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G20
Executive Talk Series

FEATURING
CAPTAIN SAMUEL SALLOUM
CO-CHAIRMAN, GCEL

GCEL:
IN TODAY'S DIGITAL ERA

HOW CAN WE REBALANCE THE GLOBAL ECONOMY? CAN ECONOMIC POLICIES ALONE GET THE JOB DONE?

INSIDE **G20**

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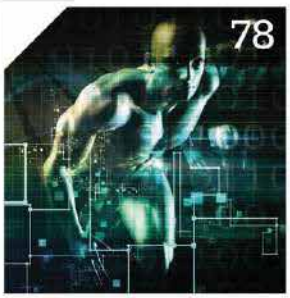
Contents

Lead Feature

Features

Thought Leadership



Special Editorial Feature: GCEL

Branded Stories

Advertisers Index

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HARNESSING THE POTENTIAL OF THE DIGITAL ECONOMY

GABRIELA RAMOS - SPECIAL COUNSELLOR TO THE SECRETARY-GENERAL AND OECD SHERPA

The digitalisation mega-trend is realising wide-ranging economic and social implications, and this transformation must be responsibly managed, with the focus of policy-makers on enabling individuals, communities and businesses to adapt and continue to benefit. Critically, harnessing the potential of the digital economy is key to escaping the low growth and low productivity trap in which the global economy is caught.

We have reason to be optimistic because progress has been significant, with 40% of people world-wide now connected to networks, compared to just 4% in 1995. By 2030, 8 billion people and 25 billion active "smart" devices will be interconnected in one huge information network[i]. Yet, today only 25% of individuals are using simple office software, such as word processors and spreadsheets, at work. And among them, over 40 per cent do not have sufficient ICT skills to use these tools effectively. By the same token, firms have seen broadband connectivity rise significantly, to the point that it is almost universal in many G20 economies. Between 2010 and 2014, it rose by almost 30 percentage points in Mexico. At the same time, important differences in ICT adoption and usage exist between large and smaller firms. For example, while broadband access and basic applications such as websites are common among most firms, more advanced applications, such as cloud computing or e-sales are used by a much smaller share of firms. The complexity of digitalisation is stunning, and the policy implications considerable.

This is why in 2016, under the Chinese Presidency, G20 Leaders endorsed the G20 Digital Economy Development and Cooperation Initiative, and then early this year, under Germany's chairmanship, G20 Ministers responsible for the Digital Economy met for the first time, and endorsed a G20 Roadmap for Digitalisation: Policies for a Digital Future.

The OECD supports the G20 digital agenda by sharing its whole of government perspective, which is essential to understanding and responding effectively to this wide ranging transformation. This broad perspective underpinned the recent OECD report to the German Presidency on Key Issues for Digital Transformation in the G20. The latter highlights, in particular, four challenges:

Firstly, digitalisation is driving structural change, leading to the demise of sectors, creating new ones and leading to new sources of growth for traditional industries. It also offers economic development opportunities to leapfrog, as witnessed by Kenya's growing FINTECH hub, or in my own country Mexico, where demand for robots grew by 119% in 2015[ii]. In developing countries, nearly 70% of the bottom fifth of the population own a mobile phone[iii] and more households own a mobile phone than have access to electricity or clean water, reflecting accelerating access to economic and social opportunities.

Secondly, digitalisation is transforming how we work, where we work, and what skills we need for participation in both the economy and society. Our industry and skills policies must respond by helping users to benefit from new technologies, across their life course.

The benefit to consumers and firms is also immense. Digital trade is opening new markets, enhancing opportunities to SMEs in global value chains – enabling them to operate as "mini-multinational" enterprises – and delivering new digitalised goods and services. In 2014, the initial public offering of the Alibaba Group raised USD 25 billion, the largest in the history of the New York Stock Exchange. Indian companies, Snapdeal and Flipcart, are pioneers in innovative platforms, with as much as 70% of their orders made via mobile phones[iv]. Digitalisation is placing a new premium on cross border data flows. It is transforming how we engage in commerce, which comes with new and unique policy challenges.

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Finally, the emerging structures of the new digital economy are affecting tax policy. This includes bringing new tools to broaden the tax base and to curtail tax evasion, as well as presenting challenges, such as taxing digital businesses, while simultaneously supporting innovations that we all enjoy and profit from. These are issues which the G20/OECD Base Erosion and Profit Shifting Inclusive Framework are tackling.

In this context, we identify 4 critical issues for intensified action: measurement, connectivity, consumers and gender.

The policy response to this dynamic, mega-trend must be shaped by facts and evidence informed policy advice. Policy-makers cannot afford to be flying in the dark. To this end, the OECD will be working with the IMF, and other international organisations, to deliver later this year the G20 Action Plan to Improve Measurement of the Digital Economy in Macroeconomic Statistics, as well as to continue work on measuring digital trade and addressing specific digital economy measurement challenges. This will deliver the G20 Leaders' request to improve our understanding of the digital economy, and provide valuable insights on how best to shape policy responses.

Connectivity will underpin inclusive growth. Some G20 economies have almost ubiquitous Internet access for households, whilst others lag — the range is from 99% down to 20%[iii]. The OECD welcomes the G20 commitment to continue analysing policies designed to extend coverage to underserved places, individuals and businesses, and to discuss ways on how to use digital technologies to overcome wealth gaps and income disparities. High speed Internet access is essential for social and economic connectivity, as it enables participation of individuals and businesses worldwide.

The consumer dynamics are astonishing. In the last decade, the share of e commerce as a percentage of overall retail has nearly tripled in the United States[iv]. But the Internet is also enhancing vulnerability of consumers -- and firms -- to cybersecurity risks. The OECD first put this issue on the table in 1998, with a Ministers' Declaration on Consumer Protection for Electronic Commerce, and subsequently developed OECD recommendations on digital security risk management (2015). We will build on this by helping to develop a set of G20 best practices for online consumers.

Finally, equipping more than half of the population -- women and girls -- with a wide digital skill set, increasing their participation in related fields of study (STEM in particular, and ITC), and engaging in a sector that is male dominated is fundamental to women's empowerment. The OECD report shows the share of women working in this field is typically one-fifth to one third that of men[v]. To address this, gender stereotyping must be avoided from an early age. An agenda that enhances women's participation in the new digital economy is fundamental to meeting the G20 Leaders' commitment to reduce the gender gap in workforce participation by 25 per cent by 2025, and to delivering inclusive growth.

The G20 Roadmap — accompanied by the OECD's two-year project "Going Digital" — will underpin a multi-year G20 digital agenda. Together, the G20 and the OECD are set to embrace the digital era as a long term endeavor, to better understand its promises, to respond to its pressure points and to design better digital policies for stronger and more inclusive growth.

[i] OECD (2015), Data-Driven Innovation: Big Data for Growth and Well-Being, OECD Publishing, Paris, http://dx.doi.org/10.1787/9789264229358-en

[ii] El Pais, "Beyond Trump: the hidden threat robots pose to the Mexican economy", http://mediareview2.oecd.org/Articles/DisplayArticle.aspx?ArticleKey=189646

[iii] The World Bank (2016), World Development Report 2016: Digital Dividends, International Bank of Reconstruction and Development / The World Bank, Washington DC.

[iv] Meeker, M. (2015), "Internet Trends", www.kpcb.com/blog/2015-internet-trends

[iii] OECD (2017), Key Issues for Digital Transformation in the G20, OECD, Paris, p. 23 (Fig 5).

[iv] United States Department of Commerce (2016), "Quarterly Retail E-commerce Sales, 2nd Quarter 2016", United States Department of Commerce, www.census.gov/retail/mrts/www/data/pdf/ec_current.pdf

[v] OECD (2017), Key Issues for Digital Transformation in the G20, OECD, Paris, p. 106 (Fig 37), www.oecd.org/G20/key-issues-for-digital-transformation-in-the-G20.pdf

HARNESSING THE POTENTIAL OF THE DIGITAL ECONOMY

How Digital Economy Tools Can Assist To Rebalance The Global Economy

CAPTAIN SAMUEL SALLOUM - GCEL CO-CHAIRMAN

The Digital Economy has gained much attention by policy makers throughout the global arena since it promises to be the catalyst in today's 21st century technology era to drive a new wave of global economic growth. At the same time, it is the Technology Industry, our trusted 24-hour service providers, that have the capabilities and know-how to deliver upon policy makers' commitments thereby implementing what the world's citizens demand. Therefore, it is important to know where the technology industry stands today and how it can deliver what technology makes possible to boost our global economy

Today, we are living in complex, fast moving times where there are multiple business transformation triggers in play at the same time. The world is facing significant forces such as globalization, modifications in trade policies, shifts in technology, excess production capacity and changes in customer demand. The last two forces are increasingly affected by the changing demographics in the world.

> VALIDATED INFORMATION CAN DE-RISK DOING BUSINESS RESULTING IN GLOBAL MARKET EXPANSION

As mentioned by Ms. Ramos, harnessing the potential of the digital economy is key to escaping the low growth and low productivity trap in which the global economy is caught. In this regard, the technology industry can drive a tremendous social impact in today's interdependent global economy by helping to de-risk trade and build the purchasing power of the mid and low income countries towards rebalancing the world economy. Otherwise, who will be left to buy the high technology goods and services produced by the high income countries during the next 20 to 30 years?

Even today the technology industry is battling a myriad of challenges towards meeting the needs of their customers including: poor top line revenue growth due to customers' tight IT budgets, restrictive M&A and IPO markets, stringent R&D spending and lack of capital. Marketing budgets are under the greatest pressure with sales forces being culled. Even the perennial technology leaders have recently announced job cuts.

To revive their reduced revenue and profit levels, information technology services companies are conducting more research to develop new processes, products and business models to overcome the aforementioned challenges.

Accordingly, these firms are focusing on innovations such as: software as a service (SaaS), cloud IT, off shoring, digital convergence and continued consolidation in the service provider market. During the last few years, the industry has been quite active in the areas of infrastructure standardization, virtualization and consolidation.

The rise of Google and Facebook over the past 15 years is a testament to not only the power of innovation, but also the need to constantly change to stay ahead of disruptive competition. However, many businesses suffer from "status quo bias" or the preference to keep doing what they have always done, either through the fear of change or because current practices and behaviors are moderately successful, so why change?

Is important to note that one of the most dangerous phrases in the English language is "we've always done things that way" and this thinking has led to some of the greatest collapses of companies in the past 20 years, such as Borders, Blockbuster and Eastman Kodak.

In view of the ongoing market challenges, the technology industry seeks a new wave of innovation that maximizes on what technology makes possible today in order to increase their customers' efficiencies, reduce their costs and assist them in gaining greater market share. In doing so, the technology industry will generate more revenues and increase the return on investment for their own shareholders.

SMEs represent up to 80% of employment in many countries. These enterprises are the future wealth generators of the world. While the technology sector has ingeniously created innovative and highly sophisticated vertical supply chain solutions used by many companies globally, these systems are costly and typically out of the reach of most trade participants causing them to be excluded from global value chains. In fact, 90.4% of the global value chain participants do not have a vertical system.

However, cost is not the only hindrance to adopting technology. For example, in India which has a low cost technology environment, the use of vertical systems is low because they have not been built to meet the demanding high quality information requirements of today's fast paced global value chains that manage the horizontal process of trade.

Since trade is a horizontal process involving 19 industry trade clusters, there is a tremendous opportunity for the world's technology firms to partner together under one roof and develop new processes and business models towards building the applications demanded by the real economy participants at the ground level.

By digitally connecting large, medium and small size companies through a horizontal trade platform, we can create an ecosystem that harnesses the huge volume of big data within the global B2B arena. This will then provide the seamless flow of validated, real time high quality information required by trade participants to make the right business decisions at the right time in the 21st century era. Digital trade will open new markets and enhance opportunities to all businesses, especially for SMEs, in global value chains.

The creation of high quality information will allow trade participants to reduce operating costs and de-risk doing business between the high, mid and low income countries. This de-risking effect will ease access to finance and insurance as well as create new market opportunities. Such a platform must also be provided free of cost to all trade participants through a new business model that incentivizes their participation, yet is able to sustain the deployment activities and handsomely reward the technology industry for their innovations.

The immense market potential for IT services companies offered by a horizontal platform will afford the ability to provide what their vertical systems customers have demanded for years, point-to-world integration. This increases the ability for IT services companies to sell more vertical system modules to their customers. In addition, the IT services companies can generate a significant source of new revenues, through a unique business model, by delivering thousands of applications for free, much like the apps provided through our smart phones today.

Technology companies need to take a fresh look and think 'out of the box" as to how they do business in order to capitalize on the opportunities that lie ahead in the ever changing global marketplace. By providing the required digital tools for all to use for free through a sustainable business model, we can increase trade efficiency and transparency that will enlarge the global economic pie towards achieving sustainable economic growth.

This approach will benefit all industries involved in trade - commerce, finance, insurance and technology - driving greater returns for their shareholders as well as rebalancing the global economy. Considering the interdependency of our global economy we must all strive to create productive communities by committing to business excellence setting the foundation for a prosperous tomorrow.

As stated by Ms. Ramos, the G20 and the OECD are set to embrace the digital era as a long-term endeavor. Therefore, now it is incumbent upon the technology industry to ensure the cost of technology does not hinder the economic growth of our world.

CAPTAIN SAMUEL SALLOUM
CO-CHAIRMAN, GCEL

> DIGITAL ECONOMY CAN ASSIST TO INCREASE THE WORLD'S GDP BY 17% IN 2030

HARNESSING THE POTENTIAL OF THE DIGITAL ECONOMY

THE GLOBAL SOLUTION FOUNDATION FOR SUSTAINABLE ECONOMIC GROWTH HAS STARTED

CAPTAIN SAMUEL SALLOUM - GCEL CO-CHAIRMAN

Following more than 10 years of R&D, global experts from several fields including trade development, technology, and finance have contributed their collective expertise towards achieving sustained economic growth by digitizing the USD 140 trillion B2B market place.

These exhaustive efforts have resulted in the creation of the required Global Solution Foundation to connect the strengths of the high, mid and low income countries towards rebalancing our global economy and creating economic prosperity for all.

This Global Solution Foundation encompasses the following four main pillars:

The first pillar includes defined and achievable targets that are necessary to create a huge win-win value proposition across all world communities to meet the ambitions of their citizens. Specific benefits of a tangible economic development solution that supports the United Nations' Sustainable Development Goals include but are are not limited to:

- Increasing the world's GDP by 17% in 2030
- Creating nearly 300 million manufacturing, agriculture and service jobs
- Generating an annual USD 1 trillion SME Grant Fund to build SME capacity

The second pillar is a clear roadmap based on the economic strengths and demographics of each world region to reach the defined targets. In order to jump start economic growth, we must have a global campaign with a regional implementation program that includes a clear roadmap indicating the way forward from where we stand today towards a prosperous future in our time and for generations to come.

To reach the defined targets, pan-regional organizations entrusted by more than 150 countries including the Organization of American States, Organization of Islamic Cooperation, African Union, League of Arab States, as well as other leading organizations in China, India, and other G20 nations have published economic roadmaps, conducted national trade efficiency assessments and executed agreements to deploy a Digital Economy Platform delivering the defined benefits throughout the Americas, Asia, Europe and Middle East / Africa.

The third pillar encompasses the required digital tools delivered by a trusted network from around the globe for use on the roadmap to reach the defined targets. The tools must be provided free of cost to the end user and at the same time delivered by the technology industry maximizing on what technology makes possible today and in the future. These tools include the deployment of a Digital Economy Platform that has been defined by the real economy participants at the ground level and where the policy makers have identified the importance of today's 21st century technology to create dynamic, cooperative and inclusive ecosystems.

Finally, *the fourth pillar* is the global consensus of the foregoing that can be viewed from the following perspectives:

- Global Policy Adoption: G20 leaders agree that the Digital Economy must be the focus of our efforts to re-energize the global economy.

- Global Deployment: 75% of the world's citizens through their pan-regional organizations entrusted to implement regional economic development plans have executed agreements and published economic roadmaps to deploy the Digital Economy Platform.

- End-User: Trade participants at the ground level representing 78% of the world's GDP have defined the required digital tools to reduce their trade costs and increase trade. This is evidenced by the G20 Nations' Case Study conducted by 71 ministries, NGOs/IGOs and private sector experts, wherein 90% of respondents stated that they lack digital integration into the global value chains and 94% have commonly agreed as to the digital tools they need to do a better job.

- Technology Industry: 26 of the world's leading technology firms have executed strategic agreements as a first step to be selected through an equal opportunity process to work together under one roof to deploy the defined tools. These firms recognize the value of the required Digital Economy Platform solution, realize they cannot deploy the solution alone and can more than double their earnings.

It is important to note that since trade is of national security importance for any nation, it is impossible for one country or one technology company, no matter how big they are, to deploy the Digital Economy on a global scale and maintain continuous and sustainable access, while offsetting monopolistic and geopolitical concerns.

The deployment of the required solution must include the participation of all forms of organizations, working in concert together capitalizing on each organization's capabilities and jurisdiction. This collaborative effort must include an independent global monitoring mechanism to offset geopolitical and monopolistic concerns while at the same time ensuring rapid global deployment, providing benefits to all participants in the B2B marketplace.

In addition, since information is the currency of the future, the privacy and security of trade data must be protected and securely exchanged. Therefore, the deployment of a digital platform must embrace a Global Data Security Standard that includes: a **C**onsortium of Globally Balanced Ownership, a **C**ouncil of Fiduciary Governance, and a **C**ommittee of Technology Governance Board Experts, together offsetting geopolitical and monopolistic concerns. This is further coupled with a **C**ontrolled Segregated Technology Development process and Continuous and Comprehensive Audits to ensure data can be safely exchanged throughout the world with confidence.

All of the aforementioned represent a multi-layered mechanism ensuring that data security is maintained and that individuals' and companies' data privacy is protected.

In summary, the Global Solution Foundation will unleash a new era of 21st century trade efficiency through a global economic development program with defined targets, multiple economic growth road maps that address the needs of any region, country or business, thus rebalancing the global economy. With the needed digital tools validated through a global consensus and delivered by a trusted network of the world's top technology firms, we can achieve sustainable economic growth by -

Connecting The Strengths Of The World Community Creating Wellbeing Across Humanity