

[Contribution] Global supply chain crisis and public stockpiling

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Amid World War II on the North African battlefield, a high-ranking German military officer, looking around a U.S. base occupied by German troops, found a chocolate cake in a military rucksack of a U.S. soldier held captive. Instantly, a sense of despair overwhelmed him as he realized that Germany would end up on the losing side. The German officer could see the gap in supply chain management between Germany and the U.S. through a chocolate cake that must have been seamlessly sent by the soldier's family in the U.S. mainland while German troops were struggling to conserve depleting fuel stocks in the battlefield.

The saying, "Battle is carried out with weapons and war with supplies" is not confined to the military. Supply chain management is getting more critical in a world of ever-intensifying economic war without gunshots. Particularly, Korea, heavily reliant on foreign commodities, cannot help getting sensitive to global supply chain issues.

The Public Procurement Service (PPS) has proactively responded to recent supply chain issues. With aims of stabilizing prices, keeping supply and demand in balance and tackling crises, the PPS has stockpiled in nine warehouses six types of nonferrous metals (225,000 tonnes) including aluminum and nine types of rare materials (23,000 tonnes) including lithium. The recent global supply chain disruptions have shifted the paradigm on government stockpiling from enhancing cost efficiency to securing a stable amount of commodities in case of emergencies. Accordingly, the PPS has calibrated its stockpiling policies to the transforming environment.

Against this backdrop, the PPS is to expand its stockpiles, diversify commodities and make stockpiling more flexible and sophisticated. Above all, the central procurement agency is planning to increase the stockpiles of six types of nonferrous materials from amounts covering 51 days to 60 days up to 288,000 tonnes against domestic demand for the imported materials. In particular, as greater demand for aluminum and nickel is anticipated, the task of increasing stockpiles of the materials will be placed ahead of others. Moreover, with an aim of diversifying stockpiled items such as goods for ensuring economic security and daily necessities, activated carbon for water purification and automotive-grade urea will be stockpiled from this year.

Stockpiling methods will also be diversified. To that end, the PPS will preemptively purchase and supply commodities commonly demanded by SMEs in the form of short-term stockpiling. Further, it will make stockpiling connected with futures to avoid risks arising from price fluctuation and open its warehouses to more stockpiles from the private sector. The central procurer will reinforce monitoring of raw materials market trends and domestic supply and demand conditions, and regularly check whether the items and specifications of stockpiled goods meet industrial demands so that it can make relevant and timely adjustments to proportions of the stockpiles. The procuring agency will also draw a clearer line between stockpiles for emergencies and ones for business support at a normal time to make a flexible response to market fluctuations. As implementing these policies requires legal grounds, funds and infrastructure, the PPS will continue to strengthen cooperative ties with other authorities.

Supply chain management at a national level significantly affects the real economy. With growing instability of global supply chains due largely to the Russian-Ukraine war and the U.S.-China rivalry, government stockpiling has gained traction. Under the circumstances, the PPS will ensure economic security and stable daily lives of the public by making preemptive responses with identification of innovative ideas and exploration of future directions through active communications with the private sector and thorough deliberation as a government body responsible for public stockpiling.

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