



**Asia-Pacific
Economic Cooperation**

KEY TRENDS REPORT

**APEC Global Supply Chains
Resiliency Survey
Industry and Government survey
(I&G)**

Committee on Trade and Investment

May 2021

An Australian aid initiative implemented by
Global Trade Professionals Alliance on behalf of
the Australian Government



This research was supported by the following organisations:



Key Highlights from Industry and Government officials

- The top three areas of support of most importance to businesses during the COVID-19 pandemic included expert advice, policy advocacy and technical assistance.
- The most sought-after requests for advice from businesses responding to the survey during the COVID-19 pandemic were on supply chains disruptions, strategic planning and risk management.
- Moving forward government and industry associations should prioritise the following as the most important policy areas businesses need, including global supply chain relocation and transformation, macroeconomic concerns, and the future of work.
- The top three policy areas of consideration to support businesses as a result of the COVID-19 pandemic include training and learning, ensuring higher participation in global supply chains, preventing supply chains disruption, and increasing business competitiveness and innovation.
- The top three digital readiness policy considerations needed to support business moving forward will be cybersecurity, virtual work capacity, digital application to customs procedures, and the use of digital services for optimising distribution networks.
- e-Commerce is the area in which more organisations will look to support businesses to strengthen their digital transformation for future resilience, followed by cybersecurity, and data management and digital payments equally.



Policy recommendations

We put forward three critical policy recommendations from the data collected in this survey that APEC members could address going forward into 2021 to support SME engagement in global supply chains.

1

Strengthen the expertise of I&G organisations on supply chains disruptions and risks management. It is necessary to enhance the expertise and technical capabilities of I&G organisations as well as those of the enterprises and market segments they serve, particularly SMEs, with an emphasis on the areas of supply chain disruptions and risk management. This can create valuable synergies – and a permanent loop – between I&G organisations and businesses to reinforce the transfer of knowledge, enhance trust and develop expertise. This can take place both at a regional and domestic level. The APEC Forum has an opportunity to lead this process regionally given its strategic position in the region.

2

Businesses benefit from both an environment conducive to allow them to access business opportunities in supply chains and to operate with fewer barriers and with more certainty (macro policies) as well as from specific programs to enhance their capabilities to participate in global supply chains, especially with regards to digital transformation and E-Commerce (micro policies). I&G entities should work on delivering these macro and micro policies simultaneously.

3

Support businesses' abilities to access markets and international business opportunities. While disruptions caused by the COVID-19 pandemic are unprecedented, and special policies are required to support businesses to reopen, remain open, and adapt to ongoing transformations on global supply chains, SMEs primarily need to continue operating and expanding their businesses. This requires continuing with previous –and renewed– efforts to facilitate trade, connect businesses with potential international business opportunities, and reduce barriers to trade.

About the participants

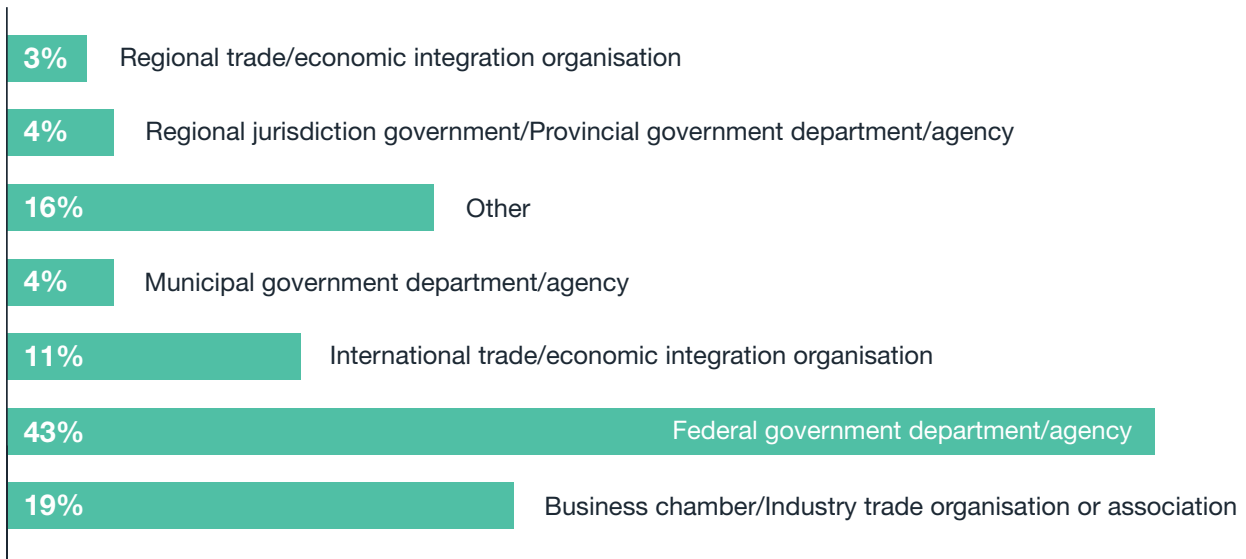
The GTPA invited managers in charge of supply chain and international trade policy in industry bodies, chambers of commerce or government agencies to respond to this survey aimed at helping to improve understanding of how industry and government-run programmes supporting businesses in international activities have been affected by the COVID-19 pandemic.

The responses will be critical in assisting policy makers to better understand the needs of businesses, large and small enterprises, engaged in global supply chains.

A total of 312¹ industry and government officials responded to the survey. Almost half of respondents (43%) work for federal government departments or agencies and almost a fifth (19%) work for business chambers or industry and trade organisations or associations. Less than a third of the respondents are distributed in regional or municipal governments, as well as in regional, international or other types of organizations (22%).

Of the main industry and government organisations that responded to the survey, 23% are located in Australia, 10% in Indonesia, 6% in the Philippines, 6% in Japan, and 5% from the United States. The rest are distributed across different economies and regions.

Type or Industry & Government organisations (Percentage %)

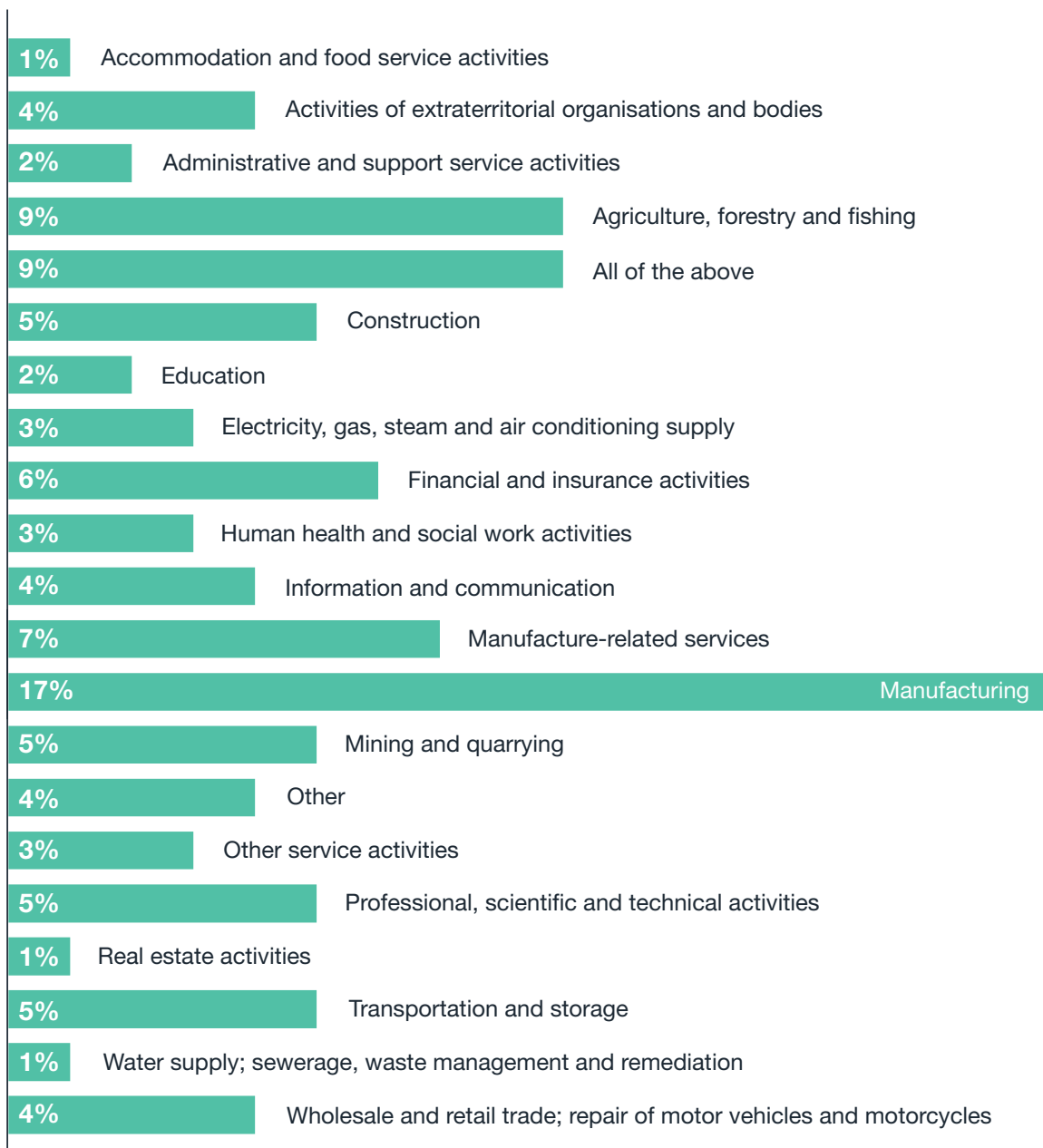


Notably, **42%** of the organisations that responded to the survey have a global scope of work, almost a third (**31%**) have a domestic scope, **15%** a regional scope, and **9%** have a bilateral or other type of scope.²

More than half (**55%**) of respondent organisations are in the services sectors, **13%** serve primary production, extracting and mining, another **17%** serve manufacturing businesses, **11%** serve all the sectors listed, **4%** serve activities of extraterritorial organisations and bodies, and **2%** other sectors not listed.

41% of the respondents work at a managerial level in their organisations, almost a third at an executive level (**27%**), **22%** at a technical level, and a **10%** at another level.

Main industry sectors



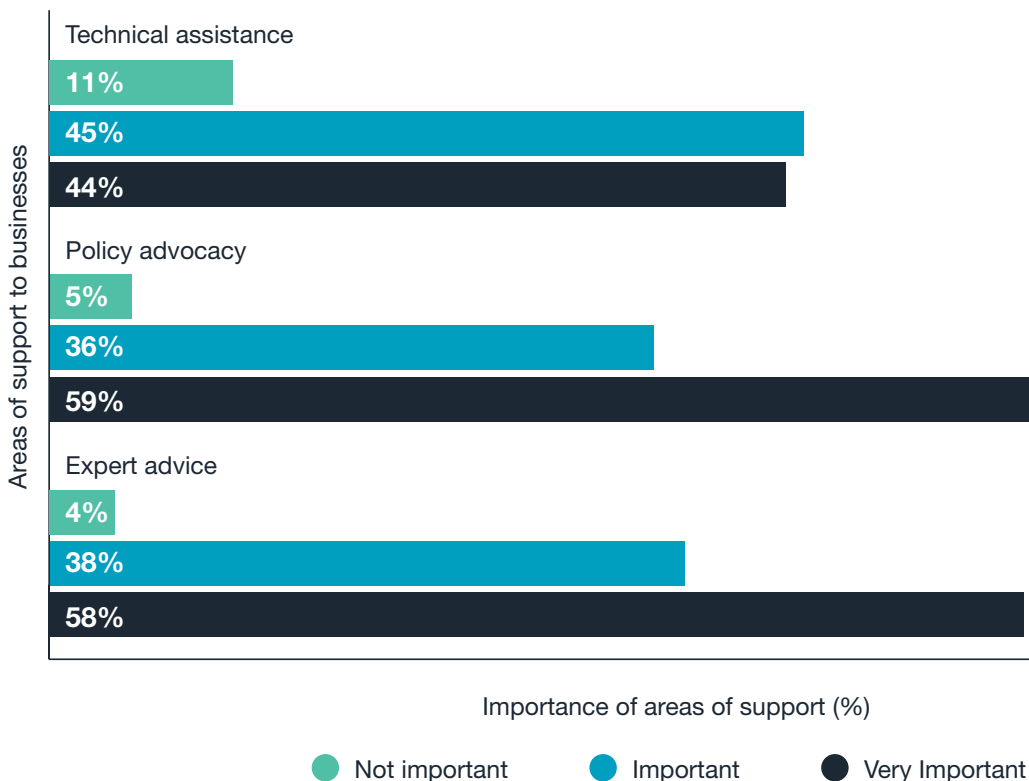
Business support during the COVID-19 response

I&G organisations play an important role in supporting businesses participating in global supply chains, especially in the areas of supply chains disruption and risk management: I&G organisations perceive themselves as technical and policy experts and consider that these areas of expertise are the ones which have been the most important in supporting businesses better during the COVID-19 pandemic.

Of the I&G respondents, 96% consider that providing expert advice has been very important or important, 95% policy advocacy, and 89% that technical assistance is very important or important. This data connects directly to the findings in the SMEs survey, that SMEs value the advice from government agencies (including trade promotion organisations) and industry associations almost equally, over business consultants.

In comparison to the Large Business responder group there is a sense in the SME responder group that government agencies are more firmly invested in their future, and have their best interests in mind. This is a positive indication that government agencies can play a direct and important role in growing SMEs' revenues and expanding their role in the global economy.

Top 3 areas of support to businesses during the COVID-19 pandemic

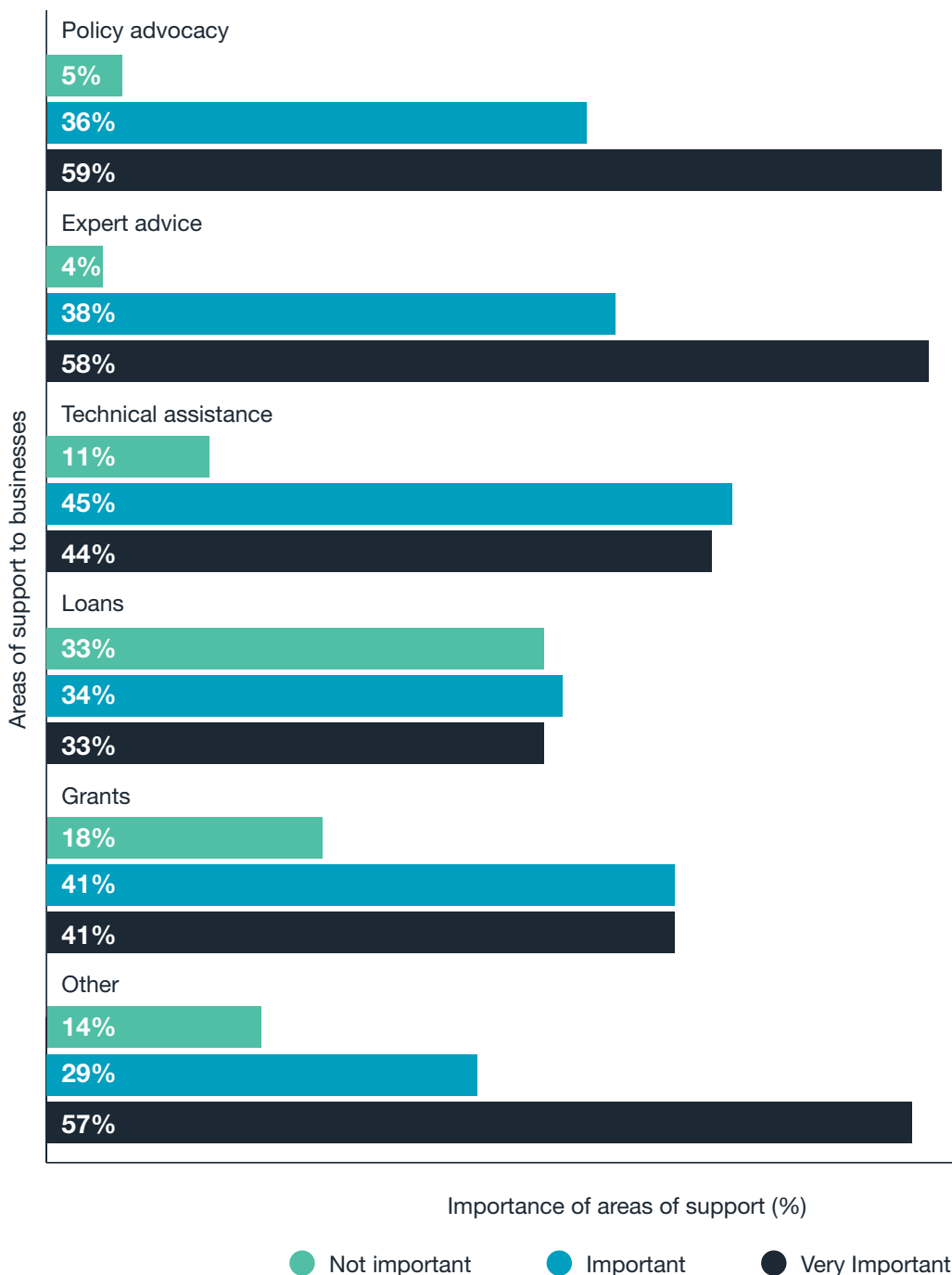


Interestingly, business loans are not viewed as important, as many of the I&G responders feel businesses do not wish to incur more debt during COVID, but are looking for innovative approaches to survive the drop in business and make it through the near term economic uncertainty.

Other research suggests that the types of expert advice include developing more resilient supply chains, developing new business models, innovating remote work options, and navigating global supply chains.⁴

These forms of advocacy and consultation can provide more lasting effects as future disruptions such as COVID may recur in the future.

Areas of Support to Businesses during COVID-19 Pandemic



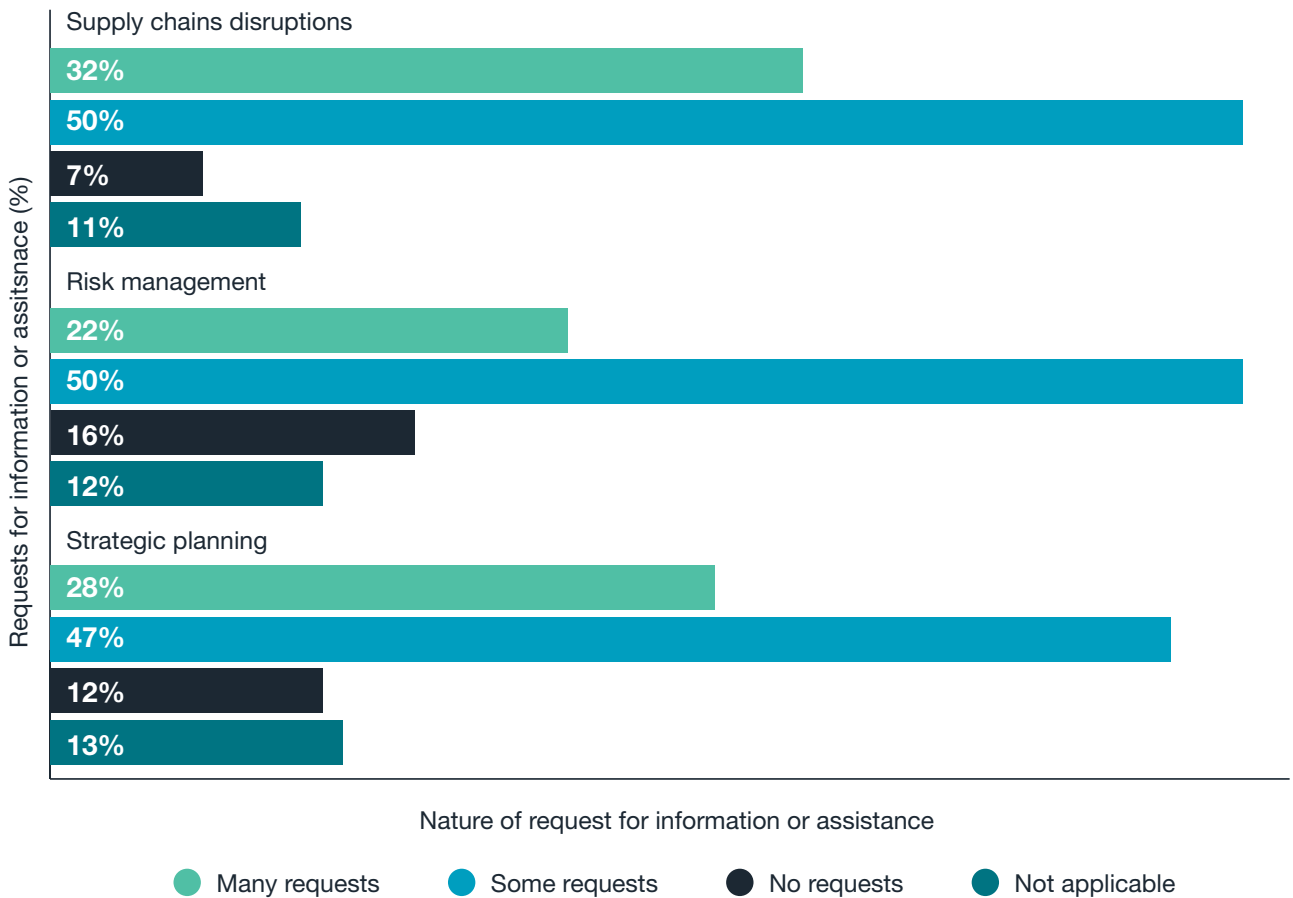
The need for expertise and policy advocacy, measured by the type of requests for information or assistance received from businesses/clients for support during the COVID-19 pandemic, is also higher in the areas of supply chains disruptions (82%), strategic planning (75%), and risk management (72%).

Different elements in both of those areas are listed in the challenges and risks that SMEs faced when participating in global supply chains before the pandemic, as well as in the disruptions they experienced due to the pandemic, according to the SMEs survey.

SMEs need to find ways to deal with unexpected shocks to global supply chains. One route that we may see occurring more is the development of on-shoring of manufacturing for critical materials, particularly in healthcare. It would also be interesting to know whether on-shoring is a net positive for SMEs or a net negative or a zero sum outcome.

These areas remain as important insights for government policy advocates to explore, particularly with respect to incentives to develop domestic manufacturing for emerging domestic security needs.⁵

Requests for information or assistance from businesses

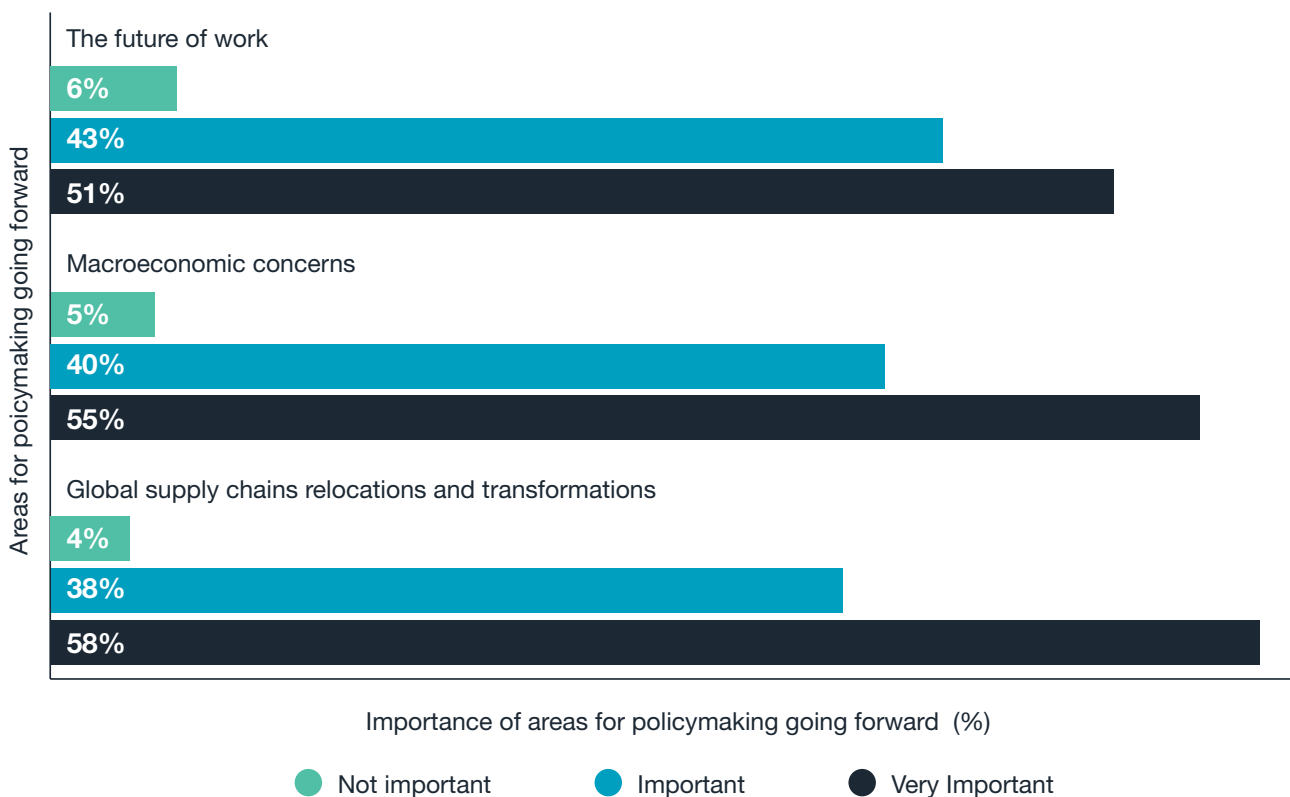


Future public policy priorities of I&G organisations are wide-ranging, including macro policies and other more specific subjects. Whether due to earlier planning or to the COVID-19 pandemic, or a combination of both, most I&G organisations consider global supply chains relocation and

transformation of importance going forward with policy making processes (96%), followed by macroeconomic concerns (95%), and the future of work (92%).

This denotes a comprehensive policy agenda comprising structural transformations as well as the development of more specific capabilities and tools to support businesses. Such areas can provide important resources for exploring how digital transformations can promote remote working strategies, domestic investment in on-shoring capabilities, and incentives to attract large organizations to co-locate near consumers.⁶

Top 3 areas for policymaking going forward



This also aligns with SMEs requiring a more comprehensive set of policies to navigate the current and future transformations in global supply chains, one that entails supporting the businesses that are fundamentally transforming (i.e. planning to diversify sources of supply or localise offshore manufacturing or services) and those that are not planning changes (for which macroeconomic stability as well as aspects related to the future of work, digital transformation, and artificial intelligence will be key).

To support this transformation, future public policy priorities of I&G organisations should prioritise collaboration to support SMEs through the current crisis. As economies are increasingly embracing digital transformation so should policies that support this as 97% consider increasing business competitiveness and innovation as very important priorities. There are additional opportunities for I&G organisations in minimizing supply chains disruptions (96%) and the importance of ensuring higher participation in global supply chains (cross border) and training and learning (93%).

Top 3 policy considerations to support businesses as a result of the COVID-19 pandemic



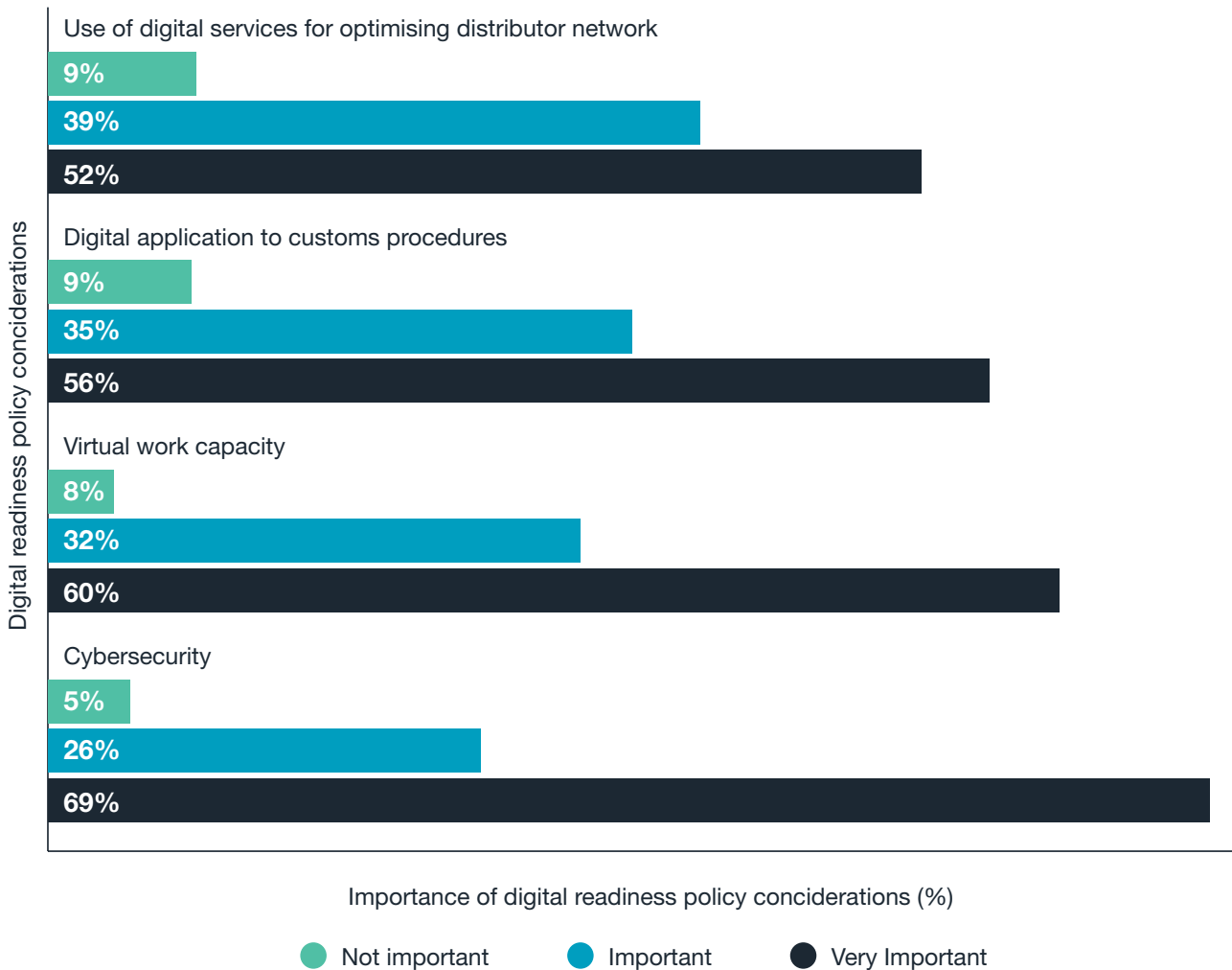
Technological progress marches on, simultaneously rendering cross-border trade easier to do, while multiplying the possibilities for dispersing production facilities internationally and bringing goods and services closer to consumers.

In an age of tightly interconnected global supply chains and unprecedented global technological and trade disruption, it is critical that I&G organisation understand the impact of technology on trade policies as well as comprehending the support SMEs require in order to develop the complex and adaptive capabilities required to think strategically and manage change effectively in new, uncertain, intricate and ambiguous digital operating environments.

Assisting SMEs to develop cybersecurity policies and practices will be of huge importance moving forward, both in terms of business security and domestic cybersecurity interests (95% of I&G responders felt this to be of great importance).

Other areas of support required for SMEs by I&G organisation include the importance of virtual work capacity (92%) and the consideration of digital applications to customs procedures. Also the use of digital services for optimising distribution networks (91%). Development of these capabilities will create a proper foundation to explore new business opportunities for SMEs with large multinational enterprises, which often require global standards, digital integration, global supply chain transaction management, and cybersecurity measures to be in place.

Top 3 digital readiness policy considerations in supporting business



Exporting online (e-Commerce or Digital Trade) presents exciting opportunities for businesses thinking of expanding to new markets. Online sales constitute the world's fastest growing retail channel, globally valued at USD\$16.2 trillion.

Selling online gives access to a world of new customers without many of the challenges, risks and expenses of establishing a physical presence in a new market.

The opportunity certainly exists, but to harness it SMEs need to be equipped with the necessary knowledge and skills to make informed business decisions.

Success in online exporting, as in all business, relies on careful planning, risk mitigation and dedication.

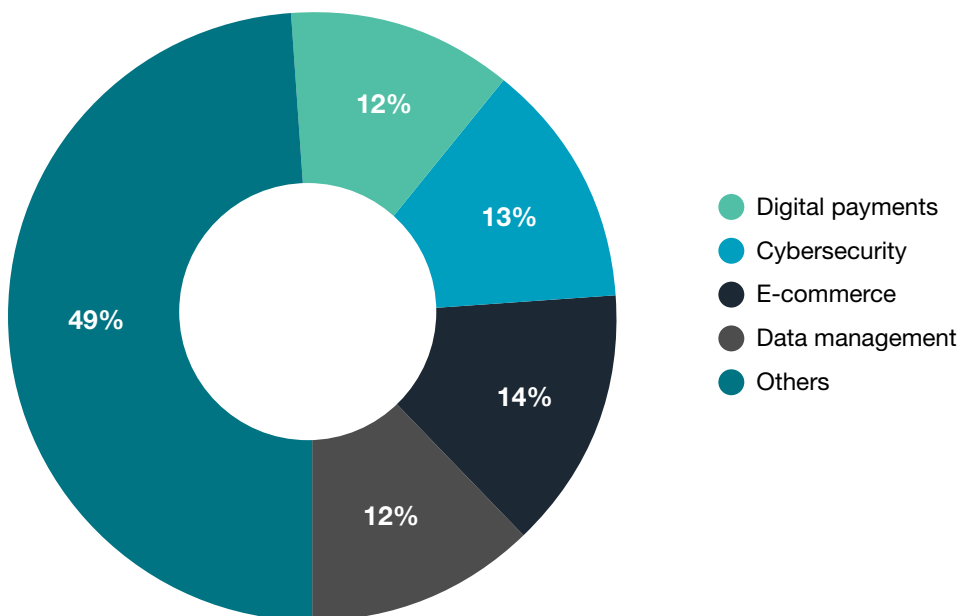
Developing capabilities and understanding the opportunities as well as the risks of e-Commerce is important, and includes understanding how to prevent counterfeiting, online fraud, managing the returns process (reverse logistics), and maximising social media to create a brand presence and grow online sales.

Selling online differs from traditional paths to market in a number of ways, each of which may present new challenges for new-to-online manufacturers or retailers.

The United States and Asia particularly are home to a number of established online marketplaces that businesses can leverage to access these massive consumer markets, but there are also tools available to businesses who opt for more proprietary solutions to reach new consumers in overseas markets.

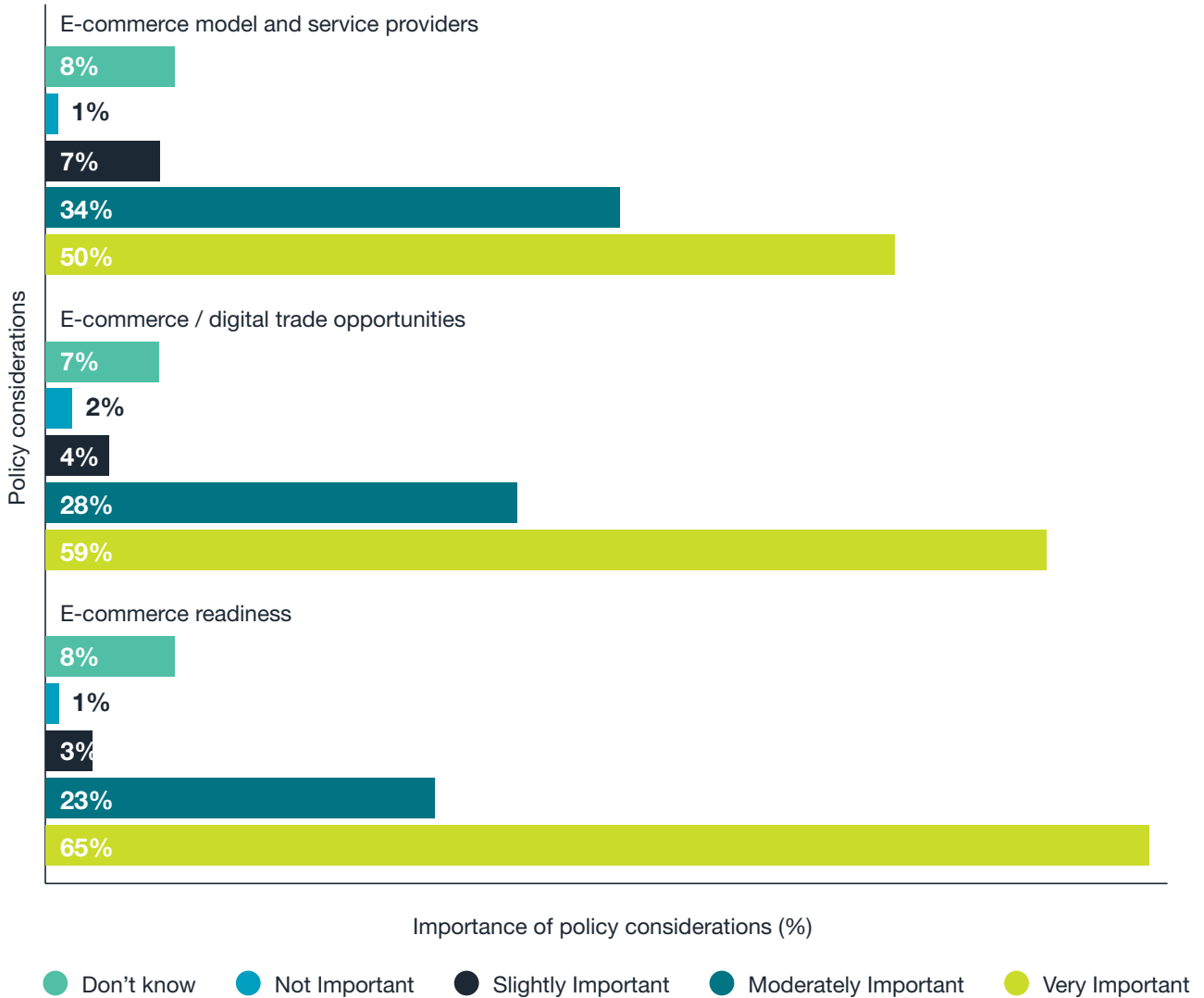
Many companies looking to enter the online export world have never exported before, and they need to be equipped with the right knowledge and an understanding of the risks to ensure that they are ready to take on the challenge of exporting online.

Digital policy areas to support businesses digital transformation and resilience



e-Commerce is the largest area in which organisations (14%) will look to support businesses to strengthen their digital transformation for future resilience, followed by cybersecurity (13%), and data management and e- payments equally (12%). Areas such as Enterprise Resource Platform (ERP) systems, automation of production, hardware requirements and integration, cloud computing, and others were mentioned by more than 49% of respondents.

Policy considerations to support businesses to expand and develop international opportunities through E-Commerce or digital trade



- **88%** of I&G respondents consider E-Commerce readiness to be very important or moderately important
- **87%** of I&G respondents consider E-Commerce/digital trade opportunities to be very important or moderately important
- **84%** of I&G respondents consider E-Commerce model and service providers to be very important or moderately important



Supporting SMEs in supply chains

Public policies of I&G organisations to support businesses affected by the COVID pandemic broadly reflect SMEs' needs.

I&G organisations consider increasing business competitiveness and innovation (**97%**), and preventing supply chains disruptions (**96%**), to be very important or important in supporting businesses as a result of the COVID-19 pandemic (**96%**), along with ensuring higher participation in global supply chains (international) (**93%**), and training and learning (**93%**).

According to the SMEs survey, there is a need to get support in niche and developing areas for future skills development such as digital transformation (mainly Customer Relationship Management [CRM] systems, cybersecurity, and E-Commerce); sustainable global supply chains; trade and investment in digital trade/ E-Commerce; and automation and artificial intelligence. SMEs also value government action to support their business in exploring new international business relationships, specifically channels to global supply chains. Some SMEs are already conversant in many of these technologies while others are in their infancy.

Strategies for creating joint learning among SMEs in forums, training sessions, and engagement with MNEs are all strategies that may yield fruitful outcomes.

Therefore, it is vitally important that I&G organisations consider increasing business competitiveness and innovation as well as ensuring businesses' greater participation in global supply chains.

Supply Chain Finance for Industry & government

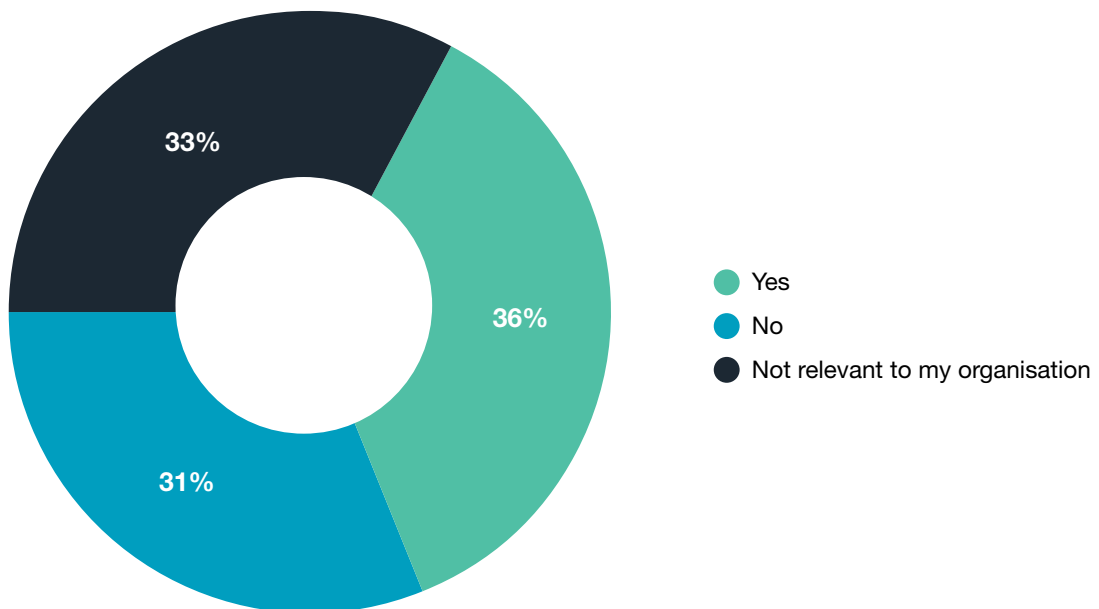
The results also suggest that one-third of SMEs do not have access to private funding sources, one third do have access, and one third believe it is not relevant to their current business plan. However, this is fairly unusual, as many studies over time have reported that access to finance is still a major barrier for SMEs. It should be noted that the organisations responding to the survey generally are not responsible for SME financing, which would either be handled by the Export Credit Agency in the economy or the banks.

Almost half can access Export Credit Agencies to support their transactions, while another 39% do not believe this is necessary to their business model.

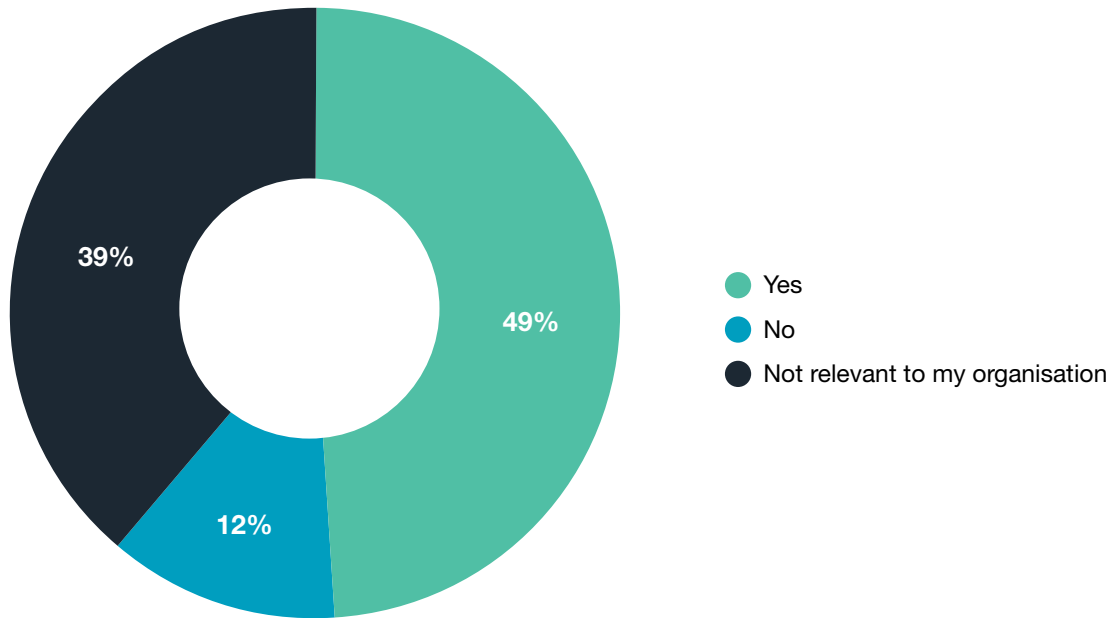
Just over 40% have access to trade financing, while 43% do not believe this is necessary. The 40% that do access supply chain financing believe it is beneficial in managing their working capital.

We suspect that the other 40% that do not believe it is necessary may not fully grasp how access to supply chain financing can improve their working capital position and allow improved cash flow within their organizations which, in turn, could help them to grow their business further.

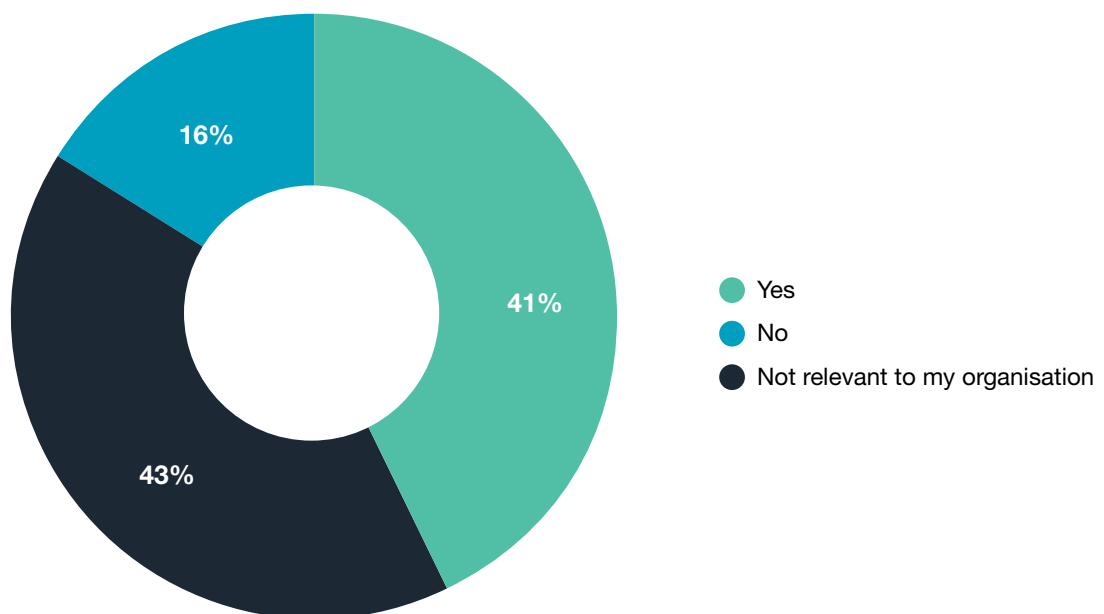
Do SMEs have sufficient access to private funding sources and other necessary financial services



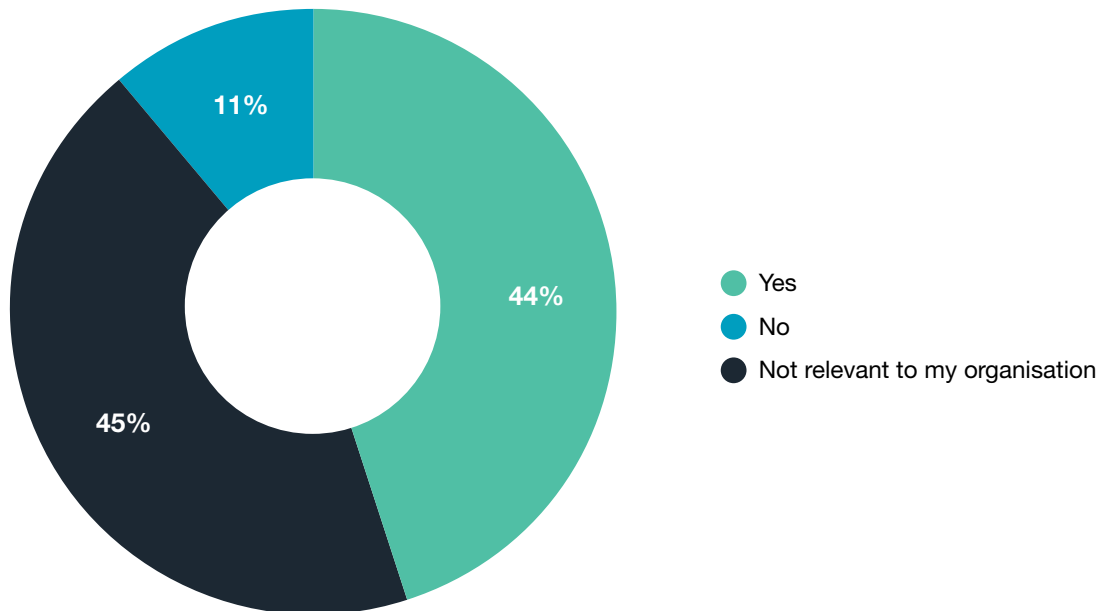
**Can SMEs access Export Credit Agency (ECA)
or other government-sponsored programs to support their transactions ?**



**Do SMEs participate in Supply Chain Finance programs
organized by large buyers and finance providers ?**



Are the Supply Chain Finance programs utilised beneficial to the SMEs



How can Industry and government organisations initiate policies to support a greater engagement of SMEs in international business and global supply chains

In the 2018 Fostering greater SME participation in a globally integrated economy report by the OECD:

“Stronger participation by SMEs in global markets creates opportunities to scale up, accelerate innovation, facilitate spill-overs of technology and managerial know-how, broaden and deepen the skillset, and enhance productivity. (Wagner, 2012) Global value chains (GVCs) offer new opportunities for SMEs to integrate the global economy, as exporters, suppliers to large firms that export, and importers of competitively priced foreign inputs and technologies. However, benefits from GVC participation depend on the nature of inter-firm linkages and position in global production networks.”⁷

The following information received from those respondents currently not doing international business can be used to help inform policy in terms of how to work with SMEs to expand beyond domestic shores into global supply chains as well as global markets.

A total of 100⁸ businesses that are not participating international business responded to the survey, of which **37%** are located in Australia, **8%** in Indonesia, and **6%** in the Philippines and

Qatar, and the rest is distributed across different markets and regions.

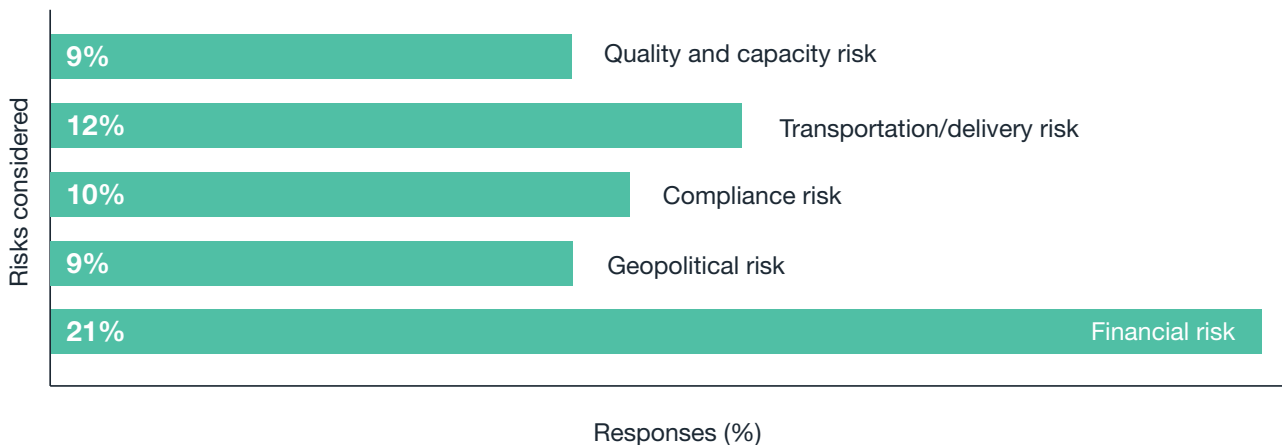
Almost half (**50%**) of businesses have less than 10 employees and another **14%** less than 25. The other percentages vary in different numbers under 250 employees. Almost half (**47%**) have a revenue of less than \$250K and another **10%** of less than \$500K. The other percentages vary in different numbers under \$250M.

Almost one third (29%) are headed by a woman and in 42% of businesses less than half of women are senior managers, followed by 21% in which around half of the executives are women, and 18% of businesses with no women executives.

Two thirds (66%) of businesses operate in services sectors, 13% serve in primary production, extracting and mining, another 15% serve in manufacturing businesses, and the rest is divided amongst other sectors.

Some of the main causes of SMEs not engaging in cross border transactions relate to their perception of a number of risk factors which might be overcome by support from I&G organisations through various policy initiatives as outlined previously.

Top 5 risks that business consider for not participating in international business (%)



Excerpts of other reasons listed by SMEs for not participating in international business:

“Access to markets”

“It is due to the lack of financial capacity to connect to international partners”

“Lack of working capital and connections”

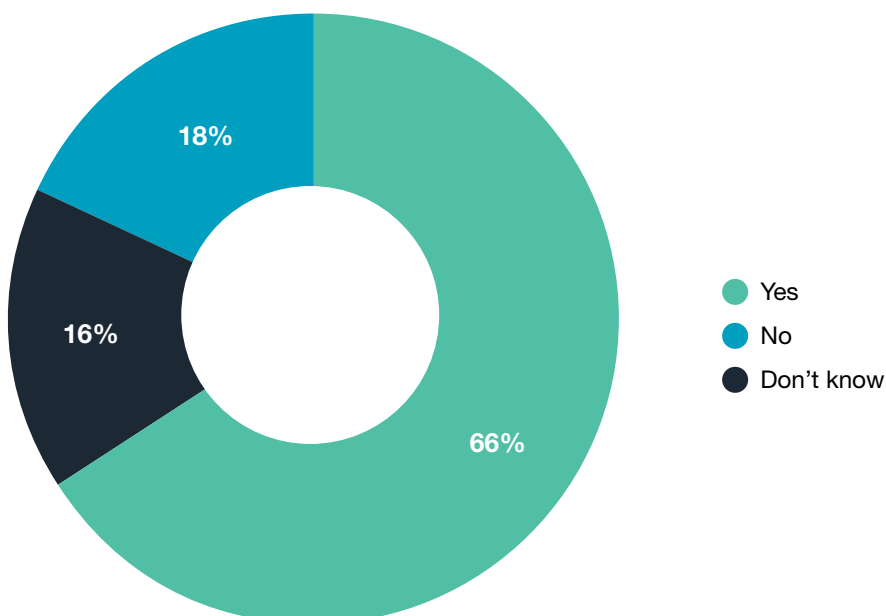
“Market availability- lack of knowledge on export and to find international buyers”

“When we seek government to support us in export guidance, we are continually told that we need to be already exporting for a minimum of 2 years before we can receive support”

For almost a third of those not participating in international business, financial risk is the highest concern (**21%**), followed by transportation risk (**12%**), compliance risk (**10%**) and geopolitical risk and quality and capacity risk jointly tied at (**9%**).⁹

Amongst the respondents, however, there is enthusiasm to participate in international business: More than two thirds (**66%**) are willing to participate compared to **18%** that do not or **16%** that are not sure.

Willingness to participate in international business in the future

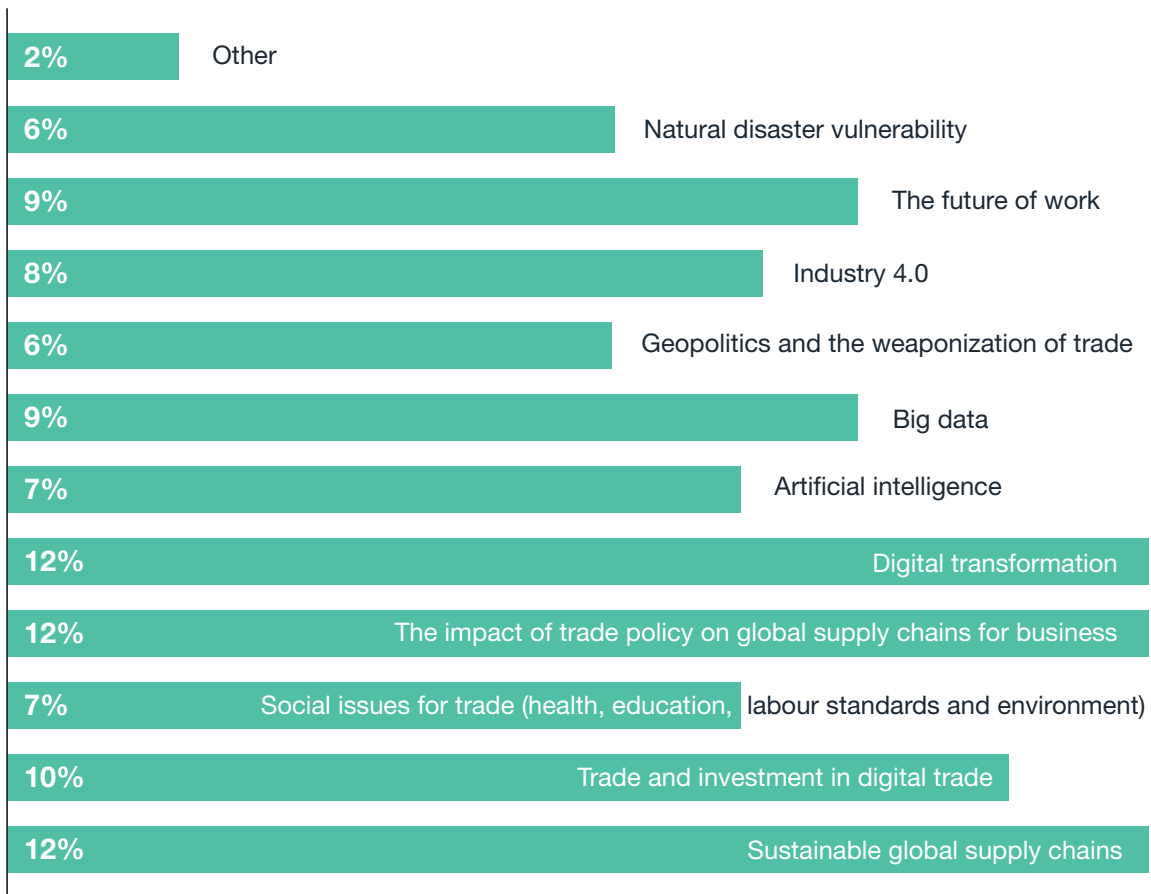


Workforce changes to build resilient skills

In terms of future skills development, I&G s assisting SMEs with digital transformation, participating in sustainable global supply chains, and beneficial trade policies are considered the most critical areas where training is required.

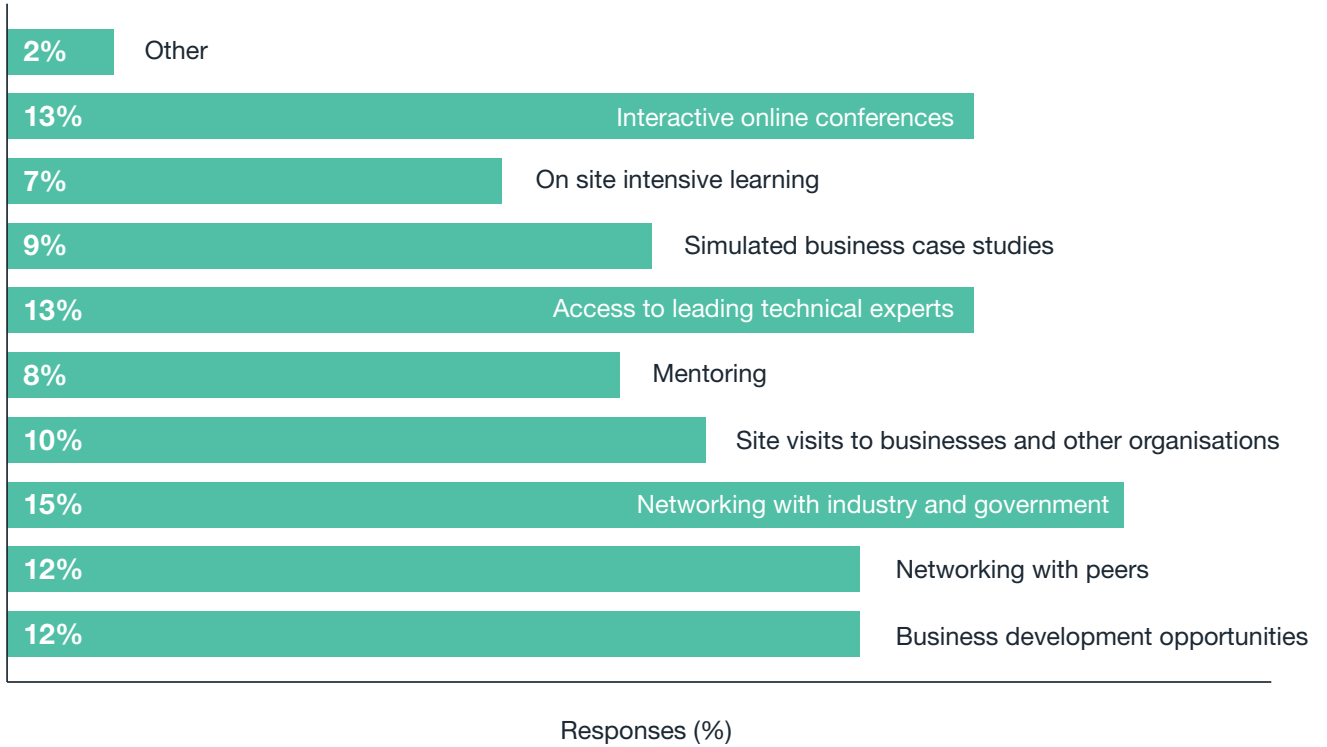
Ideal formats for delivering this training would be via networking events, access to industry experts, and online conferences during COVID.

Areas valuable to the organisation in terms of future skills development



Responses (%)

Following delivery mechanisms would be valuable for your organisation for ongoing capability building



Further detailed analysis from the SME and large business reports provide further useful insights and detail.

Conclusion

In these challenging times, international leadership and cooperation are not only crucial but also a manifestation of the significance of economic integration regional forums like the Asia-Pacific Economic Cooperation (APEC).

APEC's recognition of the importance of strengthening regional connectivity by intensifying our efforts to make global supply chains more resilient and less vulnerable to shocks, to advance sustainable economic growth, as well as of working in coordination with the private sector and academia to address that and other pressing issues for the regions' present and future economy.

Recognising that the global pandemic has brought about unprecedented economic disruption, new challenges to the movement of goods and services, and an urgent need for business transformation.

Industry and Government must work together with the APEC community to leverage collective expertise and experience, in pursuit of new working solutions with the potential to strengthen trade, create more resilient businesses, and support long-term sustainable economic growth.

GTPA, in partnership with the Institute for International Trade of the University of Adelaide (IIT), the Supply Chain Resource Cooperative (SCRC) at North Carolina State University, and the Bloomberg New Economy Solutions initiative, is currently working on a comprehensive project on building resilience and integrity in global value chains (GVCs), covering both multinational corporations (MNCs) and small and medium enterprises (SMEs).

We stand ready to collaborate with our knowledge and expertise with APEC's efforts towards building more resilient and less vulnerable regional supply chains to ensure inclusive and sustainable economic growth.

References

- 1 The number of respondents for certain sections or questions varies, depending on whether a response was optional or not.
- 2 Response rate: 385
- 3 A total of 389 responses. Note that “All of the above” refers to those business that operate across multiple sectors
- 4 <https://blogs.lse.ac.uk/businessreview/2020/05/15/supply-chains-need-to-develop-immunity-to-natural-disasters/>
- 5 <https://scm.ncsu.edu/scm-articles/article/we-need-supply-chain-immunity-not-resiliency-a-position-paper>
- 6 <https://www.neweconomyforum.com/news/supply-chain-resilience-part-1/>
- 7 OECD (2018) Fostering greater SME participation in a globally integrated economy, Discussion Paper for the SME Ministerial Conference
- 8 The number of respondents for certain sections or questions varies, depending on whether a response was optional or not.
- 9 Geopolitical risk (tariffs, protectionism, domestic policy, etc.)
Compliance risk (labelling, customs requirements, rules of origin etc.)
Transportation/delivery risk (lead times, frequency, cost, etc.)
Financial risk (supplier financial stability, payment terms, etc.)

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