



General Studies-3; Topic: Effects of liberalization on the economy, changes in industrial policy and their effects on industrial growth.

Supply Chain Management

Introduction

- Supply chain management (SCM) is the centralized management of the flow of goods and services and includes all processes that transform raw materials into final products.
- It involves the **active streamlining of a business's supply-side activities** to gain a competitive advantage in the marketplace.

Supply chain resilience (SCR)

- Supply chain resilience (SCR) is an approach wherein a country instead of being dependent on just one or a few nations has diversified its supply risk across a range of supplying nations.
- SCR aims to reduce the dependency on a single nation.
- The Global supply chain's over-reliance on China's manufacturing industry and its weakness was exposed by the supply chain disruptions during Covid-19.

India's Vulnerabilities in SCM

- A large emerging economy such as India can ill-afford the shocks of disruption in supply chains.
- India cannot allow itself to be held hostage due to an over-reliance on imports.
- In unanticipated events, natural and man-made, that disrupt supplies from a particular country or even intentional halts to trade, could adversely impact economic activity in the destination country.
- The pandemic caused a breakdown in global supply chains in the automotive sector since most global manufacturers in China abruptly went offline.

- For India, which imports 27% of its requirement of automotive parts from China, this quandary was a wake-up call.

Impacts on India

- Chinese supplies dominate segments of the Indian economy.
- Sectors that have been impacted by supply chain issues arising out of the pandemic include pharmaceuticals, automotive parts, electronics, shipping, chemicals and textiles.
- In areas such as Active Pharmaceutical Ingredients for medicines, India is fully dependent on China.
- In electronics, China accounts for 45% of India's imports

Supply Chain Resilience Initiative (SCRI)

- In a move **to counter China's dominance of supply chain in the Indo-Pacific region**, trade ministers of **India, Japan and Australia** have 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 region.
- It seeks to build upon the bilateral frameworks like the Asean-Japan Economic Resilience Action Plan and India-Japan Industrial Competitiveness Partnership and attract foreign direct investment in the region.

Way Forward

- India needs to enhance self-reliance against China, so that it could build resilience into the economy's supply networks.
- Although 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.
- India must strengthen its strategy to boost manufacturing competitiveness and increase its share in world trade.
- There is a certain and urgent need to create an infrastructure that raises the competitiveness of India's exports.
- **India needs to push through long-pending legislation that aims to address the structural bottlenecks (in 4Ls: Land, Labour, Law, Liquidity) that continue to plague and hinder domestic competitiveness.**
- Covid-induced disruptions have led to faster adoption of emerging technologies such as Artificial intelligence, blockchain technology, and the IoT (internet of things).
- The government can also leverage these innovations to improve the supply chain network.
- **An efficient supply chain network is essential for projects such as Make in India and Start-up India to build a self-reliant India.**