FORUM: Economic and Social Council

ISSUE: Measures to Strengthen Supply Chain Resilience and Sustainable Trade in Developing Economies

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Introduction

Developing economies are among the most vulnerable to disruptions in global supply chains, despite being increasingly integrated into international trade. Many of these countries rely deeply on a limited number of export goods, imported industrial inputs, and a small range of transport routes, making them highly exposed to external shocks. When supply chains are disrupted, the effects are not limited to delays in trade, but extend to rising production costs, shortages of essential goods, reduced industrial output, and slower economic growth. In particular, disruptions in food, medicine, fuel, and agricultural inputs can place a severe burden on low-income communities and deepen existing development inequalities. The structural limitations of many developing economies make these challenges more difficult to address. Inadequate transport infrastructure, inefficient customs systems, high logistics costs, and limited storage and distribution capacity reduce their ability to respond quickly when global trade is interrupted. In addition, many small and medium-sized enterprises (SMEs) in developing countries lack the financial resources, digital capacity, and market flexibility needed to adapt to changing conditions. As a result, even short-term disruptions can have long-term consequences for employment, trade competitiveness, and poverty reduction. At present, global supply chains continue to face pressure from geopolitical tensions, climate-related disasters, shipping instability, and fluctuations in energy and transportation costs. While supply chains were originally designed to maximize efficiency and reduce production costs, recent crises have shown that excessive dependence on narrow and fragile trade networks can increase economic insecurity. For developing economies, this means that improving participation in trade alone is no longer sufficient. Greater attention must also be given to resilience, or the ability of supply chains to withstand shocks, adapt to disruption, and recover in a stable manner. At the same time, sustainable trade has become an equally important concern. Trade systems that depend on

Figure 1: Port infrastructure and global container trade

environmentally damaging practices, unstable transport systems, or unequal market structures cannot support long-term development. In this regard, strengthening supply chain resilience is not only a matter of economic efficiency, but also a broader effort to promote inclusive growth, reduce vulnerability, and support sustainable development in developing economies.

Background

Global supply chains expanded rapidly from the late twentieth century onward through trade liberalization under the World Trade Organization (WTO) framework, falling transportation costs driven by containerization, and advances in communication and digital technology. These changes allowed production and distribution processes to be broken into separate stages and spread across multiple countries, giving rise to global value chains (GVCs) in which firms could source raw materials, manufacture components, and assemble final goods wherever conditions were most cost-effective. This system significantly improved efficiency and lowered production costs, enabling firms to reorganize manufacturing on a global scale. As a result, many developing economies became increasingly integrated into international trade, primarily through the export of raw materials, agricultural products, and labor-intensive manufactured goods such as textiles, garments, and electronics assembly.

Figure 2: Cross-border transport bottlenecks in developing economies

However, this integration has often been narrow and uneven. Many developing economies remain heavily dependent on a limited number of export sectors, imported industrial inputs, and a small range of trading partners and transport routes. For example, many least developed countries (LDCs) and small island developing states (SIDS) rely on just one or two commodities, such as oil, cocoa, or minerals, for the majority of their export earnings, leaving them highly exposed to price volatility. While such specialization created opportunities for growth by allowing countries to exploit their comparative advantages, it also increased vulnerability to disruptions in shipping, sudden increases in import prices, and changes in external demand. Because many developing economies lack sufficient domestic production flexibility, diversified suppliers, or alternative trade routes, they are less able to respond quickly when global trade is interrupted. Recent events, including the COVID-19 pandemic, the 2021 Suez Canal blockage, and disruptions to shipping routes in the Red Sea, have shown how quickly a localized shock can cascade into a global trade slowdown, with developing economies typically experiencing the most severe and longest-lasting effects.

Problems Raised

Persistent Vulnerability to External Shocks

Developing economies continue to face disproportionate risks from disruptions in global supply chains. Many depend heavily on imported fuel, food, machinery, fertilizers, and intermediate goods, meaning that delays in shipping or sudden price increases can quickly affect domestic production and daily life. In such circumstances, even short-term disruptions may lead to shortages of essential goods, higher production costs, reduced industrial output, and slower economic growth. These disruptions also create serious consequences. Shortages in food, medicine, fuel, and agricultural inputs place a particularly heavy burden on low-income communities and deepen pre-existing developing inequalities. In countries where infrastructure and social protection systems are already limited, supply chain instability can weaken poverty reduction efforts and increase inflationary pressures.

Gap Between Trade Participation and Real Resilience

Although many developing economies have become more integrated into global trade, that does not necessarily mean that they have become more resilient. Participation in trade has often been focused on efficiency and low-cost production rather than long-term stability. As a result, countries may be included in global value chains without developing the infrastructure, institutions, and policy capacity needed to withstand repeated disruptions. Recent crises, including pandemics, geopolitical tensions, climate-related disasters, and shipping instability, have shown that trade integration alone cannot guarantee economic security. The main challenge is therefore not only how to expand trade, but how to make trade systems more stable, adaptable, and inclusive for vulnerable economies.

Figure 3: Geopolitical disruptions affecting global shipping routes

International Actions

Trade Facilitation and Multilateral Cooperation

International organizations have increasingly recognized that supply chain resilience is essential to economic stability and sustainable development. Institutions such as the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank have promoted measures to reduce trade barriers, improve customs procedures, strengthen transport connectivity, and support developing economies in participating more effectively in global trade. In particular, efforts to simplify border procedures, improve transparency, and modernize customs systems have been regarded as important steps in reducing delays and improving the reliability of trade flows. Such multilateral efforts have aimed to make trade more predictable and accessible, especially for countries with limited administrative and logistical capacity.

Image 4: Port connectivity and trade infrastructure

Infrastructure and Development Support

International financial institutions and regional development banks have also supported port modernization, transport corridor development, digital trade systems, and logistics infrastructure projects in developing economies. These initiatives are intended to reduce trade costs, improve connectivity, and strengthen resilience against future disruptions. Despite these efforts, implementation gaps remain. In many developing economies, weak administrative capacity, limited funding, and insufficient technical support continue to reduce the effectiveness of international initiatives. Therefore, past actions have created a useful foundation, but further cooperation and more targeted assistance remain necessary.

Key Players

Developing Economies

Developing economies are the most directly affected parties in this issue. Their main interest lies in maintaining stable access to international markets while reducing vulnerability to disruptions in transport, energy, and imported inputs. This group spans a wide range of countries, from least developed countries (LDCs) such as Bangladesh, Ethiopia, and Cambodia, to landlocked states such as Nepal and Zambia and small island developing states (SIDS) such as Fiji and the Maldives, to larger emerging economies such as India, Indonesia, Vietnam, and Nigeria that are more deeply embedded in global value chains. Many of these states support greater investment in infrastructure, better access to trade finance, customs modernization, and stronger international support for diversification.

Major Trading Powers

Major trading powers, including the United States, China, the member states of the European Union, and Japan, are highly relevant because their tariffs, sanctions, industrial policies, and control over major shipping and logistics networks can strongly influence the global trading environment. These countries often prioritize resilience and strategic security, for instance through "friend-shoring" or "near-shoring" initiatives that relocate production to politically aligned or nearby partners, but their efforts to secure supply chains may also contribute to fragmentation or create unintended barriers for developing economies that depend on open access to these large markets.

International Organizations and Development Banks

Institutions such as the World Trade Organization (WTO), the United Nations Conference on Trade and Development (UNCTAD), the World Bank, and the International Monetary Fund (IMF) play a central role in promoting trade facilitation, infrastructure investment, financial stability, and multilateral coordination. Regional development banks, including the Asian Development Bank (ADB), the African Development Bank (ADB), and the Inter-American Development Bank (IDB), provide targeted infrastructure financing and technical assistance to developing economies in their respective regions. Other bodies, such as the World Customs Organization (WCO) and the Group of Twenty (G20), also contribute by standardizing customs procedures and coordinating policy responses among major economies. Their support is especially important in helping vulnerable economies improve domestic capacity without being excluded from global value chains.

Possible Solutions

Strengthening Trade and Logistics Infrastructure

A key step toward stronger supply chain resilience is improving the physical and digital infrastructure that supports trade. Investments in ports, roads, railways, storage facilities, and customs technology can reduce delays, lower trade costs, and improve the reliability of supply networks. For developing economies, such improvements are essential not only for economic efficiency, but also for ensuring access to essential goods during periods of crisis.

Supporting Diversification and Inclusive Trade Participation

Resilience can also be improved by reducing dependence on a narrow range of suppliers, products, and transport routes. Developing economies may benefit from diversifying exports, expanding regional trade partnerships, and strengthening domestic or regional production capacity where appropriate. Support for SMEs is also important, since many smaller firms lack the resources needed to adapt quickly during disruptions. Better access to trade finance, digital tools, and standards compliance support can improve their competitiveness and long-term resilience.

Key Terms

Sustainable Trade

A form of trade that supports long-term economic growth while also considering environmental responsibility, social inclusion, and fair market participation.

Supply Chain Resilience

The ability of a supply chain to prepare for, respond to, and recover from disruptions while maintaining essential functions.

Trade Facilitation

Measures that simplify and improve customs procedures, border management, and the movement of goods across borders.

SMEs (Small and Medium-sized Enterprises)

Businesses that often face limited access to finance, technology, and international markets, making them especially vulnerable to supply chain disruptions.

Diversification

The reduction of dependence on a limited number of products, suppliers, markets, or transport routes in order to improve resilience and stability.

Global Value Chains (GVCs)

International production networks in which different stages of producing goods and services are carried out across multiple countries. (WTO/OECD)

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