

APEC WORKSHOP
ON STRENGTHENING SUPPLY CHAIN RESILIENCE AND ECONOMIC RECOVERY

Session 1: Maintaining stable operation of supply chains
and supporting a free and open trade environment

Supporting APEC supply chain resilience – policies role



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Zooming on

WHAT GOVERNMENTS CAN DO TO SUPPORT RESILIENCE OF SUPPLY CHAINS?

- Resilience is the ability to return to normal operations over an acceptable period of time, post-disruption.
- The fact that value chains are (and should) not static and are continuously adapting to the change in the environment they operate in
- Given current state of interdependency among the economies in the APEC and globally, any abrupt and forceful change of supply chains will be costly, short and long term

What can governments do to support resilience?

Domestic:

- ✱ Provide sound macroeconomic environment
- ✱ Strengthen health systems, organize sound procurement system and invest in stockpiling for health and other essential goods (so not trying to transfer the cost of public policy on private firms) and remove trade restrictions on health and essential products
- ✱ Invest in affordable digital infrastructure and in trade infrastructure
- ✱ Introduce stress testing exercises to identify supply chain weaknesses and risks (similar to readiness for digital TF)
- ✱ Engage in public-private partnership and cooperation to boost confidence and trust; increase trade finance

What can governments do to support resilience (2)?

International cooperation:

✳ Intensify efforts to enhance international cooperation on crisis governance

- Multilateral
- Plurilateral
- Bilateral

✳ Implementation matters!

✳ Other forms of policy coordination, for example, voluntary guidance for crises period on how to keep borders open

✳ Cooperation (building trust) allows for open and rules based regime, reduction of nontariff measures and other policies (e.g. bans) which reduces policy uncertainty

LOGISTICS RELATED SERVICES are critical to supply chains efficient and undisrupted operations



*As underlined in "[Services to Support the Movement of Essential Goods](#)" Background Paper on Logistics Services

** [As reported in Enabling Trade Valuing Growth Opportunities, WEF with WB](#)

Some cautionary remarks...government over-reach not helpful

- Government's involvement often come with “**incentives**” which in itself carries a risk of stickiness (a subsidy spiral or trade restrictions); potentially leading to over-capacity / over-production, and an inefficient industry indefinitely dependent on state handouts.
- (Hoekman and Findlay, 2021) argue that government when taking action on its own **can add to the costs of doing international business**.
 - It can distort the construction of and raise the costs of operation of GVCs(GVCs), to the detriment of the participating economies.
 - Given rising technological and market-driven headwinds confronting GVCs, countries seeking to attract GVC activities have greater incentives to identify and address policies that **negatively affect** international business investment.
- **Cooperation of businesses with regulators, analysts, and researchers has the scope to develop better policy.**



Thank you for listening and participating!
Stay well and safe!