

# WORLD EXPORT DEVELOPMENT FORUM 2012

15-17 October - Jakarta, Indonesia

CONFERENCE REPORT



International  
Trade  
Centre

KEMENTERIAN  
PERDAGANGAN  
REPUBLIK INDONESIA

MINISTRY OF TRADE

LINKING  
GROWTH MARKETS:  
NEW DYNAMICS IN  
GLOBAL TRADE



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## FOREWORD

Ms. PATRICIA FRANCIS

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The 13<sup>th</sup> World Export Development Forum (WEDF) provided important insights into the current and, more importantly, future role of emerging markets in global trade. Despite their resilience and relatively stable growth, many developing countries have seen declines in exports to traditional markets in the developed world since the global economic crisis of 2008. In order to counterbalance this trend, many developing countries have begun to diversify their exports towards other developing countries and emerging markets.

South-South trade is thus no longer an aspiration, but a reality for many emerging countries. To maintain their growth trends, all developing countries and least developed countries (LDCs) need to do the same. However, the sustainable growth of South-South trade will require investments in new capabilities, trade facilitation measures, infrastructure and innovative solutions in trade finance.

The following are the main conclusions of the discussions and deliberations that took place in Jakarta, Indonesia from 15 to 17 October 2012:

- Countries today are trading not only in goods, but also increasingly in tasks – and this is only possible if they have the services to facilitate movements across borders quickly and efficiently. With this new model there are greater opportunities for small and medium-sized enterprises (SMEs) to join global supply chains: while they may not be able to export directly, they can feed into the supply chains of larger companies.
- While the notion of value chains is not new, value chains are shifting fundamentally in the light of changing consumer behaviour and preferences as the middle class balloons in emerging economies. The new demand for higher value-added products creates opportunities for even small nations to gain market access and benefit – so long as they are able to find niche sectors in which they can be competitive and where their companies can scale up.
- Trade is a necessary, though obviously not sufficient, condition of food security. It is indispensable in terms of the accessibility and affordability of food: the more obstacles to trade

there are, the more difficult it is to make affordable food available to all.

- Technological innovations in infrastructure services are important drivers for economic and social development.

Linking growth markets in Asia, Africa and Latin America will not only help to diversify the global trading system and bring new economic opportunities, it will also help to reduce poverty and inequalities across the world. ITC remains at the forefront of providing actionable information that increases the transparency of market regulations and trade flows which is vital for exporters to take advantage of opportunities in non-traditional markets.

I should like to thank the Government of the Republic of Indonesia and particularly President Susilo Bambang Yudhoyono and the Ministry of Trade which, under the leadership of Minister Gita Irawan Wirjawan, hosted WEDF 2012. I should also like to thank our partners, Switzerland's State Secretariat for Economic Affairs (SECO) and the Asian Development Bank (ADB), as well as private-sector contributors, without whose support we would not have been able to ensure the participation of delegates from many LDCs.

Over the years, WEDF has established itself as the most important global event for policymakers and business leaders to explore trade trends and prospects for emerging markets. We will continue the conversation at WEDF 2013 under the theme of *Export-led Employment Generation through the Integration of SMEs into Supply Chains*. SMEs represent the most labour-intensive part of most economies, so connecting them to global supply chains is the lynchpin of export-led job creation.

Let me use this opportunity to thank all of you for your support during my tenure as Executive Director of ITC and assure you that my colleagues are looking forward to your participation in WEDF 2013.

A handwritten signature in black ink, appearing to be 'PF'.

**Patricia Francis**  
Executive Director  
International Trade Centre

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# ACRONYMS

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ASEAN	Association of Southeast Asian Nations
ECOWAS	Economic Community of West African States
FDI	foreign direct investment
ICT	information and communications technology
ITC	International Trade Centre
LDCs	least developed countries
MP3EI	Master Plan for Acceleration and Expansion of Economic Development
NTM	non-tariff measures
PPP	public-private partnership
SECO	State Secretariat for Economic Affairs
SEZ	Special Economic Zone
SMEs	small and medium-sized enterprises
SPS	sanitary and phytosanitary measures
TBT	technical barriers to trade
TPO	trade promotion organization
TSI	trade support institution
UNCTAD	United Nations Conference on Trade and Development
WEDF	World Export Development Forum
WTO	World Trade Organization

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# SESSION SUMMARIES

15 October - DAY 1



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## WELCOME ADDRESS AND OPENING REMARKS



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### PANELLISTS

- **H.E. Mr. Susilo Bambang Yudhoyono**, President of the Republic of Indonesia
- **Ms. Patricia Francis**, Executive Director, International Trade Centre (ITC)
- **H.E. Mr. Gita Irawan Wirjawan**, Minister of Trade, Republic of Indonesia

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**H.E. Mr. Susilo Bambang Yudhoyono**, the President of the Republic of Indonesia, opened the thirteenth World Export Development Forum (WEDF), devoted to the theme: *Linking Growth Markets: New Dynamics in Global Trade*.

Welcoming delegates to the Forum, Ms. Patricia Francis, Executive Director of the organizing agency, the International Trade Centre (ITC), noted that the event took place at a time of political change in China, on the eve of the United States presidential elections, against a background of conflict and change in the Middle East, while the eurozone was still struggling with a deep economic and financial crisis, and while growth in industrialized countries continued to be slow.

One of the bright spots however, she continued, was the prospect for growth markets and South-South trade. A 2012 ITC paper forecasts an annual trade increase of up to 14% in exports from sub-Saharan Africa to Asia over the next decade, even if much of the growth – based on current trends – is due to oil and other commodities rather than value-added processed goods. The challenge for Africa's policymakers is to maintain the overall growth in exports to Asia, while moving up the value chain towards the export of processed goods. To increase their value-added exports to Asia and Latin America, African countries need to attract investment from these regions not only in extractive industries but also in manufacturing and integrate into the value chains of major multinationals based in these regions.

Ms. Francis added that sustainable growth of South-South trade required investments in new capabilities, measures to improve trade facilitation, infrastructure and trade finance. The expansion of growth markets has the potential to revolutionize world markets in the same way that trade revolutionized markets between developed nations in the 1950s and 1960s. The South needs to become a real partner rather than a bystander in the process. 'We know that trade benefits everyone, and now we have an opportunity to create a new model, one that breaks the cycle of dependency, is inclusive of women and the poor, and creates real and long-lasting partnerships.'

Indonesia's Minister of Trade, **H.E. Mr. Gita Irawan Wirjawan**, responding on behalf of the host country, noted that while the developed world accounted for about 60% of the world's gross domestic product (GDP) in the 1990s, the Organisation for Economic Co-operation and Development (OECD) expected this to be reversed in less than two decades: emerging countries would contribute 60% of global GDP by 2030, and Indonesia, as a trillion dollar economy, would play a major part in the transition. He said there were four key elements that would require a cohesive and prudent policy approach: recalibrating the global trade focus; finding new ways to further integrate growth markets into global trade; improving competitiveness and connectivity; and distributing the benefits of closer economic integration fairly. The Minister concluded that if countries could overcome obstacles in such areas as infrastructure development, trade finance, facilitation and connectivity, strengthening supply chains, adding value and meeting the demands of emerging consumers in growth markets, it would be possible to achieve efficiency and inclusive growth with positive spillovers beyond borders.





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**President Yudhoyono** stressed the growing importance of developing economies and in particular the so-called growth economies, in world trade. Their share in total world exports increased from 33% in 2001 to 46% in 2011. The share of world trade between developing countries, known as South-South trade, was expected to double in the next two decades, he noted. The drivers of global economic growth are increasingly to be found in the growth markets of the global South. The Government of Indonesia is facilitating the development of new export markets for its exporters in Africa, Latin America, Central Asia and other non-traditional markets. Increased trade, economic integration, specialization and the removal of barriers to the movement of goods, services, capital and people were major enablers of growth and job creation, he added.

Improvements in both hard and soft infrastructure are needed, and it is important not to underestimate the value of reforming trade facilitation services, for example customs and related enabling services such as ports, logistics, transport and distribution. Those are critical to the development of a conducive business environment in general and the enhancement of international trade in particular. The benefits of trade facilitation reforms were often higher than the benefits accruing from lowering tariffs, he said. The President referred to

a World Bank report finding that improving trade logistics by lowering transaction costs and increasing trade speed and predictability could enlarge global trade flows by some US\$ 468 billion annually.

In particular, he stressed the importance of tackling barriers to trade such as non-tariff measures (NTMs), which tended to be higher for South-South trade than for trade between developed and developing countries. He also argued for the integration of SMEs in developing and least developed countries (LDCs) into global supply chains. SMEs were the backbone of the economies of many poorer countries, he said, and required better access to information, technology, markets and finance.

The President also stressed the importance of trade in services, which were not only important in their own right in terms of value added, employment created and export earnings generated, but also crucial in their impact on the performance of other sectors, such as agriculture, mining and manufacturing. In this context, he highlighted the need to revive trade negotiations under the umbrella of the World Trade Organization's (WTO) Doha Development Round to reduce barriers, increase trade and economic development.

- 1 – Welcome dance
- 2 – H.E. Mr. Susilo Bambang Yudhoyono, President of the Republic of Indonesia
- 3 – The floor during the opening remarks
- 4 – Ms. Patricia Francis, Executive Director, ITC



- 1 – The floor during the welcome dance
- 2 – H.E. Mr. Gita Irawan, Minister of Trade, Republic of Indonesia

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## OPENING PLENARY

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# THE GROWTH MARKETS' POTENTIAL: WHAT THEIR EMERGENCE MEANS FOR THE FUTURE

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### PANELLISTS

- **H.E. Mr. Gita Irawan Wirjawan**, Minister of Trade, Republic of Indonesia
- **H.E. Mr. Yonov Frederick Agah**, Ambassador, Permanent Representative of Nigeria to the WTO
- **Mr. Pascal Lamy**, Director-General, WTO
- **Dr. Supachai Panitchpakdi**, Secretary-General, UNCTAD
- **Ms. Marta Lucia Ramirez de Rincon**, CEO, National Coalition for Colombian Production

### MODERATOR

- **Ms. Haslinda Amin**, Anchor, Bloomberg TV, Singapore

### GUEST

- **Mr. Heinz Walker-Nederkorn**, Ambassador of Switzerland to Indonesia, Timor-Leste and ASEAN
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The opening plenary was an open discussion moderated by Ms. Haslinda Amin of Bloomberg TV, Singapore. Participants covered areas such as the prospects for enhancing South-South trade, as well as constraints faced, including the problem of volatility in commodity and currency markets.

**Mr. Pascal Lamy**, Director-General of the WTO, told the Forum that growth in Europe, the United States of America and Japan should not be expected for five years, and emerging countries needed to ride the new dynamics of globalization, which were becoming increasingly South-South in orientation. There is a need for a change in the existing North-South mindset in trade negotiations, and in the future developing countries need to pay more attention to what is happening in other developing countries.

**Dr. Supachai Panitchpakdi**, Secretary-General of UNCTAD, said that South-South trade had been expanding rapidly and developing countries were exporting more to each other than to the rest of the world, although much of this trade was still concentrated in Asia. Much of South-South trade is in intermediate goods, with the final products



heading to the north. Thus some export-oriented economies in Asia are not doing well because they rely on global supply chains that depend on northern consumption. He expressed concern that different continents appeared to be caught in traditional roles: Latin America exporting food products, Africa minerals and raw materials and Asia manufactured goods. There is a need for diversification, addressing investment policies in different ways and tackling NTMs.

**H.E. Mr. Gita Irawan Wirjawan** discussed the difficulties Indonesia experienced in diversifying away from dependence on exports of natural resources. There could be, however, still good opportunities to move towards a more knowledge-based economy relying on exports. There is a need to focus on education if Indonesia is to move up the value chain. He noted that the country tended to export to other Asian countries, which were in turn dependent on exporting to Europe, so that the economic downturn in Europe had resulted in an inability to expand exports in the short term. Signs of economic improvement in the United States and Europe will be reflected in Indonesia.

**Ms. Marta Lucia Ramirez de Rincon**, CEO of the National Coalition for Colombian Production and former Minister of Trade, said that in recent years Colombia had seen strong growth in mining, and oil and gas, while more traditional exports had been growing at a slower pace. The Government is using royalties from oil and gas and mining to invest in innovation and education. There is also a need to support the agriculture, manufacturing and services sectors. While the country would not abandon its main market, the United States, it is looking to increase trade with other Latin American countries, taking advantage of its knowledge of markets and the common language.



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**Ambassador Yonov Frederick Agah**, the Permanent Representative of Nigeria to the WTO, said that Nigeria's high level of dependence on natural resources, and particularly oil and gas, meant that agriculture and manufacturing had declined over recent decades, along with transport infrastructure such as roads and railways. The Government is now using oil revenues to address these problems and support the private sector in areas like trade finance. The aim is to be a country friendly to foreign direct investment (FDI), with a more streamlined customs agency system, and to develop trade links in the Economic Community of West African States (ECOWAS) subregion, including a connectivity initiative creating a Lagos-Abidjan corridor and a coastal ferry system.

In subsequent discussions, **Minister Wirjawan** said more progress in breaking down trade barriers would have been made in Asia without the Asian financial crisis of 1998. The lesson learned is that patience is required and that results do not come overnight. He also raised the problem of price volatility in commodity markets attributable to speculative activity. For example, far more oil is traded on international markets every day than is physically consumed.

**Dr. Supachai** drew attention to the important work ITC was doing in trade intelligence, helping countries to understand the markets available to them, and also on NTMs. He said that for years efforts had been made to find ways of measuring NTMs, which were not always tangible. There is a need for a transparent system of NTM measurement with a focus on South-South trade. He pointed out that UNCTAD was working on an automated data system on customs operations. He agreed that speculation in commodity markets was a problem, while accepting the need for futures trading and

hedging. He did not believe that speculation was good for exchanges, and added that trade restrictions could create unpredictability in markets. There is a need for more transparency, and he noted the creation of the Agricultural Market Information System (AMIS) by the G20 and said he believed that what was required was a global governance mechanism that went beyond the G20 to coordinate matters such as quantitative easing. He expressed concern about the inflationary potential of excessive liquidity and said countries needed a policy-based system to manage capital flows.

**Mr. Lamy** said that improved rules were needed for trade in natural resources: in particular, on export restrictions, which were currently weakly regulated. He agreed that NTMs, and in particular the discrepancies between them, were hugely important as future obstacles to trade as tariffs themselves would become less significant. On the issue of speculation, Mr. Lamy said the WTO would like to see a more stable environment for trade, whether in commodities or currencies, but the problem was how to achieve it. One reason for volatility is that markets are not open. In some sectors there is a degree of cartelization. Responding to a question on ways to increase trade capacity, Mr. Lamy referred to the WTO Aid for Trade programme and said there was a need for a redirection of international development assistance. Aid for Trade could help LDCs understand and track markets.

Ms. Ramirez said South-South trade provided opportunities to improve and develop capacities. There is a role for governments in supporting innovation, increasing knowledge of markets, strengthening institutions, legal systems, logistics and transportation systems which are essential to

- 1 – Mr. Pascal Lamy, Director-General, WTO
- 2 – The panellists
- 3 – Ms. Haslinda Amin, Anchor, Bloomberg TV, Singapore
- 4 – Participants
- 5 – (l-r) Dr. Supachai Panitchpakdi, Secretary-General, UNCTAD; H.E. Mr. Gita Irawan Wirjawan, Minister of Trade, Republic of Indonesia



improve competitiveness. There is also a need for stable, long-term policies.

Following the plenary session, the Ambassador of Switzerland to Indonesia, Timor-Leste and ASEAN, Mr. Heinz Walker-Nederkoorn, was invited to address WEDF delegates in recognition of Switzerland's generous support in facilitating the participation of delegates from various developing countries and LDCs.

The Ambassador highlighted the need to address trade-related challenges using what he called the "3-Cs approach": compete, comply and connect. For companies to compete in international markets, supply capacities need to be enhanced through practical action, including innovation. Consumers and retailers demand reliable, transparent, and internationally recognized

information on production and processing methods. Institutions that can ensure quality and consistency in complying with international standards must be developed. Since value chains are increasingly global, improving production at the farm or enterprise level without progress in logistics and supply chain management is not workable.

The Ambassador concluded that, since trade development was a complex activity involving a diversity of players, concerted and coherent action was critical. He highlighted the need to involve the private sector in trade development and improve coordination between multilateral and bilateral technical cooperation. He emphasized Switzerland's commitment to partnerships with multi- and bilateral agencies and their priority partner countries, including Indonesia.

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## PLENARY SESSION I

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# TRADE FACILITATION: ENHANCING INTERREGIONAL AND INTRAREGIONAL TRADE

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### PANELLISTS

- **H.E. Mr. Rob Davies**, Minister of Trade and Industry, South Africa
- **Mr. Surin Pitsuwan**, Secretary-General, ASEAN
- **Mr. Salah Sharaf**, Director, Sharaf Group, United Arab Emirates
- **Mr. Peter Allgeier**, President, Coalition of Services Industries, United States of America

### MODERATOR

- **Ms. Valentine Rugwabiza**, Deputy Director-General, WTO
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The plenary discussion on trade facilitation was moderated by **Ms. Valentine Rugwabiza**, Deputy Director-General of the WTO. A lively discussion examined several aspects of the subject, including issues of hard and soft infrastructure investment, improving connectivity and reducing costs to increase inter- and intra-regional trade flows.

**Mr. Surin Pitsuwan**, Secretary-General of the Association of Southeast Asian Nations (ASEAN), said that trade between member countries of ASEAN was currently rather low, and the only way to increase it was through the integration of SMEs. To do this SMEs need access to markets, finance and technology. There is a need to improve logistics and infrastructure in the region, enhance connectivity and bring greater harmonization to rules, regulations and standards. If the member countries can do this they will be able to widen production and distribution networks and also become more integrated into the global economy. Greater connectivity will spur imports and exports which currently suffer costly delays that reduce trade flows. He also noted that one result of the global economic slowdown was a tendency to apply NTMs. ASEAN is urging countries to resist this tendency.

**H.E. Mr. Rob Davies**, South Africa's Minister of Trade and Industry, said that Africa had much to learn from Asia in regard to economic integration. Africa currently accounts for only 3% of global



trade and only 1% of world manufacturing. Although growth in Africa is encouraging, the pattern of development needs to change in the next decade. African countries should not just be producers and exporters of primary products; they need to move up the value chain. They also need to understand the importance of intraregional trade, currently accounting for only 10% of total trade compared to 25% in Asia. Looking at the broader picture, there is a need to develop supply capacity, based on economic diversification, and then to address the problems of hard and soft infrastructure – although the Minister said the two were too intertwined for a real distinction to be made between them.

**Mr. Salah Sharaf**, Director of the shipping company Sharaf Group, United Arab Emirates, described how Dubai had achieved its position as a trade hub for Asia, the Middle East, Arab countries and Africa. He said there were four key elements guiding decisions on investment. The first of these concerns rules, laws and regulations: countries need to be liberal and open, and welcome foreign investment. The government needs to be transparent and predictable, with no hidden agreements or personal interests. As regards infrastructure, development should focus on both cargo and people. Mr Sharaf cited the examples of the Dubai free zone, which had attracted some 7,000 companies to the area, and Dubai airport, which currently was being used by more than 100 airlines. The third imperative is security, both internal and external. Countries need to develop good relations with the international community. Finally, Mr. Sharaf emphasized the importance of people: there should be no discrimination by gender, nationality or religion. People of more than 180 nationalities currently live in Dubai. Governments, he summed up, had a major role to play in investing in infrastructure and opening the doors for development .



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1 – (l-r) Mr. Peter Allgeier, President, Coalition of Services Industries, United States of America; Mr. Salah Sharaf, Director, Sharaf Group, United Arab Emirates  
 2 – Mr. Surin Pitsuwan, Secretary-General, ASEAN  
 3 and 4 – The floor during Plenary session I

**Mr. Peter Allgeier**, President of the Coalition of Services Industries of the United States of America, said it was important to talk about trade facilitation. In contrast to the classical model in which an item was produced in one country and exported to another, production processes have become disaggregated, with components and manufacturing processes being combined from suppliers all over the world as well as within subsidiaries of a single multinational. Thus countries are no longer trading in goods but in tasks. For this model to work, companies need to be able to move items across borders quickly and efficiently, relying on an efficient and transparent customs infrastructure. This model also provides opportunities for SMEs to join the global production system and become exporters. Most SMEs cannot export directly, but they may be able to feed into the global supply chains of larger companies. Mr. Allgeier stressed the importance of the internet and electronic communications, and also of attacking corruption.



Mr. Davies commented that while he agreed that trade facilitation was an important issue, it would not solve all the problems of the international trading system. He characterized Mr. Allgeier's vision as being too close to that of transnational corporations which might not be ideal for developing countries at the bottom of the global value chain. It is not a matter of only customs services operating smoothly, but more of industrial policy, training, education and skills. He stressed that it was important to recognize the huge challenges they faced and also the damaging distortions to global agricultural markets brought about by subsidies and tariffs in the developed world.

Mr. Allgeier agreed with Mr. Davies but emphasized the fact that trade facilitation was an important prerequisite for moving up the value chain. He added that capacity building was also important, providing the knowledge and capability to take advantage of opening markets. Some private companies have the knowledge and willingness to provide and develop capacity, and this is a resource to be tapped.

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## PARALLEL INTERACTIVE SESSION I

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# GOOD PRACTICES IN PPPs: FINANCING AND OPERATING INFRASTRUCTURE PROJECTS AND HOW THIS SUCCESS CAN BE REPLICATED

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### PANELLISTS

- **H.E. Mr. Dagobert Banzio**, Minister of Commerce, Côte d'Ivoire
- **Mr. Freddy R. Saragih**, Director, Centre for Fiscal Risk Management, Fiscal Policy Office, Ministry of Finance, Republic of Indonesia
- **Mr. Ferdinand D. Tolentino**, Deputy Executive Director, Public-Private Partnership Center, Philippines

### MODERATOR

- **Mr. Noke Kiroyan**, Chairman, International Chamber of Commerce, Republic of Indonesia
- 

*1 – H.E. Mr. Dagobert Banzio,  
Minister of Commerce, Côte  
d'Ivoire*

**Mr. Noke Kiroyan**, Chairman of the International Chamber of Commerce, Indonesia, who moderated the session, said he was inspired by the trend in developing countries to look to private-public partnerships (PPPs) to bridge the gap between available public resources and infrastructure needs, and to ensure that infrastructure services were delivered as efficiently and cost effectively as possible. Despite their potential, however, PPPs are highly complex policy instruments and must not only be fully understood, but also professionally implemented and managed if they are to deliver on their promise. There had been as many failures as successes in implementing PPPs across the world, he said.

**H.E. Mr. Dagobert Banzio**, Minister of Commerce of Côte d'Ivoire, told participants that his Government had taken steps to develop and promote PPPs, including the establishment of a legal and regulatory framework to provide security to private investors; introduction of dispute settlement mechanisms which encouraged the use of arbitration on PPP conflict resolution; establishment of an institutional framework – a National Steering Committee in charge of implementing and promoting PPPs; improvement of fiscal policy; and simplification of the business registration process for SMEs. Currently, PPP projects in Côte d'Ivoire cover the



water and sanitation, energy/electricity, road infrastructure and industry sectors. Mr. Banzio identified key success factors of PPP projects as the ability to find the right partners, a clear definition of the project scope, correct upfront costing, and political stability. He also emphasized that it was important to ensure that the PPP project was endorsed by its beneficiaries.

**Mr. Ferdinand D. Tolentino**, Deputy Executive Director, Public-Private Partnership Centre of the Philippines, said that important factors to keep in mind were the criteria used to select projects for PPPs, their prioritization, inclusion of the projects in national development plans and their commercial and environmental viability. He said that unsolicited proposals might be accepted for evaluation if they involved a new concept or technology and did not call for a direct government guarantee or equity. He added that recommendations were being considered by the Government of the Philippines to improve the processes for dealing with unsolicited proposals.

**Mr. Freddy R. Saragih**, Director in the Fiscal Policy Office of Indonesia's Ministry of Finance, described his country's MP3EI Master Plan as a PPP business model. The aim is to develop infrastructure in nine sectors, with between 20% and 25% of funding coming from the private sector. He explained that two types of agreement were usually negotiated: a guarantee agreement between the Government and the contracting agency and a co-guarantee agreement between the contracting agency and private investors. The Government's aim was to achieve transparency and clarity on PPP procedures, he said, adding that bilateral negotiations were rarely undertaken, except when linked with bilateral aid.



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1 – Ms. Marta Lucia Ramirez de Rincon, CEO, National Coalition for Colombian Production

2 – Mr. Ferdinand D. Tolentino, Deputy Executive Director, Public-Private Partnership Center, Philippines

3 – The floor

4 – Mr. Freddy R. Saragih, Director, Centre for Fiscal Risk Management, Fiscal Policy Office, Ministry of Finance, Republic of Indonesia

5 – Mr. Noke Kiroyan, Chairman, International Chamber of Commerce, Republic of Indonesia

## CONCLUSIONS

- Governments are attracting private financing for projects by establishing a predictable legal and regulatory framework including for dispute settlement, and by proper identification of projects which are needs-based, financially and economically sound, while also viable technically and environmentally.
- Projects should be awarded transparently through a competitive process.
- Financial guarantees reduce the risk exposure of both the contracting agency and the private sector counterpart.
- There are increasing instances of government grants for socially desirable projects.
- There is a limited role for unsolicited proposals. These are considered only if they involve a new concept and technology that only one company may be able to provide. However, rigorous standards should be put in place to deal with such proposals, which should be the exception rather than the rule.





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## PARALLEL INTERACTIVE SESSION II

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# FROM BUSINESS CONCERNS TO POLICY ACTION: OVERCOMING NON-TARIFF OBSTACLES TO TRADE



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### PANELLISTS

- **H.E. Mr. Pan Sorasak**, Secretary of State, Ministry of Commerce, Cambodia
- **Mr. Stefan Bederski**, Director and General Manager, Agro Export Topara, Peru
- **Mr. Lucas Murenzi**, Commercial Attaché, High Commission of the Republic of Rwanda, Singapore

### MODERATOR

- **Mr. Anders Aeroe**, Director, Division of Market Development, ITC
- 

*1 – Mr. Lucas Murenzi, Commercial Attaché, High Commission of the Republic of Rwanda, Singapore*

The parallel session focused on the issue of NTMs, and was moderated by **Mr. Anders Aeroe**, Director of ITC's Division of Market Development. NTMs are of particular concern to exporters and importers in developing countries, for whom they can represent a major impediment to international trade and market access. Exporting companies seeking access to foreign markets and companies importing products need to comply with a wide range of requirements, including technical regulations, product standards and customs procedures. Many of these are not intended to be trade barriers; in fact some are often imposed by the exporting country.

**Mr. Stefan Bederski**, Director and General Manager of Agro Export Topara, Peru, told the session that exporting his company's products to the United States and Germany involved extensive paperwork and a time-consuming, bureaucratic process. He said it was particularly challenging for small Peruvian companies such as his to comply with the new United States food safety laws. His response to the NTM problem was to focus on capacity building for his staff, and maintain close contact with the trade promotion organization (TPO) PromPerú and his trading partners. He said he believed that there was a need for collaboration between the public and private sectors, that

guidelines, protocols and standards for exporters should be provided online, and that exporters needed government support in addressing NTMs.

**Mr. Lucas Murenzi**, Commercial Attaché at the Rwandan High Commission in Singapore, said his Government had realized there was a gap between public and private sector perceptions regarding NTMs. To address this, a public-private dialogue has been established to involve the private sector in policy formulation. The Government accepts the fact that the private sector needs to be supported in complying with NTMs, through capacity building and information provision.

**H.E. Mr. Pan Sorasak**, Secretary of State at Cambodia's Ministry of Commerce, told the participants that Cambodia, as a major agricultural food exporter, needed to comply with measures applied by importing countries in order to compete internationally. Describing the challenges his country faced, he said it was only at the beginning of the process of introducing sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) measures. He emphasized the importance of awareness building among would-be exporters, adding that the cost of compliance with importers' requirements was often prohibitively high for enterprises. Looking ahead, he said Cambodia was seeking technical assistance to put in place domestic infrastructure that would allow easier compliance with international SPS and TBT regulations, and had established private sector forums and working groups to discuss business needs.

During the session the audience was briefed on ITC's ongoing initiative to conduct surveys on NTMs among businesses in more than 20 countries. The survey covers both exporting and



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1 – Mr. Stefan Bederski, Director and General Manager, Agro Export Topara, Peru  
 2 – The panellists  
 3 and 4 – The floor

importing companies, identifying and analysing the issues they face. In the 18 countries where the surveys had been concluded by the time of the Forum, it appears that more than half of the issues identified are domestic in nature, imposed by the government of the exporting companies.

## CONCLUSIONS

- Small businesses can face a variety of barriers related to NTMs ranging from labelling requirements to safety and sanitary measures, as well as problems with changing rules and regulations and time-consuming inspections.
- The private sector itself can mitigate the effects of NTMs by actions such as timely preparation of documents and providing detailed product descriptions to avoid confusion at Customs.
- Buyers, suppliers and policymakers have a shared responsibility to address NTMs.
- Public-private dialogue can help enterprises to deal with NTMs and policymakers to support them.



## ENABLING SERVICES: THE CRITICAL ROLE OF INFRASTRUCTURE SERVICES IN ENHANCING OVERALL COMPETITIVENESS

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### PANELLISTS

- **Mr. Peter Allgeier**, President, Coalition of Services Industries, United States of America
- **Ms. Rapelang Rabana**, Global Head of R&D, TelFree Group of companies, South Africa
- **Mr. R.J. Lino**, President Director, Indonesia Port Corporation, Indonesia
- **Mr. Robert de Souza**, Executive Director, The Logistics Institute, Singapore

### MODERATOR

- **Ms. Ninasapti Triaswati**, Economist and member of the National Economic Committee, Republic of Indonesia
- 

1 – Ms. Rapelang Rabana,  
Global Head of R&D,  
TelFree Group of companies,  
South Africa

The interactive parallel session on enabling services was moderated by **Ms. Ninasapti Triaswati**, a member of Indonesia's National Economic Committee. Infrastructure services, such as telecommunications, ports and roads, energy and financial services are fundamental to the competitiveness of the entire economy. They represent a major element of global GDP and trade. The United Nations Conference on Trade and Development (UNCTAD) estimates that infrastructure services contribute 20% of global GDP, with the proportion reaching 37% or more in developed economies such as the United States. They also generate 10% of global employment.

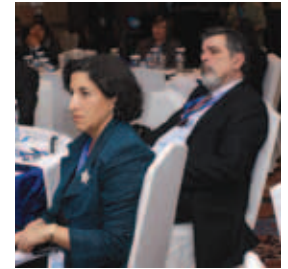
**Mr. Peter Allgeier**, President of the Coalition of Services Industries in the United States, said that services were one of the prime determinants of a country's competitiveness and, therefore, its overall ability to grow and provide jobs. Infrastructure services include banking, insurance, accounting, telecommunications, express delivery, logistics, ocean shipping, energy services, retail, wholesaling – as well as internet providers. All economies need efficient services to be competitive in today's global economy, especially if they are to plug into the international supply



chains that increasingly dominate international trade. Successful trading companies and countries recognize that free cross-border data flows are vital to their competitiveness and their export growth. The question was what government policies best promoted the opportunities created by the internet, Mr. Allgeier concluded.

**Ms. Rapelang Rabana**, Global Head of Research and Development at the South Africa-based TelFree Group shared the view that services were crucial as enablers. She quoted research statistics that suggested that a 1% increase in telecommunication led to a 10% increase in GDP. The liberalization of the telecommunications market in South Africa highlighted the importance of four key issues: interconnection, tariff regulation, access to scarce resources and anti-competitive practices. For Ms. Rabana, access to scarce resources is arguably the most important of these and includes access to infrastructure. There was a need to create a level playing field to facilitate the entry of new players and businesses that drove innovation, she added.

**Mr. Robert de Souza**, Executive Director of the Logistics Institute, Singapore, addressed three issues: how to attract FDI for logistics infrastructure, how robust the infrastructure was in the face of disruptions such as those of the global supply chain brought about by natural disasters, and finally, the importance of producing the right talent for the industry. He explained that the Logistics Institute had developed a new approach to measuring logistics performance: a logistics capability index. The index is based on the World Bank Logistics Performance Index and addresses factors of responsiveness and costs. The analysis allows countries to determine key performance factors.



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1 – The panellists  
 2 – The floor  
 3 – Mr. Robert de Souza, Executive Director, The Logistics Institute, Singapore  
 4 – The floor  
 5 – Mr. R.J. Lino, President Director, Indonesia Port Corporation, Indonesia

**Mr. R. J. Lino**, President Director of the Indonesia Port Corporation, said that the Corporation was actively pursuing the development of the country’s ports by focusing on hard and soft infrastructure at the same time. Soft infrastructure includes improvement of skills in handling and working methods. As regards hard infrastructure, the port authority is expanding surfaces and creating new transport corridors as well as new facilities, particularly in the less developed eastern part of the country.

## CONCLUSIONS

- An enabling regulatory environment must be created to promote infrastructure services.
- Governments must promote innovation.
- An effective way of boosting infrastructure services is to set up a coalition bringing together the main industry stakeholders,

- who may, through a public-private dialogue mechanism, identify the most important areas where interventions are required.
- The logistics infrastructure depends heavily on the supply of talent, which is part of the soft infrastructure. Education programmes need to be aligned with business needs in a rapidly transforming sector.
  - Technology innovations in infrastructure services are important drivers for economic and social development. In Kenya, new mobile applications allow for financial transactions by entrepreneurs in the informal sector who do not have bank accounts.
  - The internet is a key service enabler. Freedom and openness are vital to leverage the benefits of the internet as a logistics service. Security-related concerns should not automatically lead to regulation and control by government, but to solutions that are not detrimental to business.

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## GENERAL SESSION

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# INDONESIA'S PLAN FOR CONNECTIVITY: THE MP3EI PROJECT, A GOOD PRACTICE SHOWCASE



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### PANELLISTS

- **H.E. Mr. Ir. Lukita Dinarsyah Tuwo**, Vice-Minister of National Development Planning and Chairman, National Development Planning Agency, Republic of Indonesia
- **Mr. Edimon Ginting**, Senior Country Economist, Indonesia Resident Mission, Asian Development Bank

### MODERATOR

- **Mr. Djisman Simandjuntak**, Economist and member of the National Economic Committee, Republic of Indonesia

1 – (l-r) H.E. Mr. Ir. Lukita Dinarsyah Tuwo, Vice-Minister of National Development Planning and Chairman, National Development Planning Agency, Republic of Indonesia; Mr. Djisman Simandjuntak, Economist and member of the National Economic Committee, Republic of Indonesia  
2 – Mr. Edimon Ginting, Senior Country Economist, Indonesia Resident Mission, Asian Development Bank

The General Session was moderated by **Mr. Djisman Simandjuntak**, a member of the Indonesian National Economic Committee, who presented a case study of good practice in trade facilitation. Indonesia's Master Plan for Acceleration and Expansion of Economic Development (MP3EI) is an ambitious 15-year strategy, launched in 2011, that aims to promote sustainable economic growth in the country by improving infrastructure across the archipelago and connecting the country to the world.

**H.E. Mr. Ir. Lukita Dinarsyah Tuwo**, Indonesia's Vice-Minister of National Development Planning and Chairman of the National Development Planning Agency, presented the initiative to delegates. He recalled that over the past three years, Indonesia had been growing at an average annual rate of more than 6% despite the global economic crisis. However, growth is currently concentrated in the islands of Java and Sumatra, and the Indonesian Government has concluded that to sustain and expand growth it needs to spread development to other regions. As an archipelago with 6,000 inhabited islands, connectivity within the country, as well as to the wider world, is vital for economic development.

MP3EI aims to facilitate more inclusive economic growth by establishing six economic corridors, focusing on 22 sectors, developing infrastructure in partnership with the private sector and removing bottlenecks to doing business by improving regulation. The sectors selected for each of the six

corridors reflect the economic potential of each region. Since the strategy was launched in 2011, several laws have been passed to promote private-sector investment, including laws on land acquisition, PPPs and information and communications technologies (ICTs). It is estimated that the total investment required to implement the initiative is around US\$ 50 billion. Infrastructure expenditure has been winning a growing share of Indonesia's budget since 2010, demonstrating government commitment to trade facilitation. Implementation of the strategy is subject to quarterly reporting on progress to the public, and there has already been significant progress: in 2011, two new special economic zones (SEZs) were established focusing on palm oil and tourism. To support the new SEZs, road, rail and sea transportation infrastructure is being put in place. In early 2012, 10 major infrastructure projects were launched and a total of 32 projects were to have been launched by the end of the year. The MP3EI strategy aims to contribute to the per capita GDP in Indonesia of around US\$ 3,000 in 2010 to US\$ 14,000 in 2025 and US\$ 44,500 in 2045.

**Mr. Edimon Ginting**, Senior Country Economist at the Asian Development Bank's Indonesia Resident Mission, emphasized the importance of MP3EI as a poverty reduction strategy that embraced all stakeholders, including the Government and the private sector. He drew attention to the value-driven approach of the strategy to broaden the base of the Indonesian economy. Poverty in Indonesia tends to be concentrated in less-connected islands where economic activity is mainly confined to the informal sector. Creating more productive employment is needed to reduce poverty. Mr. Ginting noted that MP3EI had been criticized for slow implementation, but he stressed that infrastructure development took time. When probed about the ambitious nature of the plan, he reminded the participants of the examples of China and the Republic of Korea and their development paths.



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## PLENARY II

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# IMPROVING COMMODITY SUPPLY CHAINS FOR GREATER REGIONAL AND GLOBAL FOOD SECURITY



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### PANELLISTS

- **H.E. Ms. Emma Hippolyte**, Minister for Commerce, Business Development, Investment and Consumer Affairs, Saint Lucia
- **Mr. Harry Hanawi**, Vice-Chairman, Permanent Committee on Food Security, Indonesian Chamber of Commerce and Industry (KADIN)
- **Ms. Valentine Rugwabiza**, Deputy Director-General, WTO
- **Mr. Gavin Gibson**, Executive Vice-President and acting Executive Director, International Pulse Trades and Industries Confederation, Australia
- **Mr. Chandra Hartono Jokowi**, Marketing Director, Ponglarp Co., Ltd., Thailand

### MODERATOR

- **Mr. Dalton Tanonaka**, Anchor, Metro TV, Indonesia

*1 – H.E. Ms. Emma Hippolyte, Minister for Commerce, Business Development, Investment and Consumer Affairs, Saint Lucia*

The opening session on the second day of WEDF 2012 was moderated by **Mr. Dalton Tanonaka**, of Metro TV, Indonesia, who reminded delegates that it was World Food Day, and declared that ensuring food security for their populations was a major issue for all countries. It is a complex problem that links with many other issues, including climate change, water and land use, population growth, energy security, migration and urbanization. Trade is at the heart of the food security issue, but cannot by itself provide all the answers to the challenges facing the agricultural sector.

**Ms. Emma Hippolyte**, Minister for Commerce, Business Development, Investment and Consumer Affairs of Saint Lucia, explained that the small Caribbean island saw a decline in agriculture from 5.6% of GDP in 2000 to just 1.4% in 2011. The loss of markets for key export crops such as banana and sugar following WTO rulings that preferential trade agreements were non-compliant had resulted in increased unemployment, from 13.5% in 2001 to 16.8% currently, with youth unemployment as high as 24%. The Government believes that sustainable agriculture is still a viable option and is implementing a strategy to modernize the sector and attract

young people back to agriculture, she said. This involves linking to regional development efforts, endorsing projects to increase competitiveness of the sector, and strengthening the institutional framework. A disaster risk reduction programme has been put in place, including disease management, and particular attention is being paid to food security, which means access to proper nutrition for all.

**Mr. Harry Hanawi**, Vice-Chairman of the Permanent Committee on Food Security of the Indonesian Chamber of Commerce and Industry (KADIN), described the situation in Indonesia, a country of some 240 million people, compared to Saint Lucia's 170,000. He said that despite its size, Indonesia still imported considerable quantities of strategic food crops. Its main challenge is to improve the yields achieved in the production of staple crops. The Government believes food security can be achieved through good agricultural practices. If the country can increase crop yields and strengthen its own production it will be able to support neighbouring countries, as well as accommodate imports of corn and livestock.

**Mr. Gavin Gibson**, the Executive Vice-President and acting Executive Director of the Australia-based International Pulse Trades and Industries Confederation, said that increasing trade in high-protein pulses like peas, beans, lentils and chickpeas, as well as crop yields in developing countries could make an important contribution to food security. He noted the paradox that half the population of India subsisted on less than half the recommended food consumption, while rich countries were suffering from health problems related to overconsumption, and were wasting significant quantities of food. Crop research and





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improvements in infrastructure in developing countries could create new income opportunities. He also referred to the need to reduce post-harvest losses, which accounted for some 10% to 15% in Canada and Australia even in a good year. Mr. Gibson asked delegates to support his organization's bid for 2016 to be declared the International Year of Pulses, to raise awareness and celebrate the role of pulses in feeding the world.

**Mr. Chandra Hartono Jokowi**djaja, Marketing Director of Ponglarp Co., Ltd., of Thailand, described the process of procuring rice for export in Thailand. There were three routes: direct procurement from mills, procurement through brokers, and procurement from the Government, either through open or closed tender, or by direct negotiation. He continued describing the sensitivities connected to the sales of government stocks accumulated to protect prices. News of a tender could drive down prices for farmers, which is why there is a move towards sales by direct negotiation. He said it was the Thai Government's policy to persuade young people to return to agriculture, and that research was needed to improve seed quality and yields, which were among the lowest in Asia. He described the difficulty of reconciling the need to ensure good prices for farmers and securing at the same time affordable prices for consumers.

**Ms. Valentine Rugwabiza**, the Deputy Director-General of the WTO, said that while trade was not sufficient to deliver food security, it was indispensable in relation to the accessibility and affordability of food. Agricultural policies are crucial in facilitating the role of trade in linking supply and demand. The more obstacles to trade exist, the more difficult it is to make food available and

affordable. Trade restrictions, as applied by some countries during the 2008 food price crisis, resulted in serious consequences for importing countries, with food riots in some parts of Africa. The second key element for food security was trade facilitation, which concerned regulations in place at borders, she explained. Are these transparent? Is there sufficient information? Are regulations changed without consultation? All of these elements affect prices, and delays can lead to wastage, since food is perishable. She noted that 30% of all food produced in the world was wasted. The third element is capacity, particularly important in relation to food safety standards, which can be an impediment to food trade. It is necessary to ensure that standards applied are justified and indeed related to consumer safety, and not just disguised barriers to trade. The fourth element is finance as access to affordable trade finance in the agriculture sector can become a barrier.

In response to a question, Ms. Rugwabiza added that a further important element to facilitate trade between developing countries was the availability of information on stocks and crops. In Africa, many food security issues could be resolved through more trade between food surplus and food deficit countries, but this is not happening because traditional barriers remain and it is still very expensive to import from a neighbour. She noted that while Africa had 60% of the world's available arable land, it was a net food importer, although 30 years ago the continent was a net food exporter. This was partially due to the lack of investment in agriculture.

- 1 – Mr. Dalton Tanonaka, Anchor, Metro TV, Indonesia
- 2 – Mr. Harry Hanawi, Vice-Chairman, Permanent Committee on Food Security, Indonesian Chamber of Commerce and Industry (KADIN)
- 3 – Mr. Chandra Hartono Jokowi
djaja, Marketing Director, Ponglarp Co., Ltd., Thailand
- 4 – The floor
- 5 – (l-r) Mr. Gavin Gibson, Executive Vice-President and acting Executive Director, International Pulse Trades and Industries Confederation, Australia; Ms. Valentine Rugwabiza, Deputy Director-General, WTO

## INNOVATIONS ALONG THE SUPPLY CHAIN: CAN SMALLHOLDER PRODUCERS EVER SUCCEED IN EXPORT SUPPLY CHAINS?

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### PANELLISTS

- **Mr. Adhi Lukman**, Chairman, Indonesian Food and Beverages Association (GAPMMI)
- **Mr. Mohammed Razzaque**, Economic Adviser, Commonwealth Secretariat, United Kingdom
- **Mr. Alioune Sarr**, General Director, Senegalese Export Agency (ASEPEX)
- **Mr. Gulam Patel**, Chairman, Nyiombo Investments Ltd., Zambia

### MODERATOR

- **Mr. Rob Skidmore**, Chief, Sector Competitiveness, Division of Market Development, ITC

*1 – Mr. Mohammed Razzaque, Economic Adviser, Commonwealth Secretariat, United Kingdom*

**Mr. Rob Skidmore**, Chief of Sector Competitiveness at ITC, moderated the session. He noted that more than one billion people depended on smallholders and that even though they disproportionately included the very poor and food insecure, they were responsible for producing much of the developing world's food. Some studies suggest that the answer lies in consolidating smallholder farms into bigger and more efficient farms and firms. Other innovative approaches, such as those promoted by ITC, attempt to increase efficiency without the social disruption that can be caused by land consolidation. The key to success is to take a value-chain approach: from the market, back upstream to supply. If smallholders can be competitive, there is tremendous unlocked potential to improve food and nutrition security.

**Mr. Mohammad Razzaque**, Economic Adviser of the Commonwealth Secretariat, said that in terms of involving poor smallholders in global supply chains, Commonwealth research showed that supply-side capacities were not necessarily an obstacle. Demand-side issues such as buyer preferences are often more critical. The issue of equity is very important and sector analysis needs to look at how sector-specific initiatives can



benefit the poor. The research also shows that there is significant scope for developing regional supply chains, which can promote regional competitiveness. Supply chains are potentially pro-poor when small producers are integrated effectively into the process.

**Mr. Adhi Lukman**, Chairman of the Indonesian Food and Beverages Association, said the food industry output in Indonesia was very much dominated by SMEs and smallholders. Infrastructure is a key enabler to enhance export competitiveness and integrate smallholders in global supply chains. The Government has launched its MP3EI Master Plan for the acceleration and expansion of Indonesia's Economic Development, under which the food industry is identified as one of 22 key economic activities. Among the major challenges are the increasing level of complexity in buyer preferences, standards and NTMs such as SPS requirements and TBT regulations in importing countries. Challenges for smallholders include lack of legal identity, lack of management skills and lack of food safety knowledge, as well as technology and innovation. There is a need for an active role for governments, the private sector and development partners to support smallholders. Assistance may be provided through technical assistance, mentoring programmes, improved access to finance and dissemination of information.

**Mr. Alioune Sarr**, General Director of the Senegalese Export Agency (ASEPEX), told the participants that the mango sector had a long history in Senegal, traditionally involving small producers and enterprises. There are only three enterprises with more than 100 staff. Many companies operate in rural communities and the workforce is predominantly female. Mr. Sarr said a



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major problem in the mango value chain was post-harvest losses of between 5% and 10%, mainly resulting from infrastructure problems such as poor transportation links. Currently there are a number of initiatives under way to improve competitiveness, including the creation of a sector-level institution bringing together stakeholders across the sector. Support is provided in marketing, branding and matchmaking to develop export links for producers.

**Mr. Gulam Patel**, Chairman of Nyiombo Investments Ltd. in Zambia, described the challenges and opportunities for connecting small-scale farmers in Zambia to export markets. He said that over the last 45 years, the public and private sectors had experimented with different schemes to raise smallholder farmers out of subsistence farming, but with little success. The biggest challenge is for poor smallholders to access production resources. More than 90% of farmers are poor smallholders and cannot afford farming inputs during the planting season to produce a surplus for sale. Ample land is available, but there is no credit for buying seeds, equipment and fertilizer. In response, some private companies have sponsored schemes under which they provide seeds and fertilizers to poor peasants who cannot afford collateral for bank loans. Meanwhile, the Government has introduced the successful Farming Inputs Supply Programme subsidizing supplies of seed and fertilizer, raising maize production from 800,000 to three million tons, including a surplus for export.

## CONCLUSIONS

- Supporting smallholder farmers is essential to ensure food security and improve their livelihoods.
- A revolution in rural production is possible if innovative and effective ways are found to assist smallholders. Assistance may take the form of a complete value chain approach as in the case of the mango sector in Senegal, where the different institutions are providing extension services to smallholders.
- Direct linkages between buyers and individual smallholders need to be developed.
- Adequate infrastructure is crucial to ensure competitiveness and connect smallholders to markets, for example by investing in ports and railways.

1 – Mr. Rob Skidmore, Chief, Sector Competitiveness, Division of Market Development, ITC  
 2 – Mr. Alioune Sarr, General Director, Senegalese Export Agency (ASEPEX)  
 3 – Mr. Adhi Lukman, Chairman, Indonesian Food and Beverages Association (GAPMMI)  
 4 – Mr. Gulam Patel, Chairman, Nyiombo Investments Ltd., Zambia



# ENSURING COMPETITIVENESS THROUGH TARGETED SUPPORT SERVICES FOR THE PRIVATE SECTOR

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### PANELLISTS

- **Mr. Achmad Baiquini**, Director of Finance, Bank BRI, Indonesia
- **Mr. Mahmoodun Nabi Chowdhury**, Head of Corporate Banking, BRAC Bank, Bangladesh
- **Mr. César Freund**, International Cooperation Manager, PromPerú, Peru

### MODERATOR

- **Ms. Aicha Pouye**, Director, Division of Business and Institutional Support, ITC
- 

1 – Mr. Mahmoodun Nabi Chowdhury, Head of Corporate Banking, BRAC Bank, Bangladesh  
2 – Mr. Achmad Baiquini, Director of Finance, Bank BRI, Indonesia

**Ms. Aicha Pouye**, Director of ITC's Division of Business and Institutional Support, who moderated this interactive session, noted that TSIs in rural areas were often at a disadvantage in providing the latest market information, business skills and other trade support services to local exporters. They often lack the financial and human resources needed to provide adequate support. On the other hand, national-level TSIs, including official TPOs, are not always able to expand their services and coverage at the subnational level. Practical solutions for ensuring that TSIs in rural areas provide relevant and up-to-date support services to exporters need to be identified.

**Mr. Mahmoodun Nabi Chowdhury**, Head of Corporate Banking at BRAC Bank, Bangladesh, said that not all small producers received support from TPOs because they normally focused on cities or were based in capitals. Much of the TPO staff do not understand the issues faced by rural producers. They also frequently lack market information, which results in a bias in favour of the local markets they do understand. Small producers and SMEs often do not have information or the capacity to negotiate with importers from abroad. Access to finance was another major challenge, continued Mr. Chowdhury. Farmers do not have the skills needed to negotiate with banks and the banks are unwilling to deal with them. They need business support services.



Communication was another issue: farmers did not have access to the internet to get the information they need, he said.

**Mr. Achmad Baiquini**, Director of Finance at Bank BRI, Indonesia, said that there were three main challenges in dealing with small rural producers and these had to do with production, marketing and finance. The production problem relates mainly to variability in volumes and harvests; the marketing issue is that small producers have no access to business mapping or information about domestic and international markets; and the finance issue concerns limited access to pre- and post-export financing, lack of capital, financial data and collateral. To deal with the production challenges, the Indonesian Government has set up a TSI to provide assistance to farmers and SMEs, and BRI has placed trade finance officers in its offices. In regard to marketing, BRI supports TSIs in helping small producers to attend trade exhibitions and promotes programmes to connect international importers to local domestic suppliers. The Bank also helps producers in preparing sales contracts. On the financing front, BRI provides working capital and post-export financing, as well as export-import insurance.

**Mr. César Freund**, International Cooperation Manager of PromPerú in Peru, said his organization had six regional offices in the country which provided a channel between local producers and the organization's headquarters in the capital. They identify local partners to help reach the producers and work with those partners to assist beneficiaries in preparing business plans to access international markets. In recent years the strategy has been to support local TSIs. Peru is politically a very centralized country, but local



players often want to follow their own plans and not have them imposed from the capital. That is why PromPerú works with local partners, such as local governments, universities and local chambers of commerce. In addition to financing difficulties, one of the problems faced by local producers is the small scale of their production. They may have attractive products, but they do not often produce in the volumes required by international buyers. PromPerú assists in setting up producer associations to lower costs and achieve the volumes needed to reach international markets.

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## CONCLUSIONS

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- For rural-based SMEs to become export-ready, their understanding of buyer requirements, first at the domestic market level, then at the regional and eventually at the international level, is essential.
- To ensure that the needs of rural-based SMEs are taken into consideration, the SMEs themselves, TSIs and TPOs, and policymakers need to stay closely connected with each other. The results should show improvement in their access to finance, trade intelligence and availability of affordable business support services.
- Before targeting regional and international markets, it is important to promote local sourcing to support small rural-based SMEs. They need to be provided with all relevant information, products and services to help them to comply with domestic market requirements.
- Backward linkages between the agriculture sector and the tourism sector should also be developed.

## ORGANIZING THE COMMODITIES MARKETS: THE ROLE OF LARGE CORPORATIONS, LARGE COMMODITY TRADERS AND COMMODITY EXCHANGES

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### PANELLISTS

- **Mr. Megain Widjaja**, CEO, Indonesian Commodity and Derivatives Exchange (ICDX)
- **Ms. Eleni Gabre-Madhin**, Founder and former CEO, Ethiopia Commodity Exchange
- **Mr. Derom Bangun**, Vice-Chairman, Indonesian Palm Oil Board (IPOB)

### MODERATOR

- **Ms. Destry Damayanti**, Chief Economist, PT Bank Mandiri, Indonesia
- 

*1 – Ms. Eleni Gabre-Madhin,  
Founder and former CEO,  
Ethiopia Commodity Exchange*

The session was moderated by **Ms. Destry Damayanti**, Chief Economist at the PT Bank Mandiri, Indonesia, who noted that commodities made up 22% of Indonesia's GDP and 66% of its exports. The country accounts for half of the world's crude palm oil production. It is the second biggest producer of rubber and the third largest producer of copper.

**Mr. Megain Widjaja**, CEO of the Indonesian Commodity and Derivatives Exchange, said the main functions of a commodity exchange were: price discovery, or providing benchmark buy-and-sell prices for the commodity and transparency in pricing that did not exist before; providing a mechanism for hedging against risks such as falling prices, rising costs of raw material, currency shifts and operational risks; and providing long-term price signals to help buyers and producers in their planning, and governments in policymaking. The commodity exchange also encourages the establishment of modern agriculture systems, with uniform quality standards.

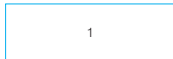
**Ms. Eleni Gabre-Madhin**, founder and former CEO of Ethiopia Commodity Exchange, said their vision was to build a world-class institution that would signal Ethiopia's entry into the modern global market. The experiences of a number of countries were examined, but since Ethiopia is



dominated by small farmers and traders, the founders wanted the exchange to be tailored to their needs and to involve the informal sector. One early decision was to forgo online trading and instead opt for the old system of an open trading floor. A core objective of the project was to introduce integrity into a trading system in which contract default was common and a commitment to quality lacking. The exchange has grown rapidly, trading 608,000 tons of commodities to some 11,000 clients. Ms. Gabre-Madhin identified three key success factors: understanding the needs of market actors, securing the political will and commitment of the Government, and identifying the right solution to meet the identified needs.

**Mr. Derom Bangun**, Vice-Chairman of the Indonesian Palm Oil Board, said that both small producers and large corporations were involved in the production of palm oil. The Board expects continuing growth in the next five years, though perhaps at a slower rate. There are likely to be improvements in yield and an expansion of downstream industries, advances in infrastructure and more active participation in the commodity exchange. Large corporations are already active on the exchange, but one challenge they face is uncertainty over export tax rates and also the lack of facilities for physical delivery.

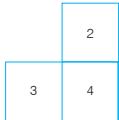
The lively debate that followed the opening presentations raised questions regarding the role of financial institutions in the Indonesian commodity exchange, the issue of whether African countries should move towards national or regional exchanges, and the need for a mechanism to stabilize prices in the palm oil market.



1 – The panellists

### CONCLUSIONS

- Cooperation between small traders, larger traders and producers is important for the healthy growth of commodity markets, especially in a commodity-based developing country like Indonesia.
- Creating an effective commodity exchange is one of the main challenges for the future.
- The issue of domestic vs. international price setting also remains a main challenge.
- Price volatility and uncertainty are problems, particularly for small farmers.
- Commodity exchanges allow for price transparency and facilitate rapid exchanges.



2 – Mr. Derom Bangun, Vice-Chairman, Indonesian Palm Oil Board (IPOB)  
 3 – Mr. Megain Widjaja, CEO, Indonesian Commodity and Derivatives Exchange (ICDX)  
 4 – The floor



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## PLENARY SESSION III

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# GROWING VALUE: MEETING THE DEMANDS OF NEW CONSUMER MARKETS WHILE STRENGTHENING LOCAL VALUE ADDITION

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### PANELLISTS

- **H.E. Ms. Mari Elka Pangestu**, Minister of Tourism and Creative Economy, Republic of Indonesia
- **H.E. Mr. Tom Groser**, Minister of Trade, Minister for Climate Change Issues, and Associate Minister of Foreign Affairs, New Zealand
- **H.E. Mr. Muhamad Chatib Basri**, Chairman, Investment Coordinating Board, Republic of Indonesia
- **Ms. Zuhul Mansfield**, Chairperson, TMG Mining and Manufacturing Ltd. and President, Turkish-Egyptian Business Council, Foreign Economic Relations Board (DEIK), Turkey
- **Mr. Douglas Comrie**, Managing Director, B&M Analysts, and Chief Facilitator of the Durban Automotive Cluster (DAC), South Africa
- **Mr. Suryo Suwignjo**, President Director, IBM Indonesia

### MODERATOR

- **Mr. James Zhan**, Director, Investment and Enterprise Division, UNCTAD
- 

1 – H.E. Ms. Mari Elka Pangestu, Minister of Tourism and Creative Economy, Republic of Indonesia  
2 – H.E. Mr. Tom Groser, Minister of Trade, Minister for Climate Change Issues, and Associate Minister of Foreign Affairs, New Zealand  
3 – The participants

The third plenary session, moderated by **Mr. James Zhan**, Director of the Investment and Enterprise Division at UNCTAD, discussed how the expansion of the middle class in emerging economies created new demand for higher value products and services. The panellists concluded that there was a fundamental shift in value chains in the light of changing consumer behaviour and preferences. The new demand for higher value added products creates opportunities for even small nations to gain market access and benefit – as long as they are able to find niche sectors in which they can be competitive and where their companies can scale up. As for policymakers, they need to realize the magnitude of the change and find appropriate ways to respond to create the business environment that will enable their exporters to benefit.

**H.E. Ms. Mari Elka Pangestu**, Indonesia's Minister of Tourism and Creative Economy and former Minister of Trade, highlighted how the increase in purchasing power and change in taste had brought about a shift in consumer markets.



She pointed to the overwhelming importance of women in consumer-spending decisions. The effects of this change in consumer behaviour are as follows: just-in-time delivery has moved out of the realm of supply chains and into consumer markets, a change to which companies need to respond; at the same time on the supply side fragmentation, the new phenomenon of trade in tasks, is creating a new ecosystem, including knowledge-based sectors such as film. It is the role of governments to nurture and enable creativity and innovation so that good ideas can be transformed into viable businesses. As the world has become more complex, new opportunities have opened up for small companies.

**H.E. Mr. Tim Groser**, New Zealand's Minister of Trade and Climate Change Issues and Associate Minister of Foreign Affairs, emphasized that the new market situation offered opportunities to not only large but also small countries, provided that they found their areas of comparative advantage. He cited the examples of China which had developed into a manufacturing giant and that of the tiny Pacific island State of Samoa which had found a niche supplying organic virgin coconut oil to the Body Shop company at seven times the price of ordinary oil. He said he was optimistic about the future of small economies that participated in the global value chains of successful companies. Specialization has always been the key to advancement: countries need to integrate their own economies, then with their neighbours, and finally with the world, finding their own niche. Furthermore, countries need to establish domestic connectivity, both in hard infrastructure and the internet for instance, which has become essential for participation in global value chains. There is a need for a sustained





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focus on productivity, reducing compliance costs and integrating into the global system of standards.

**H.E. Mr. Muhamad Chatib Basri**, Chairman of Indonesia's Investment Coordinating Board, described how growth of the middle class in Indonesia was attracting greater investment from countries like Japan and the Republic of Korea. He said the role of the Government was no longer to follow the classic industrial policy of import substitution and protectionism, but instead to focus on the supply side by providing assistance in the development of human capital, capacity building, investing in innovation and providing tax incentives for research and development. This in turn will drive investment and open opportunities for local SMEs to join global value chains. Governments, he said, should support companies by streamlining processes and providing a conducive environment through incentives.

**Mr. Douglas Comrie**, Managing Director of B&M Analysts and Chief Facilitator of the Durban Automotive Cluster in South Africa, illustrated the challenges of clustering and industrial cooperation within a sector. He described the issues facing the automotive industry in South Africa, whose output of 700,000 vehicles annually made up only 0.6% of global production. This means that local companies are not in a position to dictate design or location. As the domestic market is growing at only a modest rate, and while regional growth is more robust, exports have to compete with imported second-hand vehicles. The strategy being followed is to grow the domestic market with more local content, to improve competitiveness and to work on expanding regional trade. He drew a comparison with Thailand's highly successful auto industry. Thailand was now the world's eighth

largest producer of light vehicles and, he said, South Africa could learn much from the Thai model in regard to clustering and cooperation between players in the same industry.

**Ms. Zuhul Mansfield**, Chairperson of TMG Mining and Manufacturing Ltd. in Turkey and President of the Turkish-Egyptian Business Council, Foreign Economic Relations Board, described Turkey's progress from being an exporter largely of agricultural products, worth some US\$ 3 billion in 1980, to an exporter mostly of industrial products in the chemical, textile and automotive sectors, valued at some US\$ 114 billion in 2010. She highlighted the importance of South-South trade in this transition.

**Mr. Suryo Suwignjo**, President Director of IBM Indonesia, said that markets all over the world were changing, and for companies to be successful, they needed to follow this paradigm shift. Information technology is empowering consumer decision-making, and to be successful in the global value market companies need to identify what differentiates them and their products in order to serve markets better: what matters is no longer where a product was manufactured, but what the product is.

- 1 – The panellists
- 2 – Mr. Douglas Comrie, Managing Director, B&M Analysts, and Chief Facilitator of the Durban Automotive Cluster (DAC), South Africa
- 3 – Ms. Zuhul Mansfield, Chairperson, TMG Mining and Manufacturing Ltd. and President, Turkish-Egyptian Business Council, Foreign Economic Relations Board (DEIK), Turkey
- 4 – H.E. Mr. Muhamad Chatib Basri, Chairman, Investment Coordinating Board, Republic of Indonesia
- 5 – Mr. Suryo Suwignjo, President Director, IBM Indonesia
- 6 – Mr. James Zhan, Director, Investment and Enterprise Division, UNCTAD

# LDCs: INTEGRATING SMEs INTO GLOBAL VALUE CHAINS

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### PANELLISTS

- **H.E. Mr. Fonotoe Nuafesili Pierre Laufo**, Deputy Prime Minister and Minister for Commerce, Industry and Labour and Trade Negotiations, Samoa
- **H.E. Mr. Siasavath Savengsuksa**, Vice-Minister, Ministry of Industry and Commerce, Lao People's Democratic Republic
- **Ms. Melanie Dharmosetio**, Vice-President, PT Lion Super Indo, Indonesia

### MODERATOR

- **Mr. Rajesh Aggarwal**, Chief, Business and Trade Policy, ITC

*1 – Ms. Melanie Dharmosetio, Vice-President, PT Lion Super Indo, Indonesia*

**Mr. Rajesh Aggarwal**, Chief of Business and Trade Policy at ITC and the session's moderator, noted that the key question, how best to integrate SMEs into global value chains, had been in fact an ongoing underlying theme throughout the first two days of the Forum. The first step, he said, was to get multinational corporations to invest in LDCs. The second challenge is to then strengthen SMEs, so they can supply global value chains, which are generally controlled by multinational companies.

**H.E. Mr. Fonotoe Nuafesili Pierre Laufo**, Deputy Prime Minister and Minister for Commerce, Industry and Labour and Trade Negotiations of Samoa, told the participants that his Government encouraged investment in key sectors, which included tourism, manufacturing, agriculture, fisheries and infrastructure, in order to strengthen the economy through the inflow of technology, capital and management skills. The Samoan Government is keen to create an enabling environment for growth and investment, and has therefore launched a reform programme, mostly for the benefit of SMEs. As part of this programme, the international dateline was shifted so that the island trades on the same days as its main trading partners, New Zealand, Australia and other Pacific islands. Another key element has been the privatization of State assets and enterprises. A five-year development strategy has subsector



plans for agriculture and manufacturing. The intention is to boost domestic agricultural production. In manufacturing, efforts are focused on strengthening the institutional framework for value addition and export diversification.

**H.E. Mr. Siasavath Savengsuksa**, Vice-Minister at the Ministry of Industry and Commerce of the Lao People's Democratic Republic, gave an overview of the SMEs' situation in his country. SMEs account for 98% of all enterprises and generate more than 81% of employment. He explained that his country was at the centre of an economic corridor, linking China in the north with ASEAN in the south – and the development of this corridor would provide new opportunities for SMEs in the country. SMEs in the wood processing, handicraft and coffee sectors have already been integrated into global supply chains, but challenges still exist regarding quality standards. Other challenges include: lack of entrepreneurship, expertise, market information, skills, networking and market linkages, and lack of access to finance.

**Ms. Melanie Dharmosetio**, Vice-President at PT Lion Super Indo in Indonesia, said that from the perspective of a large company there were business opportunities in engaging SMEs as subcontractors. As a retailer, her company needs to differentiate by customer, catering to different tastes, and it does this by using a large number of SME producers. The differences in products by region and island offered a real choice to customers, she explained. The company needs to provide confidence to consumers that its products are of consistent quality and are available without interruption. PT Lion Super Indo helps SMEs in distribution by setting up logistics centres closer to SMEs, which lowers transportation costs. It also supports them financially, providing cash flow. She concluded that her company had an



interest in building the capacities of SMEs to ensure they could meet the required quality standards and remain competitive.



## CONCLUSIONS

- Of great importance, particularly to LDCs, is the ability to attract investment into productive sectors, given that global value chains are mostly governed by multinationals.
- The government has an important role in assisting SMEs in improving their productivity, efficiency and quality in order to be able to access markets and integrate into global value chains.
- Weak SMEs need to be strengthened in domestic markets before being integrated into regional and eventually international supply chains.
- Large sourcing companies and SME suppliers have a mutual interest in building a strong supply chain. The rationale for this is not philanthropy but business motives as having competitive suppliers is in the interest of the buying companies.

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1 – H.E. Mr. Fonotoe Nuafesili  
 Pierre Lauofo, Deputy Prime  
 Minister and Minister for  
 Commerce, Industry and Labour  
 and Trade Negotiations, Samoa  
 2 – Mr. Rajesh Aggarwal, Chief,  
 Business and Trade Policy, ITC  
 3 – The floor  
 4 – H.E. Mr. Siasavath  
 Savengsuksa, Vice-Minister,  
 Ministry of Industry and  
 Commerce, Lao People's  
 Democratic Republic

## HOW TO PROMOTE SERVICES SECTOR EXPORTS AND INNOVATION

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### PANELLISTS

- **Mr. Prijastono Purwanto**, Vice-President, Service Planning and Development, Garuda, Indonesia
- **Mr. Janaka Ratnayake**, Chairman and Chief Executive, Sri Lanka Export Development Board
- **Mr. David Gomez**, Manager, Trade and Export Development, Caribbean Export, Barbados
- **Mr. Imtiaz Ilahi**, Managing Director, GraphicPeople, Bangladesh
- **Mr. Shintaro Hamanaka**, Economist, Office of Regional Economic Integration, Asian Development Bank

### MODERATOR

- **Ms. Desi Anwar**, News presenter, Metro TV, Indonesia
- 

The moderator of the session, **Ms. Desi Anwar** of Metro TV, Indonesia, noted that services were the fastest growing economic sector, particularly in developing countries. Services now dominate the world economy, representing more than 50% of GDP, even in the poorest countries. In the past 10 years, trade in services has grown faster than trade in goods, with increased participation by developing countries. Services' share in global trade volumes rose from 14% in 1990 to 21%, far lower than the share of services in the economy, indicating further growth potential. Services drive employment and economic growth in most economies and offer opportunities for low-skilled and entry-level labour, women and youth. Services also strengthen a country's competitiveness in other areas through improved logistics, power supply and communications. Additionally, services contribute to quality of life through improved medical services, education or leisure opportunities.

**Mr. Prijastono Purwanto**, Vice-President of Service Planning and Development of Garuda Indonesia, provided an airline's perspective on the promotion of service innovation and exports. He said that Garuda was exposed to the international



scene by operating in 12 foreign countries and also as a member of various airline partnerships. It is also an active supporter of trade fairs and other market promotion initiatives in Indonesia. He added that Garuda sought to match best practices in the aviation sector in order to comply with international regulations and had developed a business model based on efficiency. While competition in the airline business is intense, infrastructure-related problems and other business environment issues represent the biggest challenge for Garuda in growing and promoting its services abroad.

**Mr. Janaka Ratnayake**, Chairman of the Sri Lanka Export Development Board, said that the services sector as a whole accounted for US\$ 34 billion in his country, amounting to 58% of GDP (up from 36% in 1950), and services exports were growing very fast. The Government's vision is to turn Sri Lanka into a hub of ICTs, taking the dividends to every citizen, village and business and transforming the way Government works. He said that Sri Lanka's strength in the services sectors stems from a high literacy rate (91%), a highly educated, English-speaking workforce, sophisticated technical skills, a niche in finance and accounting outsourcing, as well as attractive incentives for investors such as a 15-year tax holiday. Unfortunately, despite these advantages, the country has poor international visibility as an ICT destination, relatively high infrastructure costs and a lack of capital for technology.

**Mr. David Gomez**, Export Manager at Caribbean Export in Barbados, shared experiences from the Caribbean in promoting services innovation and export. Tourism has traditionally been the most important subsector within the service industry, but now Caribbean Export is pursuing a more diversified approach and is trying to identify sectors



with a critical mass of enterprises to market abroad. There needed to be a shift in policy dialogue to make services a priority, he added. Services outside tourism have received very little attention and resources. There is a need for public-private sector dialogue to establish the business environment for services trade to flourish. The aim is to build the institutional capacity of TPOs and business support organizations across the region to promote services exports.

**Mr. Imtiaz Ilahi**, Managing Director at GraphicPeople in Bangladesh, said the key factors in the services sector were people (language, culture, competence), processes and tools. Labour conditions tend to be a primary indicator of an offshore location's maturity, whether it is pioneering, emerging, established or saturated. Technological innovation does not guarantee business success. Diagnosing export problems is easy – delivering solutions is more complex. Common challenges relate to the talent pool, costs, infrastructure, country risk, and the business and living environment. TPOs can help in facilitating market access, skill development and Infrastructure. Talent and human capital are key to moving up the value chain.

**Mr. Shintaro Hamanaka**, Economist at the Office of Regional Economic Integration at the Asian Development Bank (ADB), said that the ADB had the dual role of promoting economic development and economic cooperation. He discussed the implications of regional integration, particularly in the context of ASEAN. He noted that goods were very different from services in the context of regional integration: with goods there are rules of origin to avoid trade deflection; however, in services trade deflection may happen. FDI in services is very diverse. In transportation and logistics there is a strong concentration of FDI from Japan in

Singapore, while the finance sector is less concentrated. Regarding policy implications, he said that if services and investment were liberalized within a region, restrictions on FDI should be minimized: ASEAN countries should be competing in liberalizing services in order to attract FDI from third countries.

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## CONCLUSIONS

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- Public awareness and knowledge about the service industry do not reflect its significance for growth and employment generation. Diagnosing the export problems of the service sector is easy, but delivering solutions is more complex. In trade in services, clients demand agile solutions.
- The panel agreed that TPOs and other TSIs have a vital role to play in raising the profile of the industry, forging business coalitions and promoting services abroad by positioning and branding the industry.
- The service industry depends greatly on human resources: attracting talent is a key issue in moving up the value chain, and the talent pool has to grow to enable a country to scale up.
- Infrastructure and the business environment are also of critical importance to boost the industry.

## INCREASING WOMEN BUSINESS OWNERS' SHARE OF CORPORATE AND GOVERNMENT PROCUREMENT TO MEET DEVELOPMENT OBJECTIVES



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### PANELLISTS

- **H.E. Ms. Miata Beysolow**, Minister of Commerce and Industry, Liberia
- **Ms. Monique Ward**, Asia-Pacific Director of Procurement, Accenture, Australia
- **Ms. Pacita Juan**, President, Philippine Coffee Board
- **Mr. Nicholas Niggli**, Counsellor and Deputy Head of the WTO Division, Permanent Mission of Switzerland to the WTO and EFTA
- **Ms. Dewi Novirianti**, Lawyer, Millennium Challenge Corporation, Indonesia
- **Ms. Putri Kuswisnu Wardani**, President Director, Mustika Ratu, Indonesia

### MODERATOR

- **Ms. Meg Jones**, Senior Programme Officer, Women and Trade, ITC
- 

1 – Ms. Pacita Juan, President, Philippine Coffee Board

**Ms. Meg Jones**, Programme Manager of Women and Trade at ITC, moderated the session and noted that unlocking corporate and government procurement for women-owned businesses was a way to use trade as a vehicle for development. Government procurement makes up, on average, 15% to 20% of GDP. Fortune 500 companies spend US\$ 6 million per day on indirect purchasing. Yet sourcing from women entrepreneurs is a largely unexplored area, although corporations and governments are beginning to unlock these significant opportunities.

**H.E. Ms. Miata Beysolow**, Minister of Commerce and Industry of Liberia, noted that her country's public procurement policy supported open competition, guided by the principles of transparency, fairness and integrity. Liberia gives preference to local firms, particularly SMEs, which tend to be women-owned. The target of 25% sourcing from domestic firms has been set by the Government. On the other hand the Minister noted that multinational corporations, which had invested US\$16 billion in Liberia under-utilize opportunities to procure goods and services from local firms. Although domestic procurement increases

incomes and reduces poverty, the problem in part is that few local firms are capable of participating in the procurement process owing to lack of information, skills and capacity. Liberia addresses these gaps through specialized training for women entrepreneurs and access to information on the needs of government and corporate buyers. Access to SME finance and equipment leasing is provided in partnership with the World Bank's International Finance Corporation. The regulatory framework has been simplified to reduce the time it takes to start a business from 99 days to 48 hours.

**Ms. Monique Ward**, Asia-Pacific Director of Procurement at Accenture, manages a team of 100 procurement officers across 14 countries and an annual budget in excess of US\$ 250 million. She said that Accenture had a global commitment to supplier diversity, which was focused on women. She noted that procurement policy in a multinational context was about cost and value. Accenture has found that the best value for money principle of procurement is not compromised by engaging women entrepreneurs whose companies are agile, innovative and are committed to sustainable development. She provided the example of Accenture in the Philippines, which sourced non-soluble coffee from women vendors with the help of the country's Coffee Board. The relationship was facilitated in 2011 through ITC's Women Vendors Exhibition and Forum. Ms. Ward concluded that there were plenty of challenges in engaging a multinational, but opportunities, particularly for subcontracting, abounded.

**Ms. Pacita Juan**, President of the Philippine Coffee Board, forged the relationship with Accenture Philippines to supply coffee produced by women entrepreneurs in an industry otherwise dominated by men. She explained that the country produced



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25,000 tons of coffee annually but consumed 100,000 tons. As a result of decreasing agricultural land, the industry is unable to increase the volume of coffee produced. At the same time, women can increase sales values even at constant volumes by picking only ripe coffee beans, sorting quality beans and using wet processing. The initiative has spread to women producers in the cacao industry. The additional benefits of incomes earned go beyond women's economic empowerment to contributing to peace and security in Mindanao. Ms. Juan said that the Land Bank, the largest State-owned bank, now also buys the Women in Coffee label, following Accenture's lead.

**Mr. Nicholas Niggli**, Counsellor and Deputy Head of the WTO Division at the Permanent Mission of Switzerland to the WTO and the European Free Trade Association (EFTA), said that enabling women to enjoy the same rights as men was a key component of sound development. Reforming government procurement processes can play a key role in increasing women's economic empowerment. If a country adopts open, transparent, non-discriminatory and fair procurement processes, this will reinforce the ability of citizens to access better public services, such as hospitals and schools and cut inefficiencies associated with closed systems, as less transparent systems typically benefit fewer firms. He said that the WTO Agreement on Government Procurement offered enormous opportunities for businesses, including women entrepreneurs in developing countries; it represented an alliance of 42 countries with US\$ 1.7 trillion spent on procurement annually. The Agreement takes the level of development into account and is therefore not biased toward countries from the developed world.

**Ms. Dewi Novirianti**, a lawyer at the Millennium Challenge Corporation, explained that the MCC Compact, a five-year agreement between the United States and Indonesian Governments on green prosperity, nutrition and procurement modernization, was to be implemented from January 2013. Indonesia is committed to embedding gender within its procurement policy framework. Some of the key challenges the Government is seeking to address include the lack of data on the different opportunities and constraints facing male and female vendors, as well as the lack of policy and capacity within government procurement entities to address gender concerns. Another issue is the relatively small size of women-owned enterprises, which makes it harder for them to access government contracts. The first steps to be taken included gender analysis of procurement regulation to understand gender gaps, a gender vendor survey, data collection and capacity-building activities, she said.

**Ms. Putri Kuswisnu Wardani**, President Director of Mustika Ratu, an Indonesian company producing herbal and nature-based cosmetics, pointed out that only one in ten entrepreneurs in the country were women. She said that although women had skills and ideas, the lack of women entrepreneurs was often a result of risk aversion, fear of attention and a perceived lack of support from family and networks. However, support was available through access to finance with special conditions for women, and training and mentoring provided through women's associations, she added. Ms. Wardani described her company as an example of what women entrepreneurs could achieve in Indonesia: it was started by her mother in 1975 as a home business and now had seven separate brands, exported to over 20 countries and ran 18 spas worldwide.

1 – Ms. Monique Ward, Asia Pacific Director of Procurement, Accenture, Australia  
 2 – Mr. Nicholas Niggli, Counsellor and Deputy Head of the WTO Division, Permanent Mission of Switzerland to the WTO and EFTA  
 3 – Ms. Putri Kuswisnu Wardani, President Director, Mustika Ratu, Indonesia  
 4 – Ms. Dewi Novirianti, Lawyer, Millennium Challenge Corporation, Indonesia  
 5 – The panellists during speech of H.E. Ms. Miata Beysolow, Minister of Commerce and Industry, Liberia



Ms. Jones closed the session by inviting interested parties to join the ITC-led Global Platform for Action on Sourcing from Women Vendors at: [www.intracen.org/womenandtrade](http://www.intracen.org/womenandtrade)

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## CONCLUSIONS

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- Strong linkages between FDI and the domestic private sector are necessary to promote local procurement, including procurement from SMEs, especially women-owned enterprises.
- Women entrepreneurs and corporate buyers should be focused, flexible and unafraid to start small.
- Women have a great opportunity in high-end, low-volume and other niche markets.
- Women entrepreneurs can benefit greatly from open, fair government procurement processes. They should lobby their governments for reform to ensure transparency in procurement.





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# SESSION SUMMARIES

17 October - DAY 3



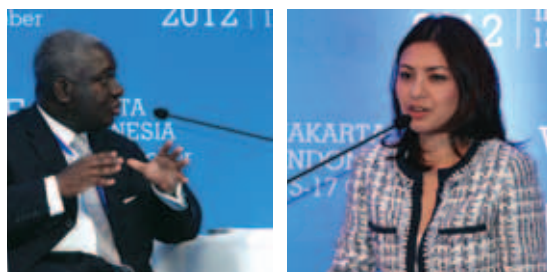
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## PLENARY SESSION IV

# FINANCING TRADE BETWEEN EMERGING MARKETS



### PANELLISTS

- **Ms. Lakshmi Venkatachalam**, Vice-President, Private Sector and Co-financing Operations, Asian Development Bank
- **Mr. Nazeem Noordali**, General Manager, Corporate and Structured Finance, International Islamic Trade Finance Corporation (ITFC), Islamic Development Bank Group
- **Mr. Suharsono**, Managing Director, Indonesia Exim Bank (LPEI)
- **Mr. René Awambeng**, Group Head, Regional Corporates and Commodity Finance, Ecobank, United Kingdom
- **Mr. Felix Adahi Bikpo**, CEO, African Guarantee Fund, Kenya
- **Mr. André Soumah**, Executive Chairman, ACE Global, Switzerland

### MODERATOR

- **Ms. Frida Lidwina**, Anchor, Metro TV, Indonesia

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1 – Mr. Felix Adahi Bikpo, CEO, African Guarantee Fund, Kenya  
2 – Ms. Frida Lidwina, Anchor, Metro TV, Indonesia  
3 – (l-r) Mr. Suharsono, Managing Director, Indonesia Exim Bank (LPEI); Mr. René Awambeng, Group Head, Regional Corporates and Commodity Finance, Ecobank, United Kingdom

The fourth and final plenary session, on day three of WEDF 2012, was moderated by **Ms. Frida Lidwina**, an anchor of Metro TV, Indonesia. She noted that while it was recognized that SMEs were the backbone of the economy in many emerging countries, they also faced considerable difficulties in accessing finance for trade, which had been exacerbated by the economic and financial crises of recent years.

**Ms. Lakshmi Venkatachalam**, Vice-President of Private Sector and Co-Financing Operations at the ADB, said that while GDP growth in the region was expected to remain relatively strong, at 6.1% in 2012 and 6.7% in 2013, the collapse in trade financing during the economic crisis accounted for about 15% of the decrease in world trade, according to the World Bank. There is a high demand for trade finance services, but the private sector is unable to meet this demand. The ADB has therefore launched a trade finance programme to fill the gap, working with 200 partner banks to offer guarantees and loans. The scheme supported US\$ 3.5 billion in exports by 660 SMEs in 2011. The portfolio was expected to increase to more than

US\$ 4 billion in 2012, she added. One of the challenges faced is a tougher international regulatory environment. The ADB therefore proposed the creation of a trade finance default register at the International Chamber of Commerce, which demonstrated that trade finance risks are relatively low. The ADB is now working on a supply chain finance programme for SMEs. In response to a question about FDI, Ms. Venkatachalam spoke of the aspiration of countries to break out of the so-called middle-income trap by moving up the value chain from labour-intensive activities to knowledge and technology intensive areas. She recalled the success stories of Singapore and the Republic of Korea in attracting FDI, and said that a committed and systematic approach was required, including the creation of an enabling investment environment.

**Mr. Nazeem Noordali**, General Manager of Corporate and Structured Finance, International Islamic Trade Finance Corporation at the Islamic Development Bank Group, said that the Group's trade finance portfolio amounted to US\$ 1.7 billion in 2007, and had now risen to US\$ 4.4 billion, demonstrating the importance of Islamic finance. If trade was the engine of growth, then trade finance was the fuel, he said. When conventional banks reduced liquidity during the economic crisis, his organization tried to bridge the gap, changing its business model from traditional import finance to trade commodity financing. As regards interregional trade, he noted an increasing East-East momentum, with greater cooperation between the Middle East and Asia. The challenges for SMEs remain access to markets, lack of capital and access to finance.

**Mr. Suharsono**, Managing Director of Indonesia Exim Bank (LPEI), explained that his bank was formed three years ago, focusing on providing financing, currency and insurance of financial risks



for exports. He said that 79% of the trade facilitated by the Bank was with emerging markets, especially within Asia, including China, Malaysia and Thailand, mostly involving rubber and textiles. At the same time, only 2% of trade was with Africa.

**Mr. René Awambeng**, Group Head of Regional Corporates and Commodity Finance at the Ecobank in the United Kingdom, said that Ecobank was a leading Pan-African bank, offering a one-stop shop for trade finance in sub-Saharan Africa. It was currently building strategic alliances with other financial institutions in emerging markets, including South Africa, China, the Lusophone countries and India, which he said could contribute to filling the information gap that existed between the regions. Information asymmetry is a major challenge for traders, along with the need to get to know the main players, infrastructure, transaction costs, liquidity and the lack of long-term finance for SMEs. Mr. Amambeng drew attention to the problem of the lack of links between banks in developing countries and regions which made even simple transactions complicated and costly.

**Mr. Felix Adahi Bikpo**, CEO of the African Guarantee Fund in Kenya, explained that the role of his organization was to help financial institutions in supporting SMEs. If SMEs are not financed, they will not be able to join supply chains. If African GDP is to grow, the continent needs to find other sources of business, through South-South trade for example. The problems for SMEs, however, remain information asymmetry, a weak financial structure and the inability to access finance. Banks seek collateral, which is difficult and expensive for SMEs, so there is a need to find a new guarantee product to remove this obstacle to growth, providing equity guarantees so that banks can convert short-term finance into a long-term one.

**Mr. André Soumah**, Executive Chairman of ACE Global in Switzerland, said his organization aimed to help finance the whole trade pipeline. The current approach, he said, had shifted from balance sheet finance to transaction finance, while covering the legal issues to mitigate risk, and this offered opportunities for SMEs that were otherwise well prepared for export but did not have access to financing.



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1 – Mr. Nazeem Noordali, General Manager, Corporate and Structured Finance, International Islamic Trade Finance Corporation (ITFC), Islamic Development Bank Group

2 – Mr. André Soumah, Executive Chairman, ACE Global, Switzerland

3 – The panellists

4 – Ms. Lakshmi Venkatachalam, Vice-President, Private Sector and Co-financing Operations, Asian Development Bank

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## CLOSING SESSION AND CLOSING REMARKS



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### PANELLISTS

- **H.E. Mr. Francisco Pirez Gordillo**, Ambassador, Permanent Representative of Uruguay to the WTO
- **H.E. Mr. Yonov Frederick Agah**, Ambassador, Permanent Representative of Nigeria to the WTO

### MODERATOR

- **Ms. Patricia Francis**, Executive Director, ITC

### CLOSING REMARKS

- **H.E. Mr. Hatta Rajasa**, Coordinating Minister of Economic Affairs, Republic of Indonesia
- 

1 – (l-r) Ms. Patricia Francis, Executive Director, ITC; Mr. Bayu Krisnamurthi, Indonesia's Vice-Minister of Trade

The panellists shared key takeaways from WEDF during this session.

**H.E. Mr. Francisco Pirez Gordillo**, the Ambassador of Uruguay to the WTO and the Chairman of ITC's Joint Advisory Group, thanked the Indonesian Government for setting a high standard of professionalism and hospitality in hosting the 2012 WEDF event. He said that WEDF provided the opportunity to debate and share experiences. The key was to make use of this knowledge in concrete actions to connect emerging markets in the context of the new dynamics in global trade. He pointed out that the issue of access to information was raised by many participants in various sessions from both public and private sectors as a bottleneck. The Ambassador made the following recommendations for action beyond WEDF 2012:

- Continue and deepen the analysis of the impact of NTMs on international trade.
- Conduct further analysis on South-South trade.
- Address information asymmetries through the development of trade information platforms.
- Develop a comprehensive database of SPS measures.
- Enhance trade facilitation initiatives to reduce costs and increase value addition in developing countries.

**H.E. Mr. Yonov Frederick Agah**, the Ambassador of Nigeria to the WTO, also thanked the Government of Indonesia and ITC for the successful event and urged the organization to do more for African development. Future WEDF events could be improved by circulating and sharing the conclusions and feedback of parallel sessions, so all delegates could learn from the findings. ITC should strengthen its programmes aimed at value addition for developing and least developed countries. Ambassador Agah's recommendations included the following:

- Work on trade facilitation should take into account the complexity of the issue, including hard and soft infrastructure, and measures that may distort trade.
- Provide support to SMEs to overcome the obstacles related to NTMs.
- Support policymakers to enter mutual recognition agreements addressing NTMs.
- Increase support to SMEs in LDCs.
- Include more success stories from developing countries in the discussions of future WEDF events.

**Ms. Patricia Francis**, Executive Director of ITC, thanked the Ambassadors for their insightful summaries and recommendations. She highlighted the key messages of the conference and urged delegates to follow up on the most promising ideas shared and to carry out the meaningful initiatives discussed. She announced that the theme of WEDF 2013 would be Export-led Employment Generation through the Integration of SMEs into Supply Chains. SMEs represented the most labour-intensive part of most economies, so connecting them to global supply chains was the key to sustainable export-led job creation, she explained. Countries were invited to express their interest in hosting the next conference. She thanked the



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Government of Indonesia, sponsors, the ITC team and all of WEDF's participants for their contributions to delivering a successful event. Finally, she handed an ITC plaque to Mr. Bayu Krisnamurthi, Indonesia's Vice-Minister of Trade, as a token of appreciation for Indonesia's generous support and partnership.

In closing the 2012 WEDF Conference, the Indonesian Minister of Industry, **H.E. Mr. Mohamad S. Hidayat**, thanked Ms. Francis and ITC for organizing the event at such a high level. He noted that the ideas exchanged could help chart a path forward for linking growth markets with each other and with developing countries. He said the challenge going forward was to translate the deliberations into concrete initiatives and partnerships. The Minister thanked the delegates for their attendance and the meeting was adjourned.



- 1 – The panelists
- 2 – The floor
- 3 – H.E. Mr. Mohamad S. Hidayat, Indonesian Minister of Industry

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#### ITC mission:

ITC enables small business export success in developing and transition countries by providing, with partners, sustainable and inclusive trade development solutions to the private sector, trade support institutions and policymakers.



The International Trade Centre (ITC) is the joint agency of the World Trade Organization and the United Nations.

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