

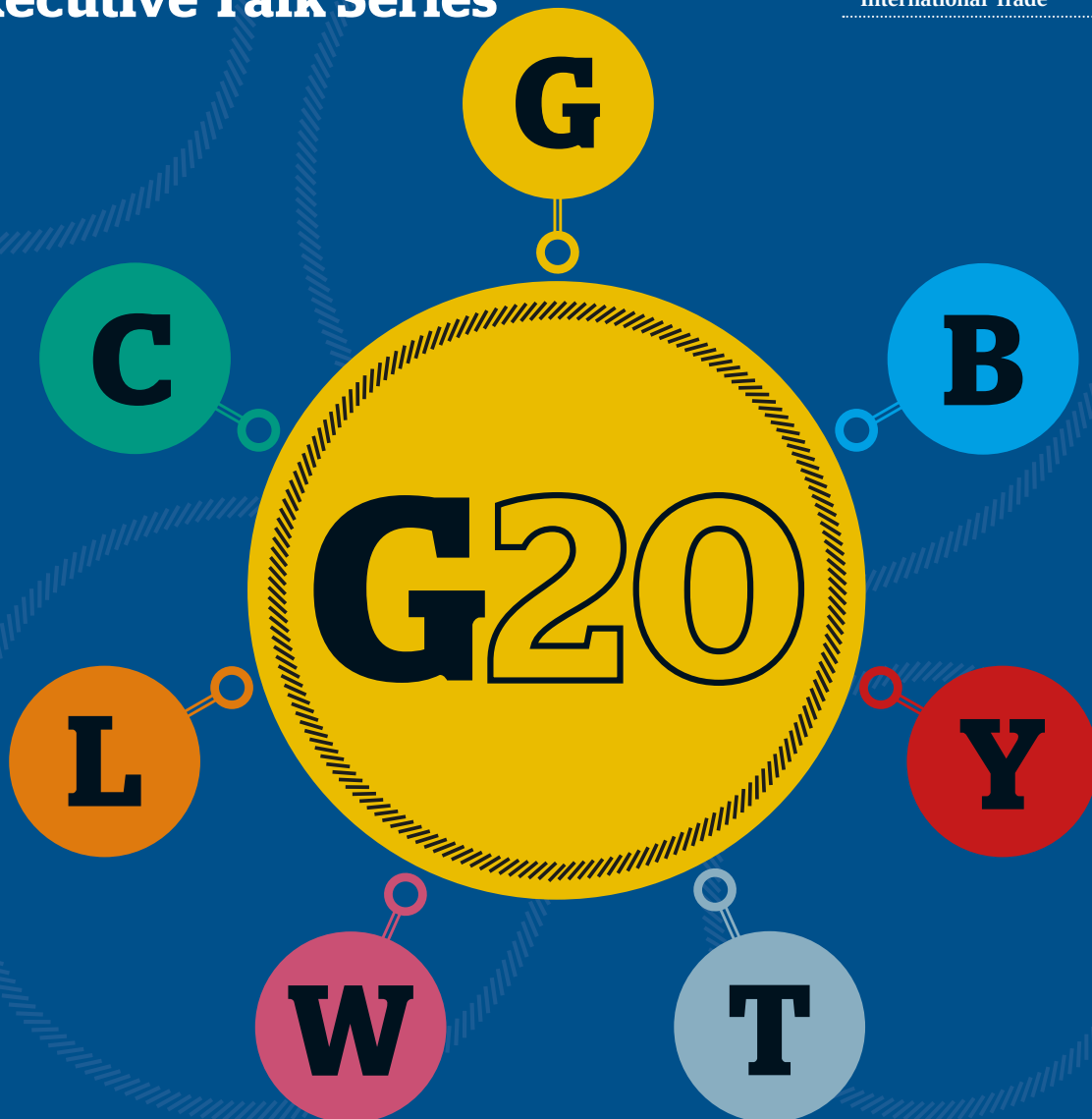


# G20

## Executive Talk Series

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**Publisher:**  
Chris Atkins  
catkins@thecatcompanyinc.com  
001-801-7835120 (ext. 200)

**Creative Director:**  
Christian Gilliam  
christian@cgcreate.co.uk  
(+44) 7951 722265

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**Shaping an Interconnected World**  
Dr. Jürgen Heraeus  
B20 Chairman

**Publishing Firm:**  
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**CEO & Founder:**  
Chris Atkins

**President of EMEA:**  
Tyrone Eastman

**President-International:**  
Mike Nyborg



**GCEL**Authored by: **G20 Editorial**

## HOW CAN WE REVERSE THE DIMINISHING TRUST BETWEEN GLOBAL LEADERS AND THE CITIZENS THEY REPRESENT?

### WE CAN GROW THE GLOBAL ECONOMIC PIE INSTEAD OF COMPETING ON THE SAME ONE

Following decades of growth, world trade in 2016 actually dropped to below the level prior to the global financial crisis of 2008. The world order that stood for peace and economic prosperity since the end of the Second World War is unraveling against a sea of self-interest, driven by disenchantment at the grass root level. The democratic process is the ultimate test of the alignment of policies created by global leaders with the aspirations of those citizens they represent, and there is little doubt that it is being severely tested at present.

The failure to present a balanced global economic solution results in blaming protectionism as the main reason for the

failure of globalization policies. Thus, when policies do not deliver the aspirations of the many, the electorate loses confidence in their leaders and pursues divergent ideas.

While many of the world's communities believe that democracy is the best guide for how to better live with each other, economic well-being remains a common priority within all our societies.

The big question is where do we start? First we must enlarge the global economic "pie" as a prerequisite to deliver a solid and balanced global economic solution. Accordingly, our world can be divided in three distinct economic communities;

In the high-income countries (HIC) where fifteen percent 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-income countries (MIC) and low-income countries (LIC), birth rates are high, the 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.

**YVES LETERME**  
Prime Minister of Belgium  
2008, 2009-2011



The facts are clear, high-income countries are challenged to open their borders wider. The only and 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 only and strongest choice for the mid and low-income countries is to commit to business excellence. Achieving efficient and transparent operations, de-risking business with mid and low-income countries, will attract national and international investments and result in greater buying power.

The Digital Economy is the tool to connect our economies and to de-risk business transactions between nations. In this way we can rebalance the world economy resulting in enlarging the global economic pie instead of competing on the same one that we have today.

In fact, according to leading global experts, a 1% increase in buying power for the mid and low-income countries represents a USD 166 billion increase in global GDP. Therefore, if we are to meet sustainable growth targets, we must focus attention on the real economy of manufacturing, agriculture and the services that support them and provide the right tools to help those at the ground level of the real economy to compete and expand into new markets. The alternative to this strategy is to continue to focus on trade, monetary and fiscal policy as well as risky financial engineering to stimulate demand despite these tools failing to deliver sustainable and equitable benefits for all.

Considering that almost two-thirds of employment is created by SMEs, it is logical that if SMEs are given the tools to be more productive to stimulate the real economy, the dissatisfaction expressed recently at the ballot box in many G20 countries can be mitigated. Therefore, by generating more wealth at the ground level, we can re-energize the democratic process and steer the agenda away from isolationist policies back to an inclusive agenda, based on open and fair trade.

It is incumbent on all global leaders to instill a sense of hope in our youth through the implementation of a mechanism for fair exchange. It is not about giving aid anymore, we must provide the right tools to the young and entrepreneurial to rapidly grow the global economy thereby provide benefits to all.

So, if the solution is that simple, what are the right tools to get the engine of the global economy humming again? The answer lies in the Digital Economy, which has been adopted by G20 Leaders under the 2016 G20 China 'Blueprint on Innovative Growth as a new agenda encompassing policies and measures in and across the areas of innovation, the new industrial revolution and the Digital Economy.' However, what is the Digital Economy and what part of it should we focus on to obtain the maximum benefit?

The current trend for the Digital Economy includes robotics, Artificial Intelligence (AI), the Internet of Things (IoT) and augmented/ virtual reality, but what use are these technologies to boost low market demand? Also, how do these technologies benefit SMEs around the world?

In short, we must focus digital innovation on the sector that provides the most benefit to the world, the USD 140 trillion B2B marketplace. By providing participants with digital tools to increase their efficiency, gain greater access to finance and insurance and join global value chains, we can de-risk trade between nations towards achieving sustainable global economic growth. The result will be a fairer, more open society, founded on fair trade with benefits to all, as envisioned by global leaders in the latter half of the 20th century, rather than the current reversionary policies and inequitable situation in the world today.

**THE DIGITAL ECONOMY IS THE TOOL TO  
CONNECT OUR ECONOMIES AND TO DE-RISK  
BUSINESS TRANSACTIONS BETWEEN NATIONS.**

Authored by: **G20 Editorial**

## WHAT ARE THE REQUISITES THAT WE NEED TO LAUNCH THE REAL DIGITAL ECONOMY?

Despite the G20 Leaders' recent communiqués setting forth the Digital Economy as a key policy directive, we must ask ourselves, why Information Technology has not been able to deliver the required tools to achieve sustainable economic growth?

The inclusive answer to the above can be identified by addressing the following three questions:

- First - What type of information are we using today?*
- Second - Who can provide the required technology tools?*
- And Third - What is the cost of the proposed tools?*

**First** — In the information world there are many kinds of data quality surrounded by two extremes; One extreme is the Non-Validated Data (NVD) that is provided by a single source without validation. The second extreme is the Ultimate Data Quality (UDQ) provided to initiate an action in the real world validated through multiple sources of data in the same pipeline. Today the world of Information Technology is mainly reliant on the NVD and less reliant on UDQ. The question remains, where can we find the UDQ?

The UDQ exists in the logistics industry that is at the core of our real economy. To most people when we mention logistics, the first thing that comes to their minds is a truck; however the logistics industry has been under-estimated for a long time and still is today. Yet it holds the gold mine of data that the world is looking for, elevating information to a completely new high level thus Empowering the Digital Economy.

**Second** — Since the required tools to achieve sustainable economic growth are of national security importance for any nation, not one firm, country or region alone can provide the Digital Economy tools required to unleash their true potential.

Such tools must be built, deployed and governed by a global coalition of organizations for the benefit of all, thereby offsetting geopolitical, monopolistic and data privacy concerns.

Furthermore, the digital tools must be implemented by a trusted technology network and be continuously available, free of cost to end users. Currently the technology industry is capable of providing the technical knowhow but it lacks the organizational structure, business model, comprehensive value proposition and deployment plan required.

**Third** — The available business models in the market place, whether transactional, subscription or seat, do not work. These models must be free of cost to the end user and yet sustainable.

Currently 26 of the world's leading firms in the IT sector generate USD 600 billion annual revenues and employ nearly 2.7 million people. The systems they produce are vertical in nature and offered under high cost, exclusionary business models, such as license fees, seat fees and regular upgrade and maintenance charges.

These factors are keeping the B2B marketplace from maximizing on what technology offers today, because the core of the global economy, SMEs, are unable to afford the high-end vertical systems currently produced.

According to the G20 Nations' Case Study, a diagnostic assessment of trade efficiency based on what technology makes possible today, 90.4% of businesses do not have an integrated digital system. Similarly, 94.5% of respondents commonly agree on the type of digital tools that are necessary to do a better job on the ground level. This study was undertaken in conjunction with 71 government ministries, industry associations, academia and private sector experts.

The Case Study illustrates that the Technology industry serves less than 10% of the total market place since there is no integrated horizontal system that allows the end users to communicate efficiently.

Current market conditions, driven by the demographics of the world and high cost exclusionary business models, are not only limiting the IT sector's growth, they are contributing to sub-optimal growth in the global economy. Currently, the GDP of many of the world's leading economies is growing

around 1% to 1.5% year on year. Of this merely 0.25% growth is attributable to the 'productivity gains' that are closely associated with IT investments.

It is time for a re-think. The IT sector is now coming together under a global coalition to provide the digital tools through a horizontal Digital Economy Platform for the B2B marketplace, delivered free of cost to the end user. As mentioned by Prime Minister Yves Leterme, the IT sector will better connect and de-risk trade between the high, mid and low-income countries, thereby increasing the buying power of businesses in mid and low-income countries, and benefit from the resulting enlargement of the global economic pie. The projected outcomes by digitizing the B2B marketplace includes a growth in global GDP by 17% and the creation of nearly 300 million jobs by 2030. The current business models of the IT sector prevent realization of the foregoing.

This Digital Economy Platform provides a new business model by sharing e-Commerce, e-Finance and e-Insurance revenues with the technology firms who will maintain and enhance the thousands of Apps demanded by 94.5% of the trade participants without an integrated system. Thereby boosting efficiency and transparency, at no cost, in much the same way that search engines and social media platforms are provided today.

The Technology Industry will be able to more than double their EBIT through this new business model and expand sales to existing vertical system customers. In addition, the increase in the buying power within the B2B market place will result in greater demand for more technology products and services.

We are pleased to announce that 26 of the world's leading technology firms have executed strategic agreements to be selected under an equal opportunity process to form a global network that will deploy the digital trade tools, making the Digital Economy a reality.

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**NOT ONE FIRM, COUNTRY OR REGION ALONE CAN PROVIDE THE DIGITAL ECONOMY TOOLS REQUIRED TO UNLEASH THEIR TRUE POTENTIAL**  
”

**CAPTAIN SAMUEL SALLOUM**  
Co-Chairman, GCEL

