

A G20 safe and resilient supply chain action plan

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Key messages

- The coronavirus crisis has laid bare the fragility of global supply chains that link G20 and poorer countries.
- Supply chains covering medical supplies, agricultural products and garments provide access to critical imports for G20 and other countries and generate important job opportunities in poorer countries.
- A G20 supply chain action plan consisting of a package of trade, migration, finance, aid and business measures will benefit G20 and poorer countries. The UK should lead a dialogue suggested by the B20 and convene buyers, factories and a targeted range of countries around a targeted set of supply chains (medical supplies, food products, garments).

Global supply chains: challenges and opportunities

With most of the world currently under lockdown, it is very challenging to keep critical supply chains open. When the coronavirus emerged in China, it shut down many **supply chains, affecting electronics, garments and other products**. And when the rest of the world also went under lockdown, in Europe and the US many retailers shut, leading to massive declines in consumer demand. Retailers and well-known brands have cancelled orders of garments from their supplier factories in many developing countries. Some have refused to pay suppliers for orders placed, and in some cases do not even pay for work already completed under existing orders but not yet shipped, although some, like H&M and M&S, have treated factories and workers in supply chains a little better. Cancellations by European brands have badly damaged countries [such as Bangladesh](#) dependent on garment and footwear exports. There are also **global shortages of essential goods**, in particular personal protective equipment (PPE). Getting access to ventilators, hand sanitisers, masks and gowns is critical to health and care workers' safety. Consumers globally have also witnessed empty shelves in supermarkets and major disruptions to food supplies.

Global supply chains are not functioning properly because of a lack of provisions for safe trade, a lack of resilience (e.g. lack of stocks when operating under just-in-time conditions), proliferation of protectionist measures and sudden contractions in demand or supply elsewhere in the chain. **Now is the time to foster more open and safer trade and to promote more resilience through coordinated action in global supply chains** (which dominate world trade, at 80%). This will help in distributing medical supplies, keeping food trade open and supporting a recovery to a better future. The UK has an opportunity to lead such an initiative at the G20. It has been successful in leading the [modern slavery](#) initiative.

Critical supply chains

Different issues affect different supply chains. For example, some countries have begun to retool existing manufacturing capacity to provide **medical supplies**. UK companies have begun to produce ventilators or gowns and face masks. International companies in some supply chains have begun to retool (East African Breweries into hand sanitiser) or to support safety campaigns (building on Unilever's established efforts on hand-washing). Most countries (including the UK) are relying on imports for PPE from countries such as Turkey, China or [Egypt](#). Unfortunately, free trade is hampered by [export restrictions in countries with supplies, and sometimes by import tariffs](#).

There are concerns about the functioning of **food supply chains** and food security. It is still possible to fly vegetables from Kenya [into the UK](#). But there are concerns in poorer countries as access to fertiliser, seeds and other inputs is constrained. Chinese ships carrying inputs have mostly stopped docking in Mombasa. Some countries have also [restricted food exports](#). And recently, truckers [have queued along East African borders](#) because of a lack of coordination in safe trade measures. We summarise how different issues affect different supply chains:

	New trade barriers	Health urgency	Worker rights urgency	Food security	Safe trade now	Resilience/stocks
Essential supply chains:						
Food products	***	*	**	***	***	*
PPE	***	***	*		***	***
Pharmaceutical products	***	***	*		***	***
Medical equipment	***	***	*		***	***
Non-essential supply chains (example):						
Garments	*		***		***	*

A G20 action plan on supply chains

Health services and consumers in G20 countries require access to cheap, safe and reliable imports of essential goods and supply chains. Brands and factories spot commercial opportunities. Workers in poorer countries need access to safe and reliable jobs. And, to function properly, supply chains need resilient supply capabilities with lead companies that ensure worker rights and act socially responsibly.

G20 leaders said: ‘We will work to ensure the flow of vital medical supplies, critical agricultural products, and other goods and services across borders, and work to resolve disruptions to the global supply chains, to support the health and well-being of all people. We commit to continue working together to facilitate international trade and coordinate responses in ways that avoid unnecessary interference with international traffic and trade... We reiterate our goal to realize a free, fair, non-discriminatory, transparent, predictable and stable trade and investment environment, and to keep our markets open.’

G20 trade and investment ministers stated: ‘We will ensure smooth and continued operation of the logistics networks that serve as the backbone of global supply chains. We will explore ways for logistics networks via air, sea and land freight to remain open, as well as ways to facilitate essential movement of health personnel and businesspeople across borders, without undermining the efforts to prevent the spread of the virus.’

On April 14, the [B20 called on the G20](#) to prevent disruptions in global supply chains and enable crisis response and enhance resilience, by (i) refraining from protective measures, especially around food and medical supplies; (ii) ensuring opening and servicing of infrastructure; (iii) designing strategies to distribute critical supplies; and (iv) launching a dialogue on how to make global supply chains more resilient. **G20 trade and investment ministers** (and its working group) should now work with the B20 and agree concrete actions plans covering the following:

Commit to free and open trade in essential goods – reducing tariffs and eliminating export restrictions on medical supplies, and on food and other critical products and services. Actions plans need to be submitted by G20 ministers.

Commit to making trade safe – creating commonly acceptable standards and protocols to make border posts, roads, airports and [ports safe for transport and logistics workers and border control officials](#) (see [TMEA's safe trade facility](#) as an example in East Africa). Countries with safe trade will recover quicker. An action plan to describe non-trade distortionary actions taken to promote safe corridors needs to be submitted.

Commit to **building resilient supply chains**, by working with the B20 and brands and retailers to build

up critical capacities (e.g. minimum stocks of PPE) and ensure better treatment of workers throughout supply chains. This requires a joint G20/B20 statement on responsibilities and actions by lead firms, for example around buyers’ codes of conduct, honouring contracts and inventory management.

Commit to promoting **health services corridors** for health workers to ensure availability of health skills at the right time in the right location. The case of Cuban health workers relocating across the world could be a global example to support hotspots that have the weakest links, involving action on worker visas and mutual recognition of qualifications. Supply chains require (temporary) movement of people.

Commit to providing more aid **for trade, trade finance and liquidity for the poorest and most vulnerable countries** to help them take part in open, safe and resilient value chains.

What the UK can do now

The B20 has asked the **G20 to start a dialogue on resilient supply chains**. The UK should take a lead on establishing resilience dialogues around (i) medical supplies; (ii) food products; and (iii) garments and related goods. These **dialogues should include trade officials from G20 and developing countries, consumers, G20 brands and retailers, factory associations and workers representations from developing countries**.



When managed well, these sectoral initiatives can secure open, safe and resilient value chains and can **lay the foundations for a better recovery based on open trade**, not a recovery hampered by trade declines. These are all interdependent issues, as the conduct of buyers risks not only jobs in the poorest countries but also consumer welfare in developed countries. The dialogues need to address both the mechanisms needed to make value chains open, safe and resilient, and the modalities of cost-sharing amongst all stakeholders to achieve this.