

Eleventh Meeting of the APEC Alliance for Supply Chain Connectivity (A2C2)

October 29, 2020

BACKGROUND & OBJECTIVES

The eleventh meeting of the APEC Alliance for Supply Chain Connectivity (A2C2) was held on October 29, 2020, and was attended by 62 public and private stakeholders from 11 economies. The meeting served as an opportunity for economies and industry to discuss the impacts of COVID-19 on supply chains and to share lessons learned, adaptations, and innovations among members to address supply chain disruptions. The A2C2 has served as an advisory channel for industry, multilateral institutions, and non-government stakeholders to contribute towards and help collectively advance supply chain initiatives in APEC. Prior meetings have served as an opportunity for stakeholders to identify ongoing supply chain connectivity issues, offer solutions and innovative approaches to identified challenges, and highlight ongoing capacity building programs and technical assistance to strengthen APEC's trade facilitation efforts, including economies' implementation of the World Trade Organization's Trade Facilitation Agreement (WTO TFA). In September 2020, the A2C2 was officially extended for three more years (through 2024) by the APEC Committee on Trade and Investment (CTI) to continue its work improving supply chain integration and trade facilitation in APEC. This extension particularly recognizes the criticality of strong, flexible supply chains in the midst of the COVID-19 pandemic and recovery.

The eleventh A2C2 meeting primarily focused on the pandemic's effects on supply chain operations and networks and how these experiences have stressed the importance of supply chain resilience and regulatory convergence to mitigate supply chain impacts and strengthen connectivity. With COVID-19 impacting government, industry, and non-government stakeholders alike, the meeting served to capture the challenges, lessons learned, adaptations, and innovations taken by stakeholders in managing supply chain impacts caused by the pandemic and to feed into APEC's efforts to frame supply chain actions moving forward.

AN OVERVIEW OF A2C2 IN THE CONTEXT OF COVID-19

The meeting opened with remarks from the United States, highlighting the increasing value and appreciation of stakeholder engagement in supply chain development and how A2C2 offers a variety of stakeholders an opportunity to voice real-time issues and share inputs to reshape technical assistance priorities and future activities in APEC. The Deputy Assistant U.S. Trade Representative of APEC Affairs emphasized the importance of expedited implementation of WTO TFA obligations to address supply chain bottlenecks and pain points. Introductory remarks emphasized the robust role that the A2C2 can play in the framing of APEC's continued work on supply chain chokepoints as it develops a third phase of its framework for action in supply chain 2021.

COMPANY INNOVATIONS

The opening panel focused on private sector responses to COVID-19 and how the pandemic exposed vulnerabilities to companies' supply chain networks and operations but also prompted companies to pivot and adapt. Companies highlighted supply chain resilience through digitization, retooling, and innovation. Pfizer Inc. shifted from paper to electronic files and is heavily investing in a vaccine candidate as well as

cold chain storage and distribution strategies to successfully deploy and distribute a vaccine quickly and safely. FedEx's adaptive measures were to exponentially increase the shipment and transport of masks (1.7 billion masks globally) and raise flight traffic to more than 70% to accommodate for high demand of medical supplies. The swift transport of medical supplies has prompted FedEx to invest in technology that identifies supply chain inefficiencies for quicker and more effective troubleshooting. FedEx has also been learning about and leveraging blockchain to help with authentication and tracking of products and goods which the company argues will prove vital for vaccine delivery when coupled with cold chain facilities. More generally, technology has been deployed by companies for route optimization and inventory counts (the latter through use of robots). All three companies on the panel - Pfizer Inc, FedEx, and Logistics Executive Group – emphasized the critical role of governments in reducing regulatory barriers and trade restrictions to help the private sector adapt and respond to the pandemic. Recommendations included: duty-deferral programs and limiting new barriers to trade; keeping trade documentation electronic wherever possible; providing clear definitions of what constitute essential goods allowed for transport; and striving for transparency and collaboration between the private sector, the government, and healthcare providers.

REINVENTING SUPPLY CHAINS

The second panel focused on the topic of reinventing supply chains after COVID-19. The first presentation was delivered by the APEC Policy Support Unit (PSU), which highlighted the achievements thus far via the APEC Supply Chain Connectivity Framework Action Plan. The Action Plan saw improvements in border management and clearance, transportation infrastructure, logistics, regulatory cooperation, and e-commerce. The presenter noted that supply chains are increasingly interconnected and complex, making supplier visibility less feasible, yet the benefits of supply chain connectivity outweigh the costs and companies' supplier systems have proven resilient. The second panelist from Fung Academy echoed the PSU's remarks in that visibility is limited with complex systems and the onset of pandemic resulted in stranded inventory and warehouses and suspension of business operations. The pandemic also prompted a shift to nearshoring for easier transport and delivery to meet demand. The panelist emphasized the importance of supply chain diversification and efficiency as factors in post-COVID supply chains and to provide people-to-people capacity building especially in emerging economies and to support SMEs for a holistic collaborative network in APEC. Finally, GSI, an international standards development organization, presented its post-COVID 19 recommendations for building back better supply chains. GSI emphasized interoperability among logistics operators and platforms through enhanced infrastructure and paperless sharing of data as key areas necessitating broad cooperation for strengthening connectivity through use and application of standards.

HIGHLIGHTING THE WORK OF THE LIFE SCIENCES INNOVATION FORUM (LSIF)

The final panel explored ways in which APEC is innovatively approaching the issue of regulatory convergence and hearing from representatives from the LSIF on efforts underway. The panel spoke on the forum's current priorities of global supply chain integrity and good clinical practice inspections as well as efforts by the Regulatory Harmonization Steering Committee (RHSC) to move towards regulatory convergence of medical products. An Advisor to the LSIF articulated four lessons learned in regulatory convergence. These included the importance of communicating the value-add for regulatory alignment, including increased safety and accessibility and reduced uncertainty, duplication, and corruption. Secondly, speakers identified the need for building human skills and capacity through centers of excellence to acquire

consistency in knowledge, application, and measurement of standards while also measuring progress using key performance indicators (KPIs) and to establish mutual recognition arrangements (MRAs) and certificate exchanges to foster genuine collaboration and trust between regulators. Lastly, consistent and reliable communication was stressed as a critical component in the effort to achieve regulatory convergence. The final presenter from Genentech/Roche, a biotechnology company, provided a company perspective on the benefits of regulatory convergence for improving supply chain efficiencies. Regulatory consistencies across economies for license and permit issuance will simplify regulatory requirements and enable large industries in need of wide production to have more than one manufacturing site. Also, regulatory coordination can reduce repeated testing for imports if economies can align testing requirements. Finally, the presentation argued for a new KPI to measure regulatory harmonization of innovative technologies like blockchain and e-services to facilitate supply chain modernization. The closing message from the discussion was that collaboration is key for achieving international harmonization and regulatory convergence.

CONCLUSIONS & RECOMMENDATIONS

The USTR Deputy Assistant closed the meeting by thanking the presenters for their insightful presentations. Closing remarks reflected reoccurring themes from meeting sessions, including the importance of collaboration and regulatory convergence and supply chain reinventions to respond to disruptions and become more resilient. Looking forward, the United States reinforced the importance of engaging in technical assistance and capacity building programs to strengthen trade facilitation and help economies become more resilient in this new era of uncertainty. The A2C2 has an important role to play in 2021 as APEC looks to frame its role in regional supply chain connectivity and in framing out APEC's priorities moving forward.