



Launch of Supply Chain Resilience Initiative

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

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