Regional Conversation Series on Building Back Better
“Resilient Supply Chains and Connectivity”
(Hybrid Meeting), Friday 25 September 2020

Summary Report

Introduction
Over the past half-century, countries of Asia and the Pacific have pursued a development strategy based on globalized trade and transport. Participation in global and regional supply chains has been one of the most significant elements of that strategy. Smooth and efficient connectivity in both trade and transport has been indispensable to the region’s pursuit of the 2030 Agenda for Sustainable Development.

Containment measures for the COVID-19 pandemic have significantly interrupted production, transport, and distribution of essential goods. They exposed vulnerabilities in supply chains and underscored the costs of border procedures for transport and trade, which require extensive human contacts and increase the risk of infection. Small and medium-sized enterprises (SMEs), which worked hard to enter supply chains, saw their livelihoods gone. Furthermore, these acute COVID-19 pandemic challenges reopened a debate about the shortcomings of hyper-globalization and a heavy reliance on either single supplier of goods (e.g. in case of medical products) or on certain sectors (e.g. tourism).

The event was opened by Ms. Armida Salsiah Alisjahbana, Executive Secretary of ESCAP and Mr. Young Tae Kim, Secretary General, International Transport Forum. The session’s objective was to provide a platform to explore the challenges and opportunities and share best practices for economies in Asia and the Pacific in revitalizing and re-establishing supply chains and connectivity on their path of recovery from the COVID-19 pandemic and towards Building Back Better.

The eminent panelists that participated were:
- H.E. Ms. Apiradi Tantraporn, Senator and former Minister of Commerce, Thailand
- H.E. Ms. Mere Falemaka, Ambassador, Permanent Delegation of the Pacific Island Forum to the World Trade Organization
- H.E. Ruslan Baimishev, Vice-Minister of Industry and Infrastructural Development, Kazakhstan
- Mr. Christopher Findlay, Honorary Professor, Crawford School of Public Policy, Australian National University
- Ms. Pamela Mar, Executive Vice-President, Knowledge and Applications, Fung Academy, Fung Group
- Mr. Stephane Graber, Director General, FIATA
- Ms. Sanjam Sahi Gupta, Director, Sitara Shipping Ltd., Mumbai, India and the founder member of WISTA

Member States, including China, Kazakhstan, Maldives and Mongolia and members of the research community (ARTNeT) also provided statements.
**Key take-away**

(1) **Resilient Trade**

The global and regional value chains will remain very important for the sustainable development of the region. It is very likely that the current landscape will undergo some redesign but in such a way that it will result in more, rather than less trade to increase resilience. As history of Asia-Pacific economic crises has shown, trade is a core element of the solution in addressing the crises. Regional and resilient trade and connectivity is also a potent way to bring countries and people together and keep peace. It is therefore urgent to act on properly balancing supply chains resilience and efficiency and in shock-proofing logistics and transport connectivity.

(2) **Accelerated Digitalization**

As COVID-19 crisis forced us to catch up with the digital future much faster than usual, there have been tremendous opportunities offered through digitalization. Trade and supply connections still functioned during lockdowns as customs and other government institutions not only streamlined their procedures but also turned to contactless and paperless trade. SMEs surviving the crisis did so because of their agility to speedily move to digital business operations. Businesses across a number of labor intensive and other sectors, including transport, have almost entirely converted to digital operation at a pace that would have been unthinkable before the crisis, and are now riding a wave into the digital economy. This needs to be accompanied by a concerted action of private and public sectors to increase investment in hard and soft digital infrastructure, including in upskilling labor force to meet the demand of digital future.

(3) **Decarbonized Transport and Logistics**

Sustainability principles must be enshrined as overarching principles of all trade logistics and transport solutions; this would require a joint action by private and public sector throughout the region as well as other stakeholder cooperation. The configuration of transport connectivity (modes of transport used, coverage and quality of the transport networks) directly impacts resilience and efficiency of global supply chains. Business strategies in shipping, road and rail transport must be adjusted to the new realities but also the long term region's ambitions in terms of implementing SDGs.
(4) Vulnerabilities of countries with special needs
The vulnerabilities of the Asia-Pacific countries with special needs are underscored and, in many cases, amplified by the pandemic context. Small island developing States have seen their maritime connectivity affected by the contraction in global trade and readjustment of trade routes, while landlocked development countries see the likely rise in the costs and delays of international transport operations, due to ongoing restrictions in their transit and trade partners. Consolidated efforts must be made to avoid widening of the connectivity gaps in the region, as a result of the pandemic.

(4) Intensified Regional Cooperation
ESCAP member States and beyond must cooperate rather than compete – trade and global supply chains, particularly sustainable and green trade, is not a zero-sum game. This will require concerted efforts on everyone’s behalf to compromise and de-escalate existing and emerging frictions. To achieve that, platforms for dialogue must be utilized, which ESCAP is ready to provide. Greater use of existing and new trade and other types of agreements, implementing lessons learnt from this pandemic.

(5) The region Role of Government
Governments have an important role in steering Building Back Better. One area where Governments will play transformative role is in trade and transport facilitation. Many lives were saved due to reforms that allowed goods to flow during the pandemic. They will continue to be crucial during the recovery stage, as an integral part of national competitiveness strategies to preserve or increase the countries’ positions in the global value chains. Efforts must be accorded to ensure that regulatory changes and Government investment prioritize green and sustainable supply chains. Many of the solutions are not substitutes for economic growth: trade and transport facilitation will not only reduce costs for businesses and customers, but also reduce cross-border transportation times, which have a direct bearing on transport-related emissions.
Recommendations

As shown by the pandemic, in the cases of cross-border problems, solutions must be cross-border too. We cannot go back to old normal and the Building Back Better requires a sense of togetherness, trust, and a strong willingness to cooperate. Nevertheless, there are also areas where countries or private sector can move ahead and by providing best practices and championing the winning initiatives can pull the rest with them. Here are some areas for priority actions for a regional renewal and Building Back Better.

(1) **Keep markets open while safeguarding vulnerable groups.** Forging regional solidarity to stand against protectionist actions hidden within health-security arguments and instead rely on proportionate trade measure responses. This can be most effectively done by developing appropriate provisions in regional trade agreements (RTAs) to address crises like the pandemic. Despite countries in Asia and the Pacific having more than half of the world’s RTAs, not many have specific provisions to govern trade policy in situations like COVID-19 pandemic. With a relatively weak multilateral trading system, a “free for all” behavior has developed, with many countries imposing trade restrictions without any regard for the international rules or those under the RTAs they have signed. Therefore, the ongoing UN-wide initiative to develop model provisions in RTAs to address a pandemic-like crisis is a significant step forward.

(2) **Embrace digitalization.** Accelerate investment in digitalization especially in hard and soft infrastructure intended to improve efficiency of trade and transport procedures. Trade costs due to logistics and transport components are still unacceptably high in many LDCs, LLDCs and SIDS for them to be taken seriously when designing supply chain networks. An urgent attention is needed towards improving extent, quality, and cost of digital connectivity. Likewise, creating enabling legal and regulatory environment to digital connectivity and preparing labor force to utilize must be prioritized in COVID-19 recovery package. The public sector now must catch up with the private sector to speed up moving government services to digital platforms.

(3) **Fast-track implementation of regional initiatives for e-trade.** Enhanced support for trade facilitation, trade digitalization and development of paperless and contactless trade remains a priority. Accelerating trade digitalization is key to progress. The Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific is expected to cut trade costs by 25 per cent. The Framework Agreement is expected to enter into force in the first quarter of 2021 and all countries may accelerate accession/ratification efforts so they can participate in the regional Paperless Trade Council and fully contribute to shaping implementation priorities under the framework.
(4) **Shock-proof transport and digital connectivity.** The intergovernmental agreements on the Asian Highway Network, the Trans-Asian Railway Network and Dry Ports provide an institutional platform for the regional cooperation on transport responses to the COVID-19 pandemic and similar future disruptions. Since early months of the crises, these platforms helped bring countries together to capture and analyze countries policy responses and their impact on regional connectivity. These discussions identified several possible areas for collaborative actions in Asia and the Pacific to improve its pandemic response to the ongoing pandemic and future similar disruptions while enhancing the environmental sustainability of its freight sector through decarbonization initiatives. They include harmonizing pandemic related procedures for road transport, promoting digitalization and electronic interoperability in cross border road and rail operations, as well as promoting intermodal integration and multimodal transport operations.

Despite standing at a difficult crossroads, we can ensure that the path ahead is stronger, smoother, and well-connected than before. Through ongoing partnerships among the United Nations family, ESCAP is working together with member States and the private sector to accelerate achievement of the Sustainable Development Goals and realize a sustainable recovery from the COVID-19 crisis.