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Launch of Supply Chain Resilience Initiative

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Why in News

The Trade Ministers of **India, Japan and Australia** have formally launched the **Supply Chain Resilience Initiative (SCRI)**.

- The **SCRI** aims to create a **virtuous cycle of enhancing supply chain resilience** with a view to eventually attaining strong, sustainable, balanced and **inclusive growth in the Indo-Pacific region**.
- **The trio** (India, Japan and Australia) **along with the US** makes **Quad grouping**.

Key Points

- **Supply Chain Resilience (Concept):**
 - **Meaning:** 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.
 - **Importance:** In **unanticipated events** -whether natural, such as volcanic eruptions, **tsunamis, earthquakes** or even a pandemic; or manmade, such as an armed conflict in a region — that **disrupt supplies from a particular country** or even intentional halts to trade, **could adversely impact economic activity in the destination country**.

- **Supply Chain Resilience Initiative:**

- **Background:**

- The **Covid-19 pandemic was having an unprecedented impact in terms of lives lost, livelihoods and economies affected**, and that the pandemic had **revealed supply chain vulnerabilities globally** and in the region.

- **About:**

- **Objectives:**

- To **attract foreign direct investment** to turn the Indo-Pacific into an “economic powerhouse”.
 - To build a mutually **complementary relationship among partner countries**.
 - To work out a plan to **build on the existential supply chain network**. Japan and India, for example, have an India-Japan competitiveness partnership dealing with locating the Japanese companies in India.

- **Features:**

- The SCRI, first **proposed by Japan, aims to reduce dependence on China** amid a likelihood of rechurning of supply chains in the Indo-Pacific region amid the Covid-19 pandemic.
 - **Initially, SCRI will focus on sharing best practices on supply chain resilience and holding investment promotion events** and buyer-seller matching events to provide opportunities for stakeholders to explore the possibility of diversification of their supply chains.
 - Joint measures may include **supporting the enhanced utilisation of digital technology and trade and investment diversification**.
 - **Expansion of the SCRI may be considered based on consensus**, if needed, in due course. The **ministers have decided to convene at least once a year** to provide guidance to the implementation and development of the SCRI.
 - This **assumes significance in the wake of Japan's keenness to onboard the ASEAN in the initiative**, something that **India has opposed**.
 - **India wants to safeguard its interests from China's indirect influence through the bloc (ASEAN)** as it builds on its self-reliance through reduced dependence on imports.

- **Significance to India:**
 - Following the **border tensions with China**, partners such as Japan have sensed that India may be ready for dialogue on alternative supply chains.
 - **China still remains a large source of critical imports for India**, from mobile phone components to pharmaceutical ingredients. An internal push to suddenly cut links with China would be impractical.
 - Over time, **if India enhances self-reliance or works with exporting nations other than China**, it **could build resilience into the economy's supply networks**.

Way Forward

- It will help boost India's manufacturing competitiveness and increase its share in world trade. In this pursuit, there is **a need to create an infrastructure** that raises the competitiveness of India's exports.
- While India appears an attractive option for potential investors both as a market and as a manufacturing base, it **needs to accelerate progress in ease of doing business and in skill building**.

Source: PIB