

Supply Chain Connectivity: Important to Every Component of the Business Cycle

PECC Conference Session 3: Ease of Doing Business in the Asia Pacific
Singapore, 10 October 2009

Conference of Asia Pacific Express Carriers (CAPEC)

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Agenda

1. Introduction to CAPEC
2. Supply Chain Connectivity is Important to Every Component of the Business Cycle
3. APEC and Enhancing Supply Chain Connectivity
4. Conclusion

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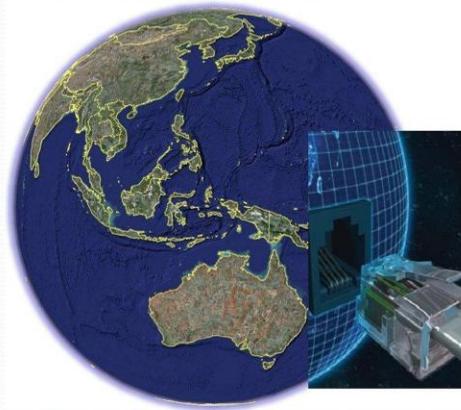
- Regional representative association of the express delivery services industry in the Asia Pacific since 1996
- Founding members are the world's leading integrated express delivery services companies: DHL, FedEx, TNT and UPS
- Engage governments and regulatory authorities in constructive partnerships to:
 - develop a conducive business and regulatory environment for the express delivery services industry and customers
 - facilitate economic growth and integration to the global economy



Express Delivery Services

- Core business is the provision of value-added, door-to-door transport and delivery of next-day or expedited time-definite shipments, including documents, parcels and merchandise goods
- More than a Courier Service:
 - Global Network – Over 30 million shipments daily, 1.3 million employees, 1700 aircraft and 170 thousand vehicles
 - Speed and Reliability – Guaranteed, time-definite delivery and high degree of custodial control throughout the supply chain
 - Fully Integrated – Door-to-door delivery provided through one contractual arrangement
 - Advanced Technology – Track-and-trace and release of document upon signature
 - Value-added Services – Customs facilitation and logistics management

Connectivity



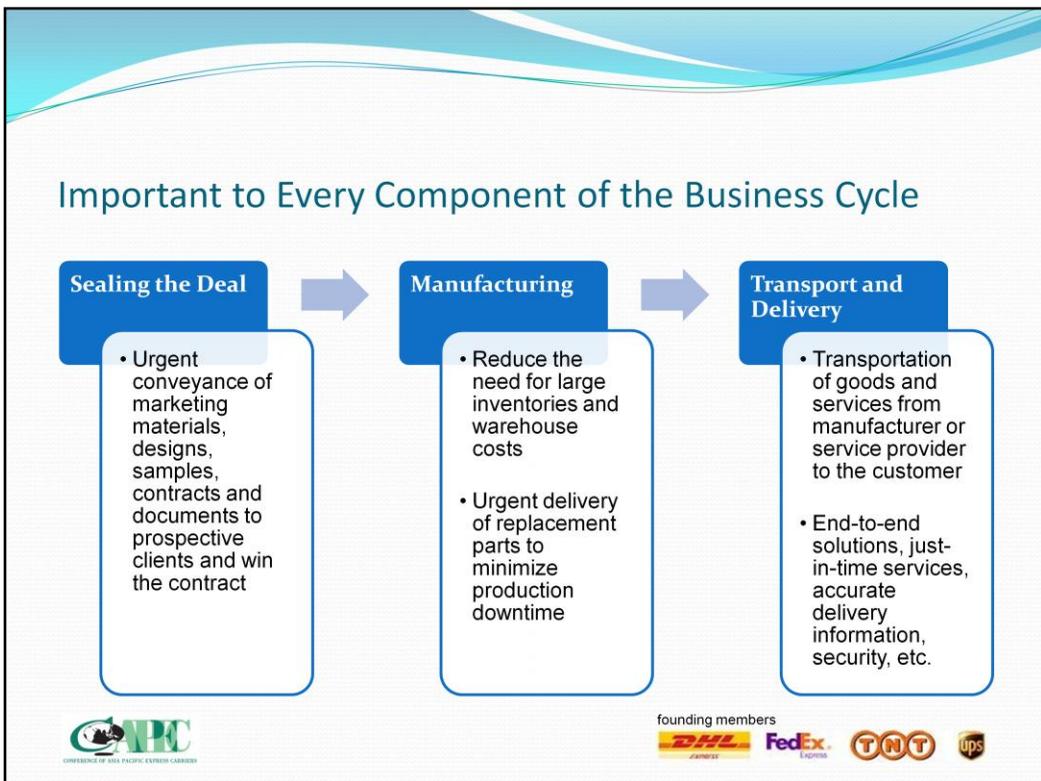
- A critical aspect of a country's competitive advantage in a global economy based on networks – the conduits for the flow of goods, services, capital, information and ideas around the world
- Businesses increasingly demand fast and reliable links to international markets and supply chains

Important to every component of the of the business cycle



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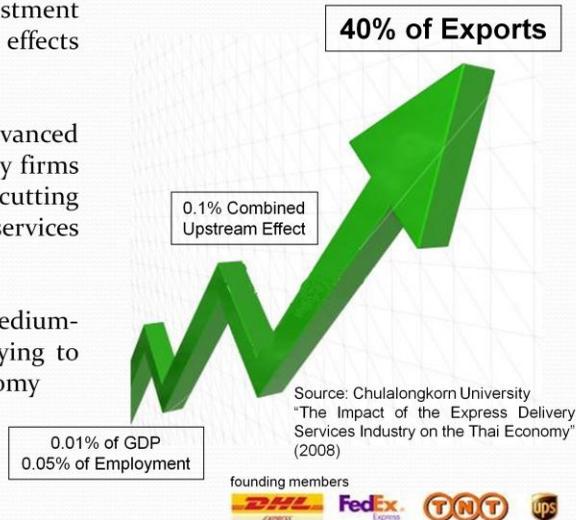




- Let's look at the three key phases in the business process: (1) businesses must first seal the deal or win the contract; (2) manufacture the goods or produce the services; and (3) get the goods and services to the customer or end-user
- Connectivity is important in every phase
- To seal the deal, businesses often rely on express delivery services and electronic communications to urgently convey marketing materials, designs, samples, contracts and documents to prospective clients. Speed and reliability in the delivery are crucial, and could mean the difference between winning or losing the contract
- Good supply chain connectivity facilitates worldwide manufacturing and assembly operations, by reducing the need for large inventories and warehouse costs, and urgent delivery of replacement parts to minimize production downtime
- Finally, the manufacturer or service provider needs to get the goods and services to the customer
 - Modern, higher value-add and export-focused businesses increasingly use express delivery services for end-to-end solutions, just-in-time services and accurate delivery information to move high-value consumer electronics and other 'perishable' products to major markets
 - Some businesses, e.g. banks, use express delivery services for security reasons, rather than simply speed
- Express delivery services, freight forwarding and other logistics services all play a vital role and complement each other to serve the different market segments and demands**

Enhancing Connectivity Enhances Competitiveness

- Catalyst for trade and investment with enabler and multiplier effects for the wider socio-economy
- Essential component of advanced logistics capability that many firms rely on to remain at the cutting edge of manufacturing and services value chains
- Important to small and medium-sized enterprises (SMEs) trying to succeed in a globalised economy



- Connectivity is a catalyst for trade and investment with enabler and multiplier effects for the wider socio-economy
- To illustrate, Thailand's Chulalongkorn University found express delivery services to be an essential component of advanced logistics capability that many firms rely on to remain at the cutting edge of manufacturing and services value chains
 - The express delivery services sector per se is relatively small, with a combined value-add of 0.01% to Thailand's GDP and 0.05% to employment. Nonetheless, the focal export sectors (including electronics, automobiles, fashion and jewelry) rely on express delivery services for 40% of their exports
 - Also supports the growth of Thailand's emergent or new-wave industries (such as biotechnology, stem cells and medical services, RFID and embedded technology, etc.), moving the domestic economy up the knowledge-based value chain
- Connectivity is also important to small and medium-sized enterprises (SMEs) trying to succeed in a globalised economy
 - A good internet website allows SMEs to market their products to customers located all over the world → Brings greater rewards, but also new challenges → Customers expect orders to be delivered directly to them and on time, every time, with no incomplete shipping or customs arrangements remaining to be sorted out
 - An enormous challenge for SMEs competing in the global marketplace → An increasing number of SMEs have turned to express delivery services to handle the deliveries
- **Enhancing connectivity enhances competitiveness!**

Enhancing Supply Chain Connectivity



- Supply chain an integrated and inter-connected process
→ Needs to be looked at as a whole
- APEC Leaders' commitment to refrain from raising new barriers to investment or to trade in goods and services
- Comprehensive view of regional economic integration – at the border, behind the border and across the border



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- Strongly support APEC 2009's efforts to improve supply chain connectivity
- Encouraged by the commitments made by the APEC Ministers Responsible for Trade in July 2009 to enhancing transport and logistics connectivity
- In particular:
 - Extending to 2010 the APEC Leaders' commitment to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO inconsistent measures in all areas, including those that stimulate exports
 - Taking a comprehensive view of regional economic integration, including to accelerate trade "at the border" with simpler customs documentation procedures and facilitation of cross-border services trade, reduce or remove regulatory impediments "behind the border" to make it easier, faster and cheaper to do business, and improve connectivity "across the border" by identifying the chokepoints in trade logistics and reviewing logistics policies with the aim of improving regional supply chains
- The next important step is implementation – **To realize the Leaders' and Ministers' vision and commitments through clear targets and implementation timelines**

Market Access

and the reduction or removal of regulatory impediments “behind the border” to make it easier, faster and cheaper to do business



- Connectivity can be enhanced by improving market access to sectors that provide connectivity
- Better coordination between governments and within governments in policy formulation and implementation
- Greater transparency in regulatory and licensing requirements



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- Connectivity can be enhanced by improving market access to sectors that provide connectivity:
 - A number of APEC economies continue to restrict market access through restrictions on foreign ownership and/or on foreign logistics services providers to only operate up to international gateways
 - This would adversely affect the ability of logistics services providers from performing a full international service, in particular, the contiguous domestic leg of international shipments
 - We hope to see a realised improvement in market access in-line with the APEC’s commitments towards facilitating economic growth, cooperation, trade and investment in the Asia-Pacific region
- Reduce or remove regulatory impediments:
 - The ease of the doing business and market access are also often hindered by overlapping and contradictory regulations and licensing requirements
 - For instance, the Investment Law might allow market access, but businesses are then unable to obtain the necessary approvals and licenses due to conflicting regulatory and licensing requirements
 - Thus, we hope to see better coordination between governments and within governments in policy formulation and implementation, as well as greater transparency in regulatory and licensing requirements
- This would provide greater certainty to businesses and investors, and encourage further trade and investment

Customs Facilitation and Supply Chain Security

To accelerate trade "at the border" with simpler customs documentation procedures and facilitation of cross-border services trade



- Institute and/or expand express clearance procedures, in line with the World Customs Organization (WCO)'s Guidelines for the Immediate Release of Consignments by Customs
- Formulate and implement supply chain security measures under the WCO's Framework of Standards to Secure and Facilitate Global Trade (SAFE Framework) in a coordinated manner that reflects the appropriate balance between risk management and trade facilitation



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- Connectivity can also be enhanced through customs facilitation:
 - Traders have long pointed to the vast amount of red tape that still exists in moving goods across borders. Documentation requirements often lack transparency and are vastly duplicative in many places. Despite advances in information technology, automatic data submission is still not commonplace
 - There are legitimate business needs for expedited deliveries of time-sensitive shipments. This requires express customs clearance processes with the ability to clear and release large volumes of shipments at the fastest possible time without compromising on customs control
- Supply Chain Security:
 - In recent years, there has been a proliferation of supply chain security programs and initiatives, each focusing on one or even several areas of the logistics and supply chain system. But the various programs are often uncoordinated between economies and even within economies, with duplication and overlap in many cases
 - Each of these programs places a toll and speed bump on the flow of trade and commerce
 - Supply chain security measures need to be formulated and implemented in a coordinated manner that reflects the appropriate balance between risk management and trade facilitation

Conclusion



Important Year for the Global Economic Agenda

- APEC as a relevant, important, forward-looking organization on economic issues, especially trade and investment liberalization and facilitation

Enhancing Connectivity Enhances Competitiveness

- Improve market access to sectors that provide connectivity, and reduce or remove regulatory impediments “behind the border” to make it easier, faster and cheaper to do business
- Accelerate trade “at the border” through: (1) customs facilitation; and (2) better coordination and harmonization between countries as well as within countries in supply chain security, to achieve an appropriate balance between risk management and trade facilitation



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- In conclusion, connectivity is important to every component of the business cycle
- Enhancing connectivity enhances competitiveness
 - Connectivity can be enhanced by improving market access to sectors that provide connectivity
 - Also by accelerating trade “at the border” through: (1) customs facilitation; and (2) better coordination and harmonization between countries as well as within countries in supply chain security, to achieve an appropriate balance between risk management and trade facilitation
- APEC 2009 is an important year for the global economic agenda
 - Many economies are poised between economic crisis and recovery
 - The multiplier and enabler effect from connectivity works in both directions. An improvement in connectivity brings knock-on benefits to the wider socio-economy. Conversely, a reduction in connectivity would negatively affect the economy’s competitive advantage
 - We hope to see APEC assert its role as a relevant, important, forward-looking organization on economic issues, especially in trade and investment liberalization and facilitation