



Sixteenth Asia-Pacific Business Forum

Virtual Meeting, 30 October 2020

REPORT

SUMMARY RECOMMENDATIONS

The theme of 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 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).
- The 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.
- 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 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 WTO Trade Facilitation Agreement 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 SDGs 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. George Lam, Chair 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

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

Mr. 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 SDGs.

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

In her opening statement, Ibu Armida 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.

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

In this recorded inaugural address, H.E. Mr. 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 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.

12. 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 adapted 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.

13. Keynote address by Ms. Dian Siswarini, President Director & CEO 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.

14. 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.

15. 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.

16. 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 SMEs 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

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.

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 SMEs 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

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