



# THE HAMBURG SUMMIT

*China meets Europe*

digital  
conference

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Summary Trilateral Forum: “Resilient and sustainable supply chains of the future“

## **Pressure on supply chains keeps increasing from the business as well as the political side**

It has been a difficult two years for global trade. At first regional lockdowns have hindered production and transportation. Then a spike in demand has put unprecedented pressure on manufacturers and freight forwarders, leading to countless shortages.

For now, it looks as if the pressure on trade and supply chains will keep increasing. “We are building new regulatory frameworks for the digital and green economy,” said Denis Redonnet, Deputy Director General and Chief Trade Enforcement Officer at DG Trade of the European Commission. Climate change is one of the issues to be addressed around the world. Carbon border adjustment, a tool to price emissions, is one of the tools discussed within the EU. However, these initiatives shouldn’t lead to protectionism, urged Redonnet. Quite the contrary, they’d require more cooperation, more international regulatory interaction.

However, the new rules could facilitate a greater level of regionalisation, said Dr Xu Yingming, Deputy Director General of the Institute of International Market Research, CAITEC, in Beijing. Enterprises would move production closer to home. For Chinese companies, a greener supply chain that is going easy on resources and is part of the product life cycle is also becoming more important. “China wants to have a much more holistic view, the supply chain is just one part of it,” said Xu.

Supply chains have thus become a much broader issue than just supplies and forwarding. “We are talking about the dependencies that exist between each other,” said moderator Dr Janka Oertel, Director Asia programme at the European Council on Foreign Relations (ECFR) in Berlin. The pandemic provides cover for addressing underlying political issues.

In fact, numerous direct effects of the pandemic on supply chains have been resolved rather quickly, said Jens Eskelund, Managing Director at Maersk China in Beijing. But they have revealed underlying issues. “The hyper-efficiency of the container is victimising itself.” Containerisation is so efficient that it inspires an ever greater focus on productivity and cost efficiency. With a strong focus on just-in-time deliveries, the processes are poorly designed for black swan events like a pandemic.

Slack capacities to buffer sudden spikes in demand have not been considered as they couldn’t be priced in, not dissimilar to the cost of carbon emissions, said Dr Willy Shih, Robert & Jane Cizik Professor of Management Practice at the Harvard Business School in Boston. That lack of slack has led to a lot of bottlenecks. But he sees another issue at play. “I think supply chain resilience has gotten entangled with interdependency and that has brought in geopolitics.” Cross-border dependencies became much more visible, resulting in behaviour which didn’t foster global trade. “It’s very unfortunate, because many people take for granted

how much they have benefited from global trade.” It would be a mistake to throw it away under the cover of resilience, said Shih.