WTO OMC

Global Supply Chains Forum

GLOBAL SUPPLY CHAINS FORUM

Easing supply chain bottlenecks for a sustainable future

21 March 2022

EVENT REPORT

EVENT HIGHLIGHTS

FORUM PARTICIPANTS

People
Leaders from business, governments, international organizations, civil society, research and academia

Regions
North America, Europe, Africa, Asia Pacific, Latin America

Over **4,000** live and on demand **viewers**

Source: WTO using Zoom and YouTube data

SOCIAL MEDIA #UNLOCKSUPPLYCHAINS

Engagements 10,164

Impressions 269,422

Hashtag views 11.03 million

Source: WTO

MEDIA COVERAGE

Media mentions in over 15 major publications, including the New York Times, Japan Times and Indian Express.

WTO chief calls for deeper global trade to address supply

"Ngozi Oknojo-Iweala, the director general of the World Trade Organization, called Monday for addressing choke points in global supply chains by bringing more countries into international production networks, something she termed "reglobalization"."

Source: WTO using Meltwater data

LIVE PARTICIPANTS' POLL RESULTS

Asked which aspect of supply chain disruptions is causing them and their partners most pain, audience participants ranked them as follows:

1. High transportation costs
2. Transportation congestion and delays
3. Difficulty accessing critical inputs
4. Lost/disrupted transportation routes
5. Labour/skills shortages
6. Access to digital technology
7. Availability of affordable trade finance

Source: WTO using Zoom data

INTRODUCTION

Supply chains are the lifeblood of trade and economic activity. They have enabled more goods to move across borders than ever before and are key to delivering prosperity to developing countries and small companies. But as demonstrated by acute disruptions over the past two years, they face more powerful and frequent risks. The ability to withstand current and future shocks including health crises, climate change and geopolitical tensions is critical.

To explore causes and solutions for the soaring freight costs and transport congestion hindering global trade, the World Trade Organization hosted on 21 March 2022 the first digital Global Supply Chains Forum. The aim was to foster cross-sector understanding and collaboration among leaders from every link in global supply chains and to collectively identify resources, interventions and innovations to improve resilience.

The event brought together speakers from every link in global supply chains – including ocean carriers, port operators, logistics companies, government representatives and businesses of all sizes – who shared best practices and made concrete proposals aimed at easing supply chain disruptions and their impacts.

Speakers identified structural vulnerabilities facing supply chains, including insufficient land-side infrastructure and labour shortages, and flagged needs and possible solutions. These ranged from investment in ports and automation to the development of global standards to support digitization and trade facilitation efforts, and enhanced cross-sector collaboration.

In an audience poll, participants also ranked their top supply chain concerns, starting with high transportation costs, transportation congestion and delays, and difficulties accessing critical inputs. The event attracted over 4,000 live and on-demand viewers and generated more than 10,000 social media engagements.

KEY TAKEAWAYS

STATE OF PLAY

Speakers outlined how surging demand for physical goods early in the pandemic, especially from North America, triggered double-digit increases in trade flows that transport providers and infrastructure struggled to cope with. Manufacturers placed trading networks under further strain as they shifted from 'just in time' to 'just in case' strategies, seeking to build inventory buffers, they said.

Compared with 2020, when two-thirds of ships arrived in port on schedule, two-thirds are now late, noted Young Tae Kim, Secretary General of the International Transport Forum (ITF). Turnaround time for ships at ports has doubled, spot rates for container freight have risen around six-fold and many countries – especially in Latin America, Europe and Sub-Saharan Africa – have lost direct connections as operators reconfigure their networks, he added.

As WTO Director General Ngozi Okonjo-Iweala noted in her opening address, ***"supply chain infrastructure... was not built for a world where a climate disaster can interrupt factory operations worldwide or a microscopic virus can upend the movement of goods, services and people almost overnight."***

The laying bare of structural weak spots that existed in supply chains pre-pandemic – and which the global community now has the chance to fix – represents a "silver lining", argued Ryan Petersen, CEO at Flexport.

But Usha Chandnee Dwarka-Canabady, Ambassador and Chair of the WTO's Committee on Trade and Development, warned of a "new normal", with climate events threatening to pile more pressure on supply chains longer term.

Withdrawing from trade is not the answer, stressed Okonjo-Iweala, who called rather for a recommitment to globalization and a renewed focus on integrating developing countries and smaller companies into trading networks. "Deeper, more diversified international markets remain our best bet for supply resilience," she said.

DEVELOPING COUNTRIES AND SMALL COMPANIES

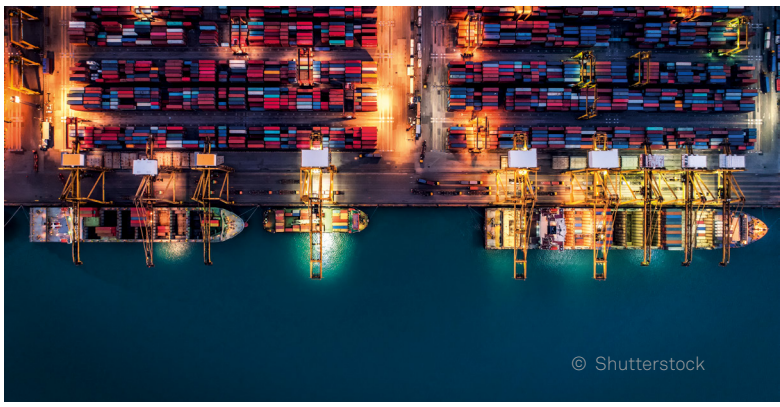
Micro, small and medium-sized enterprises (MSMEs) in developing countries have faced export barriers, reduced demand for their output and difficulty obtaining inputs due to pandemic-related supply chain disruptions, noted Pamela Coke-Hamilton, Executive Director of the International Trade Centre (ITC). For nearly 50 per cent, access to logistics services has shrunk.

Net food importer The Gambia has suffered a double blow from triple-digit increases in freight rates and a 30 per cent uplift in international prices for staples like rice since Q1 2020, said Seedy Keita, the country's Minister of Trade, Industry, Regional Integration and Employment.

Food price inflation will be especially painful for 25 African countries that import over a third of their wheat from Russia and Ukraine, added Ambassador Dwarka-Canabady. This is on top of higher container freight rates, which could add 1.5 per cent to consumer prices globally, rising to 2.2 per cent for least developing countries and 7.5 per cent for small island developing states.

The expansion of ocean carriers into services including terminal operations, freight forwarding and road haulage is also placing heavy competitive pressure on smaller shipping companies and logistics providers that SMEs and developing country companies rely on for access to global markets, said the ITF's Kim. He argued regulations governing the global shipping liner market should be reviewed to help level the playing field.

Impact investments should be targeted at strengthening the participation of smaller and more vulnerable actors in global supply chains, proposed Geetha Tharmaratnam, CEO of Aequalitas Capital Partners. For example, funding start-ups like Nigeria's Omnibiz – a B2B e-commerce platform that seeks to digitize informal trade – offers a route to connect female entrepreneurs responsible for 76 per cent of Africa's informal retail trade, she said.



© Shutterstock

LAND-SIDE INFRASTRUCTURE AND LABOUR

Infrastructure investment is vital for reducing queues outside ports and enabling them to accelerate container throughput, speakers argued, acknowledging however that this will take time. Several called for key ports to be expanded and automated so more can admit new super-sized vessels or process the huge number of containers they carry. Directing some of the US's $1.2 trillion Infrastructure Bill spending towards automation investments at ports could offer a quick win, argued Flexport's Petersen. Clemence Cheng, Managing Director, Europe at Hutchison Ports, noted that the company's container terminal in Barcelona has been one of its best performing through the crisis, partly due to investments in automated cranes and digital technologies.

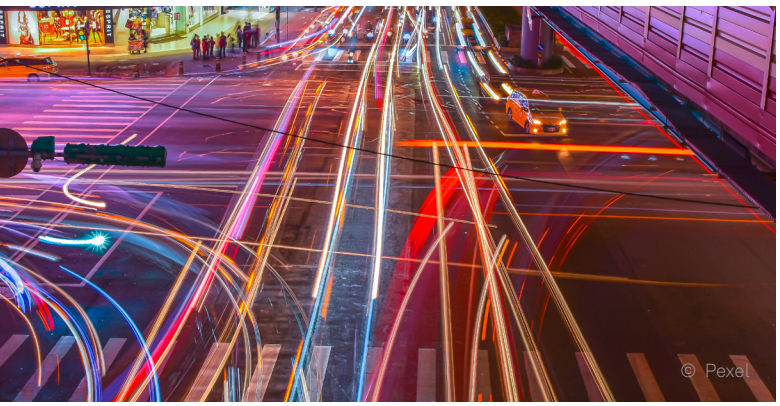
Upgrades to road, rail and warehousing infrastructure would also help ports and terminals free capacity, allowing goods to reach markets more quickly, speakers argued. Some also flagged a need to attract younger people into trucking and other logistics roles to plug land-side labour shortages that the pandemic exacerbated, and said public-private cooperation could help.

TRADE FACILITATION

Several speakers applauded the WTO's Trade Facilitation Agreement for helping reduce trade friction. Luz María de la Mora Sánchez, Mexico's Undersecretary for Foreign Trade, said Mexico's implementation of a single window had proven "crucial to the resilience of supply chains" amid disruptions.

But further work is needed to reduce bureaucracy at borders, argued Hutchison Ports' Cheng. "We strongly support a standardized single trade window that's fit for all countries, so you have everyone working on a standard set of trade documents," he said.

More collaboration is needed to build common digital infrastructure that allows private operators to communicate with border agencies, said John Denton, Secretary General of the International Chamber of Commerce (ICC). He called for "bold reforms", with more governments allowing instruments like bills of lading to be digitized.



DIGITIZATION

Greater use of digital solutions and data sharing across supply chains more broadly will help actors manage disruptions better, speakers agreed.

At the Port of Los Angeles, containers are queued up in time slots for collection by specific truck drivers, but in recent months drivers have arrived on time for only 50 per cent of those appointments, noted Flexport's Petersen. A solution that allowed drivers to take the first available container and instructed them where to take it would accelerate throughput dramatically, he argued.

Using machine learning to plan how containers – often only 70 per cent full – are packed could also yield efficiencies, he proposed, adding that "it's much easier to put 30 per cent or 25 per cent more stuff in a container than it is to ship 25 per cent more containers through a port."

End-to-end visibility is particularly beneficial for boosting SME resilience against supply chain disruptions, but governments, international organizations and private-sector operators must work together to ensure they have the required digital skills, argued Penny Naas, UPS President for International Public Affairs and Sustainability.

TRADE FINANCE

Upgrading payment and financing infrastructure, including to allow the use of more digital solutions, will facilitate smoother cross-border trade and help plug a $1.8 trillion trade finance gap that hinders the integration of developing countries, SMEs and women-owned businesses into supply chains, speakers said.

The Gambia's Keita flagged the development of the Pan-African Payments and Settlement System (PAPSS), which will allow member countries to make cross-border payments in local currencies, as key to fostering regional trade under the African Continental Free Trade Agreement (AfCFTA).

Supply chain disruptions have helped accelerate the digitization of open-account trade finance like supply chain finance (SCF), said Victoria Claverie, Head of Trade, Europe, at Standard Chartered. She said SCF could help smaller exporters ride out a growing trend for buyers to extend their payment terms – an issue flagged by Rubana Huq, CEO of Bangladesh garment exporter Mohammadi Group.

But progress is slower in digitizing documentary trade transactions, Claverie added. She said standards on how to store and transmit data are needed to make digital documents legally binding and accepted by all actors in a chain.

DECARBONIZATION

Longer-term environmental goals must not be side-tracked, speakers agreed.

Mohammadi Group's Huq argued that a share of the price premiums commanded for end products labelled as sustainable must be passed on to developing country suppliers, especially those that are labour-intensive. "We have great green factories. We don't have any green prices," she noted.

Environmental, social and governance (ESG) criteria are increasingly being integrated into SCF programmes, with suppliers that implement greener practices, for example, being rewarded with cheaper finance. But for this to take off – and to mitigate greenwashing risks – the development of global sustainability and reporting standards is desperately needed, said Claverie.

Transportation must also be decarbonized, stressed Kim. Freight C02 emissions – 73 per cent of which come from heavy-duty road vehicles – will climb by a fifth by 2050 without drastic action, derailing Paris Agreement targets, he warned. The ITF's Transport Climate Action Directory can help, by modelling for decision-makers the potential C02 reductions available from a range of transportation decarbonization actions, he proposed.

Charles Darr, Executive Vice President, Maritime Policy and Government Affairs at MSC Group, cautioned that while regulations aimed at decarbonizing transportation are necessary and welcome, they could force ships to slow down, raising costs and exacerbating supply chain weaknesses.

COLLABORATION

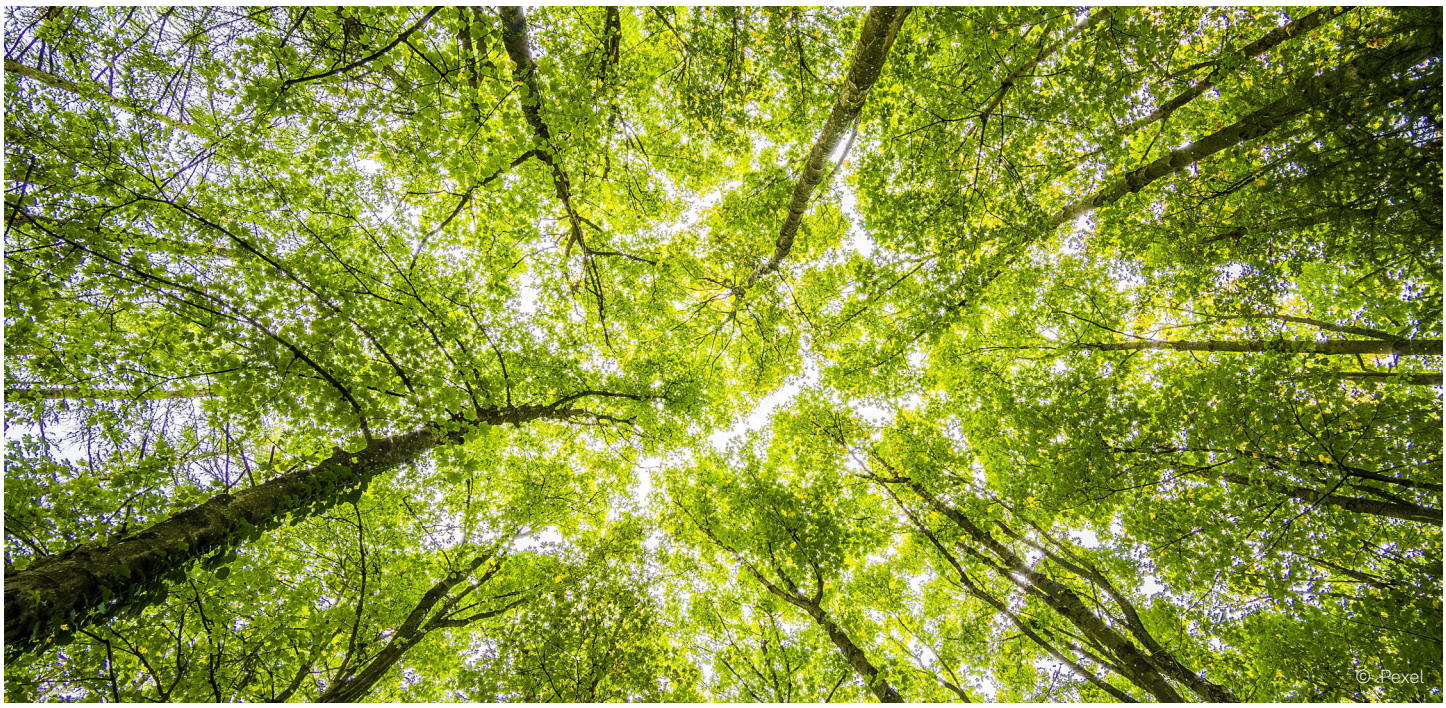
Speakers stressed the need for further collaboration and information sharing. Hutchison Ports' Cheng proposed the creation of a public-private knowledge bank that governments and international organizations could draw on to improve their understanding of supply chain challenges. "By building up a global picture together, we can take a more holistic approach to solving some of these more global challenges," he said.

Mexico's de la Mora Sánchez said the crisis had emphasized the relevance of multilateral collaboration and called for greater public-private partnership.

The WTO can contribute by providing a forum for global dialogue on supply chain issues, said Okonjo-Iweala, noting how the organization's monitoring function helped identify bottlenecks and export restrictions affecting the production and distribution of Covid-19 vaccines.

Kemvichet Long, Ambassador and Chair for the WTO's Council for Trade in Services, added that the WTO offers a platform for collaboration among supply chain actors and is a "unique place to foster multilateralism, multi-modal and multi-stakeholder dialogue."

Ambassador Dwarka-Canabady concluded that lessons from the forum could inform Aid for Trade discussions this year, by flagging the need for investments in digitization and supply chain infrastructure to improve the integration into trading networks of vulnerable countries and companies.



Ahead of the forum, the author of the report explored some supply chain issues in more depth:

Bangladesh ready-made garment sector

Bangladesh's ready-made garment sector has been shown to be very vulnerable to supply chain disruptions.

Early in the pandemic international buyers cancelled or suspended over $3 billion worth of shipments from 1,142 of the country's garment factories. And while many of these decisions were later reversed, some buyers then imposed discounts on suppliers and extended their payment terms.

Garment manufacturers have faced fresh challenges this year as retailers pulled out of Russia – often after finished items had been sent to ports or even shipped – and shipping lines dropped Russian routes. The banning of several Russian banks from using the SWIFT payments messaging network has prevented many suppliers from receiving export receipts. Growing queues at Bangladesh ports are also delaying the shipment of time-sensitive fashion items to other markets.

Connectivity and MSME resilience

Micro, small and medium-sized enterprises (MSMEs) that are integrated into global value chains are more likely to have the tools and relationships they need to be resilient, according to the International Trade Centre's 2021 SME Competitiveness Outlook.

MSMEs with international trading relationships – and especially those that connect with business support organizations – are more likely to go online, adapt their products and source from new suppliers in the face of disruptions, ITC research shows. Those that frequently collaborate with peers in their sector told ITC they had good access to information on potential buyers and suppliers.

Just 6 per cent of small Cambodian firms with a diversified supplier base pre-pandemic said they expected to close down within months of the crisis, compared with 25 per cent of those with just one supplier.

Digital connectivity is also transformative, as demonstrated by the increased resilience of MSMEs embracing e-commerce. The ITC is working to build MSMEs' digital skills and connect them to digital markets via its ecomConnect and #FastTrackTech initiatives.

However, reliable internet access – unavailable for 90 per cent of people in low and middle income countries – remains a challenge.

Semiconductor shortages

Semiconductor shortages have had a devastating domino effect across numerous supply chains over the past two years.

Demand for chips has soared since 2020 amid shifts to remote working, online shopping and other contactless activities. At the same time, supply collapsed as factories shut down, initially in Asia.

The ubiquity of chips, which are now used in almost all economic activities, means that even companies producing machinery needed to make them are impacted – because of difficulties accessing chips themselves.

Some governments have responded by seeking to incentivize local production. Such measures could pose a risk to open trade, which has been key to the industry's huge growth. Semiconductors are now the world's fourth most traded product.

Investment in research and development, manufacturing capacity and talent could help improve semiconductor supply chain resilience in the longer term.

Furniture freight costs

Furniture supply chains have been disproportionately impacted by competition for container space, with costs for shipping such big, bulky, relatively low-value-added items soaring as much as 1,200 per cent since the pandemic struck.

UNCTAD has warned that consumer prices for furniture – which is typically produced in low-wage economies at a considerable distance from major consumer markets – could rise 10.2 per cent.

Many European and US retailers have responded by seeking to "nearshore" production. For some, this has involved shifting away from Asia – the UK imported $4.3 billion of furniture from China in 2020 – towards countries like Poland, Latvia and Lithuania, which offer relatively low labour costs and ready access to raw materials like wood.

World Trade Organization
Centre William Rappard,
Rue de Lausanne 154
CH-1211 Geneva 2
Switzerland
Tel. +41 (0)22 739 51 11
Email: enquiries@wto.org
Website: https://www.wto.org

Find out more