PREPARED FOR

B20 TASKFORCES

KICK-OFF MEETING

ISTANBUL, TURKEY, FEBRUARY 2015

EMPOWERING THE DIGITAL ECONOMY
1. Scarcity Demand & Low Buying Power

The world’s demographics are changing. In high-income countries with 15% of the world’s population, birth rates are low; the population is aging yet salaries remain high. This is an affluent and production community characterized by over-value demand. Meanwhile in mid- and low-income countries, birth rates are high, population is young and strong, but salaries are merely 20% of those in high-income countries. This is a highly populated community characterized by low buying power.

2. Lack Of Real Economic Integration

Inefficient and costly processes to match, execute, finance, and integrate buyers with Sellers of product and services.

3. Access & Speed of Trade Finance

Cost of integration of the financial institution into the global value chain activities then increases underwriting time, cost and risk thereby limiting the availability and approval of trade finance.

4. Absence Of Efficiency & Transparency In Global Value Chain

Multiple standards, processes and technologies in the same pipeline have created fragmented trade pipelines with inefficient communications between trade participants thereby resulting in the lack of transparency and visibility to manage trade transactions.

5. Inefficient Logistics Infrastructure

Restricted resource allocation caused by the lack of advance visibility of current and future trade volume. Settlements at point of entries close to importer and lack of documentation. Congestion created at point of entries due to long-time dwell of shipments.

6. Cost & Speed To Meet International Requirements

Complex and time-consuming information requirements involving the buyer, seller, country, industry, insurance and finance resulting in delayed or improper documentation thereby increasing business operations costs and interruptions in the movement of goods.

---

TRADE CHALLENGES

1. Stimulating Global Demand & Build Buying Power

Driving efficiency and business excellence will cement the youthfulness workforce of the middle-income countries with the expertise of the high-income countries has built the buying power of the middle- and low-income countries creating unprecedented new global demand in the decade.

2. Achieving Real Economic Integration

Promote an ecosystem that permits global integration of product and service offerings with the integrated propensity to match sales to targeted buyers. This environment must be based upon dynamic, validated real-time information accumulated and continuously updated through the normal process of trade activities across the world. The main benefit of this ecosystem described above is that it allows the creation of the smart markets that will provide the dynamically aggregated sourcing level needed to:

- Ensure quality of services and products based on sellers’ global activities.
- Facilitate and expedite product and service financing.
- Minimize insurance premiums and optimize coverage.
- Ensure speed of integration of sellers into the buyer’s supply chain.
- Ensure the reliability and dependability of the logistics and industry pipeline from seller to buyer.

3. Expedite Trade Finance

Promote an ecosystem that allows the creation of the smart markets based upon ultimate sales potential indicated by a smart source of data tapping into action in real life dynamically validated and continuously updated by multiple sources from around the world in the same pipeline. The above ensures:

- Mitigate Trade Finance Risk. Minimize underwriter risk based on borrowers’ historic and future global trade finance activity.
- Minimize Transaction Risk. Minimize lenders’ exposure to electronically direct loan proceeds to the buyer’s improved seller of goods and services.
- Reduce Asset Recovery Risk. Ensure the capability to seize assets in the trade pipeline for meeting or securing any outstanding asset requirements that can be insured.

4. Realizing Efficient & Transparent Global Value Chain

Promote an ecosystem that allows the creation of the smart logistics environment that will provide the ability to:

- Maximize distribution requirements.
- Create a paint-to-world integration environment.
- Transform Logistics Service Provider (LSP) contract obligations into electronic metrics enabling real-time monitoring of contracted vs. forecasted vs. actual performance.
- Create an optimized documentation environment that minimizes next-steps and errors.

As well as validating data from multiple sources within the same pipeline.

- Promote the right tools to plan and manage global trade lanes from shelf to shelf at no cost to end users.

5. Maximize Efficiency of Present Logistics Infrastructure

Maximize the efficiency of present logistics infrastructure, thus enabling national trade viability dashboard to indoor national and international investment.

6. Ease & Minimize The Cost Of Meeting Evolving Regulatory Requirements

Promoting a paint-to-world environment will reduce the time needed to publish and reconcile new evolving regulatory requirements. The wealth of dynamic, validated data available in such environment will eliminate the impact of new requirements by automatically populating the newly required data elements.
1. Lack of Profitability and Diversification Of Revenues

Financial institutions are faced with negligible revenue growth in overly saturated markets characterized by a highly competitive environment. Difficulties to expand market share cost to create new valuable services, customers, with poor revenue growth and low profitability and reputational risk due to money laundering and fraud.

2. Burden of Regulatory Requirements On Financial Institutions And Clients

Industry regulatory requirements are placing additional encumbrances on the Financial Institutions such as: costly compliance reporting requiring more data validation, restrictions on the use of product offerings, greater monitoring of bank and by customer transactions, economic scenario stress tests and stringent capital adequacy and liquidity requirements.

3. High Credit And Transaction Risks

Financial institutions are risk adverse organizations; however, they have historically been viewed with some trepidation by risk assets with declining value, a law turnover of their inventory thereby raising their portfolio risk, and lack of prospective customer's trade information to identify credit worthiness in order to provide new services towards enhancing revenues and profitability.

4. Lack Of Integration To The Global Trade

Exclusions of our global regional and national economies are calling for banks to expedite trade finance for trade expansion and job creation. However, the lack of supply chain integration promoting dynamic visibility is resulting in insufficient customer trade history, credit and future activities making performance reporting to greater understanding real world visibility to ensure that funds provided to customers are spent in the proper place and at the right time, proper documentation to accurately collateralize the banks assets in the trade pipeline, reduced bank profitability due to lower quality of bank assets and hindrances for "Aid for trade" to reach its goal.

5. High Risk And Difficulties To Prioritize Physical Infrastructure Investments

Limited availability of funding resources to meet the market demand placing pressure on prioritizing infrastructure investment based on an unpredictable future revenues to achieve required economic growth and investment returns.

FINANCING GROWTH CHALLENGES

Seamless integration into the dynamic global trade financial activities provides access to a new multi billion dollar opportunity:

- Dynamic, integrated link to the supply chain facilitating market expansion providing new and complementary trade finance services
- Altair is greater portion of the "customer trade" through improved customer service and satisfaction thereby ensuring customer loyalty and retention
- Reduce trade finance risk due to customers' increased liquidity and profitability through their reduced trade costs of 30% and operating costs by up to 15%

3. Lower Credit And Transaction Risks

A small finance banking providing the dynamic scoring level needed to:
- Mitigate trade finance risk based on elements historic and future trade finance activities
- Monitor transaction risk by auditing lending to electronically direct loan proceed to the trade
- Reduce asset recovery limiting the capability to seize assets in the trade pipeline for removing or liquidation to minimize asset impairment loss.

4. Seamless Integration To The Global Trade

Dynamic link to the supply chain, including the state of shipments within the trade pipeline, to increase trade finance control that will provide:
- Dynamic access to market information including trends by region to assess validity of existing sales forecasts, product pricing, and raw material needs, as well as changes in market demand by industry and region
- Dynamic credit analysis and reducing risk of asset degradation
- Expanded service revenue streams such as freight finance, inventory finance, receivable finance, bill consolidation, and foreign currency exchange during increased profitability

5. Improved Prioritization Of Physical Infrastructure Investments And Realize Return

Promote national trade viability dashboard with dynamic information regarding current and future trade volumes to efficiently manage resources to avoid supply shortfalls. This will also provide the ability to distinguish those businesses and regions that achieve operational excellence. This will assist in following physical logistics infrastructure and prioritize future investments to achieve projected returns.
1. Inadequate Financial Resources To Meet Physical Infrastructure Investment Requirements
Presently the projected funding needed for infrastructure investment by 2030 exceeds USD 57 trillion whereas the sources of such funding have not yet been identified.

2. Difficulties to Attract National And Foreign Direct Investment
It is challenging to justify projected returns on infrastructure investment based on a complex set of market conditions and assumptions. The debate often centres around: the investment must first be made before the volume can be generated, or the volume must first be proven before the investment can be allocated.

3. Difficulties To Prioritize Physical Infrastructure Investment To Achieve Economic Growth And Investment Returns
Limited availability of funding resources to meet the market demand places pressure on prioritizing infrastructure investment based on unpredictable and often volatile future revenues to achieve required economic growth and investment returns.

4. Lack of Soft Infrastructure To Maximize The Capacity Utilization of Logistics Physical Infrastructure
Absence of proper technology tools contribute to inefficient logistics physical infrastructure creating bottlenecks in the flow of commerce.

1. Adequate Financial Resources To Meet Physical Infrastructure Investment Requirements
Maximize the efficiency of global trade through the use of digital tools by reducing the cost of trade, increasing trade and providing a new service market opportunity. This will provide greater profits and tax revenues for the private and public sectors, respectively, to re-invest in physical infrastructure.

Furthermore, the emphasis on transport sector infrastructure investments generating high returns, and making more investment funds available for the other sectors.

2. Attract National And Foreign Direct Investment
Promote a National Trade Dashboard that identifies the present and future trade volumes required to achieve the projected returns to justify national and foreign direct investments.

3. Ease In Prioritising Physical Infrastructure Investment To Achieve Economic Growth And Investment Returns
Provide clear indicators on which industries and locations achieve operations excellence enabling the prioritization of investments for the highest returns.

4. Use of Soft Infrastructure To Maximize The Capacity Utilization of Logistics Physical Infrastructure
Encourage use of digital tools by increasing throughput at port and border crossings and reducing shipment time dwell to maximize capacity utilization throughout the logistics pipeline.
1- High Cost For Operation Efficiency
The cost to improve operation efficiency and quality hinder SMEs growth. This impacts the SME’s ability to respond to high market demand.

2- Access To Market
The cost to market access, and the ineffectiveness of the available marketing channels impedes SMEs to gain market share.

3- Access And Speed To Financing
The burden on SMEs to minimize underwrite risk is challenging. Furthermore, the lack of integration of financial institutions into the global value chain activities increases underwriting time, cost and risk thereby limiting the availability and approval of trade finance.

4- Complex Financial Regulations
Financial industry regulatory requirements are placing additional burdens on the financial institutions such as: capital and liquidity requirements, restrictions on service and product offerings, greater monitoring of bank and its customers transactions, economic, political stress tests and stringent capital adequacy and liquidity requirements. The foregoing minimizes SMEs access to trade finance.

5- High Landed Import And Export Costs
The high landed import and export costs place a major burden on SMEs competitiveness in the global market place.

6- Unreliable Logistics To Reach Market
The lack of logistics reliability places additional burden on inventory carrying costs, among other factors. This results in lost market opportunity for SMEs.

7- Lack Of Systems And Integration
The cost of efficient systems and the inability to integrate into the global value chain contribute to lost market opportunity when integration is a business requirement.

8- Lack Of Sustainable Funding
Although the world recognizes the importance of SMEs on the global economy, the SMEs have no recurring and sustainable funds to support SMEs growth around the world. Even when limited funds are available, the allocated funding criteria often do not minimize the return on economic growth.

SMES CHALLENGES

SMES REQUIREMENTS

1- Low Cost For Operation Efficiency
We should ensure that SMEs achieve increased operational efficiency through the use of digital tools, at no cost, delivered by a trusted network of government and commercial platforms.

2- Greater Access To Markets
We must promote an ecosystem that enables global integration of product and service offerings with the intelligent capability to match sellers to targeted buyers. This environment must be based on dynamic, scalable real-time information, accumulated and continuously updated through the normal course of trade activities around the world and not based on unrealistic metrics that are today in place.

3- Improved Access And Greater Speed To Financing
We must promote the dynamic link of financial institutions to the global value chain creating a smart finance model providing the dynamic scoring level needed to expedite financing by mitigating integration and political risk. This in turn creates historic and future trade financing opportunities, minimizing transaction risk by allowing lenders to electronically document loan proceeds to the banks and financial institutions, and reducing asset recovery risks providing the capability to seize assets in the trade platforms for recouping or liquidation to minimize asset impairment loss.

4- Ease To Comply With Financial Regulations
We must promote the use of real-time, dynamic and validated transaction monitoring resulting in increased transparency and decreased regulatory risks. This results in simplified and achievable higher The One capita asset rules through:
- Improved data validation reducing cost of compliance
- Transparent monitoring of bank and customer transactions with dynamic exception reporting
- Improved compliance with economic sanctions checks
- Achieving improved capital adequacy and liquidity requirements

5- Lower Landed Import And Export Costs
We must learn from history while leveraging 21st century tools. History confirms that trade costs can be achieved through real economic integration and trade efficiency. Trade experts including the World Bank, AFRIC and UNHCR have identified the key to increase trade efficiency through technology thus reducing trade costs and increasing trade integration.

6- Reliable And Dependable Logistics To Reach Market
We must promote the tools to advance the efficiency of the logistics industry thus achieving dependable and reliable logistics global value chains. This is the required solid foundation for market expansion and profitability to SMEs indeveloping, developing and emerging markets.

7- Global Access To Technology And Integration
We must ensure that SMEs have free access to technology that promotes a point-to-point integration environment.

8- Abundant Sustainable Funding
Securing funding is needed for SMEs to expand their business based on their commitment to business excellence measured on the prospects of the ROI and job creation. These should be established through public and private commercial ventures in strategic locations where the funds will be allocated.
1- The Real Economy Is Not The Driving Theme In The Global Economy Arena
Lack of demand is forcing the emphasis on financial engineering for fast wealth creation which is adrift to decision makers. Moreover, this comes at the cost of growing the real economy that drives sustainable employment.

2- Poor Global Market Demand Due To Uncontrollable Challenges Driven By Demographics Trends
The world's demographics are changing. In high-income countries, with 15% of the world's population, 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 strong, but salaries are merely 20% of those in high-income countries. This is a highly populated community challenged with low buying power.

3- Unmatched Capacity Building To Job Requirements
Lack of ability to industry employment needs places burden to build human capacity that matches employment requirements.

4- Proper Measurements Of Productivity To Drive Employment
Absence of proper training, required tools and performance measurement to drive efficiency.

5- Lack Of Motivation To Maximize Human Capacity And Productivity
The emphasis only on short-term personal financial gains as a main motivation could last human capacity and country productivity growth. In order to achieve both, individual contributions to his/her organization and society economic growth which represents a vital transition to his/her future generation prosperity.

1- Real Economy Must Be The Driving Theme Thus Delivering Sustained Employment Growth
Our efforts must be concentrated on the following three main economic pillars of the real economy: manufacturing, agriculture and their supporting service industry. We must prioritise our efforts shifting with the above pillars recognizing the high return on employment growth they represent.

2- Sustained Global Market Demand Is A Must
Connecting the strengths of the world communities creating wellbeing across humanity must be a top priority position. 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 could result in more than 100 million new jobs benefitting all.

3- Human Capacity Building Must Be Effectively Synchronized With Projected Employment Market Opportunities
The creation of national real economy stakeholders and provide stability on future production volume as well as product and services planning. The above will allow the development of human capital to meet employment market demands.

4- Increase Employment Productivity Must Be A Country Strategic Objective
Employment productivity is optimised when the proper tools are provided to perform a specific duty. Training is performed to use the tools efficiently, and a performance measurement mechanism with escalation capabilities for accountability is implemented. Recognising that efficiency and transparency it is required to attract investment, trade and to stimulate market demands the above must be part of country strategic objectives.

5- Provide The Tools And Economic Progress Visibility To Build A Better Future For Our Generations
To build a solid foundation for our economic future requires a collective effort by the public and private sector to instill the partnership in stability of economic progress which return could promote stronger motivation, therefore we must promote for national real economy dashboards that provide the required indicators for increased productivity today and for the generation to come.
Proposed Digital Economy Policy Framework

Premise In Brief:
The custodians of the world economy agree that it is significant to focus on the real economy and to connect the strengths of the world communities creating wellbeing across humanity, thus stimulating global demand.

The above is the foundation that promotes the rebalancing of the world economy based on the demographic trends that are sweeping our world today and impacting future generations to come.

The Digital Economy (DE) is the required tool to achieve the above in brief. It will efficiently connect the youth 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 unprecedented new global demand benefiting all. At the same time, it will create a new service industry that generates millions of new jobs that match the demographics, education levels, and expertise of the high-income countries.

The main arena to achieve the above is the global trade. Therefore, we must plug into the DE to the global trade. However, it is imperative to recognize that the above falls under The Nations Security Solution (NNS). The NNS is developed for a comprehensive adoption addressing nations’ interdependent needs. The global trade impacts the daily lives of 7 billion people around the world and involves the roster of all industries, the global G20 market projected to reach USD 235 Trillion by 2025. Therefore, the G20 must set the policy framework to promote the Empowering of the Digital Economy. This policy can encompass the following:

We Must Maximize on The Technology Era:
In the digital era, we must ensure that what technology makes possible is available to trade participants around the world in order to increase trade efficiency and deliver real economic integration.

Geopolitical Balance Is A Must:
A global network of organizations must secure geopolitical balance in the governance and deployment of the DE.

Monopolistic Concerns Must Be Offset:
No one organization, country or region should monopolize the DE as it must be provided through a group of organizations working in a synchronized manner, each within its own expertise and jurisdiction.

Digital Economy Must be Delivered by a Trusted Network:
The DE must be delivered by a trusted network and be continuously available to all end-users with unrestricted access.

An Independent & Self-monitoring Mechanism is Required:
A comprehensive framework of independent and self-monitoring mechanisms to ensure optimum transparency to the public must be in place when Empowering DE.

The Digital Economy Must be Self-sustaining at No Cost:
The DE must be self-sustaining and available to the end-users around the world at no cost.