



**The Executive Talk Series
Global Briefing Report**

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Women in Finance

Embracing a
Female Future



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PRIME MINISTER · PREMIER MINISTRE

Message from the Prime Minister of Canada

On June 8 and 9, leaders of the G7 will come together in Charlevoix, Quebec, to address the challenges and opportunities of an increasingly complex and global world.

We live in a time of rapid change. Automation, technological breakthroughs, and global free trade have ushered in an era of unprecedented prosperity. We can point to GDP growth and show that the world is more prosperous than ever before. But economic indicators, however positive, fail to capture the rising uncertainty of many people who are worried about their prospects and their children's futures.

While the global economy has grown, not all people have felt the benefits equally. As leaders of the G7, we share a fundamental responsibility to stimulate economic growth that benefits everyone, and in particular those most at risk of being left behind. In Charlevoix, we will embrace this challenge head-on by focusing on policies that grow the middle class, create good jobs, and address rising income inequality.

These policies are at the heart of Canada's G7, which focuses on creating growth that works for everyone; preparing people for the jobs of the future; promoting gender equality and women's empowerment; working together on climate change, oceans, and clean energy; and building a more peaceful and secure world.

We face significant challenges as a world today, and none of us can solve these problems alone. As part of our outreach efforts, we will welcome the leaders of countries outside of the G7 and our multilateral partners to join our discussions and support ambitious joint initiatives.

Together, we must help people adapt to the changing nature of work, while removing barriers that have disproportionately held back women and other marginalized groups. Recognizing that girls' education has a key role to play in resolving global challenges, we will promote women and girls' education in crisis and conflict situations. By ensuring girls and women have equal access to quality education and meaningful opportunities for the future, we can grow strong economies that work for everyone.

We must also find ways to eliminate ocean plastic pollution and other threats to our coasts and oceans, while adapting to our changing climate and making a sustainable future a reality. We must remain beacons of democratic principles and human rights, and continue to work together to meet the complex and global security challenges of today's world.

I look forward to welcoming leaders to beautiful Charlevoix where we will showcase the best Canada has to offer, as we work toward a future that puts people first and delivers progress for everyone.

Sincerely,

Ottawa
2018



THE BIRTH OF A NEW DIGITAL ECONOMY INDUSTRY

Achieving Real Economic Integration

Today we witness millions of Small and Medium Enterprises (SMEs) pursuing their passion, nurturing the craftsmanship of their employees, and building close relationships with customers. These SMEs support families and provide nearly 60 percent of global employment. As the backbone of our global economy, SMEs face numerous challenges, from the continuous battle to stay competitive, comply with regulatory requirements, secure finance, manage operational and trade costs as well as selling products to new markets – the obstacles are many. Yet, given the challenges for these businesses to produce even the simplest of products, it is a wonder they survive in today's competitive environment.

Therefore, if we are to build our economic base throughout the world, we have a duty to support our SMEs with innovative policies and tools to ensure their prosperity.

This challenge was recognized by the countries of the OECD in the late 1990s and resulted in a conference of Ministers responsible for SMEs hosted by the Italian government in June 2000. Nearly 50 member and non member countries attended. They adopted the Bologna Charter for SME policies. Italy was a logical choice because northern Italy in particular has been the breeding ground for many entrepreneurial SMEs which have successfully penetrated global markets for their products.

However, much of the focus was on issues such as developing suitable cross border dispute mechanisms which were too cumbersome and costly for most SMEs.

At that time we could hardly imagine the incredible potential for SMEs of the digital economy industry which lay beyond the horizon and which would completely revolutionize the B2B businesses of SMEs on a global basis. For most it was at best a dream unlikely to become a reality in the foreseeable future.

Today that dream is shared today by the G20 leaders who see it rapidly becoming a reality through the establishment of the G20 Digital Economy Development and Cooperation Initiative that includes creating enhanced digital inclusion within the global value chains for SMEs. While the period of rapid globalization during the past 30 years has lifted one billion people out of extreme poverty, we still have a long road ahead of us in the journey to develop greater inclusiveness that is key to achieving sustainable prosperity at every level within our societies.

It is now an imperative for leaders around the world to re-envision the future of our global economy and to work together by embracing the Digital Economy to transform it into one that truly connects and serves us all. Our journey must begin with understanding the significant demographic shifts over the past few decades that has impacted every nation across the globe today.

Honourable Donald Johnston

OECD Secretary General (1996-2006);
Minister of the Canadian Federal Government
(1980-1984) Chair Emeritus of the McCall
MacBain Foundation (Geneva)

High-income countries have declined during the last 35 years from 22 percent to around 15 percent of the world's total population. Their increased efficiency, low birth rates and aging populations have resulted in excess capacity with lower local market demand for the products and services they produce. In comparison, low and mid-income countries have experienced high birth rates and a youthful population, however, they currently have much lower salaries and higher trade costs than their counterparts, leaving them with weak buying power.

Accordingly, a major imbalance in our global economy has resulted, one that requires that we connect the strengths of our economies to achieve sustainable growth for all. By achieving greater efficiency and transparency, low and mid-income countries will de-risk and grow trade with the high-income countries, increasing their buying power, and providing high-income countries with new market opportunities.

The question remains, where do we start in today's 21st century digital era? While the current trend is to focus on artificial intelligence, robotics and internet of things, how do these innovations truly benefit the SMEs in the real economy of manufacturing, agriculture and the services industries that supports them?

The answer is we must digitize and de-risk trade within the global USD 140 trillion B2B marketplace to once again maximize the power of today's technology for the public good.

The use of technology has historically proven to create significant advancements when applied to connecting societies. For example, Indonesia once lagged behind the world in terms of telecommunications capability. With the advent of digital communications, Indonesia leap frogged ahead of the United States that had invested heavily in analog switches and copper wires. Hence, the use of technology has contributed significantly to Indonesia's economic growth becoming the 16th largest

economy in the world, representing a vast new market for the high-income countries.

The technology industry can once again drive a tremendous social impact in today's interdependent global economy by helping to de-risk trade and build the purchasing power of mid and low-income countries towards rebalancing the world economy. Otherwise, who will be left to buy the goods and services produced by high income countries in 20 to 30 years?

Since trade is a horizontal process involving 19 industry trade clusters, harnessing the potential of the digital economy by digitizing our global value chains is key to escaping the low growth and low productivity trap in which the global economy is caught. Accordingly, there is a tremendous opportunity for the

**WE MUST DIGITIZE
& DE-RISK TRADE
WITHIN THE GLOBAL
USD 140 TRILLION B2B
MARKETPLACE**

world's technology firms to partner together under one roof and develop new processes and business models towards building the applications demanded by the real economy participants at the ground level.

Therefore, the use of technology to create greater trade efficiency and transparency can de-risk doing business, reduce excess trade costs and ease access to finance and insurance that will grow trade and build the buying power of the mid and low-income countries, thus creating new loyal consumers for the high-income countries. By harnessing the power of new digital technologies, it is estimated that the world can add as much as

17 percent to its GDP by 2030. The enormous benefits of the Digital Economy are undeniable.

The use of new digital tools for trade can also maximize physical infrastructure capacity utilization which has been proven successfully by Germany where it regularly reaches the world's top rankings in trade efficiency. When applied to our global value chains, today's technology can provide a self-monitored dashboard to ensure the transparency and visibility of trade related information for the private and public sectors to prioritize investments and maximize their economic returns. In all, new Digital Economy tools increase competitiveness and grow global trade.

It is important to note that the cost of technology must not hinder its adoption since SMEs cannot afford the high cost of vertical systems in use today. Therefore, we must ensure that these new digital tools are made available at no cost to the end user through a sustainable business model, providing inclusiveness within our global value chains for our SMES to gain the prosperity which they deserve.

As the world moves to digitize its global value chains, we must recognize that one organization or one country cannot deploy the required digital solution due to geopolitical, monopolistic and data security concerns. For example, a balanced global governance and deployment structure must be in place to ensure the data owner's data is only exchanged with the express authorization of the data owner. In this way we can ensure a secure means by which to exchange our trade data and facilitate greater trade throughout the world.

Today, it is apparent that the digitalization of the B2B marketplace is key to the future sustainable growth for all nations, as it affects every aspect of public and private life.

The birth of a new Digital Economy Industry will re-energize the financial industry to grow trade and create millions of jobs led by our SMEs globally.

THE BIRTH OF A NEW DIGITAL ECONOMY INDUSTRY

A New Era of Trade Finance



As noted by Dr. Donald Johnston, the importance of SMEs' contribution to economic growth should not be underestimated. It is imperative to ensure that the world's SMEs have access to the credit they deserve to expand their business. Increasing the inclusion of SMEs in global value chains (GVCs) was highlighted at the 2017 G20 Germany Leaders' Summit and remains an objective we must continue to pursue.

However, can you imagine then that among our financial institutions throughout the world, many of them are letting go of their SME customers since they find that it is too expensive to continue doing business with them?

The irony is that the rules and regulations set forth after the Global Financial Crises to strengthen the foundation of the financial industry have placed huge constraints on our banking institutions to provide the necessary funding to our SMEs.

The World Bank's estimate of the SME credit gap is approximately USD 5.2 trillion, about 3% of the B2B market. However, this financing gap only recognizes the gap in SME trade financing compared to the actual applications

made - many potential borrowers do not apply for financing due to current regulatory requirements and strict lending criteria

Therefore, the question still remains, how can financial industry transform itself to deliver what the SMEs demand to achieve the economic prosperity required to reenergize the global economy?

The advent of the FinTech industry is but one example of the attempts to maximize on the power of today's technology. However, while many new technology-based competitors have entered the financial services marketplace over the last decade, few have survived. According to McKinsey & Company, "In the eight-year period between the Netscape IPO and the acquisition of PayPal by eBay, more than 450 attackers — new digital currencies, wallets, networks, and so on — attempted to challenge incumbents. Fewer than 5 of these challengers survive as stand-alone entities today. In many ways, PayPal is the exception that proves the rule: It is tough to disrupt banks."

These failures illustrate that such applications fail to address the comprehensive needs of all trade participants within the supply chains,

and these FinTech platforms represent another form of a fragmented vertical solution.

The lack of real-time shipment information and timely data of buyers, sellers, and the movement of goods results in high underwriting costs, perceived credit and transaction risks, as well as an ongoing burden of regulatory requirements, limiting the ability to expand trade finance, particularly into the SME sector.

These findings were evident through the G20 Nations Case Study of trade efficiency conducted by 90 G20 ministries, industry associations, academia and private sector experts following the collection of 1.2 million data points through face to face interviews. The results indicated that 90.4% of B2B participants have no integrated system and 94.5% want the Digital Economy Platform to reduce their trade and operating costs, ease access to finance and better connect with global markets to increase their trade.

The results also showed that the banking industry rated among the least integrated of the 19-industry clusters involved in the global value chains. The financial services industry has poor visibility over physical trade activities

and has to rely upon non-validated data to base its underwriting decisions.

The solution of an open access Digital Economy Platform, deployed by the world's leading technology firms provides an ecosystem of seamlessly integrated e-commerce, e-finance, e-insurance and e-logistics tools to the B2B marketplace, at no cost to the end users.

The main benefit of such an ecosystem allows the creation of the smart E-Finance matrix that will provide the dynamic scoring level needed to:

Mitigate Trade Finance Risk – by minimizing underwriter risk based upon borrowers' historic and future global trade finance activities.

Minimize Transaction Risk – by maximizing lenders' capability to electronically direct loan proceeds to the borrower's preapproved sellers of products and services.

Reduce Asset Recovery Risk – by ensuring the capability to seize assets in the trade pipeline for rerouting or liquidation to minimize asset impairment losses.

All of the above will expedite trade finance, enabling new global market expansion for the SMEs of the world.

The use of a Digital Economy Platform will reduce additional pressures that are stymieing growth. Such a platform will afford financial institutions with the opportunity to participate in a new USD 2.4 trillion e-finance industry providing:

▲ **Greater Visibility.** Seamless integration into the dynamic global trade financial activities and new market opportunities for banks, particularly SMEs in high, mid and low-income countries.

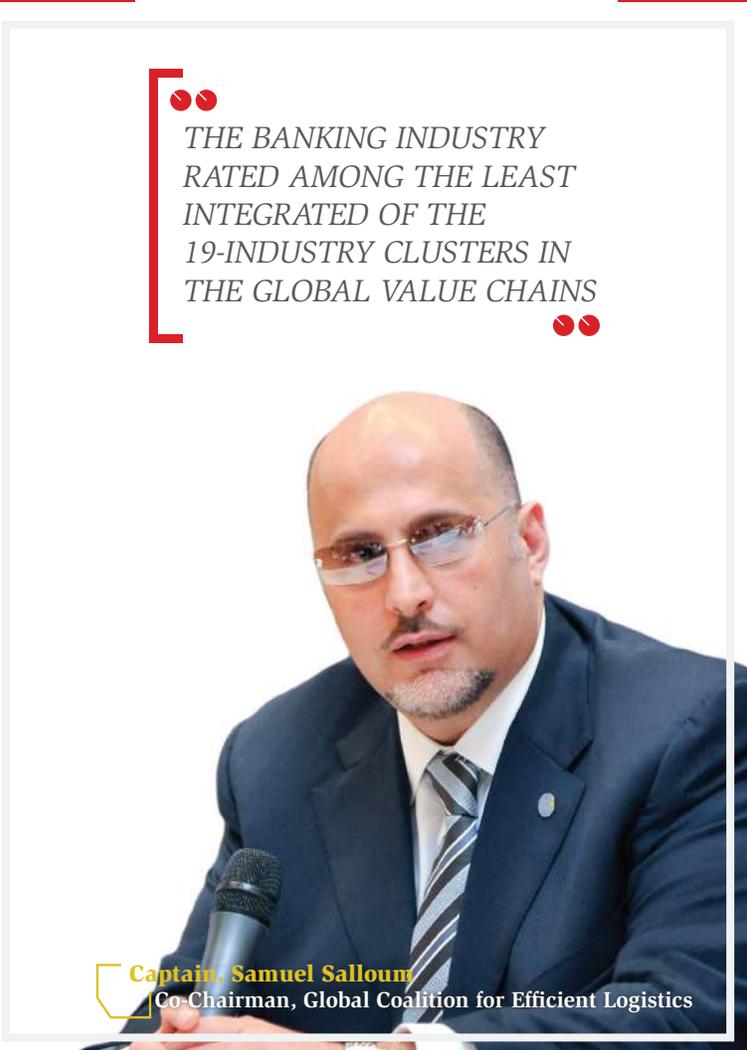
▲ **Improved Risk Management.** Real time and dynamic transaction monitoring resulting in better-informed decisions to manage the asset portfolio and achieve higher Tier One capital asset ratios.

▲ **Trade Finance Program Efficiency.** Access to a wide range of relevant trade information

shipments within the trade pipeline, customer forecasts, pricing, raw materials and market demands.

▲ **New Products and Services.** Expanded service revenue streams such as freight finance, inventory finance, receivables finance, bill consolidation, and foreign exchange-driven profitability.

THE BANKING INDUSTRY RATED AMONG THE LEAST INTEGRATED OF THE 19-INDUSTRY CLUSTERS IN THE GLOBAL VALUE CHAINS



Captain, Samuel Salloum
Co-Chairman, Global Coalition for Efficient Logistics

With SMEs struggling to access the financing they deserve, it is therefore incumbent upon policy makers and business leaders to adopt a paradigm shift and listen to the voice of the B2B participants on the ground to help get the financing of trade humming again.

Through a Digital Economy Platform, financial Institutions can integrate far more deeply within the B2B marketplace to link banking services dynamically to the physical movement of the product and all associated documents efficiently, thereby tapping into the power of SMEs.

The Digital Economy can promote an ecosystem that permits global integration of product and service offerings with the intelligent proficiency to match to targeted buyers. This environment must be based upon dynamic, validated real time information accumulated and continuously updated through the normal course of trade activities around the world and not based on unsubstantiated reviews and incomplete documentation currently in use today.

thereby mitigating credit and transaction risks to increase trade finance activity, job creation and "Aid for Trade".

▲ **Global Deployment of Supply Chain Finance.** Dynamically linking to the global supply chains, including the state of

The rise of the Digital Economy is the fourth industrial revolution, paving the way for the rise of a completely new era of trade finance, powering greater prosperity today and in generations to come.

CHARLEVOIX

Be charmed

DEEP IN CHARLEVOIX, LESS THAN AN HOUR AND A HALF FROM QUÉBEC CITY, NATURE'S HEARTBEAT BRINGS A LANDSCAPE TO LIFE. Echoing down green mountains and across crystal streams, it joins the rhythm of bustling village streets before mixing with the waves of the majestic St. Lawrence as it flows to the sea.

Whether you come for a cultural getaway, an epicurean adventure, or the chance to explore a natural world of limitless horizons, you will leave transformed by *the incomparable charm of Charlevoix.*



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