United Nations Global Supply Chain Forum

For Prelims: **UN Trade and Development (UNCTAD)**, **Greenhouse gas emissions**, **Climate change**, **Covid-19**, **Zero-emission fuels**, **Blockchain-enabled traceability**, **World Bank**, **Active Pharmaceutical Ingredients**, **Supply Chain Resilience Initiative (SCRI)**, **Indo-Pacific Economic Framework for Prosperity (IPEF)**, **G-7 Summit**, **Public-Private partnership**, **Free Trade Agreement (FTA)**, **Trade and Economic Partnership Agreement (TEPA)**, **Critical mineral**, **PM Gati Shakti National Master Plan**, **National Logistics Policy (2022)**, **Atmanirbhar Bharat initiative**, **PLI schemes**, **Liberalized FDI policy**, **Ease of doing business**

For Mains: Challenges in Global Supply Chain, **Initiatives for strengthening Global supply chains**

Source: TP

Why in News?

Recently the inaugural **United Nations Global Supply Chain Forum (UNGSCF)** hosted by **UN Trade and Development (UNCTAD)** and the **Government of Barbados** highlighted several critical issues and initiatives to address escalating **global supply chain disruptions.**

What are the Key Issues Highlighted at the UNGSCF?

- It emphasized the **volatility in global trade** and the urgency of making supply chains more **inclusive, sustainable, and resilient.**
    - The global disruptions are causing **increased sea time** for ships and higher **greenhouse gas emissions**.
- It focused on the compounded effects of **climate change**, **geopolitical tensions**, and the **Covid-19** pandemic on global supply chains.
- Ports were highlighted as crucial for maintaining global value chains through technology and sustainable practices.
    - The **Port of Bridgetown** in Barbados was showcased as a model for other **Small Island Developing States (SIDS).**
- The forum explored the challenges of reducing carbon emissions in global shipping, especially for developing countries that have **renewable energy resources.**
    - The **"Manifesto for Intermodal, Low-Carbon, Efficient and Resilient Freight Transport and Logistics"** was launched, advocating for **zero-emission fuels**, optimized logistics, and sustainable value chains to keep **global warming** below **1.5°C.**
- SIDS faces **heightened risks from climate change** impacts on transport infrastructure. Improvements in multimodal transport networks and customs procedures should be prioritised.
    - Ministers from SIDS called for **international financial institutions** and donor countries to fund projects promoting resilience and sustainability in their transport and logistics sectors.
- **Blockchain-enabled traceability** and advanced customs automation were highlighted as crucial for optimising trade facilitation and enhancing transparency.
    - UN Trade and Development presented guidelines for an **electronic single window** for trade to streamline processes.

- A new **Trade-and-Transport Dataset developed** with the **World Bank** was launched, covering data on over 100 commodities and various transport modes. This free, comprehensive dataset aims to enhance the understanding and optimization of global trade flows.

UNCTAD

- **United Nations Conference on Trade and Development (UNCTAD)** is a **permanent** intergovernmental body of the **United Nations.**
- It was established in 1964 and is headquartered in **Geneva, Switzerland.**
- It aims to **promote sustainable development**, particularly in developing countries, through international trade, investment, finance, and technology transfer.
- UNCTAD's work focuses on **four main areas:**
  - Trade and development
  - Investment and Enterprise
  - Technology and innovation
  - Macroeconomics and development policies.

What is the Need for Supply Chain Resilience for India?

- **About:**
  - **Supply Chain Resilience:** In the context of international trade, **supply chain resilience** is an approach that helps a country to ensure that it has **diversified its supply risk** across a clutch of supplying nations instead of being dependent on just one or a few.
    - Unexpected events, whether natural disasters like **volcanic eruptions**, **tsunamis**, **earthquakes**, or pandemics; or human-caused issues like armed conflicts, can disrupt or stop trade from a specific country. This could negatively affect the economy of the country that relies on those supplies.
- **Need:**
  - **Covid-19 Realisation:** With the spread of **Covid-19** globally, it has been realised that dependence on a single nation is not good for both the global economy and national economies.
    - Assembly lines are heavily dependent on supplies from one country (China).
    - The impact on importing nations could be crippling if the **source stops production** for involuntary reasons, or even as a conscious measure of economic coercion.
  - **USA-China Trade Tensions:** The problems for the global supply chain can escalate when the United States and China both apply tariff sanctions on each other due to trade disputes.
  - **India as an Emerging Supply Hub:** The businesses have started seeing India as a "hub for supply chains", so there is a **need for robust supply chian.**
  - **Chinese Import to India:**
    - As per the **Confederation of Indian Industry**, China's share of imports into India in 2018 (considering the top 20 items supplied by China) stood at 14.5%.
    - In areas such as **Active Pharmaceutical Ingredients** for medicines such as paracetamol, India is largely dependent on China.
    - In electronics, China accounts for 45% of India's imports.
- **Initiatives:**
  - **Indo-Pacific Economic Framework for Prosperity (IPEF)**
  - **Supply Chain Resilience Initiative (SCRI):** The **SCRI** aims to create a **virtuous cycle** of enhancing **supply chain resilience** to eventually attain strong, sustainable, balanced, and inclusive growth in the **Indo-Pacific region.**
  - Since, India is looking to establish itself as a reliable presence in the **semiconductor supply chain** the Union Cabinet has approved a **Memorandum of Cooperation (MoC)** between India and Japan on developing a semiconductor supply chain partnership.
  - In the 2023 **G-7 Summit**, India made an important intervention on the topic of Enhancing **Supply Chain Resilience** and gave several suggestions on the issue.

- India with an aim to ensure a **stable and reliable supply** of critical minerals is stepping up its **critical mineral** acquisition plans in Africa, challenging China's dominant position in the region.
- **Other Initiatives:**
- **PM Gati Shakti National Master Plan**
- National Logistics Policy (2022)

- **Atmanirbhar Bharat initiative**

- PLI schemes in key sectors

- Liberalized FDI policy

What are Suggestions for India for Improving Supply Chain Resilience?

- **Diversification of Suppliers and Manufacturing Base: Reduce over-dependence on a single source for raw materials, components, or finished goods. For instance, over 60% of electronic components are imported, primarily from East Asia.**

  - Encouraging domestic manufacturing and diversifying import sources across multiple countries to mitigate risks from geopolitical tensions or natural disasters. This aligns with the Atmanirbhar Bharat (Self-reliant India) initiative.

- **Integration of MSME in GVCs:** The **integration of Indian MSMEs** with Global Value Chains (GVCs) by building and **strengthening regional innovation systems** and by establishing a **multipurpose science and technology commission** in the clusters of SMEs.
- **Increase Share of Indian Fleet:** The **Indian fleet is just 1.2%** of the world's fleet in terms of capacity and carries only 7.8% (for 2018-19) of **India's EXIM trade** (Economic Survey 2021-2022). Efforts should be made to increase Indian fleet.
- **Share in Global Trade: As per** OECD**, India's share in world exports of goods and services rose from 0.5% in the early 1990s to 2.1% in 2018. However, to be a part of global supply chain India needs to increase it's share gradually.**

- **Investment in Logistics Infrastructure:** India's logistics costs are estimated to be around **13-14% of GDP,** compared to 8-11% in developed economies.

  - Therefore there is a need to **upgrade transportation networks,** including roads, railways, waterways, and ports.

- **Boosting Domestic Production of Critical Inputs:** Identifying and prioritising **critical raw materials** and components currently heavily imported like APIs.

  - Providing incentives and support for domestic production of these items to **reduce vulnerability** to external disruptions through mechanisms like PLI Scheme.

- **Strengthening Digital Integration:** Promote digitalisation across the supply chain to improve **transparency, visibility, and risk management.**

  - This includes implementing robust cyber security measures and fostering collaboration through shared data platforms.

Drishti Mains Question:

Q. Discuss the key challenges that India faces in ensuring supply chain resilience in the context of global

trade. How can India address these challenges to emerge as a reliable supply chain hub? (250 words)

UPSC Civil Services Examination, Previous Year Question (PYQ)

Prelims:

Q. In which one of the following groups are all the four countries members of G20? (2020)

(a) Argentina, Mexico, South Africa and Turkey

(b) Australia, Canada, Malaysia and New Zealand

(c) Brazil, Iran, Saudi Arabia and Vietnam

(d) Indonesia, Japan, Singapore and South Korea

Ans: (a)

Q. Recently, there has been a concern over the short supply of a group of elements called 'rare earth metals'. Why? (2012)

1. China, which is the largest producer of these elements, has imposed some restrictions on their export.
2. Other than China, Australia, Canada and Chile, these elements are not found in any country.
3. Rare earth metals are essential for the manufacture of various kinds of electronic items and there is a growing demand for these elements.

Which of the statements given above is/are correct?

(a) 1 only

(b) 2 and 3 only

(c) 1 and 3 only

(d) 1, 2 and 3

Ans: (c)

Mains:

Q. Quadrilateral Security Dialogue (Quad) is transforming itself into a trade bloc from a military alliance, in present times Discuss. **(2020)**

PDF Refernece URL: https://www.drishtiias.com/printpdf/united-nations-global-supply-chain-forum