

International Supply Chain – A Modern Wonder

For the Club's final talk in 2023, Philip Chow, a longstanding friend of President William Ho, gave a talk entitled 'International Supply Chain – a Modern Wonder.

Philip described the Chain as the link between the production of goods and their consumption by users. He saw the structure as having physical, financial, regulatory and economic components. The physical layer involved the stages from factory to warehouse, to and between terminals, to distribution centre, and then to retail.

By far the most common mode of transport was by sea (90%), with rail, truck and air amounting together to only 10%. Sea transport, too, was the cheapest and greenest form of transport – air, at the other extreme, had a relative cost per mile 10 times that of sea, and was 40 times as polluting. Philip referred to International Maritime Organisation mandates to reduce the intensity of pollution by 40% by 2030, and to achieve carbon neutrality by 2050. Achievement seemed unlikely.

The financial layer involved payment by the buyer for the goods received. In initial dealings there can be a lack of trust either way, eased by letters of credit, although that process may often be too costly.

The regulatory layer involved licences, custom and duty compliance, particularly important when restricted or hazardous goods are involved. The economic layer, involving a skilled workforce, raw material supply and infrastructure, was most time-consuming to develop and, when necessary, to replicate.

It was obvious that the Chain was most successful when the different layers were well-integrated and efficient.

Turning to costs, Philip showed that container transport was significantly cheaper than alternatives. Mega-ships could replace up to 13 smaller container vessels, but one day's disruption could take a week for recovery.

In conclusion, Philip maintained that the Supply Chain connects the world, offering more choices, lower costs, better products and services. Multi-national concerns have benefitted but now have to adopt diversified strategies to localise operations and align with the geopolitical fault lines. He left us with the concern that becoming politically correct could also mean economic inferiority.