



By: *Emre Alkin*

The pandemic is not over yet and there are still troubles



In the early 2000s, the most important skill of importers was efficient supply chain management. For example, they would manufacture fabric in Pakistan, make it into trousers in Egypt, and then sell it to the US without paying customs duty. Although such an operation might seem difficult today, in the past, it helped importers have a serious cost advantage. While China was constantly pushing down prices to disrupt these operations, non-governmental organisations such as the World Trade Organisation and CATO did not pay much attention to the grievances of other competitors. That was because perhaps they regarded free trade as trade without rules. In fact, Pascal Lamy, the then Director-General of the World Trade Organisation, had said, "this is a medieval organisation", before he was elected to lead the WTO. He even mocked himself at the plenary meeting in Hong Kong. Whilst everything was going well, global trade received its first hit in the 2008-2009 financial crisis, and the second and perhaps the most severe one in the 2020 pandemic. The supply chain management, which was spreading over long distances and helping to keep shipping rates low, came to an abrupt end.

Those who possess all types of raw materials or intermediate goods have started to increase their prices drastically

As everyone rolled up their sleeves to find suppliers either from within the country or from neighbouring countries, container shipping rates from Singapore to Los Angeles reached almost \$15,000. The worst thing is that those who possess all types of raw materials or intermediate goods have started to increase their prices drastically. Even if you are willing to pay the price, you cannot find the commodity you need for production. The world's largest companies postponed their production processes because they were not able to not find tiny chips, which led to billions of dollars' lost profit. Meanwhile, the Europeans have struck a new agreement supposedly to protect the environment: The Green Deal. Developed countries that polluted less because they were sitting at home during the pandemic, Europeans, who watched the dolphins in the Venice Canals on social media, the clear blue sky above them, the whales that

came to shores because they were not being hunted, took this opportunity and used it as a pretext to recover their pandemic-borne losses. As part of the Green Deal, the EU countries have made a carbon net zero commitment, exposing countries that use conventional production methods to greater costs.

The habits we have developed with the pandemic continue to strike lethal blows to the markets

Although the pandemic has weakened over the last couple of years, people still continue to get infected. Now that wearing a face mask is no longer mandatory and countries are following the herd immunity method for containment of COVID-19, this disease has become a part of our daily lives. However, the habits we have developed with the pandemic continue to strike lethal blows to the markets. Today, accessing the rare-earth elements (REEs) is not as easy as it used to be. The procurement of chips and semiconductors will continue to be a problem until the end of 2024. Countries are now imposing an export ban on their products so that prices do not go up, yet inflation still does not go down. As countries are trying to become self-sufficient and enhance their national production, international companies are being negatively affected in the process. Many of them have already moved their headquarters to other parts of the world so as to get protected against a new trend called "food nationalism". All these developments reveal the immediate need to deal with the issue of "supply chain management" in certain sectors. The sectors I have listed below need to be quick to relocate their premises, no matter what the costs might be. Otherwise, they will face their worst nightmare in 2024. The pharmaceutical industry, ready-made garments, footwear, the leather industry, communications and health equipment, furniture, textiles, and transportation equipment need rapid restructuring in their supply chains. Also, according to 2020 report by the McKinsey Global Institute, the computers and electronics, electrical equipment, aerospace, metal goods, rubber and plastics industries need moderate-pace restructuring to navigate through turbulent times.

Roadmap for Companies

Russia's invasion of Ukraine, when the world economy was on the verge of recovery, has further disrupted the already fragile markets. The manufacturing industry, which seemed to have recovered in mid-2021 according to the PMI, dropped to June 2020 levels again. We could say that the stability in commodity prices is unfortunately due to growth concerns. Of course, a recession is not expected, but we should be alert at all times against any disruption that might arise from the banking troubles in the US or the EU. Two scenarios have been haunting the world economy since 2020: - Moderate Growth and High Inflation - Low Growth and High Inflation. Given the current circumstances, hiking or cutting rates alone is not enough. We are living in a world where food prices are constantly swelling and procurement opportunities are diminishing. An American friend of mine recently said, "the price of the Thanksgiving turkey has increased 100% in 20 years", which made me laugh out loud. I replied, "you can see those drastic increases in Turkey every three or four months". So, what is the solution?

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To be perfectly honest, I am tired of advising governments, because they all think they are the smartest, and waste their time with unnecessary deeds designed to make them more popular in the eyes of the public. They are focused solely on how to win the next election, and do not learn from the bitter experiences of the past. So, I thought I should offer some pieces of useful advice to ordinary citizens and businesses:

- Focus on the solution when there is a problem: improve your shortcomings by consulting with internal and external stakeholders. Fix your collection, procurement, quality, human resources and technology issues
- Increase your resilience: You must learn to swim before falling overboard.

Learn from the crises you have survived and never change the winning tactic

- Devise a well-thought-out plan to achieve your goals: improve your solution, not the organisation, for higher profitability. You don't need a large number of employees and huge square meters
- Notice the new normal: actually, the new normal is not that different from the old normal. If you are a small-scale company, be as flexible as you can to shape yourself according to the market's needs. If you are a large organisation, follow business ethics when shaping the market
- Always be prepared for change: even the best ideas that are postponed for later execution rot like bananas kept in the fridge. Implement new ideas without delay, do not stop changing if you want your business to survive.

I know that the suggestions I am offering above will never be accomplished fully by politicians. But businesses do not care about "negative selection" like those who are engaged in politics. They always must do better to survive. Perhaps the most useful habit we have acquired during the pandemic was "self-sufficiency". If you are able to provide everything you need, without the help of others, then you already feel rich.