Global Coalition for Efficient Logistics (GCEL), Swiss based nonprofit Public/Private Partnership

PREPARED FOR
2017 B2O
GERMANY
PRESIDENCY

BRIEF ANALYSIS OF THE B20 2014-2016 JOINT
TASKFORCE RECOMMENDATIONS
As a foundation for developing our recommendations for the 2017 B20 Germany Taskforces, our comments are based upon the following:

Analyzing proposals from previous B20 Summits - The Australia, Turkey and China B20 Task Forces are to be applauded, as many of their recommendations are rightly focused on the development of trade, inclusiveness, sustainability and security.

Listening to the voice of the real economy participants at the ground level - The G20 Nations Case Study involved more than 70 ministries, NGOs/ IGOs and academia from the G20 countries covering nearly 67% of the world’s population, this study yielded that nearly 90% commonly agreed on the digital tools needed to improve their capabilities and their processes, thus enhancing their competitiveness in the global market place.

Understanding Taskforce interdependencies - While the B20 Taskforces 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.

Food For Thoughts

Any tangible global solution must be founded on the powerful demographic trends sweeping our world today. In high-income countries where fifteen percent of the world population lives, birth rates are low, the population is aging yet salaries remain high. Meanwhile in mid income countries representing 45% of the world’s population, birth rates are high, population growth is strong and young, but the salaries are at merely 20% of those in high-income countries. The facts are clear; the high-income countries must find new markets for their overflowing output, and the mid/ low income countries represent a vast new market for expansion.

Experts worldwide agree that the mother of all industries is the global Business-to-Business (B2B) marketplace that according to Visa have reached $109.1 Trillion in 2011; with trade at its core. Trade is founded upon four interdependent pillars: Commerce, Finance, Insurance, and Logistics. Logistics is the weakest of these industries by far, owing to its fragmentation and inefficiency. It is, however, also the vital linchpin that connects our world, therefore if we strengthen the global logistics industry through a solid platform, we will be able to produce the highest-grade fuel to power the B2B industry to its maximum output. This fuel is information, created from data of the highest quality, Ultimate Data Quality (UDQ) that is dynamically and continuously validated by multiple parties in global value chains. UDQ has a high level of veracity and can be relied upon by participants in the global B2B marketplace to help make informed purchasing decisions. It also benefits service providers such as banks and insurance companies due to the de-risking effect created by greater transparency over global supply chains and provides the strongest foundation for strategic decision-making by CEOs on whether to Centralize, Decentralize, or Create new operations, to maximize their Return on Equity (ROE). This is the spirit of innovation the world needs, much like the spirit that enabled a simple steel box, the marine container, to unleash tremendous levels of efficiency and decades of global economic growth. We have a tremendous opportunity before us. We can maximize on new digital tools to reduce annual trade costs by USD 1.3 trillion, increase trade by USD 1.2 trillion, generate a new USD 6 trillion service market opportunity amounting to almost 10% of the world's GDP, thus creating nearly 100 million jobs.
### B2O Taskforce

#### Employment

**Human Capital (Employment)**

- Establish a national innovation agenda and pipeline with supporting structural reforms.
- Increase the level of alignment and responsiveness between the learning ecosystem and workforce needs.
- Remove barriers inhibiting entrepreneurs from starting and growing businesses.
- Undertake structural reform to increase flexibility, adaptability and mobility within and across labor markets.

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<tr>
<th>B2O Recommendations Australia Summary</th>
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<td><strong>Employment</strong></td>
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<td>What are the drivers to create more employment within high, mid and low income countries?</td>
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<td>Reform labor markets to make them more dynamic and inclusive.</td>
<td>Implement programs to encourage entrepreneurship and innovation.</td>
<td>Remove structural barriers and enact support mechanisms to increase youth employment participation rate.</td>
<td>How can we 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 has the potential to create millions of new jobs?</td>
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<td>Increase youth and female participation in the labor force.</td>
<td>Remove structural barriers and enact support mechanisms to increase youth employment participation rate.</td>
<td>Implement and encourage initiatives to increase female labor force participation rate.</td>
<td>How can we develop a diverse and inclusive labor force by creating the right conditions and a flexible working environment to attract the best talent, irrespective of gender, age and background.</td>
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<td>Develop and finance programs to reduce skills mismatch.</td>
<td>Enact policies to assess and reduce the skill mismatch and workforce capability gaps.</td>
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<td>How can we measure the level of skills and competitiveness within each sector and country in order to develop National Education Plans that may provide for existing and future industry needs?</td>
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<td>SMEs, representing up to 80% of employment, lack the necessary tools, finance and insurance required to maximize on innovation and create sustainable value. A Digital Economy Platform for the B20 marketplace will provide an integrated ecosystem for e-commerce, e-finance, e-insurance and e-logistics.</td>
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A flexible and diverse labor force is an essential ingredient for highly productive companies. Digital technology can provide flexibility of work locations and working hours, including home based working and self-employment to attract and retain the best talent.

The necessary data on workforce capability versus required skills is lacking, leading to sub-optimal targeting of limited training resources. Digital tools can provide national dashboards to track employee utilization and productivity.
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<td><strong>Financing Growth</strong></td>
<td>Finalize the core global financial reforms and establish a protocol for international rule-making processes engaging the private sector to ensure rules are fit for purpose and fully take account of their impact on the real economy.</td>
<td>Finalize and improve implementation of global financial reforms.</td>
<td>Finalize the core global financial reforms and establish a protocol for international rule-making processes engaging the private sector to ensure rules are fit for purpose and fully take account of their impact on the real economy.</td>
<td>What can be done to reduce the need for additional regulations through improving the financial health and transparency of the financial industry?</td>
<td>The lack of real-time information about trade activity increases financial risk and the need for regulatory oversight following recent financial market failures. Automation of trade processes within a digital ecosystem will increase transparency and data validation as well as provide the ability to automate compliance reporting thereby reducing the risk of non-compliance and compliance costs.</td>
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<td>Ensure emerging market economies are effectively represented and that regulations reflect the social, economic and financial challenges faced by SMEs.</td>
<td>Implement G20 principles on transparency of beneficial ownership.</td>
<td>How are lending institutions going to reduce high underwriting costs as well as the cost burden of regulatory requirements?</td>
<td>How will green financing and investment fill the current funding gap?</td>
<td>Digital technology by itself will not create financial inclusion. It requires the conditions to be in place that de-risk trade and thereby encourage finance firms to provide credit, especially to SMEs. The creation of a digital ecosystem that integrates the 4 pillars of trade will de-risk global value chains and encourage the financial services sector to seize a vast new market opportunity by digitally integrating with all trade participants.</td>
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<td>Review prudential and conduct regulations to ensure restrictions on access to finance do not unduly hamper financial inclusion, trade and commodity markets and finance for SMEs.</td>
<td>Promote financial inclusion by embracing digital technology innovation.</td>
<td>How will financial inclusion increase without the regulatory requirements?</td>
<td>How will financial inclusion increase without the required digital integration of the 4 pillars of trade, Commerce, Finance, Insurance and Logistics?</td>
<td>The lack of integration between commerce and finance is preventing the wider distribution of green and alternative funding mechanisms. A digital ecosystem will create an efficient marketplace for green and alternative funding mechanisms.</td>
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<td><strong>Financing Growth</strong></td>
<td>Adopt consistent and aligned tax policies to drive inclusive growth.</td>
<td>How can the credit and transaction risks associated with loan guarantees be mitigated when there is no real time visibility of current and future trade activities?</td>
<td>How can tax incentives be fairly and equitably used to stimulate growth in the real economy?</td>
<td>The effectiveness of tax incentives is difficult to measure, however, the transparency created through the digitization of global supply chains will allow specific targeting of tax incentives and provide the ability to measure the effect on growth at a country level.</td>
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Infrastructure & Investment

Set specific 5 year targets aligned to a national strategic vision.

Establish, publish and deliver credible national infrastructure pipelines that take full advantage of private sector finance and expertise.

Establish an Infrastructure Hub to facilitate the development and delivery of pipelines of bankable investment ready infrastructure projects.

Work towards greater promotion and protection of cross-border capital flows and Foreign Direct Investment (FDI).

Promote longer term investment that better aligns risk & return.

Implement infrastructure procurement and approvals processes that comply with global leading practice, including a commitment to specific time frames for approvals.

Infrastrucure Taskforce

Increase and accelerate the pipeline of high quality bankable projects.

Develop regulations, deploy asset monetization strategies and promote the creation of financial instruments to unlock long-term investment.

Enhance the catalytic role of multilateral development banks and institutions to enable private sector.

Enable and promote innovative technologies and best practice asset management that support whole-project life cycle productivity of infrastructure projects.

Strengthen or establish National, Regional and Global initiatives to enhance the infrastructure interconnectivity across all sectors.

Where can investors obtain the necessary dynamic national and international current and projected trade information to justify infrastructure investments?

Is making new rules and regulations the real solution to stimulate more infrastructure investment?

How can we enable more insurance and credit enhancement guarantees of infrastructure projects without the underlying efficiency and profitability of trade participants?

Since infrastructure funding is limited, how can we maximize the utilization and efficiency of the existing physical infrastructure?

Why has Germany and Singapore ranked among the highest in the Logistics Performance Index (LPI) where other countries with more resources have lower efficiency?

National trade data may lack critical information and may not present the current and true picture at the ground level. A global digital ecosystem will provide validated real-time information to create National Visibility Dashboards that will facilitate the prioritization of investment projects and attract new investment funding.

The lack of digital tools to maximize physical logistics infrastructure in order to boost efficiency and increase transparency has created an unacceptably high level of risk in supply chains, damping the supply of insurance and credit guarantees. A fully integrated digital economy platform will increase logistics efficiency and provide the ultimate data quality required to de-risk international trade.

The logistics industry is inefficient due to the lack of digital integration of information systems that creates data redundancy, double-keying, errors & omissions. Horizontal integration of logistics data systems will raise global LPI ranking to Singaporean and German levels, thereby reducing landed import and export costs (LIEC) by nearly 30%. 
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<td>SME &amp; Entrepreneurship</td>
<td>SME Development</td>
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<td>What do the real economy trade participants demand in terms of an e-WTP?</td>
<td>Trade participants require more than a digital place to display goods. An integrated system to enhance the 4 pillars of trade (Commerce, Finance, Insurance and Logistics) is required to stimulate real economic integration and link SMEs to global value chains.</td>
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<td>Improve SME’s access to the digital economy.</td>
<td>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 and efficient policy and business environment for cross border electronic (e-Trade) development.</td>
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<td>Who do they trust to deliver the necessary soft and hard infrastructure?</td>
<td>No one company, country or entity can build and own the hard and soft infrastructure required for an Electronic World Trade Platform (eWTP). A global coalition from the Public and Private sector operating under a structure that offsets geopolitical and monopolistic concerns is required to create, govern and deploy a digital platform for the B2B marketplace, delivered at no cost to end user.</td>
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<td>Reduce SME finance underwriter risk through increased availability of data.</td>
<td>Develop coordinated capacity building and certification programs to ease the inclusion of SMEs in Global Value Chains (GVCs).</td>
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<td>How can this system be provided in a sustainable manner with continuous access by all while at no cost to the end user?</td>
<td>SMEs are prevented from participating in Global Value Chains, including Public Procurement tenders, due to the inability to guarantee supply and provide evidence of quality assurance. A global Digital Economy Platform will provide the tools for SMEs to collaborate for large procurement tenders and provide a mechanism to demonstrate quality assurance.</td>
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<td>Increase SME access to alternative financing.</td>
<td>Facilitate SMEs' access to bank finance and alternative funding.</td>
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<td>How can the financial institutions and investors gain real time access to the accurate information required to reduce their underwriting costs, credit risk and burden of regulatory requirements?</td>
<td>The costs of complying with national and international rules and regulations is prohibitive for SMEs. A fully integrated Digital Economy Platform will provide automatic compliance with all relevant laws and regulations, thereby simplifying compliance and reducing costs.</td>
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<td>Assist SMEs to integrate into international markets.</td>
<td>Improve regulatory environment through a reduction of compliance costs and access to Public Procurement markets, especially through the digitization of Government processes.</td>
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<td>What information do Buyers need to make a decision to source with a Seller/ SME and how do they ensure the accuracy of such information?</td>
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Ratify and implement the Bali Trade Facilitation Agreement and provide capacity building assistance.

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 especially non-tariff barriers.

Ensure preferential trade agreements (PTAs) realize better business outcomes by consulting business, improving transparency and consistency and addressing emerging trade issues.

Trade

Improve the global digital economy trade system.

Digitize customs and cross border clearance systems within 5 years through PPP.

Digitize public procurement and incentivize businesses to comply with public procurement processes.

Ratify and implement the TFA.

Reinforce the standstill on protectionism and roll back existing barriers.

Initiate G20 Entrepreneur Visa Program.

Trade and Investment

Strengthen the multilateral trading system, encourage trade growth, and stop the imposition of new protectionist measures while rolling back existing ones.

Ratify the TFA by the end of 2016 and commit to rapid implementation.

Work toward a better global investment policy environment that facilitates and protects investment while safeguarding the right of states to regulate.

How can trade participants efficiently exchange the necessary trade documentation including the collection, presentment, communication and processing of data required by buyers, sellers, governments, industry monitoring bodies, financial institutions and insurance firms, thereby reducing costs by a minimum of 30%?

How can we achieve real economic integration by increasing conversion ratios i.e. the ratio of seeing to buying?

How can TFA signatory countries capture the required information to comply with the TFA’s multitude of rules, procedures, public service standards and performance measures, mechanisms for corrections and appeals, documentation and electronic data requirements?

How can we de-risk trade to encourage the flow of trade finance, insurance and investment rather than impose more regulation?

A lack of an effective mechanism to create visibility over global supply chains is holding back commerce due to inefficient logistics and consequentially high cost and low availability of finance and insurance. A global Digital Economy Platform will enhance the flow of necessary shipment data and provide the mechanism to validate it by multiple parties in real time as the shipment passes from shelf to shelf. This will raise the quality of the data to Ultimate Data Quality (UDQ) and provide the foundation for a smart scoring matrix that will de-risk the act of buying and selling goods and services internationally, thereby increasing conversion ratios. It will also provide finance and insurance firms with increased visibility over supply chain risk and the data to correctly price risk thereby providing the means to identify and manage down risk.

The lack of an effective mechanism for states to balance border security and trade imbalances against the benefits of open and free market access is preventing the roll back of existing protectionist measures. A global Digital Economy Platform will provide the mechanism for signatories to the TFA to monitor and manage trade flows, while maintaining border security and the right to self-determination.
WRAP-UP

Recent G20/B20 Summits have recognized the importance of the Digital Economy to implement many of the B20 Taskforce recommendations. This vision can now be fulfilled during the watch of the G20/B20 Germany Presidency.

The progress has been profound. From no mention of the Digital Economy at the 2014 G20/B20 Australia, to 17 out of 25 key recommendations across 5 taskforces being impacted by the Digital Economy at the 2015 G20/B20 Turkey, to the electronic World Trade Platform (eWTP), a precursor to a more comprehensive Digital Economy Platform being recognized at the 2016 G20/B20 China, through to the establishment of a separate Taskforce on “Digitalization” at the 2017 G20/B20 Germany.

The opportunity now exists for the Germany Presidency to turn these policy recommendations into reality.