

THOMSON REUTERS SPECIAL REPORT SERIES  
THE DISRUPTIVE NATURE OF GLOBAL TRADE IN ASIA

# Blind Spots and External Forces Impacting Global Trade in Asia



THOMSON REUTERS  
**ONESOURCE™**

# Foreword

It is my honor to introduce Thomson Reuters' latest global trade report, *Blind Spots and External Forces Impacting Global Trade in Asia*, delivering commentary and insights on trade in the region.

The state of global trade is advancing through uncharted territory. Complex considerations within supply chains continue to be a source of unease for business leaders, governments and regulators.

Rising supply chain disruptors have adjusted the mobilization of goods and services within Asian countries and around the world. Consequently, everyday consumers are affected by supply shortages, from energy sources to groceries, to electronics.

Amid continued disruption and regulatory developments, an increasing number of Free Trade Agreement (FTA) opportunities are on the table. FTAs hold the promise of enabling greater supply chain velocity and stimulating economic activity in the region. When utilized correctly, FTAs empower leaders in global trade to serve new markets and customer bases in a more flexible manner.

Business leaders in Asia are responding to the array of challenges and opportunities strategically. Supply chain diversification has been a go-to measure to tackle supply chain fragility, and the vast majority are prioritizing digitization.

As well as observing the external forces shaping global trade, our special report identifies key "blind spots" that are hampering visibility. Reducing the impact of these blind spots may enable business leaders to navigate global trade more effectively, no matter what external forces come their way.



Jackie Rhodes, Regional Managing Director  
Thomson Reuters – Asia and Emerging Markets





# Introduction

Asia-based organizations have faced an evolving trade landscape over the past year, prompting business sectors to undergo rapid transformations.

Amid frequent disruptions, the current state of global trade has surfaced numerous challenges for business leaders. Asia-based executives cite supply disruption (54%), lack of transparency (48%), and complicated and changing regulations (48%) as the top three barriers to global trade, as noted in our previous report, *10 Discoveries About Global Trade in Asia*.

This special report identifies the numerous blind spots that are reducing visibility in supply chain management, along with geopolitical forces impacting global trade in Asia. Offering data and insight gained from a survey of 200 executives across the region, it provides unique insights to consider in a changed world.



# Research methodology

The 2021 Thomson Reuters special report series, The Disruptive Nature of Global Trade in Asia encompasses feedback from 200 corporate trade managers from across China, Japan, and Singapore.

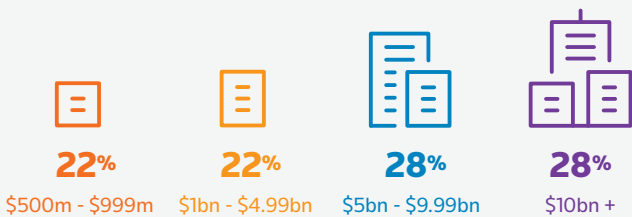
## The executives represent a wide array of businesses, including



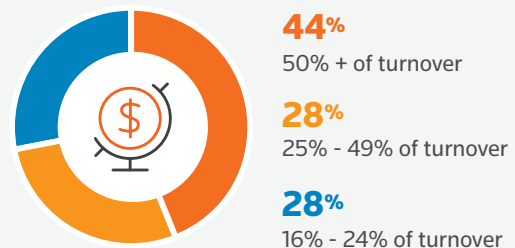
## Respondents in the C-suite of the organization made up 59% of the total respondents to our survey



## The organizations had enterprise-level revenues between



## Turnover from international trade



The survey was conducted on behalf of Thomson Reuters by iResearch Services, who also carried out a series of in-depth interviews in March and April 2021 with five senior trade executives in total from China, Japan, and Singapore.

# Geopolitical factors shaping global trade

The global trade landscape features an abundance of supply chain disruptors which are difficult to anticipate or predict.

Forces affecting supply chains are categorically widespread and are driving emerging trade trends in Asia. Business leaders face a confluence of impediments to global trade, ranging from delayed shipments to rapidly escalating costs and unprecedented market demands.

Sourcing shortages or, conversely, an inability to produce enough stock to satiate demand are common obstacles faced. The worldwide shortage of semiconductor chips is the new normal in global trade where demand has far outstripped supply.

Automotive and manufacturing supply chains are heavily affected by chip scarcity. The disruption has impacted production schedules for many manufacturers, affecting goods such as passenger cars, smart phones and even tools.

Rising shipping costs are also burdensome, and congestion in ports is occurring at both departure and destination points. Virus outbreaks have caused several Asia-based ports to temporarily cease operations to keep workers safe. The pace of shipping is slow, with some countries returning shipping containers back to countries in Asia at delayed rates.

These factors, combined with the reduced number of air freight facilities, are disrupting business as usual.

## Longer lead times and rising costs

*“Well...of course, the current geopolitical situation impacts our global trade and supply chain management a lot. For example, the longer lead time and also the increasing cost of transportation because of the pandemic.”*

**– a trade compliance administrator,  
at Abcam in China**





Chaotic global supply chains have given rise to regional trade policies designed to protect local markets from disruption. Therefore, organizations sending goods across borders or receiving them from abroad are factoring in complex tariffs, export control rules and sanctions.

Some business leaders with a presence in Asia are incorporating domestic markets more heavily in their commercial strategies. This is enabling them to maintain resiliency and compliance.

## The promise of RCEP, CPTPP and other FTAs

Multilateral trade talks and the launch of new free trade agreements (FTAs) are paving the way for smoother supply chain navigation and present business leaders with myriad opportunities to consider.

### Managing customs controls

*“Local customs controls have become stricter, and it’s now harder and slower to get permission to export to other countries. And we have more commodity inspections from local customs.”*

– a trade compliance administrator,  
at Abcam in China

### Shift to localization

*“Global trade will shift focus to greater localization with the preference for risk management over costs. We have initiated a risk management approach to evaluate geographic and geopolitical risks to cover key materials.”*

– a head of procurement  
at Perfetti Van Melle, Singapore





## RCEP

The Regional Comprehensive Economic Partnership (RCEP) is the largest FTA in the world. It holds the promise of new trading opportunities for the 15 member countries who have signed the agreement.

Japan, China, and South Korea are signatories of the RCEP, marking the first multilateral trade pact that the three countries have embarked on together. They are joined by Australia, New Zealand, and the 10 ASEAN countries.

On 2 November 2021, the RCEP hit a significant milestone where Australia and New Zealand achieved ratification, following in the footsteps of Brunei, Cambodia, China, Laos, Singapore, Japan, Thailand and Vietnam. Because the RCEP has reached the ratification threshold comprising of six ASEAN member countries and three non-ASEAN member countries, the RCEP will enter into force on 1 January 2022.

Principal Trade Specialist at the Ministry of Trade & Industry in Singapore, Elizabeth Chelliah, was involved with the creation of the RCEP. She describes it as “one common rule book” to guide business decisions.

“The RCEP makes it easier for trade compliance professionals to know where to look for things, and how to address the issues they are facing at the border or even in the country,” she commented in conversation with Thomson Reuters.

## CPTPP

Another significant FTA shaping the state of global trade in the region is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Economic heavyweights Japan and Singapore are members of the agreement, alongside Malaysia, Vietnam, Brunei, Australia, New Zealand, Canada, Chile, Mexico and Peru. The UK formally requested accession into the CPTPP in February 2021, and has been in talks with member nations, including Japan.

While utilizing FTAs correctly can offer great value, Partner at KPMG in Trade and Customs, Leonie Ferretter, has warned of the risks.

“The Asia region has an absolute plethora of free trade agreements to leverage, and there are many free trade agreements globally. If you are making supply chain changes without consideration of those agreements, you can wind up experiencing bad outcomes with pricing and margins in the markets that you’re moving into.”



# Blind spots limiting success in global trade

The forces shaping global trade today are nearly impossible to control. Despite these challenges, our survey uncovered several blind spots noted by business leaders. Identifying and remediating such blind spots may open gateways to increased efficiencies for decision-makers in global trade functions.

## 1. Poor visibility in the supply chain

Many organizations with a presence in Asia face insufficient visibility in the supply chain. Over three in five executives (66%) are either impeded or heavily impeded by lack of visibility. Business leaders in the automotive industry cite visibility as their most significant blind spot, with four in five (80%) saying they are impeded or heavily impeded by poor supply chain visibility.

### Technology enablement

*"We're working on a system to make the supply chain system more visible and intelligent. But we have to do a lot of preparation for this system, which makes us very busy."*

**- a trade compliance administrator  
at Abcam, China.**







## 2. Compliance in the supply chain

In a complex and rapidly changing regulatory environment, organizations are tapping into expertise and technologies to keep up with the pace and, in turn, feel confident that they can maintain compliance in certain areas of trade. Close to four in five executives are confident they can maintain compliance in audit readiness and record-keeping (79%), FTAs (79%), and customs controls (76%).

Conversely, only a little over half of executives (56%) are confident that their organization can maintain compliance in global and local regulatory matters. Awareness and heightened concern around cyber security risks is also reflected in the survey findings, with just over three in five executives 64% confident in their organization's ability to handle supply chain security.

### Making it work

“

*“Export sanctions, and both global and local regulations are key challenges. Managing these challenges requires specific task forces for each of them, keeping a keen eye on the changing landscape, and ensuring an agile response.”*

**- a head of procurement  
at Perfetti Van Melle, Singapore**

*“Well, we are managing our supply chain the best way possible, but the problem is that we don't know what's going on due to the current situation. For example, for the cold storage –which is dependent upon where there is demand... The demand now is not crystal clear. Currently, it is very complicated.*


*The impact of tariffs, not directly on operations, but due to the supply chain issues that impact the production of customer orders, creates additional confusion for our supply chain. Recently there has been unneeded and unexpected confusion. There is no sign that things will get better, and we have no idea of the situation for the next 12 months.”*

**- a vice president at Autoliv, Japan**

### 3. Lack of single source of truth, data

With new advances in technology infrastructure providing a single source of truth, many organizations are turning to global trade management software with integration capabilities to deliver time efficiency and risk reduction benefits.

Over three in five executives (61%) say that they are impeded or heavily impeded by a lack of a single source of truth for trade data as a result of disparate systems. Additionally, more than half lack access to the data needed to aid quick decision-making.



#### Identifying the benefits of digitization

*"In today's world, a single cohesive technology platform is utopia. It's best to be agile in scouting for new technologies, experiment and implement with agility. Also, we need the ability to shift gears and change the platform as needs change. This is quite different from traditional approaches. It is on our "to-do" to evaluate new technologies and experiment to improve the productivity of our systems."*

**- a head of procurement  
at Perfetti Van Melle, Singapore**

*"I think the performance potential is the most important thing for now. We also need to think about how to configure the supplier data base, as suppliers are very important, while managing the global supply chain. We need to consider several different factors, including social and ethical business standards."*

**- a vice president  
at Autoliv, Japan**

# Peer comparisons

When business leaders compare their organization to the competition, they are most bullish about one thing - their organization's ability to support agile global trade and supply chain decision-making.

More than half of executives (55%) representing organizations grossing between \$10-20 billion in revenue believe they have more resources to support agile decision-making than average.

Confidence was lower among executives within lower revenue grossing organizations, where just one in five executives (20%) representing organizations with \$500-999 million in revenue believe their organization has more sufficient resources to support agile decision-making than average.

## Diversification and standardization as an advantage

“

*"I think we have an advantage with our diversified supplier base and standardized processes. Automation will be our focus in the near future. We're a global company, and we have many different sites, such as UK, US, Australia, JP, CN, Singapore, Netherlands and so on. So, we're a diverse team. We have different ways of dealing with matters efficiently, but we follow the same standards to make sure everyone is satisfactory."*

**- a trade compliance administrator  
at Abcam, China**





# Conclusion

While the complexity of global trade is not new, the advent of COVID-19 has pushed organizations to adapt and adjust to new dynamics such as demand surges and supply chain shortages. Against the backdrop of geopolitical tensions, poor supply chain visibility, shifting regulations and compliance, and lack of a single source of truth are the key blind spots in global trade management.

Business leaders who strive to remediate these blind spots can expect to see their organization benefit through increased velocity in the supply chain, reduced risk and operational efficiency.



THOMSON REUTERS

**ONESOURCE™**

ONESOURCE Global Trade is a trade automation solution providing a single global interface that simplifies your global trade compliance, while also providing senior management with a global view of your trade compliance operations.