

DDG PAUGAM – ON SUPPLY CHAINS

(FULL TITLE: DEEPENING INTERNATIONAL QUALITY COOPERATION
AND HELPING THE STABILITY OF SUPPLY CHAINS)

1 SEPTEMBER 2023, AROUND 14:00 (ABOUT 30 MIN OPENING SESSION WITH THREE SPEAKERS)

M. Chair,
M. Governor,
M. Vice-Minister

Excellencies, Ladies and Gentlemen, it is an honour to join this discussion on trade and supply chains.

On my way to Chengdu, I read the recent communique of the G20 Trade Ministers gathered in Jaipur last week. The Ministers there have put a lot of emphasis on one key priority: preserving the resilience of Global Value Chains.

Global Value Chains are indeed the defining feature of the era of globalisation. For more than 40 years, we have seen the progressive expansion and complexification of production networks that connect all nations through a global flow of trade in intermediate goods.

This is not news. Even though, we have seen the emergence of several new words in the media, such as "deglobalisation", "decoupling", "derisking", "slowbalisation". While there is no definitive statistical answer to this, WTO research suggests that the world exports of intermediate goods decreased by 10 per cent year-on-year during the fourth quarter of 2022, in most regional and global supply chains. This may be a warning sign. This explains why the G20 puts so much emphasis on the idea of preserving the resilience of value chains. The DG of the WTO, Dr. Okonjo-Iweala, proposes a positive approach to this in talking about "reglobalisation".

What IS new, however, is our rediscovery of the intrinsic link between Value Chains and Supply Chains. Without Supply Chains, no Value Chains, without Value Chains, no globalisation.

When the COVID-19 Pandemic brutally stopped boats and planes from transporting women, men and goods, we realised how vulnerable globalisation is, and how the lives and livelihoods of billions of people are affected by international trade.

Although trade remains resilient, with a projected growth of 1.7% in 2023, the aftershocks of COVID-19 and escalating geopolitical tensions still raise strong uncertainties. Climate change and natural calamities further complicate the landscape.

So, how can we fortify supply chains to reduce vulnerabilities from these disruptions?

The G20 Ministers have adopted two very useful initiatives. The first one is a Generic framework for mapping Global Value Chains: the framework adopted in Jaipur includes a focus on connectivity, that is, precisely on the operations of supply chains through logistics, communication infrastructure, customs, and information technology. The second initiative suggests principles for digitalization of trade documents.

Further avenues can also be explored to enhance the efficiency of supply chains further. Let me add two or three more.

- **First, a key to robust and adaptable global supply chains is trust.** Quality infrastructure fosters this trust among trading partners, addressing consumer demands and facilitating private-sector collaboration. **Investment in a trustworthy quality infrastructure is a priority area for international trade.**
- **Second, the interoperability of standards is essential for allowing supply chains to operate.** Beyond ensuring compatibility between components and final products, standards encapsulate best practices for safety, quality, and efficiency. When one country's intermediary goods meet international standards, manufacturers elsewhere can seamlessly integrate them, bolstering trust and cutting costs.

Here are three examples.

Health. During COVID-19, discrepancies in standards posed challenges. Different standards limited access to masks and personal protective equipment (PPE) and delayed vaccine approval. Numerous countries expedited their standards recognition processes, highlighting the importance of this issue in combating the pandemic. Crucially, this regulatory fast-tracking was not detrimental to citizens' health and well-being; rather, it addressed an urgent health crisis while promoting trade!

Climate change. Discussions at the WTO have touched on the net-zero transition, considering the carbon footprint of products like solar panels or electric vehicle batteries. Stakeholders in heavy industries like

iron and steel have emphasised the need for transparent and consistent standards to facilitate a swift shift to low-carbon solutions.

The **digital economy**. WTO Members have delved into topics ranging from cybersecurity to artificial intelligence. Our rapidly evolving digital economy will be heavily influenced by "smart" products, which are consistently interconnected and data-driven. Uniform standards and regulations, vital for interoperability and safety, underpin the "internet-of-things."

- **Third, international cooperation is indispensable to support efficient supply chains.** The WTO's TBT Committee has been the hub for dialogue on multilateral standards and regulations for over a quarter-century. This collaborative space addresses "trade concerns", sparing us from protracted and expensive formal disputes. Often, regulations can be refined *before* they're finalised, thus avoiding friction. The TBT Committee reviews trade concerns impacting around USD 2.4 trillion in imports annually.

In conclusion, here is my simple message. At a time when the future of Globalisation may be challenged, investing in efficient supply chains is one of the important tools to support the resilience of Global Value Chains.

The WTO is pivotal for this. The key to success here is more multilateral cooperation, not less.

Highlighting the spirit of this cooperation, I note the interesting China's initiative – in the run-up to the WTO's next Ministerial Conference in the UAE – in proposing a draft ministerial decision on international cooperation on regulatory and standards-related matters. I thank China for its very constructive involvement in these discussions.

Thank you for your attention.

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