



## Tax Bytes

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### The resilient, agile and sustainable supply chain

In the world of international trade, customs, and supply chain, we often talk about resilience, flexibility, efficiency, and effectiveness - “buzz” words or concepts which are a key part of our solution thinking when we are helping our clients.

The pandemic, and before that the trade challenges between China and the United States (US), provided real time tests of the resilience, flexibility, efficiency, and effectiveness of every supply chain. We have seen how some businesses and supply chains have successfully adapted and responded quickly to changes in a dynamic environment and even thrived in such challenging times while many others could not.

Thus, a business or supply chain, besides being resilient, must also be sustainable. With increasing concern about climate change and the environment, a sustainable supply chain will not just need to put in place policies that benefit society and the environment, but also ensure that resources continue to be available.

### A new direction in legislation

Sustainable resources need careful management to ensure future availability. Recently, the New York State Legislature introduced the bill for “Fashion Sustainability and Social Accountability Act”. This may provide a glimpse into the future of what could be in store

for the fashion industry and other industries as the world tries to address resource challenges.

This bill proposes to hold global fashion brands accountable for their role in climate change. It will require global fashion brands to disclose their companies' climate and environmental effects and act to reduce greenhouse gas emissions.

The global fashion brands will be required to map out a minimum of 50% of their supply chain, from the farming of raw materials to manufacturing and shipping and disclose the social and environmental effects throughout the chain. Elements including fair labour wages, greenhouse gas emission, and water waste and management, must be made accessible to the public. Besides facing fines for non-compliance, the brands may also suffer reputational loss and consumer backlash.

Considering that the global fashion industry produces 10% of all humanity's carbon emissions, is the second-largest consumer of the world's water supply and hires millions of low-wage workers worldwide, it is easy to see why the industry is picked as the "trend-setter". However, we believe that other industries will not be left too far behind.

It is therefore important for businesses to evaluate their current supply chain options; focusing on efficiency, effectiveness, flexibility, agility and sustainability.

### **Reverse logistics and the circular economy**

As part of sustainability efforts, we are also helping clients on their initiatives towards building a circular economy, through repair, refurbish, reuse, remanufacture and recycle.

When considering the circular economy model, there are important questions to ask:

- How easily can the raw materials used be extracted, recovered and recycled at the end of a product's life and channelled back into production?
- Can a product be reasonably manufactured using predominantly one raw material, and still be fully marketable and attract buyers?
- What is the process to move end-of-life products from the consumer to a "retail take-back point", to a consolidation hub and finally to a recycling facility (i.e., reverse logistics)?
- What are the environmental approvals and other regulatory requirements needed to undertake such recycling operations?
- Which countries restrict or prohibit the import of used products for recycling, refurbishing, and/or re-manufacturing into raw materials?
- Are there applicable customs import duties and licenses to import end-of-life products or stripped-down parts and components for refurbishment and recycling purposes?
- Do free trade agreements facilitate this "circular" trade?
- How can a business manage the entire reverse logistics and recycling process—should it be outsourced or managed in-house?
- How much of such activities be automated?
- How can businesses maintain visibility of the circular supply chain and reverse logistics process?

Reverse logistics and circular economy are at a relatively nascent stage but such operations and business models will gain increasing importance and acceptance as brand owners and businesses strive to meet their climate and environmental commitments.

## Conclusion

With COVID-19 and its variants still a major concern, resilient business and supply chain strategies are very much in focus. However, there has to be a balance of resilience, agility, sustainability, continuity, cost, and efficiency considerations. To over-emphasise on any one aspect (i.e., putting all eggs in one basket) would make businesses vulnerable if it is the wrong strategy for the time or situation.

We believe that determining the best strategy requires a blending of predictive and prescriptive analytics with deep specialisation in various areas, such as business and industry, supply chain, cross-border trade, technology, regulatory, etc. Being able to identify future trends will enable further shaping of the best strategies and decisions; hence strengthening the business.

## How can we assist?

Here at Deloitte, we listen to what you want to achieve, your goals, what you already have, and what are your limitations and concerns.

We would assemble a team of our specialists across a range of service lines, each bringing their individual skills to the table and pull together options for you to consider.

## Contact

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the [Singapore Tax & Legal team](#).

### Wong Meng Yew

Global Trade Advisory Leader  
Deloitte Southeast Asia  
+6800 3924  
[mewong@@deloitte.com](mailto:mewong@@deloitte.com)

### Cecil Leong

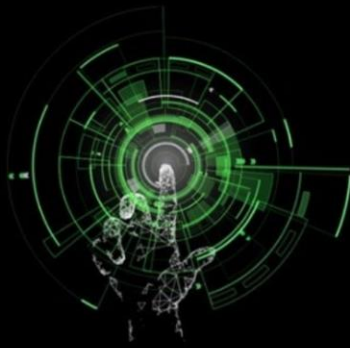
Partner  
Deloitte Singapore  
+6800 4590  
[celeong@@deloitte.com](mailto:celeong@@deloitte.com)

### Tony Kerr

Director  
Deloitte Singapore  
+6800 3787  
[akerr@deloitte.com](mailto:akerr@deloitte.com)

### Wong Chian Voen

Director  
Deloitte Singapore  
+65 6531 5026  
[chiwong@deloitte.com](mailto:chiwong@deloitte.com)



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