

COVID-19 CRISIS CALLS FOR RESILIENT SUPPLY CHAINS

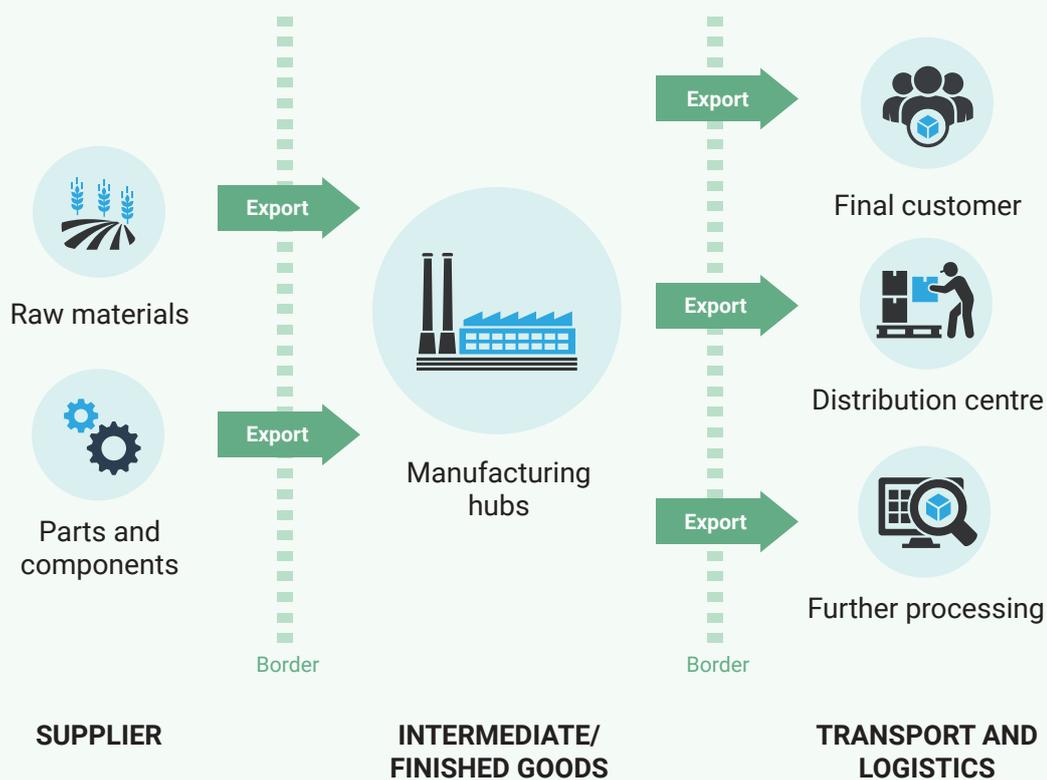
The pandemic has highlighted the need to build more resilience into global supply chains

Supply chains started becoming more globalised in the 1990s and 2000s as businesses began to expand and reorganise production across borders.

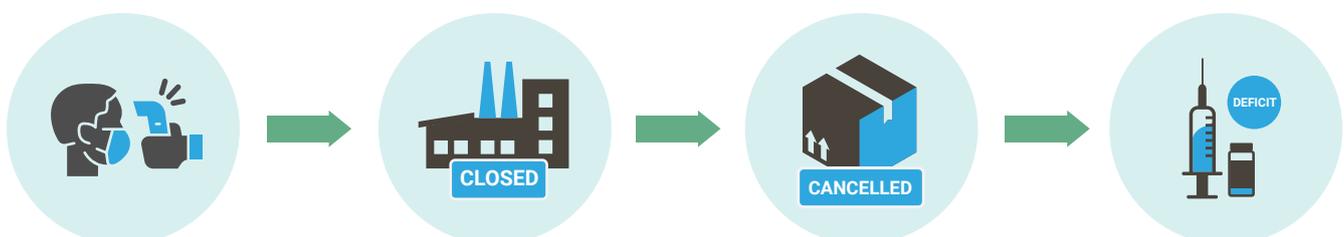
Global value chains represent 50-70% of international trade

WHAT ARE GLOBAL VALUE CHAINS AND SUPPLY CHAINS?

Global value chain (GVC) and global supply chain (GSC) are used interchangeably. GVCs is the process by which businesses add value to raw materials through production and manufacturing of finished products. GSCs represent the steps to get a product or service to consumers. Both refer to relations between suppliers and firms as they import and export components as part of the production process.



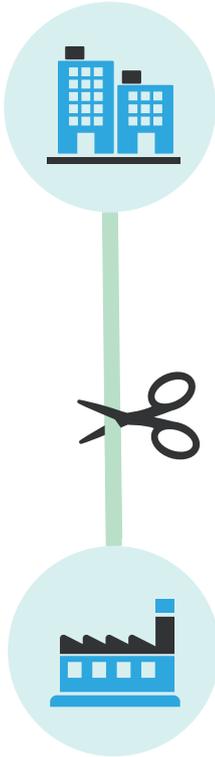
But increased global supply chain concentration can be harmful. Supply chain disruptions have impeded the COVID-19 response.



EFFICIENCY VS RESILIENCE?

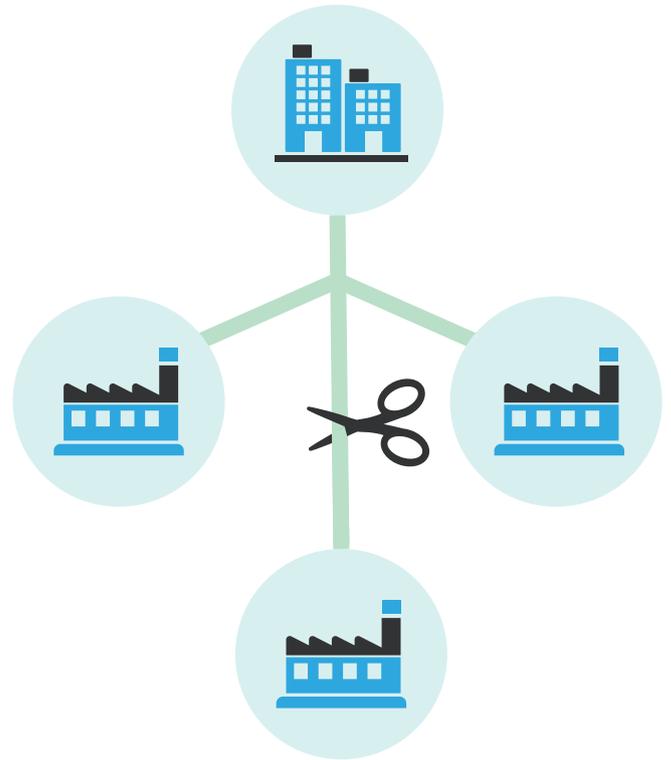
Efficiency

Greater supply chain concentration has been blamed for vulnerabilities, but the real culprit is inattention to long-term resilience in pursuit of short-term profits.



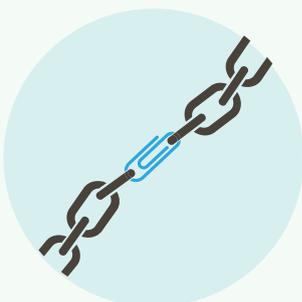
Resilience

Resilience is not a cost-free endeavour; it comes with hard choices and trade-offs. Measures to strengthen resilience such as diversification could incur higher costs.



IN SEARCH OF RESILIENCE

The pandemic has made businesses and governments more aware of the importance of resilience. But what does it really mean?



Key characteristics of a resilient supply chain:

- Robustness: strong enough to withstand shocks and changes
- Agility: able to quickly recover from shocks
- Flexibility: able to leverage options and alternatives during normal times and during recovery
- Redundancy: able to build adequate surplus capacity

Businesses have been considering the following adjustments to their supply chains.

Re-shoring and near-shoring

reconfiguring supply chains to another competitive location, closer to markets or headquarters for easier management.

Just-in-case inventory management

holding precautionary stocks or diversifying suppliers to gain extra time to plan recovery when hit by disruptions.

Improving visibility

providing end-to-end visibility to allow companies to anticipate shifts in demand and react with flexibility.

THE ROLE OF REGIONAL COOPERATION

Supply chain resilience is high on the business agenda. More has to be done at the policy level. Governments should see participation in GVCs as part of the solution to handle supply shortages and advance global recovery.



Promote digitalisation and supply chain visibility

Digitalisation could contribute to supply chain visibility through platforms that aid in online and real-time monitoring and transparency.



Strengthen trade facilitation

Trade facilitation efforts and measures need to be improved, particularly in relation to managing the flows of essential goods such as food and medical products.



Strengthen structural reform efforts

Develop a predictable, consistent and transparent regulatory environment to put firms at ease to adjust.



Enhance regional cooperation on trade, connectivity and economic openness

Maintain commitments to open trade policies and avoid discriminatory, trade-restrictive measures.

More can be done to ensure that cross-border supply chains remain connected and open. Maintaining commitments to trade openness and facilitation is crucial not only when times are good, but especially when times are tough.