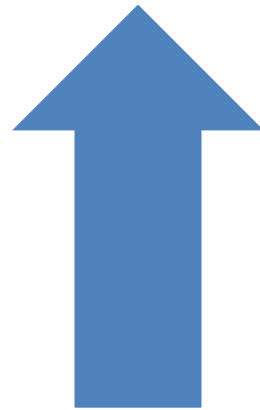


Challenges from Complexity and Competition

- As the world is becoming more connected and integrated, the supply chain networks are becoming more sophisticated and extensive.
- Attempts to reduce supply chain costs, focusing on lean manufacturing, offshoring, supplier consolidation, while also reducing inventory levels have increased overall global supply chain risk and reduced flexibility.
- It is difficult for a lead firm to become fully aware or to have thorough visibility of all of their suppliers.
- Mostly these lead firms or MNCs will only have clear visibility of their 2nd or third suppliers.
- A survey highlighted that the majority of chief procurement officers (CPO), around 65%, have admitted that they have limited to no visibility beyond their tier 1 suppliers.

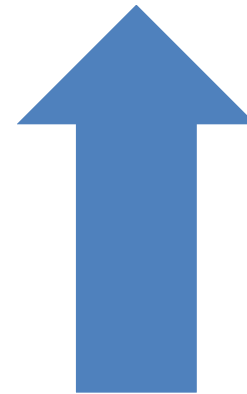


Future Supply Chains



CT improves faster than IT

More complex supply chains: number of stages and locations



Trade & transportation costs fall

More global sourcing, global supply chains



IT improves faster than CT

Less complex supply chain: fewer but more polarized stages (in terms of capital and skill-intensity); fewer low-skilled stages



Trade & transportation costs rise

More 'nearshoring', regional supply chains

Source: Global Supply Chains: Why They Emerged, Why They Matter, And Where They Are Going, by Richard Baldwin (2012).



Impact of Covid-19

- **94%** of Fortune 1000 companies are experiencing seeing supply chain disruptions from COVID-19
- **75%** of companies have had negative or strongly negative business impacts on their businesses
- **55%** of companies plan to or have downgrade(d) their growth outlooks

<https://www.accenture.com/sg-en/insights/consulting/coronavirus-supply-chain-disruption>

- **19.6%** of firms plan to have more inventory
- **65.9%** of firms plan to defer capital expenditures
- **60.2%** of firms plan to perform deeper due diligence postCOVID-19
- **53.2%** of firms want to have a comprehensive pandemic plan in place

https://www.resilience360.dhl.com/wp-content/uploads/2020/07/20200714_The-Future-of-Supply-Chain.pdf



Building connectivity for a resilient supply chain

1. Connectivity is an important element to build resiliency.
2. Being connected allows firms to be more flexible, by having more options with alternative suppliers.
3. By having a more efficient logistics connectivity will also allow firms to be more agile, to recover more quickly and to resume normal operations.
4. For governments, stronger networks will allow faster and comprehensive cooperation between economies to allow mutual cooperation in achieving effective solutions.
5. Need to maintain commitment to global trade and to achieve deeper globalization.



Where to focus next

- Supply chain resilience => agility, redundancy and pivoting
- Stay connected and improve visibility: are complex supply chains more impacted by COVID-19?
- Strengthen innovation (disruptive technology)
- Maintaining competitiveness

Possible characteristics for a resilient supply chain

1. Robustness: strong enough to withstand normal shocks and changes
2. Agility: ability to quickly recover and return to normal
3. Flexibility: having more options and alternatives during normal times and during recovery
4. Redundancy: to have redundancy or surplus capacity

Source: "Value Chain Resilience in the Asia Pacific: A Synthesis Report", APEC PSU (2015)



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