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# WHAT IS THE ROLE OF TODAY'S e-COMMERCE PLATFORM

TO ACHIEVE  
REAL ECONOMIC

# INTEGRATION?

Merza Hasan, Ph.D., Dean of Executive Board and Executive Director at the World Bank Group answers this important question.

**The role** e-Commerce can play to integrate the real economy is enormous, however, we are not there yet. The job is only partially done.

The business-to-business (B2B) global market place is the mother of all industries at USD 140 trillion (Visa Commercial Consumption Expenditure Index) and completely dwarfs the current USD 1.13 trillion (Forrester) E-Commerce market. However, imagine a world where the best 21st Century digital tools are focused on the B2B marketplace. Imagine the efficiencies that would be created and the prosperity that would flow from unleashing the true power of the Digital Economy on B2B trade, rather than mainly focusing on the development of yet more products to deliver digital entertainment and media.

The lack of focus to optimize 'real economic integration' in the B2B marketplace with digital tools is directly contributing to sub-optimal growth in the global economy. Real economic integration is triggered at the moment when a buyer and seller for products or services meet and initiate a business transaction; this represents the nucleus for sustained economic growth.

In fact, for the first time ever the global leaders in their final 2015 G20 Communiqué have called for more digitization of our economy. Therefore, it is incumbent upon all of us to digitize our economy and real economic integration must be the starting point. For this process to happen, we must first be ready to think outside the box and second, we must be clear when presenting the benefits of our innovation to capture the attention of a wide audience and engender collaboration.

Today, the major challenge facing the developers of B2C and B2B e-Commerce systems is how to increase 'Conversion Ratios' i.e. the ratio between seeing a product or service to its acquisition. If we can identify and embed the key Conversion Ratio drivers at the moment of matching buyers and sellers of products or services we will be able to increase trade Conversion Ratios and achieve the economic expansion so coveted by all regions of the world. The question is, what are the key Conversion Ratio drivers that are required for success?

- **First**, is the price and quality of products or services so that the buyer can make an informed judgment on the value offered
- **Second**, is the probability of financing the products or services, determined by the underwriting criteria of the lender
- **Third**, is the insurability of the business transaction, determined by the probability of loss, as assessed by the insurance underwriter
- **Fourth**, is the reliability of the logistics supply chain, determined by the efficiency of the parties involved in moving the goods from shelf-to-shelf on a recurring basis
- **Fifth**, is the level of system integration among the supply chain participants, determined by the seamless transfer of shipment information between the various entities required to move goods from shelf-to-shelf

Such invaluable information will increase the Conversion Ratio from seeing to acquiring the Seller's product or services.

While fiscal, monetary and trade policies are important, at the ground level these 5 key Conversion Ratio drivers must be available at the very moment a buyer evaluates a seller's products or services. When this is achieved we will De-Risk business transactions, expedite decision making, increase commerce, expand the global trade market and drive sustainable growth in the global economy.

The trillion-dollar question is, what impedes the information technology industry to realize the above? The answer is the quality of data in use.

In the world of information, data can be divided into two extremes: Non-Validated Data (NVD) provided by a single source of data without validation, and Ultimate Data Quality (UDQ) provided to initiate an action in the real world that is validated through multiple sources of data in the same trade pipeline.



**Merza Hasan, Ph.D.**

*Dean of Executive Board and Executive Director  
World Bank Group*

Today the information technology world is mainly reliant on NVD with high dependency on customer reviews, IP address behavior, like and dislike selections, etc. Whereas, UDQ is generated based on the historic, current, and planned real life trade transactions of each participant; hence, any information resulting from the UDQ will have a high degree of veracity and will facilitate informed decision making, triggering actions with confidence.

The question remains, where can we find the UDQ required to validate the 5 key Conversion Ratio drivers?

The answer lies within one of the 4 pillars of trade - Logistics. As shipments flow through the industry clusters in the value chains, shipment data is entered in the system to perform a real life action. It is continuously validated from multiple sources in the same trade lane pipeline as the shipment progresses from shelf-to-shelf; errors or anomalies are quickly identified and addressed in real time, thus generating UDQ. This UDQ is the fuel that can drive the other 3 pillars of trade; Commerce, Finance and Insurance to optimum levels of efficiency addressing the major challenge that inhibits global market expansion and rebalancing of the world economy.

Consider the current demographic situation. In high-income countries where 15% of the world's population lives, birth rates are low; the population is aging yet salaries remain high. This is an efficient and productive community challenged with low market demand. Meanwhile, in mid and low income countries, birth rates are high, population is young and skilled, but salaries are merely 20% of those of high-income countries. This is a highly populated community challenged with low buying power.

The strongest choice for the high-income countries is to build the buying power of the mid- and low-income countries, thus creating a vast new market for their products and services. Meanwhile, the strongest choice for the mid and low income countries is to commit to improving their business excellence thus achieving efficient and transparent operations.

In conclusion, an efficient logistics industry can: Connect the strengths of the high, mid and low income countries providing the digital tools to achieve business excellence. At the same time, it will supply the UDQ required for the 5 key Conversion Ratio drivers to De-Risk business transactions, expedite decision making, increase commerce, expand global trade and drive sustainable growth in the global economy.



# THE POWER OF DE-RISKING

*Captain Samuel Salloum, Co-Chairman - Global Coalition for Efficient Logistics (GCEL) posits that the key to real economic integration is the necessity to De-Risk business transactions.*

Taken in isolation, monetary and fiscal policies, Free Trade Agreements (FTA) and bi-lateral trade deals are not enough to achieve the sustained economic growth so desired by the citizens of the world. We must create economic expansion by stimulating the real economy of manufacturing, agriculture and service industries that support them rather than focus on the discredited financial engineering techniques that brought the global economy to its knees in 2008. Furthermore, we simply cannot ignore the development potential of the mid and low income countries given the world's current demographic trends.

We must unleash the power of today's 21st Century tools and shift current economic policy and practice to where it will have the greatest impact to connect and grow our global economy – the USD 140 trillion B2B marketplace.

In fact, this call to arms was echoed by the 2015 G20 Leaders. Following their lead, the 2016 China B20 SME Taskforce has called for the G20 to 'Endorse the concept of Electronic World Trade Platform (eWTP), a private sector-led and all stakeholder initiative, for public-private dialogue to incubate eTrade rules and foster a more effective policy and efficient policy and business environment for cross border electronic trade (eTrade) development.'

This is a great initiative and certainly a step in the right direction. However, since trade is of national security importance it is incumbent upon all of us to ensure that no one company, country or region can own an eWTP due to geo-political and monopolistic concerns. It is

also not enough for such a platform to be merely an electronic shopping window, it must also provide the tools to increase trade efficiency, De-Risk our trade transactions and provide the right conditions to grow global trade.

This requires a true collaboration between the public and private sectors to ensure that the right policy and business environment is created to get the job done for the benefit of all.

Accordingly, the founding principle of any digital trade platform must be to stimulate growth in the real economy by providing new digital tools, enabling more efficient and secure trade with open and transparent access for all trade participants in the B2B marketplace, free of cost to end user. It must also streamline the process of real economic integration by providing a nexus for buyers and sellers to trade on a global basis by De-Risking trade. Finally, it must be created and governed by a multi-stakeholder coalition that draws on the brightest and best minds from the private and public sectors, all working in concert within a unique structure that offsets geopolitical and monopolistic concerns.

## **Why is De-Risking important?**

International trade is an inherently risky business and requires enormous trust between trade participants. Trust that the products will be supplied to the right specification. Trust that accounts will be settled, in the absence of hard to come by trade finance and insurance and trust that goods will arrive at the intended destination in good condition. It is therefore no wonder that the engine of the global economy, the SMEs that represent up to 80% of all employment in some

Continued from Real Economic Integration

countries, find it so difficult to join global value chains. They will remain locked into local and national economies until international trade can be De-Risked to give them the confidence to trade more.

How can we De-Risk trade and thereby increase economic integration through improved Conversion Ratios?

Dr. Hasan previously introduced the 5 key Conversion Ratio Drivers of Economic Integration:

- Price and quality of products and services,
- Probability of financing the products and services,
- Reliability of the logistics supply chain, and
- System integration level among the supply chain participants.

I will now further expand on these key drivers and relate how they can De-Risk trade to create economic integration and ultimately drive global economic growth.

To facilitate expeditious and informed buying decisions, the 5 key Conversion Ratio drivers must be delivered instantaneously to potential buyers of products or services in an intuitive format. For example, consider a global manufacturer who needs to procure on a recurring basis high quality buttons needed for making high-end suits. Its procurement officer may search for suppliers online but be presented with over 10,000 vendors - How can the buyer decide which one to choose and how can the integrity of the vendors be validated? How can the buyer ensure the reliability of logistics and secure the required financing and insurance?

While price is an important determinant in the decision making process, a plethora of other factors must be considered before making a decision on which vendor will be the most suitable long-term business partner. For a professional buyer to make an informed purchasing decision, he or she must undertake due diligence on several potential suppliers and evaluate proposals by undertaking a weighted scoring exercise to ensure the best value is obtained. This is a time consuming and rather subjective process due to the lack of quality data available in real time generated from the transactions in the normal course of business.

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## Captain Samuel Salloum

Co-Chairman  
Global Coalition for Efficient Logistics (GCEL)

To expedite the process, what is needed is a dynamic digital scoring matrix delivered digitally at the very moment a buyer evaluates a seller's products or services. The scoring matrix must be a précis of the 5 key Conversion Ratio Drivers and underpinned by UDQ, data that is continuously validated from multiple sources in the same trade lane pipeline as shipments progress from shelf-to-shelf.

We extend our apologies for the following brief technical detail but it is necessary to present a roadmap that can transform policies into action. Therefore, it is important to understand the components of such a dynamic scoring matrix and how it can improve B2B e-Commerce Conversion Ratios, thereby empowering the finance and insurance firms to unleash the availability of trade finance and insurance.

First, there must be a simple metric, such as a score on a scale of 1 to 5 – 5 being the most attractive – that can signal the overall trade worthiness of a potential trade partner being assessed for a product or service. Next, the score needs to be based on a comprehensive set of parameters that capture value chain performance across all trade pillars – commerce, finance, insurance, and logistics – in an integrated way. Finally, the score needs to be based on data captured over sufficient duration to be able to forecast the performance of potential trade partners.

In effect, the overall score must represent the trade worthiness of a B2B participant in a comprehensive manner across the 5 key Conversion Ratio Drivers.

These drivers are summarized as follows:

**1. Product/Service Quality:** Is a measure of risk related to a Seller's production of quality products that comply with its customers' specifications based on past, current and forecasted activities. Furthermore, is a measure based on years in business, sales, customer size, etc.

**2. Financing Probability:** Is a measure of risk that allows the creation of the smart e-finance matrix providing the dynamic scoring level needed for:

- Trade Finance Risk Mitigation - by minimizing underwriter risk based upon the borrower's historic and future global trade finance activities

- Minimize Transaction Risk – by maximizing the lender's capability to ensure loan proceeds are electronically directed to the borrower's preapproved sellers of products and services
- Asset Recovery Risk – by maximizing the lender's capability to seize assets in the trade pipeline for liquidation to minimize asset impairment loss, which will be covered by insurance firms who countersigned the financing scoring criteria

**3. Insurability:** Is a measure of risk that allows the creation of the smart e-Insurance matrix providing the dynamic scoring level needed for trade insurance risk mitigation based upon all trade lane participants' historic performance as well as specific trade pipeline routes and destinations.

**4. Logistics Reliability:** Is a measure of non-performance risk as to the timely and secure delivery of purchased goods, based on the historic performance level of logistics services providers from the seller's to buyer's postal code.

**5. Supply Chain Integration:** Is a measure of the risk of being unable to seamlessly handoff trade information in an efficient manner among the supply chain participants based on: system integration capabilities, e-documentation level, extent of shipment tracking and visibility, etc.

**“ ALL THE ABOVE SHOULD BE AVAILABLE AT THE MOMENT WHEN THE BUYER MAKES ITS PROCUREMENT DECISIONS ”**

The dynamic delivery of the aforementioned 5 key drivers that comprise a comprehensive scoring matrix empowered by UDQ will De-Risk business locally, nationally and globally serving to enhance the decision making of trade participants.

So, what kinds of organizations are able to deliver the e-World Trade Platform required to provide the UDQ based scoring to De-Risk B2B e-Commerce? There are two options available to us:

1. A private sector led entity that provides a platform to enable all large corporations and SMEs to collaborate and share logistics information openly. However, since trade is essentially a horizontal process, more vertical systems will not integrate value chains and provide the required UDQ. Additionally, no one

entity, country or region can own and deploy an e-World Trade platform due to geopolitical and monopolistic concerns.

2. Create a Public/Private Partnership (PPP) to provide the necessary, leadership, roadmap, tools and conditions to create the horizontal linking of existing trade and logistics platforms, with the overlay of e-Commerce, e-Finance and e-Insurance capability. Thereby creating the smart e-Matrix required for the creation of UDQ, De-Risking trade, increasing Conversion Ratios and thus powering the engine of the global economy.

The world has come to a cross road, either we continue to live with the current economic conditions or we embrace the power of digitization and direct its force to empowering the B2B marketplace. Global leaders have bravely taken up the call to arms and now look for the world to help them implement their policies through the Digital Economy. It is now up to us – All of us to come together to build an empowered Digital Economy, based on an open access and transparent Digital Economy Platform, delivered to the world, free of cost to the end user.

In response to this clarion call, we have established a Swiss based non-profit global PPP that has brought together leading organizations through its HumaWealth Program to launch the DEP that will drive real economic integration and De-Risk the global B2B marketplace.

The HumaWealth Program has four foundations to deliver sustained economic growth:

#### ***1. Defined and achievable targets benefitting the real economy participants***

These targets encompass the global economy and include but are not limited to:

- Reduce annual trade costs by USD 1.3 trillion
- Increase annual trade by USD 1.2 trillion
- Provide a new USD 6 trillion service market opportunity
- Create a USD 1 trillion SME fund
- Generate 100 million jobs
- Enhance Cargo Security and improve Food Safety
- Expedite Disaster Relief Response and reduce Carbon Footprint

#### ***2. A clear roadmap based on the economic strengths and demographics of each world region***

To reach the defined targets, the PPP has published Economic Roadmaps and executed

MOUs to deploy the DEP covering the Americas, Asia, and EMEA in collaboration with the Organization of American States, African Union, Organization of Islamic Cooperation, League of Arab States, ASEAN-BAC, and with leading organizations in China and India, among other G20 nations.

#### ***3. The necessary digital tools to reach the defined targets, free of cost to the end user, delivered by the trusted technology industry***

At the ground level, 86% of the G20 citizens represented by 71 government ministries, industry associations, academia, and private sector experts have commenced diagnostic trade efficiency assessments to define the digital tools they need. So far the results have been staggering: 85% of the trade participants assessed have no integrated system and 89% have defined what the proposed DEP should look like and want its implementation.

To date, 26 of the world's leading technology firms have signed strategic agreements as a first step to be selected as one of 12 "Technology Gateways" realizing they cannot deploy the DEP alone. These firms will work together with a renowned academic institution, an innovative public body and a leading technology firm to form "The E-Hub of the World". This global team will deliver the DEP under the protection of the international community and provide open and continuous access for all, free of cost to the end user.

#### ***4. A global consensus to expedite deployment and offset monopolistic and geopolitical concerns***

The supporters of the PPP include more than 150 governments represented through their pan regional organizations and 26 IGOs / NGOs including the United Nations. Private sector members include the world's most prominent finance, insurance and technology firms that collectively represent 2.7 million workers servicing 60% of the world's GDP.

An extraordinary coalition of leading global organizations has prepared for a defining moment in the history of the world, the dawn of the Fourth Wave of the industrial revolution. Empowered by 21st Century digital tools, we can now De-Risk business to enable real economic integration that will reenergize international trade and thereby pave the way that leads to ***Connecting the Strengths of the World Community, Creating Well-Being Across Humanity.***