



## **EACCNY Webinar: The New Post-Covid Supply Chain Paradigm**

On April 8<sup>th</sup>, 2021, the EACCNY held a webinar on the challenges of Supply Chain Post-Covid.

### **Speakers:**

- Vijay Vaitheeswaran, US Business Editor, The Economist [Moderator];
- Patricia Gomes, Head Global Trade and Receivables Finance North America, HSBC;
- Mark Ludwig, National Leader Trade Advisory Services, RSM;
- Rupert Schlegelmich, Director DG Trade, European Commission.

### Fundamental Shift in Supply Chain

According to Patricia Gomes, the biggest topic for clients is resilience. Companies went from managing their supply chains from a cost optimization and efficiency to diversification. Companies moved from what was called “just in time” to “just in case”, building resilience and sustainability into supply chain. There is a push for understanding all of the risks, including climate risks, in supply chain. Corporations are enforcing their own transitions, but also helping their suppliers in their transitions, on a more ecosystem approach.

### Viability of the “low cost” supplies approach

To Mark Ludwig the viability of the traditional approach for the future will depend on the industry and on the globalized nature of said industry, but companies may have different responses. After the incident in Fukushima in 2011, Toyota examined their supply chain and went for a more built-in resilience and regionalization, so they were not overly dependent on a particular market or region for sourcing their global operations, but other automotive companies equally globalized did not take the same road. Mark believes market pressures also have a role to play and will always force companies to seek the bottom line, the question is where that stops, most would probably think of South East Asia, but there are new horizons such as Africa for the textile industry. Other product base industries such as technology in China, are not built in one day, it takes a combination of factors and years of investment.

### Government involvement in Supply Chain

Sharing a more European perspective, Rupert Schlegelmich affirmed supply chains are usually done by companies, not governments. Nevertheless, governments have a role to frame the context, we have rules and a framing system, including tariffs. Even before the Covid-19 pandemic, governments took a more active role that affected supply chain, we had more and more calls to cut off some



suppliers or countries from the supply chains for security reasons. Besides national security, human rights and environment are also taken in consideration. Supply chains need to respect minimum rules, labor, environment, etc. And companies are coming more and more to the forefront of due diligence in supply chain, also due to liability. Governments and consumers want more accountability, on issues like forced labor and deforestation.

### Supply Chain Dependency

There is a major study taking place in the EU to find out where the strategic dependencies are. According to the early findings shared by Rupert, the number of products is quite low. There are only 38 products in the EU, 25 of those are raw materials or ingredients and 13 are final products such as radio equipment or turbo propellers. The results of study will be known by the end of April or early May. Rupert has added that being autonomous is not as simple as it seems, using the example of face masks, it would be almost impossible and require a lot of effort for one country to supply all its needed demand.

### Nationalized economies

Patricia Gomes has seen clients looking at diversification within Asia and setting operations in other countries, but no evidence of clients reshoring their operations. Mark Ludwig added that there will not be an exodus from China, most companies are willing to take the risks due to the opportunities that China provides. Massive relocations are unlikely, a lot of it will happen gradually, incrementally, and quietly. Some trends are important to take in consideration. For the first time in 20 years, trade among neighboring countries is growing more than trade between countries from different regions. Covid-19 was not necessarily the catalyst but an accelerant of regionalization.

### The Emergence of New Technologies

Mark Ludwig believes innovation is certainly positive and it brings a higher degree of customization, but to Patricia Gomes, the transformation does not happen as fast as we would wish, citing the examples that 3D printing is still not mainstream or that blockchain is yet to remove paper from trade.

### Dataflow

Rupert Schlegelmich considers that a global transformation cannot happen without unique data exchange. There are different approaches to data privacy, but it is critical to find a way to do it as it was done in the past.