

# Budget 2022: venturing overseas and supply chain challenges

By Faizal Bin Yahya

**G**IVEN the size of the domestic economy, Singapore-based companies have long been encouraged to venture overseas to explore new markets and expand operations. The recent Budget 2022 unveiled a new initiative called Singapore Global Enterprises which aims to customise assistance for larger local enterprises to scale up and invest overseas. This will be coupled with a talent development programme called the Singapore Global Executive Programme.

While these new initiatives will come in handy to help local companies navigate the many variables that they may face when venturing abroad, one area that enterprises may need help in is in finding solutions to mitigate supply chain chokepoints that could arise from future disruptions.

The pandemic has not deterred companies from seeking to expand overseas. The Singapore Chinese Chamber of Commerce and Industry (SCCCI)'s annual survey reported that 59.7 per cent of their members planned to venture overseas in 2021, compared to 50.7 per cent in 2020. Their top 3 markets in order of importance are China (43 per cent), Malaysia (36.6 per cent), and Indonesia (33.2 per cent).

The SCCCI highlighted that e-commerce platforms were effective in expanding their businesses overseas, enabling all companies, especially SMEs, to reach out to a global customer base. However, delivery of goods has been a real problem due to bottlenecks in the supply chain networks.

Singapore is a major transshipment hub and node in the global supply chain network. Changi Airport and Singapore's ports are usually efficient and able to turn around deliveries within a few hours.

However, even they have succumbed to the bottlenecks caused by the pandemic. As a key node in the global supply chain, disruptions in Singapore will have ripple effects on the entire network and could bring other businesses to a standstill. As an import-export driven economy, Singapore remains vulnerable to such disruptions.

The pandemic has interrupted manpower requirements in logistics due to infections and public health procedures. The pile-up of goods in Singapore's ports in late 2021 and Changi Airport over the Chinese New Year 2022 holidays demonstrated the need for more strategic planning by all stakeholders.

In the maritime sector, PSA Singapore faced congestion at Singapore's port early 2021 due to the global supply chain bottlenecks. To ease the congestion, PSA took on board new manpower from non-traditional countries like Thailand and India. PSA also re-activated some inactive capacity at Brani and Keppel Ports.

For airfreight logistics, Changi Airport faced congestion to clear incoming airfreight cargo in early 2022. This is due to surge in airfreight due to CNY holidays and infection among staff that created manpower shortages. To resolve the problems, ground handler SATS used incentives to recall staff from holidays, redeployed staff to assist in critical workflow processes and used additional storage spaces of the other ground handler dnata.

The delay in clearance has caused a chain reaction along every part of the global supply chain from transport operators, freight handlers to logistics providers, storage units and last-mile delivery providers.

Sectors such as manufacturing that comprises about 20 per cent of total GDP are impacted by supply chain disruptions. This was reflected by the high input prices index at 51.7, which is the highest recorded since 2017 when the index was 51.8.

As part of a collective response, the government launched the S\$18 million Supply Chain 4.0 Initiative that was aimed at integrating more technology to assist SMEs. This included developing automated and digital solutions such as artificial intelligence (AI) to assist with the planning for logistics.

## Creating a resilient supply chain

To overcome future challenges, resilience has to be built into Singapore's supply chain. This requires closer collaboration by all stakeholders with increased visibility across the entire supply chain network. Stakeholders have to be flexible and adaptable in terms of manpower planning, sourcing from suppliers and choosing the ports and/or airports that they are utilising for deliveries. Real-time data that enable greater visibility, tracking of shipments is essential for planners to have an overall strategy to overcome bottlenecks in supply chain networks.

With better visibility, data and planning, automation and new modes of delivery could be potential solutions. For example, in Singapore, two key innovations are happen-

ing. First, in real estate development, the need to factor for e-commerce deliveries for new development projects will involve considerable new planning and additional costs. Second, new modes of deliveries have been tested such as using drones. Drones have been tested for deliveries to offshore islands and ships anchored at Singapore ports and maritime waters.

Pre-pandemic trends are also being reversed to build resilience into supply chains and enable them to be more flexible. For example, the offshoring of production facilities to save manpower and other business costs were once much sought after by producers.

However, post-pandemic, the onshoring and localising of production or choosing alternative suppliers from within the region may be more prudent. The shift in strategic thinking is highlighted as "plan globally but source locally". For critical overseas inputs such as microchips, the "just in time" rationale to save costs has been replaced with "just in case" to create buffers against future disruptions.

In the process of venturing overseas, whether physically or leveraging on e-commerce platforms while based in Singapore, companies need to understand how the supply chain networks are related to their business models. Disruption of deliveries to their customers because of exogenous shocks to their supply chains will damage their branding and companies' credibility.

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