

Supply Chain Resilience Initiative (SCRI)

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In News

- India and France are on same page on creating resilient global supply chain.

Background

- With COVID-19 and trade tensions between China and the US threatening supply chains or actually causing bottlenecks, Japan has mooted the Supply Chain Resilience Initiative (SCRI) as a trilateral approach to trade, with India and Australia as the other two partners.

Supply Chain Resilience Initiative

- 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.
- **Objective**
 - 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.

Why this Initiative?

- With the spread of Covid-19, countries have realized that dependence over a single nation is not good for both global economy and national economies.
- USA-China Trade Tensions, where both applied tariff

sanctions on each other.

- India as an Emerging Supply Hub: The businesses have started seeing India as a “hub for supply chains”.
- Initiative would be a counter to China’s expansionist approach.
- India is carrying forward the sentiments of self-reliance focusing on less dependence on China which is one of the reasons behind SCRI.
- Thus, the initiative aims to reduce the dependency on a single nation (at present China). SCRI is a direct response to individual companies and economies concerned about Chinese political behavior and the disruption that could lead to the supply chain.

Japan viewing India as partner for the SCRI

- Japan is the fourth-largest investor in India with cumulative FDIs touching \$33.5 billion in the 2000-2020 periods.
- It accounts for 7.2% of inflows in that period, according to quasi-government agency India Invest.
- Imports from Japan into India more than doubled over 12 years to \$12.8 billion in FY19. Exports from India to the world’s third-largest economy stood at \$4.9 billion that year, data from the agency showed.
- It is a clear reflection that the two countries are unlikely to allow individual cases to cloud an otherwise long-standing and deepening trade relationship.

India’s stand

- Following the border tensions, partners such as Japan have sensed that India may be ready for dialogue on alternative supply chains.
- Earlier, India would have done little to overtly antagonize China. But an internal push to suddenly cut links with China would be impractical.
- China’s share of imports into India in 2018 stood at

14.5%. It supplies dominant 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.
- 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.