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Session 2.2

Enhancing Supply Chain Resilience and Preparedness for Future Shocks

Submitted by: ITC



**Workshop on Effective Domestic
Policymaking for Stimulating Economic
Upgrading Through Global Value Chains
1-2 March 2022**



International
Trade
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FOR GOOD

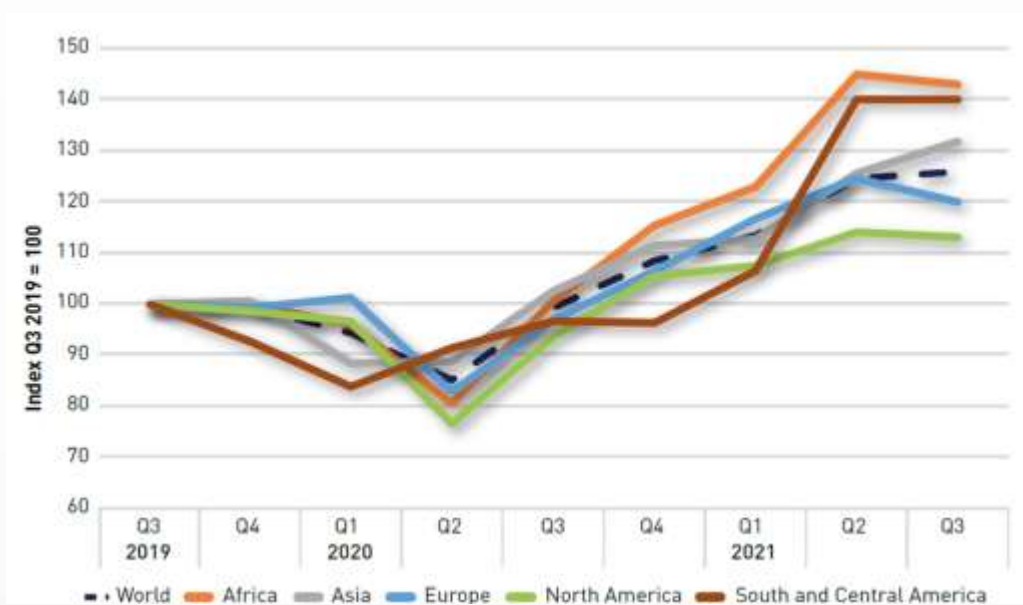
Enhancing Supply Chain Resilience and Preparedness for Future Shocks

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GVC activities recovered to pre-pandemic level

World exports of intermediate goods

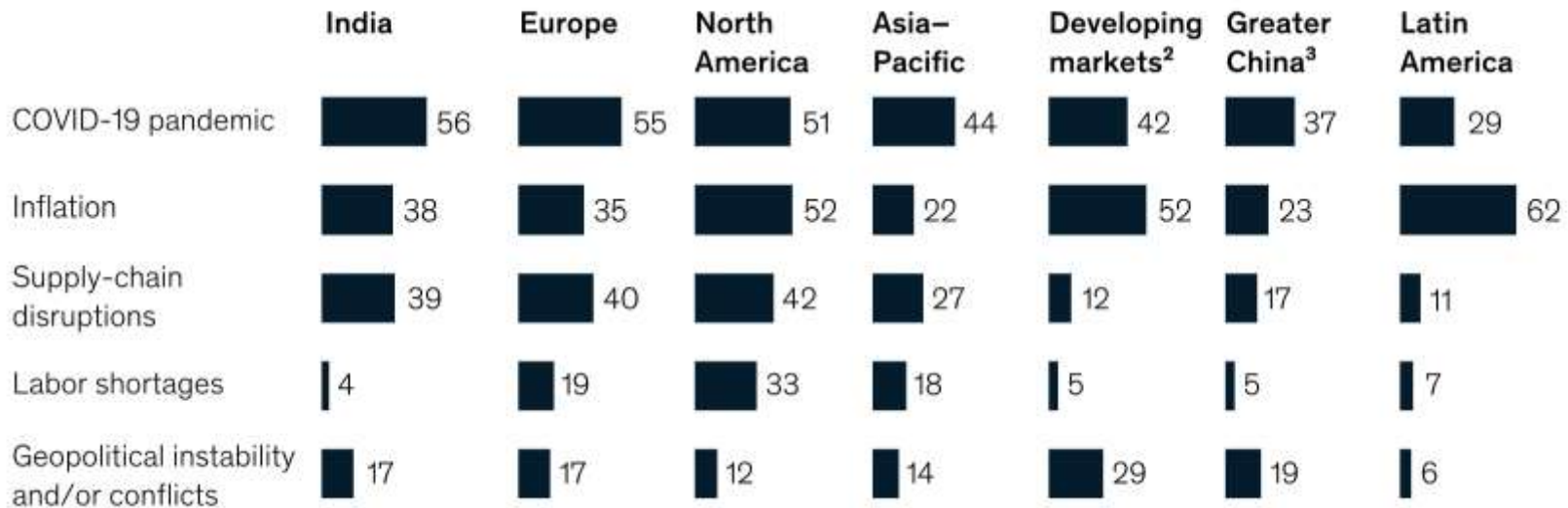


- COVID-19 shock to supply chains - increase in demand, decrease in supply
- causing delays (transit time doubled), shortages, and price increases (shipping cost across the Pacific increased by more than 10X)
- as of Nov. 2021, 11.5% of global vessel capacity are offline

- 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)

But supply chain shocks remain a threat

Potential risks to growth in domestic economies, next 12 months,¹ % of respondents

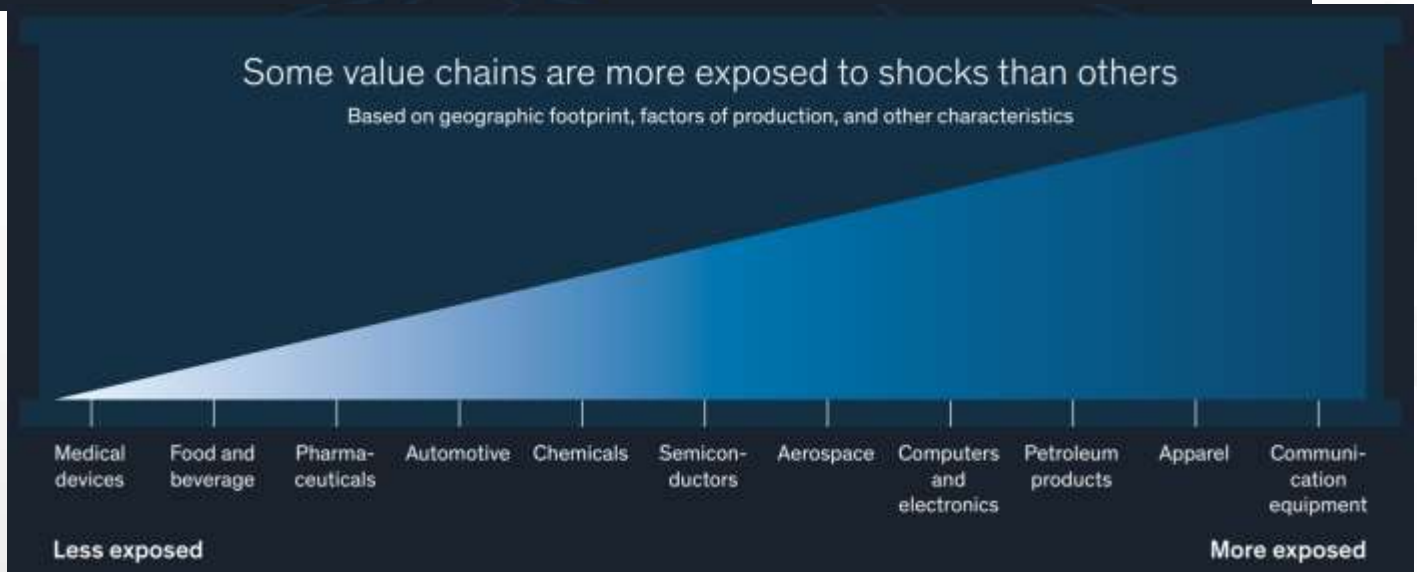


- 57% of respondents expect economies to improve both globally and in their economy in the next six months
- Pandemic, inflation and supply chain disruptions are among the top concerns for businesses

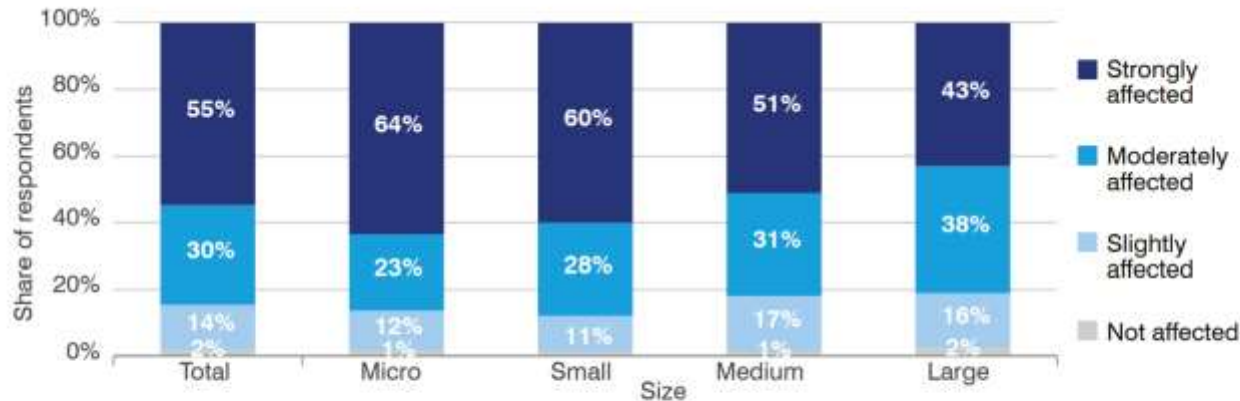
as they become more frequent and severe



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



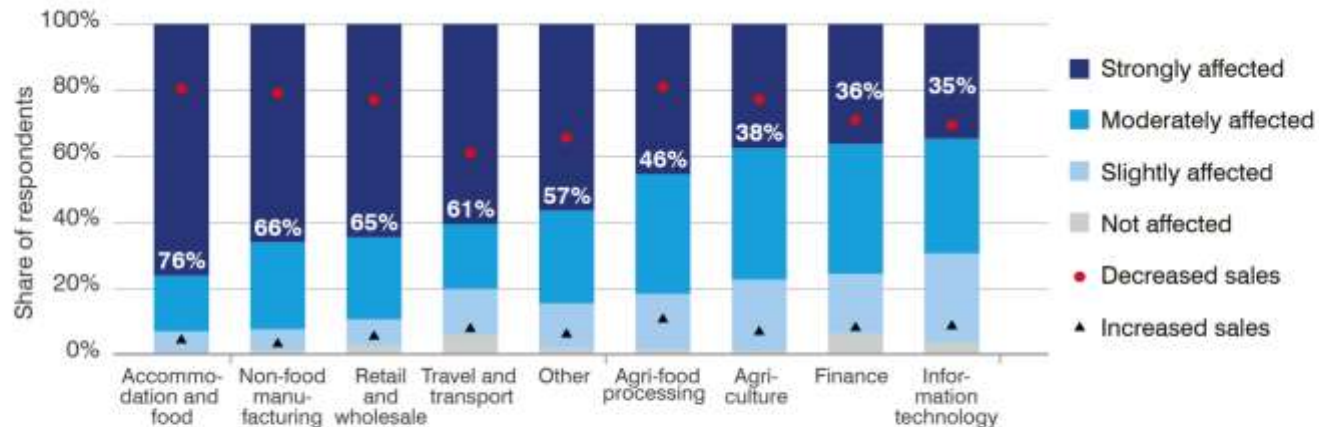
MSMEs see larger impact from COVID-19



- 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.

Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data collected 21 April – 2 June 2020.



Note: Respondents were asked 'How have your business operations been affected by the coronavirus (COVID-19) pandemic?' and 'Has the coronavirus (COVID-19) pandemic affected the ability to purchase inputs for your enterprise and/or sell outputs?' and 'What is the main sector of activity of the business?' Data on 2079 businesses in 121 countries. Response rates vary across countries and regions.

Source: ITC calculations based on ITC COVID-19 Business Impact Survey. Data collected 21 April – 2 June 2020.

Source: [ITC](https://www.itc-trade.org/)



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.



Final Review of the APEC Supply-Chain Connectivity Framework Action Plan 2017-2020 (SCFAP-II)

APEC Policy Support Unit
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Thank you

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