



On Tuesday September 1st, nearly 60 participants from Hong Kong, Canada, and Greater China area attended the webinar “**COVID-19 and US-China Relations: Supply Chain Futures**” to discuss the issue of supply chain resilience amidst the pandemic and the US-China trade/technology rivalry. The 90-minute webinar featured three top minds in the field of supply chain strategies, hosted by the Policy and Government Relations Committee of the Canadian Chamber of Commerce in Hong Kong.

The event started with an introductory speech by **Joseph Fung**, managing partner of Saltagen Ventures, an early stage VC focusing on science and technology-based startups. Joseph provided a synopsis on the changing landscape of supply chain execution and how they affect global businesses, in context of both short-term logistical challenges and long-term design of supply chain resilience.

Mark Slade, Managing Director for DHL Hong Kong and Macao, then highlighted that COVID-19 has caused the sudden removal of belly capacity which accounted for 30-40% of global air cargo because of the plunge in passenger travel. This is a major disruption to air cargo traffic globally but the sector is quickly adjusting to the change. For example, freight companies like DHL have introduced alternative air/ocean/road hybrid solutions and digitalization to optimize speed, accuracy and flexibility and supply-risk management. DHL has set up Innovation Centers in Germany, Singapore and the U.S. to lead digitalization research initiatives.

Mark also shared his view that global supply chain is just as adaptive. For example, China shifting away from labour-intensive finished goods to value-creating layers in the value chain such as raw materials and components. China’s neighbours such as Vietnam, Bangladesh, Myanmar and India have been filling the gap, a trend that was already prevalent even before the US-China trade war. Mark further emphasized that global supply chain is not a zero sum game and China is not being kicked out of the picture. The advantages of Hong Kong are even more elevated with the ongoing geopolitical shift, including its irreplaceable role of bridging China and the rest of the world with well-established transport infrastructure and soft power of the financial services industry.

The criticality of the US-China relations was then explained by **Dane Chamorro**, Partner at Control Risks, who helps global companies navigate political and market uncertainties. Dane pointed out that every company is exposed to the US-China tension due to the size of the two economies. Dane echoed Mark’s view that a complete decoupling is not possible, especially in highly integrated industries such as electronics and auto.

To back this argument, Dane evaluated the shortcomings of alternative markets (e.g. Vietnam and Indonesia), including access to talent, industrial ecosystem and competency of local governments. COVID-19 has taught us a lesson on the vulnerability



of relying on a single market supplier. Dane discussed the possibility of near-shoring and re-shoring in a more regionalized context, especially for more essential and strategic products including healthcare and technology, but acknowledged that the level of near-shoring and re-shoring would be rather limited. Deliberate decoupling efforts lack practical context.

Martha Hao shared her first-hand experience with supply chain disruption as a business consultant at electronic modules and solution provider Wise Ally Holdings as well as her experience in the healthcare sector. Martha emphasized that SMEs and start-ups can play meaningful roles in healthcare innovation, which has become a priority of China and many other markets. Hong Kong has a unique role to play as well, leveraging the resources from Greater Bay Area and its own strength as a globally recognized business/finance hub. Martha then illustrated two case studies: 1) Wise Ally – how decentralizing the source of products can be done by setting up a manufacturing facility in Malaysia and 2) Helpwear Inc – how a humble Toronto-based tech start-up focusing on ECG monitoring solution fast-tracking production and commercialization by working with Asian partners.

A session of questions and answers followed the presentations, moderated by **Adam Janikowski**, an experienced investment banker at CIBC. Questions on the post-election US-China relations and the issue of “picking sides” were raised.

Dane answered that while the China issue is bipartisan in the US, *style* of interaction with China may change and become more predictable for businesses if US elects a new President. Nevertheless, global businesses should embrace for being pushed to pick sides between US and China. Strategies include preparing scenario analysis and interpreting warning signals for the benefit of making informed course of actions. An interesting observation from Dane is that Southeast Asian nations like Singapore has the kind of political prowess and wisdom at its balancing act between the two superpowers.

Finally, Joseph and Martha expanded their takes on the possible alternatives to China, emphasizing that finding supply chain and market alternatives to China is a challenging endeavor for tech giants such as Apple and Tesla. From setting up parallel supply chain nodes to supply chain strategic deployments, alternative footholds need capital and time to develop.

The Canadian Chamber of Commerce in Hong Kong would like to thank all the speakers and participants. We look forward to seeing you at our future events.