
Economic and Social Commission for Asia and the Pacific
Committee on Trade and Investment

Seventh session

Bangkok, 27–29 January 2021

Item 4 (a) of the provisional agenda*

Work of the secretariat and associated results and future focus pertaining to trade and investment under the subprogramme on trade, investment and innovation: work of the secretariat and associated results and priorities pertaining to trade and investment under the subprogramme

Outcome of the Asia-Pacific Business Forum 2020**

Summary

The sixteenth Asia-Pacific Business Forum was held in virtual format on 30 October 2020. The theme of the Forum 2020 was “The future of value chains and implications for small- and medium sized enterprises”. Under this theme, participants discussed the challenges and opportunities for value chains and small and medium-sized enterprises (SMEs), including issues related to sustainability, connectivity, competitiveness and women-led SMEs. The present document contains the report of the Forum as prepared by the secretariat and reviewed by moderators of all sessions.

Summary recommendations

The theme of the Asia-Pacific Business Forum (APBF) 2020 was “The Future of Value Chains and Implications for Small- and Medium Sized Enterprises”. Under this theme, participants discussed the challenges and opportunities for value chains and small and medium-sized enterprises (SMEs), including issues related to sustainability, connectivity, competitiveness and women-led SMEs. Some of the most important observations and messages emanating out of the Forum with high relevance for policymakers in Asia and the Pacific include the following:

- There is strong support from the business sector for multilateralism and regional cooperation. Protectionism and nationalism should be avoided as they are the biggest threat to value chains. In this context, business looks forward to the signing and implementation of the Regional Economic Partnership Agreement (RCEP).

* ESCAP/CTI/2021/L.1.

** The present document is being issued without formal editing.

- The coronavirus disease (COVID-19) pandemic had demonstrated a large level of agility and innovation from the private sector, including many SMEs.
- Value chains are here to stay. While some reshoring and shortening of value chains may take place as a result of global trade tensions, in most cases they will remain to exploit efficiencies. Domestic supply chains are as much vulnerable to external shocks than global supply chains.
- Micro-, small and medium-sized enterprises (MSMEs) had also shown remarkable agility and resilience in times of crisis but many were also affected leading to unemployment. Governments had to provide financial support to allow them to bridge difficult time.
- Even before the pandemic, the biggest obstacle faced by MSMEs was access to finance. Governments should allow for better financial infrastructure and allow for easier access to finance, both working capital, trade finance and long-term finance.
- Supporting women not only involves focusing on women-led businesses but also on sectors of the economy where women are more prevalent, e.g. those that provide products/services meeting the unmet needs of women and girls, and ensuring gender equality in company operations. Equal pay, workforce participation, leadership and governance, benefits and professional development, workforce environment, are all of importance for attracting and retaining talent.
- The pandemic had demonstrated the value of digitalization for MSMEs. Governments need to ensure that the proper information and communications technology (ICT) infrastructure is in place to enable MSMEs to access digital finance, trade, investment and business partners. With regard to digital trade, paperless trade and e-commerce were particularly important.
- Not only ICT but also connectivity in energy, trade and transport were essential for regional trade, SME and value chain development. While the World Trade Organization (WTO) Trade Facilitation Agreement (TFA) was important, in the area of transport the UN TIR Convention known as the Customs Convention on International Transport of Goods Under Cover of TIR Carnets and UN CMR Convention (Convention on the Contract for the International Carriage of Goods by Road) while in the area of trade facilitation the Framework Agreement on the Facilitation of Cross-Border Paperless Trade were also important agreements.
- In order for SMEs to participate in global value chains it should link first to bigger companies in the domestic market as the experience in China shows. Bigger companies have a role to play in helping SMEs, in particular through timely payments, helping them to digitalize and practicing greater corporate social responsibility towards SMEs.
- As the region was not on track to achieve the Sustainable Development Goals by 2020, the pandemic offered an opportunity to build back better and pursue sustainability, including through the adoption and implementation of internationally recognized standards and principles of responsible business conduct. This should not lead to additional burdens for enterprises but be part of improving their long-term competitiveness.
- The private sector must embrace sustainability and ensure that no one is left behind. In this regard, partnerships between public, private

and non-governmental sector are essential. The global COVID-19 facility set up by GC, UNDP and ICC focusing on rehabilitation of SMEs in particular is a good example of this.

I. Organization of the Forum

1. The sixteenth Asia-Pacific Business Forum (hereafter called the Forum) was held in virtual format on 30 October 2020. The Forum was attended by 756 registered participants from government, business, civil society, academia and others. The programme of the Forum is attached in Annex I.

2. The Forum was organized by the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) in close collaboration with the ESCAP Sustainable Business Network (ESBN).

3. At the opening of APBF on 30 October 2020, a welcome statement was delivered by Mr. Lee George Lam, Chairman of the ESNB Executive Council and Non-Executive Chairman - Hong Kong and ASEAN Region & Chief Adviser to Macquarie Infrastructure and Real Assets Asia, (Hong Kong) Limited. Ms. Armida Salsiah Alisjahbana, Under-Secretary-General of the United Nations and Executive Secretary of ESCAP delivered the opening statement. H.E. Dr. Sansern Samalapa, Vice Minister for Commerce, Royal Government of Thailand delivered the inaugural address. This was followed by keynote addresses by five international business leaders: Mr. Kalin Sarasin, Chairman, Thai Chamber of Commerce and Board of Trade Thailand; Ms. Dian Siswarini, President Director & CEO XL Axiata, Indonesia; Mr. Robert Candelino, Chief Executive Officer and General Manager Unilever Thailand, Myanmar, Cambodia, Lao PDR, Singapore and Malaysia; Ms. Sanda Ojiambo, Executive Director, United Nations Global Compact Office; and Mr. Sandeep Chauhan, President, Fiji Commerce and Employers Federation.

4. The overarching theme of the Forum, “The Future of Value Chains and Implications for SMEs” framed the discussions of each of the six panel sessions following the opening session. Two plenary panel discussions discussed the challenges and opportunities for value chains and SMEs followed by four break-out sessions on: Enhancing sustainability of value chains and SMEs; Enhancing regional connectivity for more efficient value chains and SME integration; Regional trade agreements, special economic zones and trade facilitation: how to harness them for more efficient value chains and SME integration; and Enhancing competitiveness and financing of SMEs, including women entrepreneurs: a review of government policies, why many failed and lessons learnt.

II. Conclusions, recommendations and outcomes of the substantive deliberations

A. Opening session

5. Welcome statement by Mr. Lee George Lam, Chairman, ESNB Executive Council and Non-Executive Chairman - Hong Kong and ASEAN Region and Chief Adviser to Macquarie Infrastructure and Real Assets Asia, Macquarie Infrastructure and Real Assets (Hong Kong) Limited

Mr. Lee George Lam welcomed all participants to the Forum. He noticed that APBF was the main convening event of the ESNB. ESNB is meant to scale up business ambition in the region to achieve the 2030 Agenda for Sustainable Development. This year’s virtual APBF is special because of COVID-19. APBF is held to find solutions, ideas and recommendations for

strengthening value chains and SMEs in challenging times from multiple stakeholders. He noted that there was only one decade left to work together to achieve the Sustainable Development Goals.

6. Opening statement by Ms. Armida Salsiah Alisjahbana, Under-Secretary-General of the United Nations and Executive Secretary of the Economic and Social Commission for Asia and the Pacific

In her opening statement, Ms. Armida Salsiah Alisjahbana welcomed all participants to the Forum. She noted that with the increase in trade, investment and businesses opportunities, a wide network of global and regional value chains had enabled cost-effective and efficient production and trading processes. Through active participation in these supply chains, SMEs in developing countries, have become one of the most reliable economic growth drivers in Asia and the Pacific. However, there were main challenges including the COVID-19 pandemic, trade tensions and the impacts of climate change. She highlighted two focus areas to work further on value chains and its implications for SMEs within the current regional context. First, the role of multilateralism and regional cooperation for value chains. Second, the role of business in addressing the challenges and opportunities of global value chains, in particular the need for SMEs to raise resilience. She observed that many value chains had continued to function during the pandemic and that many SMEs had survived by displaying a high level of agility by adopting digital business operations. As a result, the future of value chains looked promising. She emphasized that government and business needed to work together and, in this regard, she outlined four policy issues and directions for further deliberations and consideration. First, ensure the development of modern and sustainable technologies in all fields, especially in the digital, medical, renewable energy and agricultural areas. Second, promote resilience and sustainability along all supply chains and for business to adopt responsible business practices. Third, encourage participation of women-led and managed SMEs across value chains in our region. Fourth, enhance sustainable regional connectivity in trade, transport, energy and ICT. Governments had to provide appropriate policy and regulatory framework in these areas. In this context, she noted that was very encouraging that Bangladesh and China had completed their domestic ratification process of the Framework Agreement on Facilitating Cross-Border Paperless Trade, while Mongolia had formally acceded to the Asia Pacific Trade Agreement. These concrete policy steps will further steer the value chains and SMEs to contribute fully towards sustainable recovery from this pandemic. She concluded her statement to inform the Forum that the ESCAP Sustainable Business Network was open to involve new members and for business to adopt sustainability as the guiding principle for advancing the 2030 Agenda for Sustainable Development in Asia and the Pacific.

7. Inaugural address by H.E. Dr. Sansern Samalapa, Vice Minister for Commerce, Royal Government of Thailand (recorded message)

In this recorded inaugural address, H.E. Dr. Sansern Samalapa noted that SMEs were the core of every country's economy, in particular in their contribution to employment. Therefore, SME connectivity to GVCs was extremely important for sustainable economic development. The COVID-19 pandemic had posed severe challenges to trade and exposed the fragility of global value chains and participating SMEs. However, the economic downturn offered the opportunity to build back SMEs more sustainably and achieve the 2030 Agenda for Sustainable Development and ensure more resilience and transparency of GVCs. Governments had a responsibility to implement the right policies to build regional connectivity and negotiate multilateral and regional trade agreements which improve trade facilitation and support sustainability.

Governments should also promote the platform economy, including e-commerce, online business matching, virtual trade fairs or hybrids as an alternative to traditional forms of trade promotion. More support in the form of capacity building and building digital infrastructure, finance, skilled labour, technology and networking based on market demand should help SMEs integrate into value chains while quality standards and safety should also be promoted to build consumer confidence. Governments should also promote dialogue with business. In Thailand, the Government had enacted various strategies to help SMEs, including through the promotion of localization and domestic demand, and development of and access to digital technology for accessing international markets while capacity building programmes for SMEs in digital technology were also implemented. The Government has pursued bilateral and regional cooperation, in particular through the Regional Comprehensive Economic Partnership (RCEP) agreement, to help SMEs. He concluded by noting that rehabilitation will only be possible if every country and sector worked together in responding to COVID-19 and pursue sustainable development.

8. Keynote address by Mr. Kalin Sarasin, Chairman, Thai Chamber of Commerce and Board of Trade Thailand

In his keynote address, Mr. Kalin Sarasin noted that SMEs will have adapt very fast to the changing environment through managing risk, scenario planning and keeping sufficient cash. Changing customer behaviour and demand and technology disruption called for new business models, in particular digital models. He observed that fast response and distribution to markets mattered and shorter local, domestic and regional value chains were more important than longer global value chains. Value chains in services, such as tourism, had been severely affected by the pandemic so hotels had to change their business models to local quarantines and restaurants towards online sale of food. Sustainability and traceability of food was important to gain consumer trust and Thailand had managed to become a global online food hub.

9. Keynote address by Ms. Dian Siswarini, President Director and Chief Executive Officer, XL Axiata, Indonesia

In her keynote address, Ms. Dian Siswarini shared the experience of her company in managing its value chains and involvement of SMEs. SMEs were important in Indonesia's economy, but they continued to support millions during the pandemic. Axiata had supported SMEs and woman empowerment through education on digital technologies of SMEs managed by women. In this Axiata worked together with other organizations and businesses and the Government of Indonesia. Incubation programmes for women SMEs were also being implemented, including digital marketing and business development, financial readiness and brand awareness. Most training classes and mentoring programmes were taking place through online services in various areas of SME management. For this the support of ICT infrastructure was required. The programme was scheduled for expansion in the next two years. Women empowerment was also continuing. Other initiatives were going beyond connectivity and also included the provision of CRM and other tools to ensure business continuity.

10. Keynote address by Mr. Robert Candelino, Chief Executive Officer and General Manager, Unilever Thailand, Myanmar, Cambodia, Lao PDR, Singapore and Malaysia

In this keynote address, Mr. Robert Candelino noted the international production and widespread use of Unilever products. Unilever also involved many other companies, from small to medium scale in its supply chains. This scale means that Unilever had both the opportunity and the responsibility to

make a positive contribution to societies and to the planet and make business a force for good. Unilever's purpose was to "make sustainable living a commonplace" and that promise inspired the work it did across all aspects of its business, for instance in sustainable plastics use throughout its supply chains and striving to be carbon neutral, prevent deforestation and promote sustainable agricultural production and water resilience. Unilever strived to be both a fast-growing, thriving business that at the same time improves the health and wellbeing of billions of people, be a world leader in inclusivity and gender equality, and help restore the planet. He stated that the company could not deliver its massively ambitious sustainability commitments without engaging and partnering with everyone in its value chains. COVID-19 had tested collective resilience, but it has also served as a stark reminder that we are driven by the right purpose and though the resources were available we must collectively work harder to solve the myriad challenges we face together.

11. Keynote address by Ms. Sanda Ojiambo, Executive Director, United Nations Global Compact Office (recorded message)

In her recorded keynote address, Ms. Sanda Ojiambo observed that the United Nations Global Compact had united business for a better world for 20 years through its ten principles on business responsibility. She also observed the important role and leadership of SMEs in securing a sustainable world and achieve the 2030 Agenda for Sustainable Development, including through their participation in Global Compact Local Networks. The COVID-19 pandemic had revealed the fragilities of supply chains and level of poverty in the world and had hit the SMEs the hardest. The pandemic had led to labour rights violations, but companies can secure these rights by enforcing the Global Compact ten principles and conduct labour impact assessments across their supply chains. Global supply chains are an important lever for business impact and provide jobs, but these jobs are often undertaken in precarious circumstances at low wages. The pandemic offered an opportunity to build back better and improve workers' rights and working circumstances, make supply chains not only more efficient but also more resilient and just. The private sector must embrace sustainability and ensure that no one is left behind. In this regard, partnerships between public, private and non-governmental sector are essential. The global COVID-19 facility set up by GC, UNDP and ICC focusing on rehabilitation of SMEs in particular is a good example of this. She finished her statement by urging business in Asia-Pacific to join the Global Compact.

12. Keynote address by Mr. Sandeep Chauhan, President, Fiji Commerce and Employers Federation

In this keynote address, Mr. Sandeep Chauhan noted that his country, Fiji, was far removed from Asia but SMEs played also an important role in its economy. Global value chains are challenges for Pacific islands due to lack of accessibility, high logistical costs and closed borders and that MNEs were concentrated in fish and water resources. The pandemic had shown that GVCs had been disrupted and that imports of raw materials had become more difficult. Keeping large inventories meant large cash flow expenditures. Cheap labour allowed for cheaper production but led to inequalities in wealth among countries while workers had little savings to cope with the economic downturn. Fiji was now trying to promote domestic demand and production and local tourism but it did not result in the same revenues as international tourism and trade. It was important for the economy to diversify. Trade among Pacific countries should be developed by dismantling trade barriers and MSMEs should be engaged in such trade.

B. Plenary session 1: Challenges for value chains and small and medium-sized enterprises in Asia and the Pacific

Global value chains are facing many challenges including trade wars, increasing nationalism and protectionism, natural disasters including impact of climate change, economic slow-downs and possible recessions, in particular in the wake of the COVID-19 pandemic, to name a few. It is expected that rebuilding value chains requires the rebuilding of trust among all stakeholders based on a new normal. As multinational enterprises (MNEs) are increasingly consolidating and shortening their value chains and repatriating many of their overseas operations, the challenges and implications are particularly severe for small- and medium-sized enterprises (SMEs) in developing countries. This session will discuss the implications of these challenges for value chains, in particular SMEs, and how both governments and businesses, and both MNEs and SMEs, should respond to manage these challenges.

Moderator: *Asif Ibrahim*, Vice Chairman, Newage Group of Industries, Bangladesh

Keynote address by Stanley Kang, Chairman, Joint Foreign Chambers of Commerce Thailand

Speakers:

- *Rubana Huq*, President, Bangladesh Garment Manufacturers and Exporters Association
- *Siew Choon Thye*, President, Electrical and Electronics Association of Malaysia
- *John West*, Executive Director, Asian Century Institute
- *Bauzhan Bektemirov*, Chief Economist, Management Board, Astana International Financial Center, Kazakhstan

13. Keynote address by Mr. Stanley Kang, Chairman, Joint Foreign Chambers of Commerce Thailand

In this keynote address, Mr. Stanley Kang noted that international supply chains were being relocated because of the trade war and that was seen as an opportunity, including for the East-West Economic Corridor in Thailand. Relocation will continue even after COVID-19 and Thailand will have to grasp the opportunity, but business will not take place as before. JFCCT helped its members, most of which were SMEs, to face the COVID-19 challenges by providing information and conducting brainstorming. JFCCT was advising the government in various areas. First, the government needed a better system with data and information on SMEs and in this regard should adopt e-government to provide the right support to SMEs. Second, bank recognition of all classes of assets were important as collateral. Third, the government was urged to provide financial assistance to SMEs and provide digital infrastructure. Fourth, the regulatory burden of SMEs had to be reduced. Fifth, an index of SME performance had to be compiled to measure economic recovery.

14. The main observations, conclusions, recommendations and outcomes of this session were as follows:

- The COVID-19 pandemic had hit various sectors hard, including the garment industry in least developed countries such as Bangladesh but also other sectors such as the electronic parts and components in countries such as Malaysia, and that SMEs in particular faced grave

challenges, such as lack of effective access to finance, rising costs of doing business, increased competition and regulatory issues. As a result, they were often forced to scale down operations while many faced bankruptcy.

- Business associations such as the Bangladesh Garment Manufacturers and Exporters Association (BGMA) and the Electrical and Electronics Association of Malaysia (TEEAM) provided assistance to their members of which many were SMEs.
- Governments needed to improve access to finance but SMEs were often unable to comply with conditions. In particular, SMEs did not have power to negotiate with financial institutions and disbursement of government funds often proceeded at the discretion of the involved banks.
- Governments needed to provide the appropriate environment to help SMEs cater to individualized demand and niche markets for which they were well positioned.
- SMEs should become more agile and resilient to shocks, be innovative and adopt digital technology, including 5G mobile technology, to overcome the COVID-19 pandemic. However, SMEs often lacked digital competence, while it was the government's responsibility to improve infrastructure, in particular in the digital sector and Industry 4.0.
- As recommended by TEEAM in Malaysia, the Government could provide incentives for foreign companies to locate in the country and apply zero tax for new investments and grant tax allowances for other kinds of foreign investment.
- To make SMEs small, bold and beautiful they should get the ultimate boost to add value and diversify products through clustering, including the establishment of special economic zones dedicated to SMEs in specific sectors such as ready-made garments and electronic parts and components.
- Possible supply chain bottlenecks in imports of raw materials and components could lead to project delays. As a result, supply chains were increasingly localized.
- The pandemic may undermine environmental sustainability in business operations.
- While there was often pessimism about the future of value chains given the enormous challenges there was also scope for optimism. For instance, while some value chains were being relocated from China most other value chains remained to exploit the growing Chinese market and relocation was not always practical. Also, relocation, even back to the United States, was not always economic efficient as skills were not available in the United States in the same amount as in China. China also had a huge market and superior infrastructure while its economy was growing again.
- If relocation of value chains takes place other Asian countries will benefit so on a net basis, the future of Asia looked bright.
- In order for SMEs to participate in global value chains it should link first to bigger companies in the domestic market as the experience in China shows. Bigger companies have a role to play in helping SMEs, in particular through timely payments, helping them to digitalize and practicing greater corporate social responsibility towards SMEs.

- Start-up entrepreneurs had to be supported as they had the potential to quickly grow to the middle-income class and tiers. Governments had to provide the appropriate environment to help businesses to grow by lowering the costs of doing business and cut regulatory burdens.
- Governments had to promote foreign direct investment (FDI) as drivers of economic growth and forge linkages with domestic SMEs.
- Joint ventures among SMEs in different countries could also be promoted. Both multilateral agreements and regional trade agreements such as RCEP, CPTPP and Belt and Road Initiative could help in this regard while digital technology could also be leveraged for this purpose. Business organizations such as national chambers can also play a role here.
- Countries had to diversify their economies to prevent reliance on single commodities.

C. Panel session 2: Opportunities for value chains and small and medium-sized enterprises in Asia and the Pacific

There are also many opportunities to expand and strengthen global and regional value chains, including emerging and disrupting digital technologies such as artificial intelligence, 3D printing, blockchain, 5G mobile technologies but also those emerging from enhanced regional integration through, inter alia, RCEP, CPTPP, BIMSTEC, SAARC and the ASEAN Economic Community. In particular, those companies, both small and large, that have a high degree of resiliency—the ability to absorb a shock, and to come out of it better than the competition—will be able to survive and prosper in the long-term. This session will discuss how businesses, in particular SMEs, can exploit these opportunities to integrate more effectively in global value chains and become more resilient and what governments can do to help them do so.

Moderator: *Barbara Meynert*, Senior Advisor, Fung Group

Keynote address by *Narayana Murthy*, Founder Infosys

Speakers:

- *Hari Parajuli*, Co-President, Federation of Small and Medium Enterprises, Nepal
- *Anne Petterd*, Head of International Commerce and Trade, Asia-Pacific, Baker & McKenzie
- *Harry Seip*, Partner, McKinsey & Company, Thailand
- *Peter Fisher*, President of DSM, Asia-Pacific
- *Kylie Porter*, Executive Director, Global Compact Network Australia

15. Keynote address by Mr. Narayana Murthy, Founder of Infosys

In this keynote address, Mr. Narayana Murthy noted that the Forum was about reducing costs through various digitalization technologies, including 5G mobile technology, cloud computing, blockchain, 3D printing, artificial intelligence and machine learning, digital currency, big data analytics, fintech, etc. One particular aspect was the Internet of Things which was a nebulous concept but formed the backbone of future business and value chains. One feature was that it operates in real time. In combination with 5G and cloud computing, IoT had many promising applications in many areas and sectors,

such as water and power management, security, agriculture, transportation, health care, smart cities and factories, etc. Cloud technology had greatly improved access of companies to high speed digital computing and took away the need to invest in expensive software development as long as services were not customized. AI and machine learning were promising but machines were still far from replacing people and AI actually enhanced job opportunities. Policies were necessary to enhance the utilization of these technologies, make them more accessible, less costly and more sustainable and inclusive, but talent development and development of suitable applications were also important to fully exploit the potential of digital technologies.

16. The main observations, conclusions, recommendations and outcomes of this session were as follows:

- While SMEs faced many challenges, in particular access to funding and disruptions in access to raw materials and markets, governments and business associations in various countries had provided support. A case in point was the support rendered by the Federation of Small and Medium Enterprises in Nepal.
- The Baker & McKenzie report on Supply Chains Reimagined: Recovery and Renewal in Asia Pacific and Beyond, identified various trends in supply chains, in particular a differentiated pace of industry-specific global supply chain movement. It also identified challenges, opportunities, shifting manufacturing patterns and the impact of government intervention schemes.
- For instance, governments had to balance the support to SMEs with the attraction of FDI and ensure sustainability.
- In addition, the Baker & McKenzie report highlighted the importance of global supply chain diversification, digitalization and sustainability and offered a 3R model for organizations, including SMEs, to navigate the business and legal impacts of the COVID-19 pandemic: resilience, recovery and renewal. The full report is available at: https://www.bakermckenzie.com/-/media/files/insight/publications/2020/08/supply-chains-reimagined_17-Aug.pdf.
- Similarly, the McKinsey & Company report on Risk, Resilience, and Rebalancing in Global Value Chains noted that supply chains were continuously evolving and were not easily moved but relocation was taking place due to shifting costs of factors of production and these shifts also affected SMEs and they had to be aware of it.
- Therefore, companies needed an understanding of their exposure, vulnerabilities, and potential losses and become more resilient in a world characterized by frequent disruptions and shocks caused by financial crises, terrorism, extreme weather, and pandemics.
- The McKinsey & Company report (prepared by McKinsey Global Institute) concluded that the new normal required companies to strike a different balance between just-in-time and “just in case.” The full report is available at: <https://www.mckinsey.com/business-functions/operations/our-insights/risk-resilience-and-rebalancing-in-global-value-chains#>.
- However, SMEs were not always able to pursue a “just in case” business model and had to be selective. SMEs could look for partners and diversify their suppliers to reduce uncertainty but that was not always possible.

- Coordinated action by governments, business and multilateral institutions should help SMEs, in particular through facilitating access to trade finance.
- Companies had a responsibility to address the adverse impacts of COVID-19 related lockdowns and economic crisis but also promote sustainability in broader terms. A good example was DSM, a company that promoted both productivity growth and sustainability, reduced food waste and insecurity and delivered value across people, planet and profit, including production of low energy-intensive products, reducing carbon emissions and promoting renewable energy and the circular economy in general.
- The success of SMEs was key to ensuring sustainability across supply chains. Partnerships among governments, companies and NGOs in helping SMEs grow and be able to respond to future shocks were important.
- It was noted that the pandemic had increased corruption and modern slavery. Companies had to assess their risks, including corruption and bribery and the incidence of modern slavery, and SMEs often did not have the capacity to understand where those risks lie. By adopting the principles of the United Nations Global Compact, business could adopt more responsible business practices in their own business and across their supply chains. Public-private partnerships in combating corruption and bribery were also options pursued in some countries. An example was the Global Compact Local Network Australia which provided assistance to SMEs in helping them to mitigate risk related to corruption and bribery, including through the anti-bribery hub and bribery prevention network (<https://briberyprevention.com>).

D. Break-out session 1: Enhancing sustainability of value chains and small and medium-sized enterprises

The region is falling short in achieving various sustainable development goals by 2030. As it recovers from the effects of COVID-19 building back better allows for opportunities to improve sustainability of companies and supply chains. Is this an extra burden for companies in challenging times or an opportunity that should not be missed? What can governments and businesses do, individually and together, to enhance sustainability of supply chains?

Moderator: *Constant Van Aerschot*, Director Asia Pacific, World Business Council for Sustainable Development (WBCSD)

Speakers:

- *Justin Wood*, Alliance to End Plastic Waste
- *Eileen Gallagher*, Associate Director, Business for Social Responsibility; Hong Kong, China
- *Stefano Savi*, Director, Global Platform for Sustainable Natural Rubber
- *Stephen Olson*, Research Fellow, Hinrich Foundation
- *Cynthia Arce*, Executive Director, Global Compact Local Network Philippines

17. The main observations, conclusions, recommendations and outcomes of the session were as follows:

- The impact of the COVID-19 highlighted the interdependency of and the lack of resilience in value chains. It also increased awareness of the importance of sustainability, providing an opportunity to course correct, in particular in view of the looming climate emergency
- While carbon emissions from travel may have been lowered, the consumption of single-use plastics has risen significantly both due to the health sectors but also due to home deliveries. Because of the challenges associated with the pandemic, the world is using more plastics and collecting and recycling less, thus doubling the negative impact.
- Collaboration will be critical to drive systems change, as no company can solve this alone. Due to their position in value chains, multinational companies (MNCs) need to take a lead and inspire others to act. They need to engage SMEs and other actors in their value chains and jointly drive change.
- Creating changes at the systemic level through cross-value-chain collaborations is the best opportunity for SMEs to make their business more sustainable and join the global movement towards sustainability.
- In today's interconnected supply chains, the problems of SMEs are everyone's problem and thus cannot be solved in isolation, as no single company is a winner in a supply chain that can fail. Given the power imbalances, there is a need to move the focus from equality to equity, and design systems that are just, where both the expectations and tools differ for different players in the supply chain.
- It is important to have a multi-stakeholder approach in which SMEs and smallholders are able to be involved directly in co-design solutions that respond to local problems within the international and global framework.
- Companies, especially MNCs, must have long-term sustainability plans and goals that align with the Sustainable Development Goals and require suppliers within their supply to work in alignment with that long-term sustainable strategies.
- MNCs need to be the engines for driving sustainability in supply chains. They need to bear responsibilities for spreading responsible practices throughout their supply chains while considering the resource constraints that SMEs face. MNCs can support SMEs by sharing intelligence and knowledge; convening suppliers to provide opportunities for learning; providing tools to help suppliers live up to expectations; and rewarding sustainability by embedding it into performance measurements.
- Conducting risk and resilience assessment across the supply chain, through due-diligence and resilience stress testing, can help identify critical issues in supply chains and prepare for the next shock.
- Investment in the resilience of partner and supplier networks will be important to ensure the economic, social and environmental sustainability of the value chain and to help companies prepare for the next inevitable crisis. This can be done through supplier mapping, supplier engagement, supplier monitoring as well as collaboration.
- The region is falling short in achieving various sustainable development goals by 2030. As it recovers from the effects of COVID-19 building back better allows for opportunities to improve

sustainability of companies and supply chains. This is an opportunity that should not be missed and should not result in extra burdens for companies in challenging times. Governments and businesses need to decide what they can do, individually and together, to enhance sustainability of supply chains.

- The impacts of the pandemic on sustainable trade over the longer-term period have not yet been clear as economic distress raises the temptation for governments to take shortcuts to economic growth and investments by cutting back on labour and environmental standards, which is likely to backfire in the long term.
- The notion of the “race to the bottom” is increasingly incorrect, as business increasingly recognize that such approaches don’t make good business sense, as they run contrary to the values of their customers, investors and employees. Governments thus need to avoid any temptation to reduce labour or environmental protections in response to the pandemic, as that is not what is needed to attract companies to invest.
- There are also reasons for optimism as business/investors are leading on sustainability, the emergence and integration of technology advancement has transformed the global supply chains towards more transparency and traceability, supply chain partners have become more committed than ever to environmental and social sustainability, and many governments incline to “build back better” through the provision of stimulus packages aiming towards greater sustainability.
- COVID-19 could be made an accelerator of the Sustainable Development Goals, e.g. by requiring companies to adhere to sustainability requirements in order to access additional finance provided by governments and financial institutions.

E. Break-out session 2: Enhancing regional connectivity for more efficient value chains and small and medium-sized enterprises integration

Regional and global value chains depend on enhanced regional connectivity in transport, ICT, energy and other areas to make them effective and efficient. What are the areas that deserve particular attention and is the region ready for deeper connectivity after the COVID-19 crisis? What are the major current regional connectivity initiatives and how can they be enhanced? What is the role for government and business to make that happen?

Moderator: *Tan Sri Dato' Michael Yeoh*, President, Kingsley Strategic Institute for Asia Pacific, Malaysia

Speakers:

- *Raymond Yee*, Vice-President of Customs and Regulatory Affairs, DHL Express Asia Pacific
- *Eunice Huang*, Head of Asia-Pacific Trade Policy, Google
- *Philippe Lienhart*, Project Director, EDF Renewables
- *Vadim Zakharenko*, General Delegate to Eurasia, a.i., International Road Transport Union IRU
- *Tariq Rangoonwala*, Chairman ICC Pakistan and Rangoonwala Group of Companies

18. The main observations, conclusions, recommendations and outcomes of the session were as follows:

- There were both border and behind the border obstacles to smooth and efficient trade. The lack of effective trade facilitation in the Asia-Pacific region was of particular concern. According to the WTO Trade Facilitation Agreement (TFA), countries should have created national trade facilitation committees but many still had not done so. In regional and bilateral trade agreements, trade facilitation commitments were often too broad. Regulatory procedures were often complex and did not favour SMEs.
- E-commerce platforms provided major opportunities for SMEs, but Customs officials did not usually treat e-commerce products favourably. COVID-19 had revealed the importance of e-commerce and therefore co-creation of policies between governments and private sector, possibly using sandboxes, to improve digital trade should be pursued.
- Without advanced digital tools, many SMEs would have had to close and were able to maintain sales. Digitalization of trade processes, including paperless trade were important but also the digitalization of businesses themselves, including cloud technology, digital ads and payments and video conferencing tools. Making SMEs digital would also help improve the resilience of the economy.
- There was also a need for reducing friction in trade through eliminating or reducing regulations that prohibit cross-border data flows, including localization procedures, copy right restrictions, etc. Second, there was a need to reduce fragmentation of digital systems and use and promote cooperation among countries to ensure compatibility of digital systems for instance through concluding digital trade agreements and harmonize international standards. Certainty needed to be enhanced by reducing sectoral regulation and adopting sound regulatory practices, including transparency, while effective coordination among involved bodies that govern digitalization, proper stakeholder consultation and assessing the impact of regulations before they are implemented were also required.
- Regional connectivity in energy was also important. A good example was the North-East Asia Power System Integration project (NAPSI) implemented to improve power connectivity and trade in North East Asia using renewable energy (wind and solar). Current work in North-East Asia could see Mongolia become a regional hub of renewable energy, as the transmission grid and interconnections to neighbouring countries are built. The country has potential to generate massive amounts of wind and solar power which can feasibly be exported to China, Japan, Republic of Korea, and the Russian Federation via high-voltage direct-current transmission technology.
- With the advent of the WTO TFA which has been signed by 164 countries and is advancing in its implementation, one of the key elements is the UN TIR Convention known as the Customs Convention on International Transport of Goods Under Cover of TIR Carnets. Another important convention was the UN CMR Convention (Convention on the Contract for the International Carriage of Goods by Road)

- The International Road Transport Union (IRU) was the global voice of companies providing commercial road transport, mobility and logistics services.
- As a result of COVID-19 and associated restrictive measures, goods and passenger transport and the revenue derived therefrom had plummeted while MSMEs, which make up more than 80% of the road transport industry, are especially at risk of bankruptcy.
- As stated by the United Nations Secretary General, innovative tools such as UN eTIR/eCMR systems and other tools, including e-permits and e-visas, that allow to exchange electronic information without physical contact and facilitate the flow of goods across borders should be used. These tools were of particular importance to landlocked countries.
- In order to further enhance connectivity with the advent of e-corridors and the e-TIR system the most relevant institution in governments to facilitate this development of connectivity are the national customs authorities and their respective IT systems overseeing the movement of trade.
- The TIR System necessitates integration with a multilateral system for accommodating requirements of regional connectivity and secure cross border trade and transportation. There is no single prevailing international multilateral IT system which can simply be tapped into by national authorities hence each national system has to develop the necessary protocols within its system to accommodate the connectivity aspects of systems such as the TIR System.
- The problem faced by some countries is not only security related but also the development of connectivity infrastructure to operate the system more efficiently. There are many aspects to this which entails necessary IT related protocols and development of modules as would be in the case of e.g., the intermodal or multimodal modules to allow for integration of land-based movements with sea movements to provide the necessary supply chain connectivity and integration.
- Efforts should be made to maintain transit freight transport for landlocked countries and maritime connectivity of small island developing States that suffer more due to geographical disadvantage.
- Global and regional cooperation should be stepped up with regard to responses and associated restrictive measures to the pandemic, improve connectivity and, in this regard, governments should listen better to business.
- In particular, issues directly related to capacity building and system integration in the area of perishables (agricultural) or temperature-controlled or cold supply chain regime (e.g. pending COVID-19 vaccine) require attention of international multilateral organizations. National customs authorities in the developing world should adopt the necessary standard operating procedures and procedures for facilitating temperature-controlled movements.

F. Break-out session 3: Regional trade agreements, special economic zones and trade facilitation: how to harness them for more efficient value chains and small and medium-sized enterprises integration

The region is home to mega regional integration deals such as the EEU, RCEP, CTPPP and ASEAN Economic Community to mention a few. Asia is also leading the world in setting up special economic zones often to promote exports and attract FDI. With rising protectionism, how can these initiatives be maintained and enhanced and what is the role of trade facilitation in this respect, in particular digital and paperless trade in the new normal?

Moderator: *Deborah Biber*, Chief Executive, Blue Moon Asia, and Board Director, Pacific Basin Economic Council (PBEC)

Speakers:

- *Eva Chan Chaw Peng*, Head of International Business, Dagang Net Technologies, Malaysia
- *Radu Palamariu*, Practice Head for Global Logistics and Supply Chain Alcott Global (Singapore)
- *Ratchanee Wattanawisitporn*, Executive Director of Foreign Investment Marketing Division, Board of Investment Thailand
- *Shwe Hein*, Secretary, Thilawa SEZ Management Committee

19. The main observations, conclusions, recommendations and outcomes of the session were as follows:

- Trade facilitation was important and aimed to lower trade costs and enhance economic welfare. In the Asia-Pacific region about two-thirds of countries had implemented innovative, technology driven measures to enable the use and exchange of electronic trade data and documents. However, paperless trade and electronic single windows was one area of trade facilitation which still had to be fully developed in many countries but was an important digital trade tool. For instance, Malaysia only allowed for single window for business to government transactions.
- SMEs needed to have proper arrangements with many partners, including freight forwarders, warehouses, oversee partners, and banks and this involved many documents. If these documents could be processed electronically it would be much more efficient for SMEs. So single windows for B to B transactions had be developed or improved both at national level but also at subregional level, for instance in ASEAN. In addition, single windows for G to G exchange of trade related certificates (rules of origin, SPS, etc.) could also be developed.
- Private sector driven e-commerce platforms provided many opportunities for SMEs to jump on the bandwagon without waiting for the government to provide such opportunities. They could contact other SMEs and do google searches and check what others are doing. Different platforms could provide different services.
- The conclusion of bilateral and regional trade agreements as well as the development of national and cross-border infrastructure for trade, transport and investment were important for value chain and SME growth.

- However, regional trade agreements were not always SME friendly so future FTAs should be formulated with the needs of SMEs in mind as well.
- In particular, countries were encouraged to join the Framework Agreement on Facilitation of Cross-Border Paperless Trade under the auspices of ESCAP.
- Special economic zones (SEZs), such as Thailand’s East-West Economic Corridor and Thilawa SEZ in Myanmar, could play an important role in attracting FDI, promote intraregional trade, and help MNEs connect with domestic SMEs and engage them in value chains but they had to be properly managed and be sustainable and have appropriately skilled labour. Government incentives helped foreign businesses to establish themselves in such zones.
- Some governments had liberalized trade and investment to help SMEs cope with the effects of COVID-19. SEZs provided a much more liberal and conducive environment for business than the rest of the economy and played an important role in helping SMEs access foreign markets, skills and technology, including through clustering.
- SEZs also played a role in trade facilitation by harmonizing trade procedures and reducing requirements for import and export licenses. However, it was important that SEZs had proper linkages with the rest of the domestic economy to benefit the economy as a whole.
- Malaysia had launched a digital free trade zone in cooperation with Alibaba which included digital clearance of customs and helped SMEs export in international markets through linking to e-commerce platforms. An issue of particular concern with these zones and platforms was cyber security and the development of trust.
- Investment promotion agencies also had to provide digital services to investors, including domestic SMEs including online applications for incentives.
- Thailand’s BUILD (Board of Investment Unit for Industrial Linkage Development) was an example of an online business matching service operated by the Board of Investment, linking foreign investors with domestic enterprises, including SMEs, in particular in the automotive industry.

G. Break-out session 4: Enhancing competitiveness and financing of small and medium-sized enterprises, including women entrepreneurs: a review of government policies, why many failed and lessons learnt

Governments have for decades implemented assistance schemes to help SMEs become more competitive, in particular facilitating access to finance. Some of the groups most in need for such assistance are SMEs headed or managed by women. Digital finance or fintech has opened up new opportunities for them. However, after all these years of assistance, why are we still speaking or the need for enhanced assistance to SMEs. Why have governments failed and what are the new tools available to make such assistance more effective?

Moderator: Mia Mikic, Director, Trade, Investment and Innovation Division, UNESCAP

Speakers:

- *Wimonkan Kosumas*, Deputy Director, Office of Small and Medium Enterprise Promotion, Thailand
- *Chandrakant Salunkhe*, Founder and President, SME Chamber of India
- *Barbara Ramos*, Chief of “Research and Strategies for Exports, International Trade Centre
- *Hyungchan Lee*, Financial Sector Specialist, Asian Development Bank
- *Jennifer Buckley*, Senior Managing Director, Small Enterprise Assistance Fund (SEAF)

20. The main observations, conclusions, recommendations and outcomes of the session were as follows:

- Access to finance was already the largest obstacle for MSMEs before the pandemic with micro-enterprises being the most vulnerable. As the pandemic hit, the smallest enterprises were the highest impacted. MSMEs are also overrepresented in sectors most affected by the pandemic, i.e. service sector, retail, food and travel.
- Women-led firms are also overrepresented in impacted sectors. Still, even when taking that into consideration, women-led firms suffered more than those led by men in the pandemic.
- Access to short-term financing has risen in importance during the COVID-19 crisis but SMEs also need new equity and debt finance for the long-term development of their business. At the same time, many of the smallest may not even qualify for government support schemes or are not able to find the information. Governments thus need to make information of official support easily accessible to MSMEs, especially those in informal sectors.
- There is an increasing realization that increasing access to finance requires increasing digitalization. Thus, increased digitization of records can help improve access to finance. If SMEs are involved in e-payment, e-invoice, etc. they will have a digital footprint that can help lenders better assess their prospects. Financial access, digitalization and formalization should thus be regarded as three dimensions of one problem as digitalization offers an alternative way to track the financial data of MSMEs, making data-based lending viable to MSMEs.
- SMEs still constitute a small share of the total loan portfolio of banks (e.g. about a third in Thailand) as banks still operate on the basis of a collateral-based lending assumption and perception that SMEs lack business skills and don't have good book keeping. Other reasons for the SME financing gap are high lending rates, limited access to non-banking institutions (insurance, venture capital, leasing, factoring) and capital markets, insufficient and inadequate financial infrastructure, and capacity constraints (management, financial literacy).
- Institutional support, such as credit guarantee schemes and SME-specialized lending institutions, may be needed to support the MSMEs sector and facilitate increased access to finance. Besides funding, SMEs also need long-term sustainable capacity building support to help pivot business models, managing financials, and become more resilient and

adaptive to new market conditions. Support on digitalization is a critical component of this.

- Supporting women not only involves focusing on women-led businesses but also on sectors of the economy where women are more prevalent, e.g. those that provide products/services meeting the unmet needs of women and girls, and ensuring gender equality in company operations. Equal pay, workforce participation, leadership and governance, benefits and professional development, workforce environment, are all of importance for attracting and retaining talent.

H. Closing session

21. This session was moderated by Mr. Lee George Lam. Mr. John W.H. Denton AO, Secretary-General, International Chamber of Commerce, delivered the keynote address for this session. Closing statements were made by Mr. David Morris, ESNB Executive Council Vice-Chair and Mr. Kaveh Zahedi, Deputy Executive Secretary, ESCAP.

22. Keynote address by Mr. John W.H. Denton AO, Secretary-General, International Chamber of Commerce

In his keynote address, Mr. John W.H. Denton informed the Forum that ICC had launched several campaigns to save SMEs from the impacts of the COVID-19 pandemic and related restrictive measures that had caused economic hardship. Keeping supply chains open was a main objective. He noted that data flows should flow freely as well in addition to goods and services and many countries were lagging behind in establishing the digital economy. ICC endeavoured to use the power of business to ensure prosperity for all. He noted that COVID-19 had caused both demand and supply shocks and a major contraction of the world economy was pending and this had revealed the fragility of supply chains. As a result, there was a need for supply chains to become more resilient to weather future shocks. This was the mainstream perception. However, not all value chains were fragile. In fact, he noted the remarkable agility and innovation of business in extraordinary times. The private sector proved more robust than fragile and it was achieved in spite of, not because of government intervention. “Supply chain fragility” was basically a hype up and cover-up for government failures. Lack of essential products during COVID was a result of government failure, not business failure and should not result in protectionism. Problems need to be properly diagnosed and solutions need to be assessed on costs and benefits. Some products were so complex that government interventions actually did more harm than good. Reshoring and localization actually lead to less resilience and competitiveness and were good examples of where the cure is worse than the disease. Domestic supply chains are as much vulnerable to external shocks than global supply chains. The biggest threat to value chains comes from protectionism, not COVID-19. Surging nationalism and protectionism were counterproductive to efficient functioning of international production networks and would lead to shortages of essential products in some countries. Vaccinating the world population requires international cooperation, not fragmentation and export restrictions on vaccines which will only prolong the pandemic so effective distribution world wide is essential. He further noted that travel and tourism had been devastated by government closure of markets and restrictions on mobility leading to massive job loss, including for young people and women and SMEs. Therefore, global policies should quickly revive travel and tourism, including through restoring confidence of travelers for instance through ensuring COVID-19 free flights and pre-departure testing instead of quarantine requirements in destinations on the basis of global standards.

23. Closing statement of Mr. David Morris, ESBN Vice-Chair

In this closing statement, Mr. David Morris made several observations. First, the concept of critical supply chain had to be rethought with the aim to ensure that critical products and associated value chains remained available. In this context, he observed the power of international trade and investment which should be maintained. At the government level, we need to revive and strengthen international frameworks such as RCEP. We needed free, open and risk-free trade by reducing vulnerabilities and enhancing predictability. Governments and business needed to work better and forge stronger partnerships. Government needed to enable business to be more productive, competitive but also resilient and sustainable. New technologies, including digital technologies posed opportunities but also risks such as weaponization and monopolization so robust cyber security norms and standards should be developed. Lastly, we needed a green new deal for business, cities, energy, etc. as sustainability is no longer an option but a requirement.

24. Closing statement of Mr. Kaveh Zahedi, Deputy Executive Secretary of the Economic and Social Commission for Asia and the Pacific

In this closing statement, Mr. Kaveh Zahedi noted that the pandemic had underscored the importance of SMEs but that governments needed to pay much more attention to their growth and competitiveness, in particular those led and managed by women. At the same time, these SMEs must adapt to a very new reality. First, a future where shorter regional and subregional supply chains may flourish. Second, these very same supply chains have been shown to be fragile. Enhanced connectivity, both at national, regional and global level was the glue that binds the parts of the value chains. But connectivity needed multilateral and regional cooperation - building on the agreements already in place at ESCAP and beyond – rather than the inward-looking rhetoric that has emerged. Third, the pandemic had demonstrated the need for digitalization. Finally, more than anything the pandemic had underlined the need for sustainability. He noted that even before the pandemic Asia Pacific was not on track to achieve the Sustainable Development Goals. So, the collective challenge was to give meaning to the rallying call for building back better. For governments, this meant aggressively promoting reduction of greenhouse gas emissions by phasing out fossil fuel subsidies and supporting renewable energy. It means stricter pollution controls, including the phasing out of single use plastics, and promote inclusive and social enterprises and impact investment. For businesses it meant a move into new markets and models driven by inclusivity, resilience, and sustainability. It also meant strict and consistent adoption of internationally recognized principles and standards, including the principles of the United Nations Global Compact and Guiding Principles on Business and Human Rights. He concluded by thanking the ESCAP Sustainable Business Network for working with ESCAP us for that purpose and for having organized a successful Asia Pacific Business Forum and informing participants that the conclusions and recommendations of this Forum would feed into the ESCAP Commission and Asia-Pacific Forum on Sustainable Development and from there to the High-Level Political Forum. The voice of business matters!