

Prepared For

B20 2015 Trade Task Force Policy Recommendations

Based upon the voice of the real economy participants on the ground level

9 July 2015



RECOMMENDATIONS FOR 2015 B2O TRADE TASK FORCE

Premise

As a foundation for developing our recommendations for the 2015 B2O Trade Task Force, our comments are based upon the following:

- *Analyzing proposals from previous G20 Summits* - The Russia, Australia and Turkey B2O Trade Task Forces are to be applauded, as many of their recommendations are rightly focused on the need to implement measures to facilitate more trade.
- *Understanding Task force interdependencies* - While the B2O Task Forces have developed independent objectives, due to the global economy interdependency, it is evident their proposals overlap thus requiring a highly integrated approach for their implementation.
- *Listening to the voice of the real economy participants at the ground level* - The G20 Nations Case Study results to date covering 38% of the G20 population have yielded that 89% want new digital tools to achieve real economic integration between all participants within the Global Value Chains.

Given the urgency to meet the needs of the real economy trade participants, out of the box thinking is required to kick-start the global economy.

A reality check yields that market expansion is required and this demands a focus on the real economy of manufacturing, agriculture and the services industry. We must drive trade efficiency through real economic integration connecting low, mid and high income countries thereby building the global buying power to foster increased trade.

Whilst current and past thinking leads us to a particular focus we would recommend a more holistic approach which encompasses the needs of participants on the ground and the interdependencies of all task forces. The digital economy is the means to facilitate such an outcome.

Past & Current

TURKEY

- Ratify and implement WTO Trade Facilitation Agreement
- Rollback Protectionist measures starting with Localization Barriers to Trade
- Improve global trade system according to the emerging digital economy

AUSTRALIA

- Ratify and implement the Bali Trade Facilitation Agreement. Provide capacity building assistance and financial support for developing world trade.
- Develop country specific supply chain strategies and address supply chain barriers through domestic regulatory reform and infrastructure investment
- Reinforce the Standstill on protectionism and wind back barriers introduced since the implementation of the Standstill especially non tariff barriers.
- Ensure preferential trade agreements (PTAs) realize better business outcomes by consulting business, improving transparency and addressing trade issues.

RUSSIA

- Fight protectionism and roll back existing protectionism. Extend the deadline for Standstill and monitoring protectionism after 2014.
- Governments should commit to the WTO Trade facilitation agreement and conclude this in Bali in November.
- Encourage the WTO to take a leadership role in establishing principles to guide the design of Preferential Trade Agreements (PTA) by identifying best practices for PTAs with the aim of making them more transparent, compatible with multilateral trade promotion goals and complementary to the WTOs rules.

Reality Check

Why isn't the real economy the driving theme in the global arena and how do the B2O recommendations address this?

Lack of demand is forcing the emphasis on financial engineering for fast wealth creation. However, this comes at the cost of growing the real economy that drives sustainable trade growth.

How do the B2O recommendations address poor market demand?

The world's demographics are changing. In high income countries the population is aging yet salaries remain high. This is a productive community challenged with low market demand. In mid and low income countries, birth rates are high, the population is growing, but salaries are low.

How can we achieve real economic integration?

The present trade environment has inefficient and costly processes to match, execute, finance and integrate buyers with sellers of products and service providers such as finance and logistics companies.

How can we expedite business access to trade finance and simplify the process of complying with evolving regulatory requirements?

The lack of integration of financial institutions into Global Value Chains has led to a restriction in SME lending due to increased underwriting risk, high frictional costs, and high costs associated with complying with international laws and regulations

How can we maximize the capacity utilization of existing logistics physical infrastructure to meet trade requirements?

The lack of visibility as to current and future trade volumes contributes to inefficient logistics infrastructure, creating bottlenecks in the flow of commerce.

Recommendation

The Real Economy must be the driving theme to deliver sustained economic growth
Our efforts must be concentrated on the following three main economic pillars of the real economy; manufacturing, agriculture and the services industries that support them.

Sustaining global market demand is essential to drive increased trade
We must connect the youthful workforce of the mid and low income countries with the expertise of the high income countries thus building the buying power of the mid and low income countries creating an unprecedented new global market demand that will sustain growth in trade.

We need a digital ecosystem to achieve real economic integration
Promote a digital ecosystem that permits global integration of products and services to intelligently match sellers to targeted buyers based on dynamic validated realtime information continuously updated by multiple parties within the Global Value Chain.

We must create a smart finance matrix with Ultimate Data Quality to expedite trade finance into the real economy

Promote a digital ecosystem that creates a smart finance matrix based upon information with ultimate data quality that is validated & continuously updated by multiple sources. This will de-risk trade by reducing underwriting cost, transaction risks & asset recovery risks, while facilitating compliance with evolving regulatory requirements.

Use soft infrastructure to maximize the capacity utilization of existing logistics physical infrastructure.

Encourage the use of digital tools by increasing throughput at port and border crossings and reducing shipment time dwell to maximize capacity utilization throughout the trade pipeline.

NB: The boxes in lighter shade illustrates the wider scope of our recommendations

2015 B20 TASK FORCES INTERDEPENDENCIES TOWARDS ACHIEVING SUSTAINED ECONOMIC GROWTH

