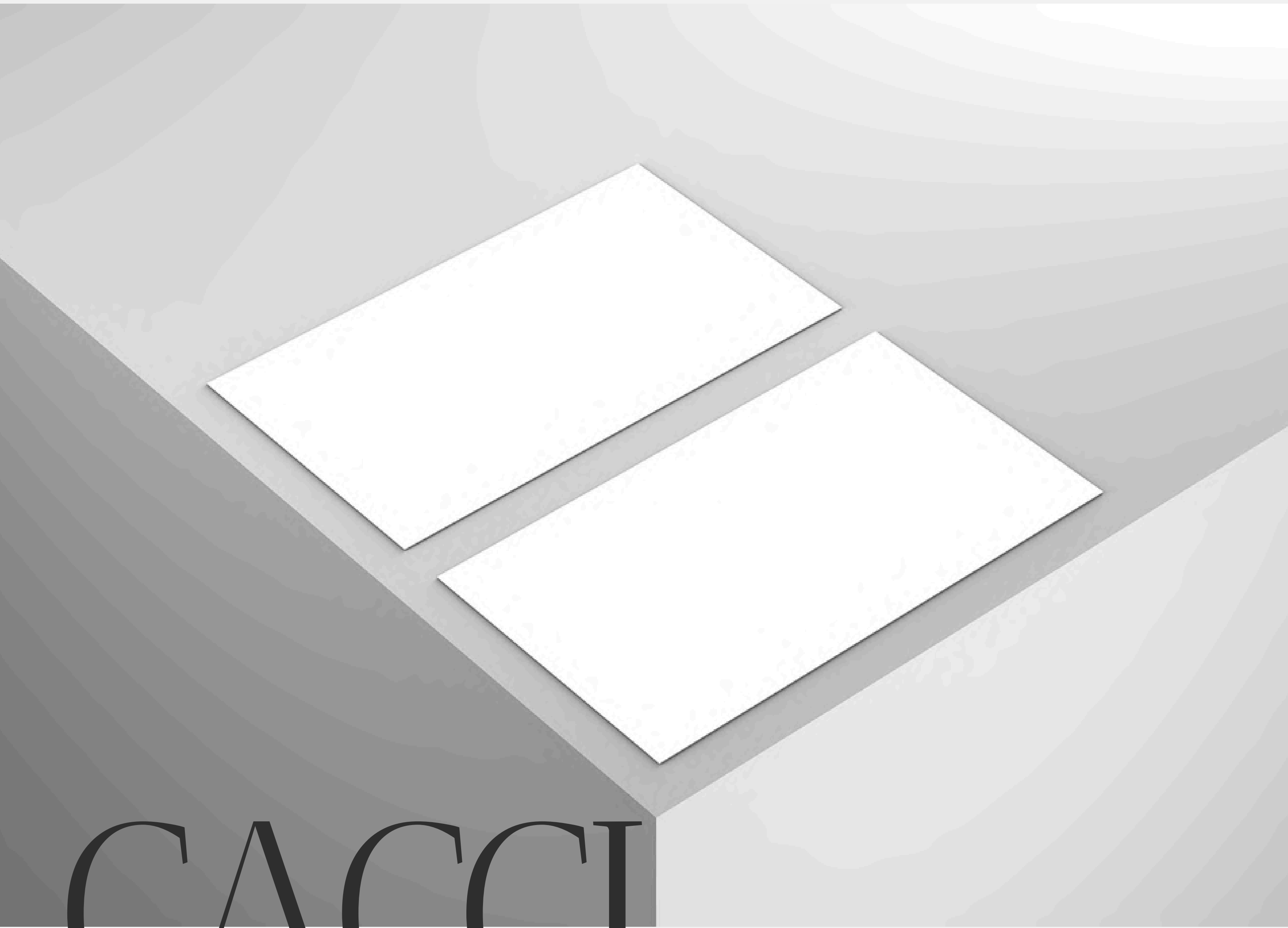

CACCI JOURNAL OF COMMERCE & INDUSTRY

Current Trends and Issues in Business

Confederation of Asia-Pacific Chambers of Commerce and Industry
Journal / Vol. 1, 2024

CACCI

Journal of Commerce and Industry

In today's complex and rapidly evolving Asia-Pacific business landscape, informed decision-making is paramount. We trust this Journal offers actionable insights and analysis to empower businesses to navigate challenges and capitalize on opportunities.

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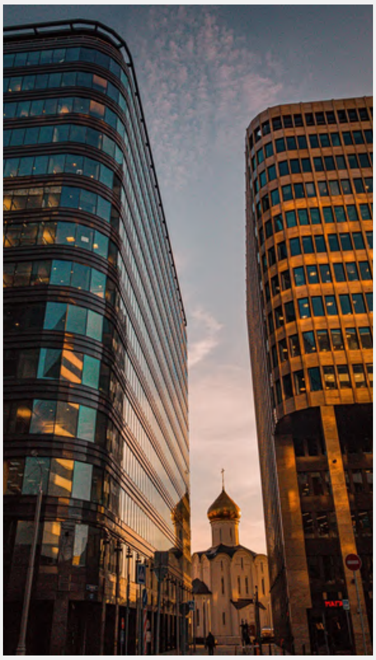
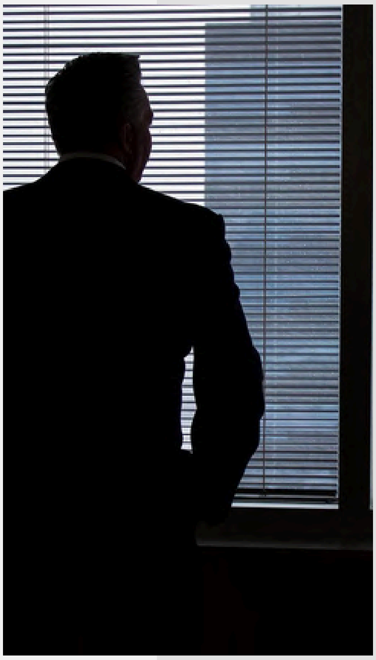
Editorial correspondence should be addressed to the Editor, CACCI Journal of Commerce and Industry, 7F-2, No. 760, Bade Road Section 4, Taipei 105, Taiwan

Volume 1
2024

This edition of the CACCI Journal of Commerce and Industry delves into critical topics shaping the Asia-Pacific landscape.

Through expert insights from both the public and private sectors, we examine the case for investing in emerging markets, the evolving regulatory framework for digital trade, the transformative potential of generative AI, and the imperative of prioritizing a green and inclusive economy.

The CACCI Journal team extends sincere gratitude to our contributors for sharing their valuable expertise with our readership.

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TRADE & SUPPLY CHAIN

TECHNOLOGY & INNOVATION

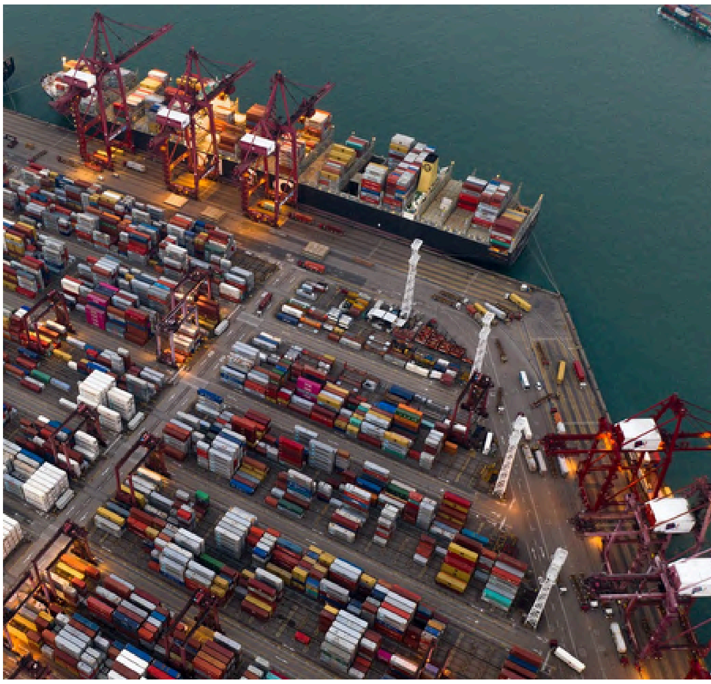
SUSTAINABILITY & INCLUSIVITY

WTO MC13 Outcome: Unmet Expectations on Developmental Issues

The Commonwealth
Collin Zhuawu | Economic Adviser: Multilateral Trade in the International Trade Policy Section, Commonwealth Secretariat

April, 2024

The World Trade Organization's (WTO) 13th Ministerial Conference (MC13) concluded in the UAE on 29th February with modest outcomes, headlined by a decision to extend the moratorium on e-commerce duties and the admission of two new WTO members, Timor-Leste and Comoros. However, key developmental issues remained unresolved.



Fisheries Subsidies Reform

Despite intense discussions on a draft text on fisheries subsidies and progress on certain issues, members failed to conclude the second phase of fisheries subsidies negotiations. Further delays in concluding the agreement will affect the livelihoods of the 260 million people dependent on marine fisheries globally.

As things stand, countries - including those with large-scale distant water fishing fleets responsible for depleting fish stocks - have retained their fisheries subsidies without any commitments for reductions. A failure to reach consensus on ways to discipline subsidies contributing to overcapacity and overfishing will prolong unsustainable fishing practices. It is essential for developing countries to continue advancing the fisheries development dimension in Geneva and ensure a developmental outcome.

Agriculture

Discussions on a draft text on agriculture focused on three critical areas: the balance across topics, deliverables for the most vulnerable members, and public stockholding (PSH) for food security purposes. Despite efforts, members did not find convergence on all issues.

The failure to find solutions represents a setback in pursuit of a predictable and inclusive agriculture trading system and in addressing food security concerns, particularly for smaller developing countries. It is imperative for members to engage in technical discussions — backed by stronger political will — to resolve the existing impasse on issues such as domestic support, PSH, Cotton and the Special Safeguard Mechanism; and establish fairer market access and disciplining measures related to export restrictions.

Discussions in Geneva should be linked to the essential role that agriculture plays in ending hunger, achieving food security, and improving nutrition going forward. WTO members must strive to balance their short-term goals with their long-term objective of establishing a fair and market-oriented agricultural trading system that benefits all countries.

Special and Differential Treatment (S&DT)
S&DT provisions are an integral part of WTO agreements that allow developing members, including LDCs, to enjoy more favourable and flexible treatment to help meet their development aspirations. Ministers adopted a declaration aimed at ensuring the precise, effective, and operational implementation of S&DT provisions within the Sanitary and Phytosanitary and Technical Barriers to Trade Agreements.

These agreements deal with food safety, animal and plant health, and technical regulations and standards, respectively. The declaration highlighted the need for improvements in training and technical assistance, transparency regarding commitment periods, and work on enhancing the implementation of S&DT for developing members, including LDCs, mandating a report on progress by December 2024.

In addition, ministers agreed on concrete steps to facilitate the transition for graduating LDCs. They also adopted a decision reaffirming their commitments to the ongoing Work Programme on Small Economies, which supports their unique needs. However, considerable work is still needed in Geneva to improve the application and operationalisation of all S&DT provisions as an integral part of WTO agreements.

Dispute settlement reform
Ministers adopted a decision recognising the progress made and instructing officials to accelerate discussions to resolve outstanding issues, including appeal/review and accessibility, and restore a fully functioning dispute settlement system by 2024. Post MC13, consultations on the way forward with respect to dispute settlement reform and the appointment of a new facilitator for the reform process have begun in Geneva.

To ensure and safeguard a strong MTS that delivers on development issues, the selection process for filling vacancies on the Appellate Body (AB) remains urgent. This requires expeditious reconstitution of the AB and the promulgation of rules to build trust in its procedures and operations.

Trade in Services
Acknowledging the significant contribution of services to the global economy, including their role in generating most economic output and job creation, ministers urged relevant WTO committees to continue their efforts in evaluating the lessons learned from the COVID-19 pandemic and swiftly develop robust strategies for managing future pandemics.

Ministers also endorsed the entry into force of new disciplines on services domestic regulation, which are expected to simplify regulatory procedures and reduce global trade costs by more than US$125 billion. This marks the first time an agreement among a group of WTO members has included a commitment to gender equality in service supply permits. Developing countries should consider ways of taking advantage of the agreement for their benefit.

E-commerce Work Programme
Ministers agreed to re-invigorate the E-commerce Work Programme, emphasising its development dimension and the needs of developing countries and LDCs. They highlighted the importance of addressing the digital divide and supporting the development of the digital economy in these countries, including by providing training and technical assistance for micro, small, and medium-sized enterprises. Ministers also expressed their commitment to deepen discussions on e-commerce-related topics, building on previous dedicated discussions.

They also agreed to examine the impact of a moratorium on customs duties on electronic transmissions, extending it until MC14 or 31 March 2026, whichever comes first. Both the moratorium on customs duties and the Work Programme are set to expire on this date.

Any future engagements on the Work Programme, including discussions on the moratorium, require developing countries to carefully assess the implications of all aspects under discussion, including the opportunities for export growth facilitated through technology, globalisation, and participation in global value chains. Furthermore, it should be viewed in light of the growing significance of digital trade.

Investment facilitation for development

Ministers considered a draft decision on incorporating the Investment Facilitation for Development (IFD) Agreement into Annex 4 of the Marrakesh Agreement establishing the WTO, thereby integrating it into the WTO framework as a plurilateral agreement open to all members. The IFD Agreement aims to promote sustainable development, economic growth, and technology transfer through foreign direct investment by simplifying investment conditions, enhancing predictability and improving transparency, with a particular focus on development.

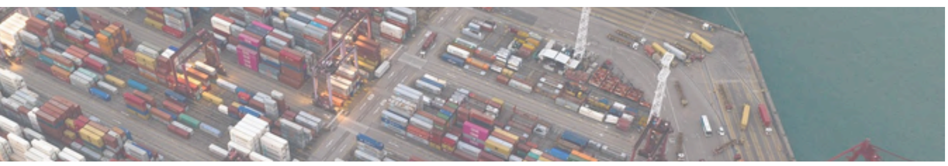
Since there was no consensus at MC13 to incorporate the IFD, participating members have re-submitted their request in Geneva for the Agreement's incorporation into Annex 4 of the Marrakesh Agreement. They are also continuing the IFD needs assessment process to assist developing countries and LDCs.

Greater participation in the Geneva negotiating process

The WTO Geneva process of trade negotiations plays a vital role in bridging differences in members' positions to reach consensus on multilateral rules and disciplines to promote fair trade and foster global economic growth and development. Commonwealth developing countries should enhance their participation in the process to ensure that their interests are incorporated in decisions regarding unfinished developmental issues.

The Commonwealth and its member countries continue to be at the forefront of advocacy for a transparent, inclusive, fair, and open rules-based multilateral trading system, which considers the special needs of LDCs and small states. Furthermore, the Commonwealth Caucus of WTO Ambassadors provides a forum for Geneva-based representatives to informally exchange views.

This Caucus provides a valuable platform for dialogue to enhance understanding and align the interests of Commonwealth countries on issues, which can then be taken up for further discussion within the WTO.



Getting to yes: The e-commerce JSI reaches landmark at the WTO

Hinrich Foundation
Deborah Elms | Head of Trade Policy, Hinrich Foundation

July, 2024

While most of the news from the World Trade Organization (WTO) has been gloomy, Friday saw a rare breakthrough. More than 80 members of the group working on digital trade reached an historic agreement, albeit with an awkward phrasing. Leaders released a "stabilized text" for the Joint Statement Initiative (JSI) on Electronic Commerce.

This is not the sort of language that makes anyone outside policy circles stand up and take notice, but it profoundly matters. Digital is the future of trade.

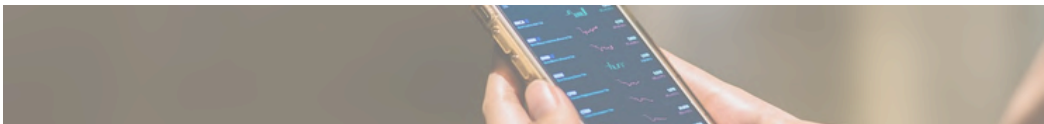
This agreement represents the first time the global trade body, absent the United States, has managed to draft digital rules. JSI members range from advanced economies to least developed economies and the final stabilized text was acceptable for heavyweight members from China and the European Union to smaller ones like Benin and Laos. Given the difficulties that the WTO has had in reaching consensus, it is a rare opportunity to celebrate this negotiating success.

It took five years to get to this point. Originally launched in late 2017, the JSI was an attempt to get as many members as possible to work on a critically important trade issue that was otherwise stuck.

An ongoing e-commerce work program from 1998 had barely budged, leading about 70 members, led by Australia, Japan, and Singapore, to try a different route. This JSI process currently includes 91 members, although not all have approved the stabilized text.

The WTO does not have rules that explicitly cover digital trade. The JSI text, by contrast, covers six areas: enabling electronic commerce; openness; trust; transparency, cooperation and development; telecommunications; and exceptions.

This coverage broadly mirrors digital trade commitments that some JSI members have made in other bilateral and regional trade agreements. The potential application of consistent rules to manage digital trade across more than half of the WTO members is critically important. The digital economy does not fit easily within geographic boundaries. A company in one location can quite easily use digital tools to buy and sell goods and services anywhere else in the world.



While governments were once content to allow digital trade to flourish with limited rules in place, this situation is changing rapidly. Inconsistencies in regulations can make it difficult, expensive, or simply impossible for trade flows to continue. Growing regulatory and legal fragmentation harms smallest firms the most, as they have the fewest resources to manage diverse business environments.

This is why the release of the stabilized text should be met with an enthusiastic cheer, even if the final outcome does not contain everything that might have been objectively desirable. The text is full of "shall endeavour" commitments which can make it hard to determine exactly what might (or might not) be on offer from any member. Still, consistent "endeavoring" should be better than having no alignment at all on digital rules and regulations.

Early reviews of the text have largely focused on five issues:

- a JSI text that is about rules and does not have market access schedules;
- an insufficient commitment to data movement and data hosting requirements;
- ambiguous wording about making the customs moratorium permanent;
- a final text that does not include all members of the JSI; and
- a lack of clarity on the way that this text will be incorporated into the WTO.

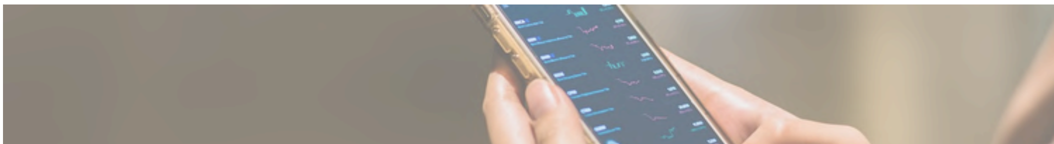
First, the focus in the early stages of the JSI negotiations included both the expansion of trade rules to explicitly cover digital issues and the creation of specific market access commitments or schedules. This is especially important as existing schedules, such as for services sectors, may be read as extending to include digital services trade. But, equally plausibly, existing schedules may not clearly include digitally delivered services.

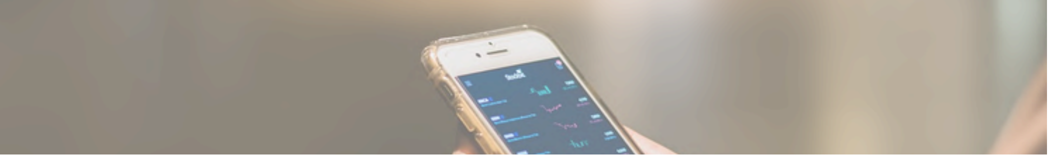
There was scope, therefore, for negotiations to adjust existing schedules or to negotiate new schedules related to the JSI. However, the stabilized text has dropped references to potential schedules or market access, focusing instead on the crafting of rules for digital trade.

Of course, having consistent rules across more than 80 WTO members is extremely important. The Organisation for Economic Co-operation and Development has estimated that digital trade already accounted for a quarter of global trade flows in 2020, worth an estimated US$5 trillion. The JSI, even without explicit market access commitments, should accelerate this growth.

Second, many early commentators have examined the texts and noted problems related to the cross-border movement of data and data hosting requirements. This is not a surprising outcome, as the United States withdrew its support for these issues in October 2023. The stabilized text does not even contain a reference to allowing cross-border data flows or have an article on data hosting. These are common provisions in other digital trade agreements, including the five different digital-only agreements that Singapore, one of the three co-convenors of the WTO's 'stabilized text' deal, has already concluded.

Perhaps more problematic, the list of permitted exceptions is lengthy, with one in particular, Article 25, providing a significant loophole on the movement of personal data across borders. However, given the lack of support by the United States for the WTO deal and a range of extant divergent views on the regulation of personal data and privacy among jurisdictions from China to the European Union, it was never going to be easy to bridge these gaps.





Third, a key request from businesses for the JSI from the outset was to make the customs moratorium on electronic transmissions permanent. We have examined this issue extensively in the past. For now, simply note that the text does not clearly provide for a permanent extension of the moratorium. The general WTO membership has extended the moratorium through the next Ministerial Conference, but businesses were looking to the JSI to make the moratorium permanent. Instead, the text provides for a review after five years. This review could be a simple look or it may not.

Fourth, an early area of focus has been on the membership. Brazil, Colombia, El Salvador, Guatemala, Indonesia, Paraguay, Taiwan, Türkiye, and the US are not listed as sponsors of the released text. This does not mean, it should be noted, that these WTO members will never become full JSI participants, but they are not currently on board. Indonesia, for example, has apparently not yet decided if the moratorium language in the JSI is acceptable domestically.

There has been a lot of early dismay that the United States was not able or willing to sign on to the stabilized text. There has been some suggestion that the release of the text could have been delayed until after the US election in November to give the US more of an opportunity to sign on to the deal.

However, at this point there is little indication that either candidate in the US presidential election is prepared to make digital trade or, indeed, the WTO a priority in the near term. The JSI co-conveners appear to have decided that holding the entire text at bay on the off-chance that a new US presidential term would allow greater flexibility by the Americans was a poor bet.

Finally, a legal issue of weaving the latest JSI agreement into the WTO architecture of rules: although there has been relatively muted early attention to the vexing issue of incorporation, the WTO has not had a lot of success lately in getting commitments in the various plurilateral agreements added to the overall set of legal commitments. Another JSI, on investment facilitation, for instance, had a fourth attempt at inclusion fail in July. Unless and until the JSI rules are incorporated into the WTO, including with greater clarity on whether the provisions apply to non-members, the agreement will provide only weak guidance towards future digital policy alignment.

It may seem, then, that the JSI is not a terribly useful agreement, given the assessments from early commentary. But these issues should not determine the true utility of this agreement. As digital trade continues to spread and become the dominant form of trade, the risk of regulatory fragmentation has only increased. The JSI provides a common platform – perhaps soon a de facto global standard – for more than 80 countries to better insure regulatory consistency.

If trade is to work for most, digital trade rules are critically important frameworks. It is especially notable for smaller firms that are least able to manage inconsistent rules. The release of a stabilized text is therefore a welcome addition to the WTO and global trade agenda.

Balancing opportunities and risks in emerging markets

Official Monetary and Financial Institutions Forum
Arunima Sharan | Senior Economist, Economic and Monetary Institute at OMFIF

July, 2024

In the ever-evolving landscape of global finance, emerging markets represent both promising opportunities and complex challenges. These economies – characterised by rapid growth, young populations and developing financial systems – offer a compelling proposition for investors seeking diversification and potentially higher returns, but also a complex tapestry of risks.

This edition of the Bulletin, through insights from the public and private sector, explores the case for investing in emerging markets, the associated challenges as well as the roles of multilateral and in-country actors to facilitate investment in key sectors.

As emerging markets now contribute over half of the world's gross domestic product, their significance in the global economy is undeniable. The case for investors to reconsider allocation to emerging markets is argued by Massimiliano Castelli and Philipp Salman, strategy and advice, global sovereign markets at UBS Asset Management, who point to positive growth differentials between emerging and advanced economies, improved macroeconomic stability and better policy management. On the asset allocation front, they also 'expect EMs' assets to outperform in the next decade with EM debt (in hard currency) generating higher annual returns than global equities (with less volatility)'.

The maturation of debt markets in emerging markets has created a sub-asset class worth nearly $4tn, offering a diverse range of investment instruments across various sectors. Jeremy Cunningham, investment director at Capital Group, emphasises the strategic imperative of considering an allocation to local currency debt in emerging markets, noting that EM local currency benefits from diversification, greater variety of debt instruments, greater liquidity and the potential for higher returns.

Investing in EMs, however, comes with higher risks, including currency volatility, political uncertainty and sovereign default, necessitating extensive research and active management.

Yet, the global macroeconomic environment plays a crucial role in shaping investment prospects in emerging markets. Jeffery Schultz, chief economist, central and Eastern Europe, Middle East and Africa at BNP Paribas notes that while growth in emerging markets has been buoyed by strong activity in the US and a gradual European recovery, these factors help offset a weaker Chinese economy. However, inflation remains a concern, with forecasts indicating that central banks may not meet targets until 2025.

Adding to the trickier trade-offs, fiscal policy in emerging markets is expected to gain relevance, especially following key elections in these emerging economies. Recent elections in South Africa, Mexico and India have tested investor nerves, as observed by Christopher Smart, managing partner at Arbroath Group, who writes about the delicate balance between voter demands and market constraints. These political shifts can lead to populist policies that jeopardise fiscal and monetary stability, impacting disinflation progress and asset prices.

To mitigate some of the risks, Joon Park, senior manager, blended finance at the International Finance Corporation, explains how blended finance reduces risks and mobilises larger volumes of private capital in emerging markets. He writes, 'by absorbing risks that private investors are unwilling to take on, blended finance multiplies the impact of limited public resources, mobilising larger volumes of private capital'.

Similarly, Manfred Schepers, chief executive officer of ILX Fund I, explains that multilateral development banks are well placed to address challenges in emerging markets due to their investment experience, local network, sector expertise and financial capacity. Institutional investors can greatly benefit from this expertise, as 'co-financing alongside MDBs is not only necessary, but also a smart business decision' – particularly in the area of climate finance.

While the presence of multilateral actors goes a long way in facilitating investments in emerging markets, domestic institutions and the policy environment are also crucial. Arief Budiman, deputy CEO of Indonesia Investment Authority, highlights the role of sovereign funds in attracting global institutional investors to emerging markets, noting for example, how INA acts as a co-investor, leveraging local knowledge and networks to facilitate investment from global partners focusing on sectors such as the energy transition and digital infrastructure.

Elsewhere, in India, K Mukundan, strategic initiatives and policy advisory at the National Investment and Infrastructure Fund highlights opportunities arising from the country's green and energy transition, which is being supported by policy incentives and infrastructure development. He points out that, 'India's dual focus on economic growth and environmental preservation positions it as a global leader in sustainable development', making it a compelling investment destination.

Investing in emerging markets offers some attractive opportunities for growth, diversification and impact. However, these opportunities come with significant challenges, including political risks, economic volatility and complex regulatory environments. To navigate this terrain successfully, investors must adopt a nuanced approach that combines thorough risk management and strategic partnerships. Blended finance and collaboration with development finance institutions offer promising avenues for mitigating risks and accessing the full potential of emerging markets.

How Asia's companies can take control of their supply chain risks

Marsh
Marshall Lee |Head of Climate & Sustainability, Marsh McLennan Asia

July, 2024

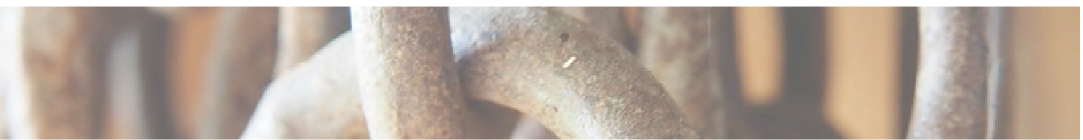
Supply chain disruption risks take center stage as global trade fragmentation accelerates
According to Marsh's latest Political Risk Report, the fragmentation of global trade is accelerating due to ongoing geopolitical volatility and countries that prioritise economic security at the expense of trade alliances. This change has resulted in markets becoming more inward looking, self-reliant, and less connected to established trade networks. The recent tariff announcements from the US and the EU will also significantly change the way companies in Asia view their growth prospects and manufacturing and operational strategies.

The fragility of global supply chains, which were laid bare during the pandemic and subsequently exacerbated by wars and climate change, have caused supply chain disruption to rapidly move up the corporate agenda as a critical strategic priority.

The challenges to mitigating supply chain risk for companies in Asia
Yet, reshaping and enhancing supply chain resilience is a complex, time consuming, and costly exercise for several reasons:

- **Gaining supply chain visibility is difficult:** Most businesses rely on contractual obligations or manual surveys to gain insights into the shape and constituents of their upstream supplier network, often with resistance from suppliers.
- **Traversing complex risk terrain:** Assessing large groups of suppliers against a growing swath of wide-ranging risks is challenging. Risks as diverse as extreme weather events, cyberattacks, sanctions and tariffs, and financial performance across both suppliers and transport routes can all have devastating impacts on the reliability of a supply chain. However, very few companies possess the deep risk and industry expertise to measure and quantify the holistic impact.
- **Diversifying supply chains:** Diversifying from an established cluster of suppliers and incorporating new suppliers require an enormous amount of due diligence. As the shift in supply chains accelerates, many established data sets quickly become out of date.
- **Assessing talent and capabilities:** Diverse labour costs, access to talent and skill sets, and local regulatory compliance all need to be factored into the rebuilding of value chains in new markets.

Practical ways to better understand and manage supply chain risks
Companies in Asia can partner with a trusted risk advisor to formulate a holistic approach to mitigate supply chain risks by:



- **Gaining full visibility into value chains, both upstream and downstream:** Artificial intelligence (AI) and big data tools are now capable of helping companies map their suppliers digitally, saving time on manual mapping with the ability to be frequently refreshed to reflect the dynamic nature of global supply chains. These tools can be combined with satellite and other technologies to validate the location and trading routes to generate a comprehensive and complete picture of the supply chain ecosystem.
- **Identifying potential vulnerabilities:** Beyond transparency, identifying structural issues such as over-concentration and bottlenecks is important. Not all suppliers are equally important, and often a small and seemingly innocuous supplier of critical parts can cause disproportional disruptions.
- **Overlaying with key risks that can affect the supply network:** The key risks companies are focusing on currently include natural hazards, geopolitical, sanctions, cyberattacks, and financial performance. Environmental, social and governance (ESG) risk and carbon emission screening are also on the rise given their impact on reputational risks.

Once risk assessment and prioritisation are completed, operational resilience measures can then be extended to critical suppliers, both direct and indirect. Companies should:

- Work with Tier 1 suppliers to conduct a deep dive to access the vulnerabilities of the sub-tier suppliers.
- Ensure adequate inventory levels throughout the system to provide buffer while optimising for cost.
- Work with suppliers on contingency plans to ensure integration across multiple layers of the supply chain.

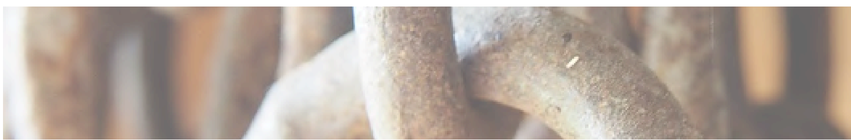
While these initiatives will come at a cost, a more cost-effective approach to building resilience can begin with a smaller group of key suppliers, with the goal of providing the best return on investment (ROI) in the initial stages.

Insurance and financing solutions are also available to transfer some of the supply chain risks. For example, Contingent Business Interruption (BI) insurance and parametric solutions are both potential solutions. A thorough supply chain analysis — requiring robust supply chain data — is needed to access the capacity for these risk transfer products.

Turning risk into opportunity and competitive advantage

With Asia an integral part of the global manufacturing and trade network, multinational brands are increasingly under scrutiny on issues such as ESG and climate adaptation. At the same time, Asia-based manufacturers face similar scrutiny from their customers who seek to diversify their supply chains while fulfilling their sustainability credentials.

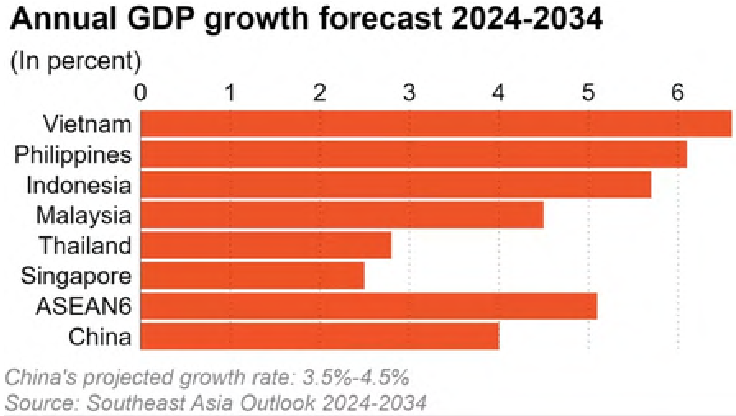
Amidst this backdrop, businesses in Asia have an imperative to enhance their supply chain risk management capabilities to safeguard against potential disruptions and losses. Rising above the challenges, Asian companies can seize this unique opportunity to leverage a more transparent, resilient, and sustainable supply chain to gain a competitive advantage and drive sustained growth.



Southeast Asia to outpace China's GDP growth and foreign investment: report

August 2024

Nikkei Asia
Tsubasa Suruga | Nikkei Staff writer



Southeast Asia is likely to outpace China's economic growth and inflow of foreign direct investments over the next ten years, a new study led by a Singapore-based think tank showed, as the region benefits from growing demographics and a global supply chain shift.

The Southeast Asia Outlook 2024-2034 report, which was released on Thursday by Angsana Council, U.S. consultancy Bain & Co. and Singapore's DBS Bank, projected the gross domestic product of six regional economies: Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam.

According to the study, GDP for the six key economies is expected to increase by an average of 5.1% annually until 2034, outpacing China's projected growth of 3.5% to 4.5%.

By country, Vietnam is expected to lead with 6.6%, followed by the Philippines with 6.1%, while Singapore -- the slowest among the six -- is expected to manage 2.5%.

Charles Ormiston, an advisory partner at Bain and Angsana Council's chair, attributed the drive to the region's strong domestic growth and companies diversifying production beyond China.

"Multinational investments will be highly contested, with the competition between countries improving outcomes for both businesses and consumers," he said.

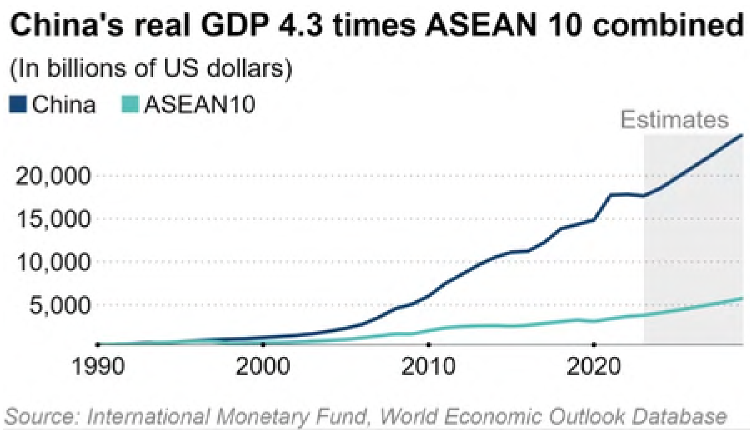
While the report did not forecast the exact FDI figures, it predicted that overseas funding to Southeast Asia will maintain strong growth momentum. Last year, the six economies attracted more foreign capital than China -- the first time in a decade. In 2023, FDIs into the six countries totaled $206 billion, compared to $42.7 billion for China.

In addition to being the largest trading partner, the report noted that China is likely to become the largest investor in the region.

"Not just Western investors [in] China, but Chinese investors are now looking to move offshore, to bypass the tariff restrictions and security concerns," Ormiston told reporters on Tuesday.

According to the ASEAN Secretariat, the U.S. was the regional bloc's largest source of FDI at $37 billion in 2022, accounting for 16.5% of the total, with a bulk of around $20 billion going into manufacturing and finance sectors. Excluding intra-ASEAN investments, Japan came in second at $27 billion, followed by China at $15 billion.

In absolute terms, however, China's real GDP dwarfs the region. The report projects China's real GDP in 2034 at 154 trillion yuan ($21 trillion) -- about five times that of the six Southeast Asian economies combined. According to the International Monetary Fund's World Economic Outlook Database, China's real GDP in 2029 will be 4.3 times that of ASEAN's ten members combined.



To spur growth, the report said, countries should prioritize investing in emerging sectors that fit with their established clusters, workforce and natural resources. Fostering a robust startup ecosystem and strengthening their capital markets are key areas to support new companies and financing, it added.

“FDI should not necessarily go to one favorite sector or one favorite company, which then enjoy the monopoly status, or preferred status in the economy,” said Taimur Baig, managing director and chief economist at DBS Bank. “That is a surefire way of actually wasting that FDI.”

The biggest spillover that comes from FDI is when it allows greater competition,” he added.

Among the newer growth sectors, Thailand and Indonesia are emerging as regional hubs for electric vehicle supply chains. Malaysia, Singapore and Vietnam are expanding semiconductor production across different parts of the value chain, while the region is broadly benefiting from a boom in data center investments.

But the report warned that low-cost labor, subsidized land and tax holidays -- all of which most Southeast Asian countries have traditionally relied on -- would not drive high quality FDI.

Instead, Ormiston said the availability of low cost, reliable green energy will become "a major driver" over the coming years for some of the most attractive FDIs, as global companies push for decarbonization.

"This is one one of the biggest growth opportunities for Southeast Asia," he said.

Southeast Asia has traditionally relied on gas and coal to produce cheap power, and has attracted the lowest level of solar and wind power investment globally over the past five years, second only to sub-Saharan Africa, according to a report last year by McKinsey & Co. and Singapore's Economic Development Board.

Advancing Retail with Private Labels

RetailWise
August 2024
Eric Poiret | Chairman, RetailWise

Discovering Private Labels
Private labels first captured my attention as a child in the 70s during a visit to Cora, the newest hypermarket near my hometown in northern France. Amidst the bustling aisles filled with colorful packages, I was drawn to a section showcasing "white products" – merchandise packaged in plain, minimalistic white without branding. The store-brand products communicated their value clearly: unbranded and low-priced. This early encounter with private labels, offering significant savings despite their lack of flashy branding, piqued my ongoing interest in private labels as I journeyed into retail.

Key Insights in Private Label Development
When I began my retail career in 1988 at Auchan in France, private labels were quite different from what we see today. Back then, their packaging often mimicked that of leading brands to the point where it could confuse customers, despite private labels being priced about 20% lower.

From those early experiences, I picked up three key insights:

1. Identify the top brands in your category to effectively position your private label.
2. Set your private label's price 20% lower than the leading brands to attract price-sensitive customers.
3. Ensure your private label offers a margin that is 15 to 20% higher than the category leader to ensure profitability.

A decade later, at Monoprix-Prisunic, I encountered the concept of exclusive premium retail brands – high-quality products that resonated with customers and helped differentiate the retailer.

In the Middle East with Carrefour, I faced the challenge of launching private labels in a market dominated by established international brands. Despite Carrefour's global reach, our progress was slower than expected due to limited initial volumes.

At Aswaaq, the challenge was even greater as we had to develop a private label before the first supermarket had even opened, with minimal volumes to start. We chose to focus on ten basic commodities, targeting the low-price segment with a distinctive brand name.

Since moving to the Philippines in 2011, I have had three key experiences developing or enhancing private labels. Although private label sales remain relatively low at below 5% share of sales compared to Europe, which has a 30% to 40% share of sales, or the US, with a 25% share of sales, the rise of hard discounters like Dali and O!Save, and the "No

Brand" concept with strong private label strategies, has pushed local retailers to reassess their approaches to private label development.

Key Fundamentals of Private Label Development and Implementation

From my extensive experience in retail, I have learned that private label development serves three key purposes: strengthening branding, enhancing customer loyalty through unique products, and increasing profitability. Achieving these objectives relies on a meticulous step-by-step process, where each phase is critical. Missing even one step can compromise margins, affect targets, lead to flawed product development, and impact cost management efforts.

To attain success in private label development, attention must be given to several key aspects, from initial development to final implementation. These include:

- **Negotiating Costs:** Start by focusing on fast-moving items. By leveraging high volumes, you can negotiate better deals and reduce costs effectively.
- **Defining Specifications:** Ensure that your product specifications are clearly outlined and at par with the quality of national brands. This like-for-like comparison will build credibility in the market, demonstrating that your product meets top standards and that quality is never compromised.
- **Market Research:** Take time to understand your competitors' private label strategies and pricing. This insight will inform your own strategy and pricing decisions.
- **Sourcing Manufacturers:** Evaluate both local and international manufacturers to secure competitive pricing without compromising on quality. It is crucial to balance high standards with cost efficiency to achieve success. Leading retailers often source their private labels globally to optimize both quality and cost.
- **Pricing Strategy:** Ensure that the product's cost price allows for a retail price difference of 15 to 20% compared to category leaders, along with an additional 15 to 20% margin. This principle has consistently guided me in scaling private labels effectively.
- **Contract Management:** Establish contracts with manufacturers that cover volume requirements, pricing, lead times, product and packaging specifications, and penalty clauses for non-compliance. Regularly reviewing and adjusting these terms helps you stay agile and responsive to market changes.
- **Quality Control:** Continuously monitor the quality of your private label products. Implement stringent quality control processes to uphold product standards. I recommend using a third party for random quality checks to ensure adherence to the agreed-upon standards with the manufacturer.
- **Brand Strategy:** Deciding whether to use an existing brand name or create a new one significantly impacts your overall brand identity. Regardless of the choice, the brand will reflect the company's value proposition and influence its reputation. Ensuring high-quality products is essential for strengthening brand identity.
- **Legal Compliance:** Make sure you comply with all legal requirements and secure exclusivity for your brand name. This protects your brand and ensures regulatory compliance.
- **Packaging:** Designing packaging that enhances the perceived quality of your product and meets legal standards is something I have learned to prioritize. Effective packaging can make a big difference.
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- **Price Monitoring:** Regularly review and adjust prices to remain competitive. Periodically renegotiate costs with manufacturers to keep your pricing strategy effective.
- **Supplier Partnership:** View your private label suppliers as partners. Regularly review their performance to address issues like quality and pricing, and use customer feedback to drive continuous improvement.
- **Fresh Food Quality:** For fresh food and perishable items, maintaining consistent quality and safety is crucial. Your brand must be associated with reliable and high standards to avoid any perception of inconsistency or poor quality.
- **Supply Chain Management:** Efficiently manage your supply chain to prevent disruptions. Streamline processes to ensure timely and reliable product availability.
- **Sales Monitoring:** Regularly assess the sales performance of your private labels within their categories. Set targets for the next 3 to 5 years. For categories with limited or no brand presence, aim to achieve up to 75% sales contribution for your private label.
- **Customer Feedback:** Collect feedback through surveys, focus groups, and blind testing to refine your products. Use this input to make improvements and better align with customer needs.

In summary, a well-executed private label strategy can greatly enhance a retailer’s brand, profitability, and customer loyalty. Achieving this requires a comprehensive approach that includes in-depth market research, strategic partnerships, innovative product development, effective marketing, and rigorous quality control.

In the current Philippine retail landscape, despite the presence of dominant international and strong local brands, strengthening private labels remains an opportunity for retailers to enhance their commercial offerings and reflect their company’s size and capability. Furthermore, a stronger market share in sales would significantly impact their economic model.

Reflecting on my early encounter with “white products” at Cora in the 70s, it is evident how far the concept of private labels has evolved. What started as a curiosity about cost-effective, unbranded merchandise has become a cornerstone of my strategic approach to private labels, helping retailers achieve success.

I hope these insights inspire you to fully embrace the potential of private labels in your own retail journey.

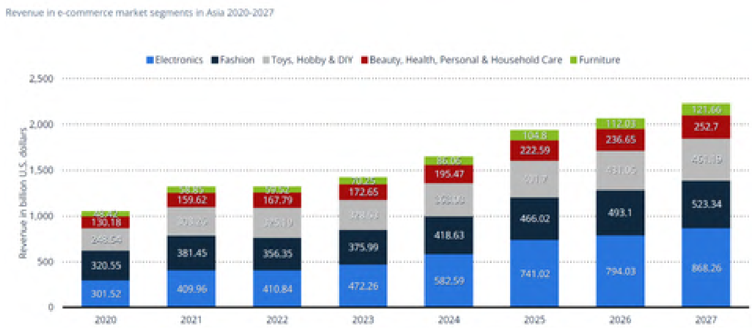
Southeast Asia Region eCommerce Forecast

U.S. International Trade Administration
James Bledsoe| Director of the eCommerce Solutions Center

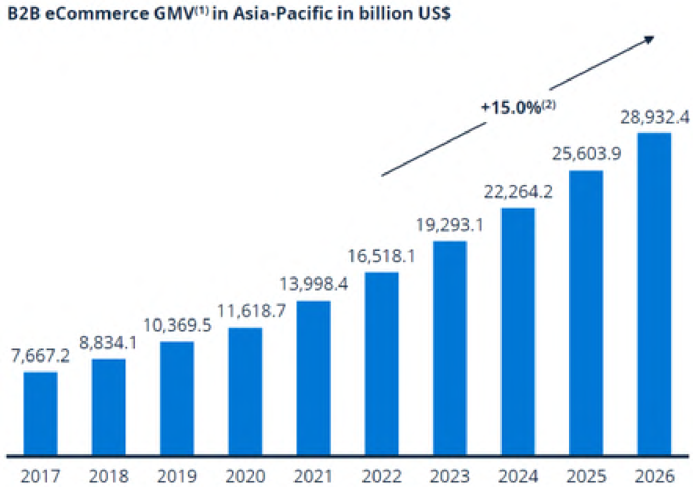
April, 2024

The Larger Asia Pacific Region Leads eCommerce Globally

Business-to-business ecommerce for the larger Asia Pacific region has been increasing at 15% on average annually, higher than the global average of 14.5% gross merchandise value growth annually.



eCommerce revenue in Asia from 2020 to 2027 by segment in USD$ billions



The Asia Pacific region's ecommerce market value will grow to over USD$28.9 trillion by 2026.

Cross-border ecommerce development varies by individual markets within the Asia Pacific region, with China (71.4) scoring the highest in a ranked development index. South Korea (66.7) and Singapore (65.5) are the next ranked markets on the cross-border ecommerce development index, followed by the Japan (61.1), Thailand (58.8), Malaysia (57.7), and Indonesia (54.3) ecommerce markets.

Consumer electronics continues to lead the Asia Pacific region's ecommerce revenue growth, along with the fashion and the toys & hobby segments comprising the majority of the total value of ecommerce sales through 2027.

Southeast Asia eCommerce Markets Are Set for Growth

The total internet economy for Southeast Asia is forecast to grow from USD$194 billion to over USD$330 billion by 2025, with Indonesia leading the rest of the region's markets with an internet economy of over USD$82 billion in 2023.

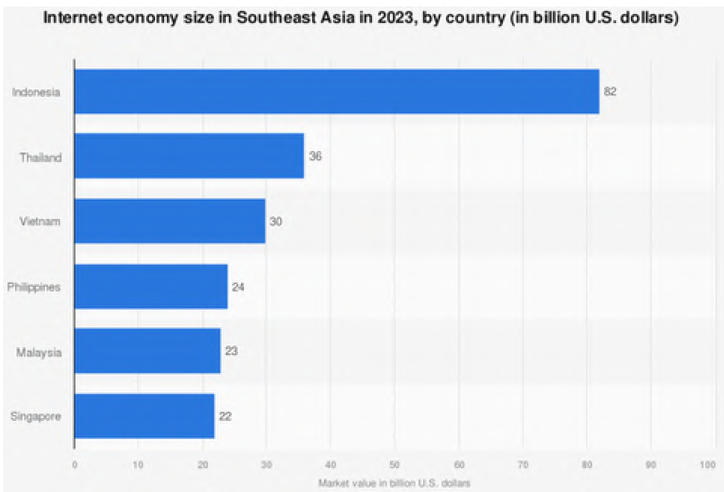
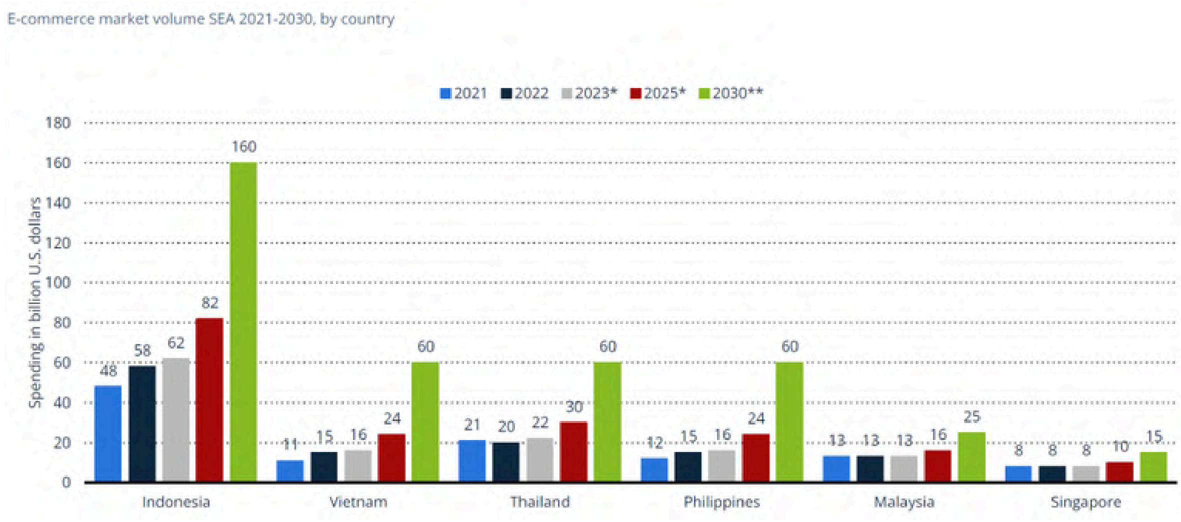


Chart illustrates Indonesia's economy size compared to Southeast Asia region neighbors in 2023.

Forecasts for Southeast Asian ecommerce market volumes show significant growth through 2030, with Vietnam, Thailand, and Philippines expected to more than double their ecommerce market values.

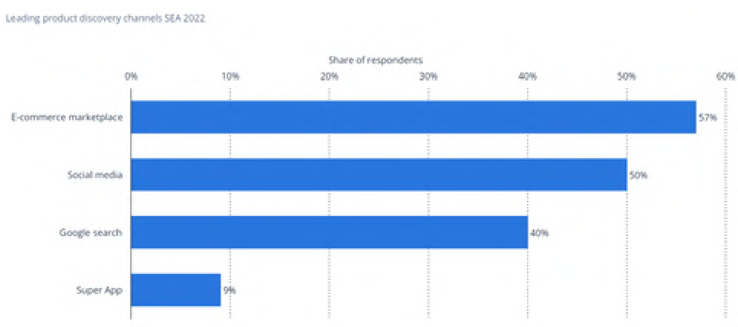


eCommerce market volume in Southeast Asia from 2021 to 2030 by country in USD$ billions

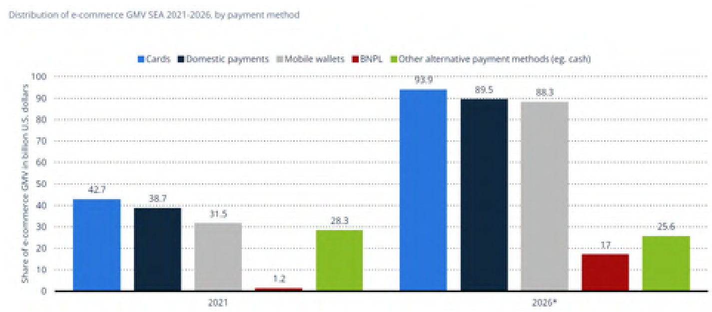
Reaching Southeast Asian eCommerce Consumers

Consumers in Southeast Asia predominantly use ecommerce marketplaces (57%) for new product discovery, followed by social media channels (50%), and Google search (40%). It is therefore important to focus on your digital strategy and website search engine optimization to make sure that your business shows up where and when it should for that international online sale.

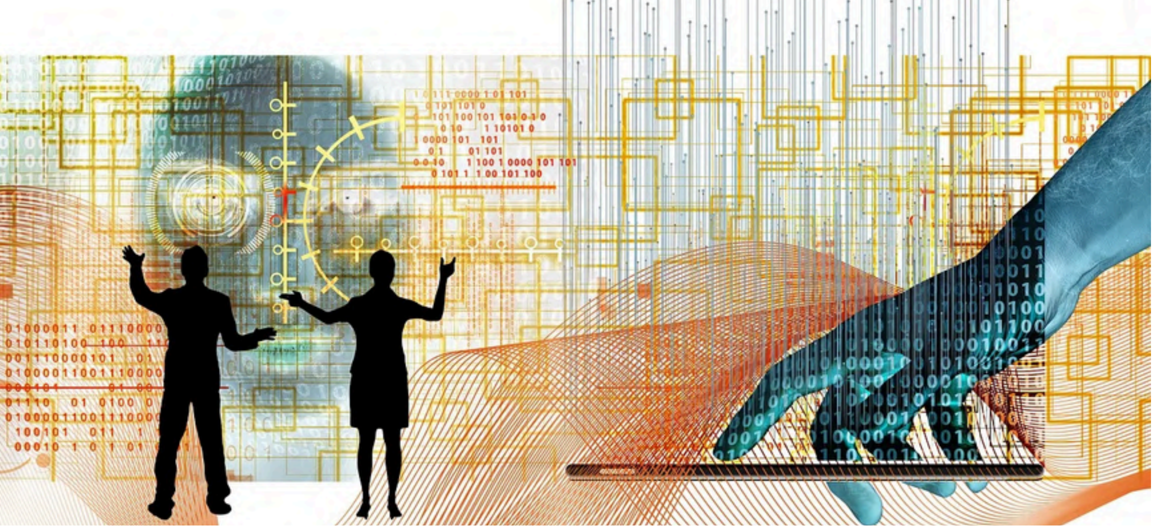
Payment methods vary by individual market, with cash payments previously being the most frequently used payment method for ecommerce. Currently credit cards and local online wallets dominate as the preferred ecommerce payment method for Southeast Asia, with a forecast significant increase in both usage and merchandise value being process through these online payment methods through 2026.



Leading new product “digital discovery” channels in Southeast Asia



Distribution of value of merchandise in Southeast Asia by payment method in USD$ billion through 2026



Designing ASEAN's digital trade framework

Hinrich Foundation
Deborah Elms | Head of Trade Policy, Hinrich Foundation

June, 2024

The ten members of the Association of Southeast Asian Nations (ASEAN) are hard at work negotiating the next big thing in economic coordination, the Digital Economy Framework Agreement (DEFA). The goal is to be able to announce something by next year.

Progress has apparently been slow. ASEAN members (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam) have already done a lot of work within the regional grouping to coordinate on digital trade policies. This includes ASEAN's 2018 E-Commerce Agreement, e-commerce commitments in the Regional Comprehensive Economic Partnership (RCEP) that came into force for all ASEAN members by 2022, and an upgraded set of digital trade rules in the ASEAN-Australia-New Zealand Free Trade Area signed in 2023.

Given the overlapping commitments made by ASEAN and ASEAN member states, coordination has become an increasing challenge. Digital obligations, cooperation pledges, and regulatory reviews are spread across most ASEAN sectoral bodies or working committees, leading to difficulties in managing the sprawling agendas.

DEFA is supposed to provide an overarching framework to provide greater clarity on digital elements of ASEAN's ongoing and future activities and to support a clearer ownership structure for sectoral bodies of issues and outcomes.

To understand the challenges, consider the 2018 E-Commerce Agreement. It was meant to be managed by the ASEAN Coordinating Committee on Electronic Commerce (ACCEC). But the ACCEC, with ASEAN sectoral bodies claiming ownership of various elements of ASEAN's agenda that should otherwise have been overseen by the ACCEC. The Workplan to implement the Agreement highlights the extensive set of planned activities meant to be undertaken by ASEAN committees and within ASEAN member states from 2020-2025. The plan highlights the extent of the coordination challenge in ASEAN, as elements of the digital agenda can be found in nearly all economic committee activities.

It is perhaps not surprising that ASEAN members, most of whom have limited resources available to oversee a very wide range of existing and future digital activities, have struggled to implement past commitments.

Implementation, in general, has been ASEAN's Achilles heel. Having e-commerce and digital trade managed by a coordinating committee rather than a dedicated body has not been terribly effective.

Hence ASEAN's initiative to provide a new structure for digital trade commitments under the DEFA. While much of the focus of commentators has been on the nature of the promises to be made within DEFA negotiations, the real benefit might be found in an improved organizational structure to manage digital trade for the region. A new organizational chart is less headline-worthy than rules for artificial intelligence (AI) or digital identities, but it could result in greater benefits for the effective implementation of DEFA.

ASEAN works in a unique way. Any commitment agreed at ASEAN does not automatically get implemented by all members on the same timeline. The flexibility built into ASEAN's processes allows the grouping to move forward at a pace and timing that best suits individual members. While often extremely frustrating for businesses, this policy suppleness has been one reason why members continue to support and participate in the organization.

DEFA is meant, ultimately, to help the institution better manage digital trade. By more clearly defining which sectoral committee is responsible for which new initiatives, ASEAN should be in a better position to address a growing list of opportunities and challenges arising from the inclusion of digital into every aspect of cross-border trade.

What really matters for DEFA is a commitment to getting a coherent structure in place and providing platforms for regular ongoing discussions on topics of importance.

Specific committees with clearly defined roles in DEFA could provide the mechanisms for ASEAN and individual member states to deliver future initiatives and better coordinate their actions at the domestic level. All DEFA committees must include regular engagement with the business community and civil society in the scope of their work to help with implementation and development of future activities.

A solid institutional structure also opens up opportunities for ASEAN to consider innovative approaches to resolving issues on cross-border trade. For example, one specific problem that confronts smaller businesses is *de minimis*. This is a threshold that is meant to support e-commerce goods sales by smaller firms by allowing them to send packages without a requirement to pay customs tariffs and fill out full customs paperwork. The argument is that tariffs collected from companies sending one shirt or two candles are not worth the costs of collecting the tariffs and would mostly just burden the firm with compliance costs.

De minimis levels are not set the same in all economies. Within ASEAN, the threshold varies from US$40 to US$298.[5] In other words, firms shipping e-commerce goods to Vietnam in 2021 valued at more than US$40 would have to pay tariffs on eligible goods while the same firm sending goods to Brunei would be exempt from applicable tariffs until the value of the goods exceeds US$296.

While ASEAN members could agree on a common de minimis level within DEFA, this is highly unlikely. However, DEFA could certainly promote greater transparency around de minimis and support dialogue between members on the issue, potentially leading to more consistent requirements. This would be a valuable contribution for millions of smaller firms across ASEAN that use trade as a pathway for growth.

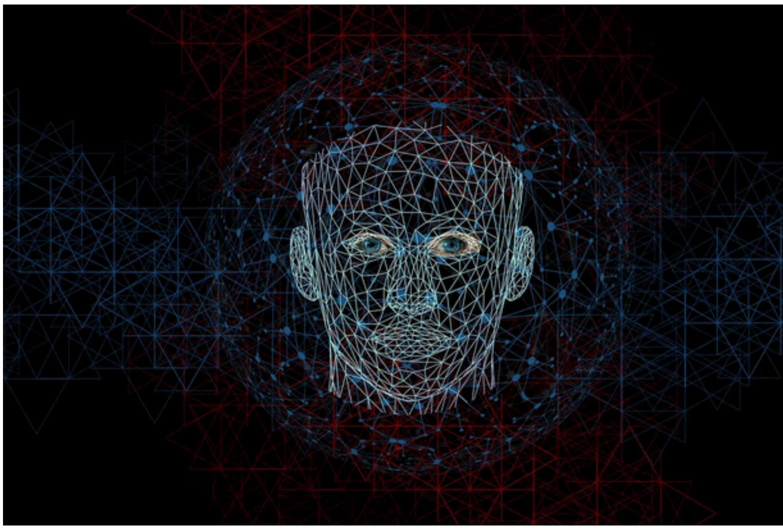
Transparency and the sharing of best practices typically do not get the same levels of limelight as legally binding market access commitments. But within ASEAN, such achievements can drive coherence and deliver greater policy certainty among member states. A good regulatory framework at the ASEAN level can support future regional economic integration by providing a platform for regulators to meet on a regular basis. Harnessing the opportunities in DEFA will help ASEAN best leverage upcoming digital trade opportunities for growth and development.

How we can best empower the future of business in APAC with GenAI

World Economic Forum

June, 2024

John Lombard |Chief Executive Officer, NTT Data, Inc. Asia Pacific



As the Asia Pacific (APAC) region solidifies its role as a frontrunner in the global economy, understanding the transformative forces driving this growth is crucial. Artificial intelligence (AI), which can quickly analyze vast amounts of data to make predictions and recommendations, is one such transformative force. The commercial emergence of generative AI (GenAI) is even more powerful. GenAI takes enormous volumes of information and creates new content.

GenAI's unmatched capability to foster economic growth and alter society makes it a critical change agent. The significant impact of AI across various industries and on APAC's economic growth trajectory underscores the importance of developing talent and utilizing cutting-edge infrastructure and technology to shape the future.

AI's transformative impact on industries in APAC

Manufacturing

AI enhances predictive maintenance, optimizes supply chains and improves quality control. The manufacturing sector, for instance, is leveraging AI to enhance predictive maintenance, optimize supply chains and improve quality control. This leads to significant cost savings and efficiency improvements, positioning APAC manufacturers as leaders on the global stage. We are also bringing cutting-edge GenAI Solutions into China's automotive market. This includes Voice of Customer (VOC,) leveraging the power of AI and enriching our digital marketing offering with AI-generated content.

Healthcare

AI revolutionizes patient care with early disease detection, personalized treatment plans and accelerated drug discovery. Some of our work utilizes advanced analytics to predict disease outbreaks and personalize treatment plans, improving patient outcomes and healthcare accessibility. We recently launched AI diagnostic imaging technology, which is being used to increase access to Tuberculosis examinations for 100,000 people in India, and we developed new AI solutions, combining it with digital twin technology to help detect cognitive decline in elderly people and to detect the cognitive ability of elderly drivers.

Financial services
AI-driven solutions enhance fraud detection, enable accurate risk assessments and provide personalized financial advice. We also leverage AI to offer real-time fraud detection and advanced risk management, providing clients with robust and secure financial services. This can also be implemented to enhance the accuracy of credit scoring models, leading to better financial inclusion.

Retail and e-commerce
AI provides personalized shopping experiences, advanced recommendation systems and optimized inventory management. Our AI-driven retail solutions enable retailers to analyze the evolution of trends and changing consumption habits. This helps them to understand customer behaviour and preferences, enhancing personalized marketing and improving sales performance.

Urban development and smart cities
AI improves traffic management, energy efficiency, public safety and environmental monitoring. NTT DATA's Smart Management Platform enables smart city initiatives, such as the Smart City Project in Las Vegas. The technology helps enhance urban infrastructure, reduce traffic congestion and increase energy efficiency, making cities more sustainable and livable.

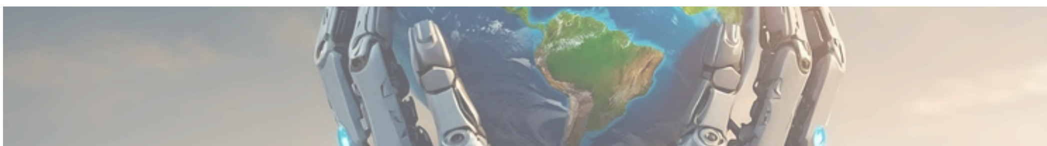
Investing in people and talent development
A key aspect of sustaining this growth and innovation in APAC is investing in people and talent development. Nurturing talent and fostering a culture of continuous learning and innovation equips the workforce with the skills needed to harness GenAI's full potential. Encouraging continuous learning and innovation is essential for maintaining a competitive edge and driving long-term success, ensuring sustainable growth and industry resilience.

A holistic approach to GenAI
A renewed focus on data infrastructure is crucial for harnessing GenAI. A holistic approach to GenAI encompasses tailored industry applications that drive value creation for clients, while staying committed to balancing growth and societal well-being.

We support businesses in defining their GenAI journey, transforming their organizations and developing their GenAI technology stack. By leveraging industry-specific knowledge, we help clients achieve a competitive edge with this game-changing technology.

Understanding unique industry challenges and opportunities and developing customized solutions ensures tangible value and meaningful business outcomes. Aligning AI initiatives with strategic goals unlocks new opportunities and supports sustainable growth.

Innovative technologies and infrastructure
Innovation drives operations with continuous exploration of new technologies enhancing capabilities and advancing industries. One of our pioneering initiatives is the Innovative Optical and Wireless Network (IOWN). This aims to revolutionize communications through photonics versus electronics.



IOWN infrastructure empowers ultra-high-speed networks with low latency and enables seamless connectivity and unprecedented data transfer speeds. In another breakthrough, NTT's AI-enabled cooling technologies for data centres set new standards for energy efficiency and sustainability. Integrating advanced technologies shapes the future of AI and infrastructure in APAC, driving sustainable growth and innovation.

"NTT Data's Generative AI strategy is founded on three core principles – customer choice, democratization of AI and responsibility," says Abhijit Dubey, Chief Executive Officer at NTT DATA, Inc. "We are investing aggressively to power low cost and low energy consumption AI infrastructure through our next generation datacenters with liquid cooling innovations, our own lightweight Large Language Model (LLM), tsuzumi, which consumes a fraction of the computation requirement and power of the other models in the industry, and all photonics networks through IOWN that can deliver 100 times the bandwidth with 1/100 latency and power consumption compared to today's infrastructure. We provide customer choice by providing a curated platform of multiple LLMs and ML Ops tools and helping our clients ideate, design and deploy AI/Gen AI use cases to create business value through our consulting and systems integration expertise."

As we navigate this transformative era, it's clear that AI, especially GenAI, is a powerful catalyst for economic growth and societal change. Examining APAC's economic growth trajectory and AI's pivotal role provides insights into the future of global business and innovation. Today's advancements are just the beginning. As AI evolves its impact will grow, offering endless possibilities for a brighter, more prosperous future, with APAC leading the way.

Asia in focus: ESG investing and the business and human rights agenda

United Nations Development Programme

– Ilya Garger | International Consultant, UNDP
– Sean Less | Business and human Rights Specialists, UNDP

June, 2024

ESG investment rests on the recognition that environmental, social and corporate governance issues shape companies' risks and opportunities, and that factoring these into investment decisions can improve long-term returns while potentially fostering more responsible and resilient business. In recent years it has been embraced by investors and asset managers, propelled by the promise of sustainable profits as well as growing public concern over climate, conservation and human rights.

This report examines the capacity of ESG investment to support environmentally and socially responsible business practices in Asia. While the rise of ESG investment has been driven by European and US markets, its power to make a difference will be tested in the region's dynamic emerging markets. Decades of economic growth have raised living standards and generated new wealth, but Asia now produces a majority of the planet's carbon emissions, suffers devastating pollution and faces rampant biodiversity loss. Rapidly growing energy needs and continued dependence on fossil fuels complicate the task of transition. Furthermore, Asia's centrality to the world's supply chains makes its environmental and human rights practices global concerns.

ESG investment has limitations as a force of change, despite the trillions of dollars under management ostensibly guided by its principles. However, it is a key component of an evolving ecosystem of sustainability that has foster unprecedented transparency, stronger regulation, broader public participation and greater attention by companies to their ESG-related risks, opportunities, impacts and responsibilities. It has also rallied many of the world's largest investors and asset managers to the cause of sustainability, even if the ratio of rhetoric to reality can be difficult to decode. The report's findings include:

ESG-focused funds in Asia have grown, but remain modest in scale

Asia-domiciled funds focused on ESG or sustainability contain roughly US$83 billion in assets under management. China accounts for about 45 percent of the total and Japan 29 percent. A substantial proportion of ESG funds – roughly half in Asia ex-Japan, though only 13 percent in Japan – are passively managed, tracking indices rather than reflecting fund managers' own analysis. Asia-based sustainable funds represent only 3 percent of the $2.7 trillion global total, though funds based elsewhere have substantial Asian holdings. Many funds without ESG or sustainability labels also consider ESG factors to varying degrees.

Like elsewhere, ESG-focused funds grew rapidly in Asia for several years before stalling in 2022 amid greenwashing concerns, regulatory scrutiny and market trends unfavorable to ESG-focused portfolios.

ESG investment aligns capital with values, but impact can be elusive
A majority of funds are invested in shares of large public companies in which they hold small stakes and exert limited influence. Furthermore, ESG ratings typically measure companies' own risks rather than their impacts, and often fail to reflect commonly understood notions of sustainability. The conservative nature of the asset management industry also limits investment in innovative or disruptive businesses. However, ESG is a promising framework for understanding risk and opportunity in Asia due to the prominence of environmental, social and governance concerns, and decisions by highprofile investors can have a signaling effect.

Investors are expanding their influence through active ownership
Institutional investors and asset managers have shaken off their reputations for passivity and embraced active ownership, pushing companies to prioritize sustainability, including through the conduct of human rights and environmental due diligence. This is done in the name of long-term value and fiduciary duty, citing the costs of climate change and other issues once dismissed as externalities. Due to the prevalence of controlling shareholders and other obstacles to shareholder activism in Asia, investment stewardship is typically pursued through engagement rather than confrontation.

Green, social and other new bond types are helping fund sustainable projects
The issuance of green bonds, which finance projects that meet environmental criteria, has grown rapidly in Asia over the past decade. Social, sustainability-linked and transition bonds have also emerged as funding options for issuers, with institutional investors and asset managers helping drive the market. These instruments provide ESG-focused investors with tools to fund sustainable practices in a way that shareholdings do not.

Regulations, reporting standards and taxonomies are evolving to provide an infrastructure for ESG
Sustainability-related regulations have been phased in across Asia based on stillemerging international norms, with mandatory reporting frameworks starting to replace voluntary ones. Regulators have also implemented rules for fund labeling to combat greenwashing. Many Asian countries have developed taxonomies to help define sustainable financing, with the ASEAN Taxonomy and China-EU Common Ground Taxonomy aiming to facilitate international capital flows. ESG ratings and index providers have also come under pressure to increase transparency. These moves to improve consistency and comparability will be key to improving the credibility of ESG investment across Asia's diverse economies.

The region's savings are helping drive sustainable investment
Asia's high savings rates have created a pool of capital with the potential to support sustainable investment in the region and beyond. Asia is home to some of the world's largest institutional investors, including pension funds and sovereign wealth funds, and many have embraced ESG strategies. Retail interest is also rising, supported by public interest in sustainability as well as an understanding – often based on personal experience of development's environmental and social impacts – that continued economic growth will require more responsible business practices.

This is the executive summary of the report written by Ilya Garger and Sean Less, titled "ESG Investing and the Business and Human Rights Agenda."

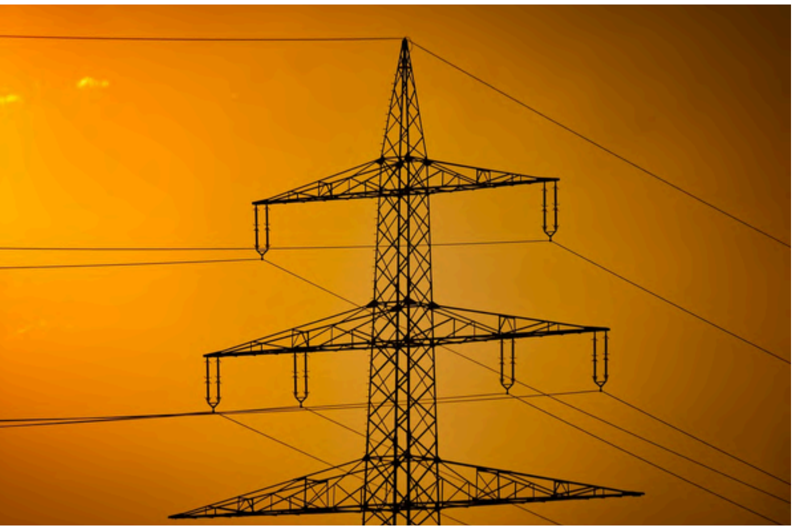
Asia-Pacific: How the region is prioritizing a green economy

World Economic Forum

- Kanni Wignaraja | UN Assistant Secretary-General and UNDP Regional Director for Asia and the Pacific, UNDP

- Deborah Comini | Director, Regional Office for East Asia and the Pacific, United Nations Children's Fund (UNICEF)

June, 2024



In the vast expanse of the Asia-Pacific (APAC) region, the pressing need to tackle the dual challenges of environmental sustainability and economic growth has reached a critical juncture. The headwinds of climate change, coupled with unequal technological advancements, are intensifying the challenges to the region's sustainable growth. Estimates suggest that as much as 63% ($19 trillion) of the region's GDP is at risk due to nature loss caused by human activity and climate change.

Amid these challenges, Asia and the Pacific remains the fastest growing region in the world. Sustaining this trajectory depends on investments by governments and businesses, on the digital economy and policies enabling innovations and enterprise growth, but more importantly, on expanding and future-proofing the labour force and building resilience towards a net-zero future and greener economies.

Huge potential for green jobs and investments

Our region holds the potential to generate over 14.2 million (net) green jobs by 2030, creating opportunities for over 2 billion youth. Already, the region has seen a 30% growth in hiring for green jobs between 2016 and 2021.

The market for green businesses in Asia is expected to grow to between $4-5 trillion by 2030, and nature-positive business opportunities in the region could generate about 232 million jobs per year by 2030.

Despite this enormous potential, two concerns or uncomfortable facts stand out: first, much of the financing that is labelled as green comes in the form of loans to developing countries, and is provided at market rates.

This makes it an unaffordable proposition and with more monies flowing back to the creditors. Second, green careers remain an underexplored and challenging avenue for young people.

For example, young social entrepreneurs in Viet Nam and Lao PDR have expressed concerns about the lack of inclusive education systems for equipping youth with green, digital, and 21st century skills. Alarmingly in ASEAN, only three out of the 10 countries have significant policies on skills development for green jobs.

To address these challenges, it is imperative for the region to prioritize investments that truly bring in a discounted green premium and zoom in on green skills targeted to its youth population. At the same time, fostering collaboration between public and private sector to ensure sustainable investments in the green sector is crucial to ensure the region's growth trajectory and sustainability. Robust partnerships can drive impactful skills-development initiatives, facilitate inclusive youth employment opportunities, and catalyze the emergence of youth-led enterprises.

Asia-Pacific initiatives are beacons of progress

In Hong Kong SAR, the Network of Environmental Student Societies (NESS) – a youth-led organization – is leveraging intergenerational collaborations and partnerships between stakeholders and youth. Supported by initiatives like YECAP – a joint initiative by UNDP, UNICEF, and other partners – NESS is enhancing youth awareness and capacity in climate change and sustainability through their Green Jobs Fair, reaching over 150 youth each year.

Similarly, the Youth Environment Living Labs (YELL) initiative, a collaboration between UNDP, UNICEF and Amanah Lestari Alam, is making significant strides, to date supporting 15 youth-led projects throughout Malaysia. By engaging over 1,000 young people and local community members in green projects and skill-building, YELL is nurturing a new cohort of environmentally conscious leaders. Notably, its pilot work placement programme, Conservocation, is not only fostering green careers but also reconnecting youth with local, Indigenous, and traditional knowledge systems.

By reimagining youth participation in climate and environmental action, we can dismantle the barriers that deter young people from spearheading environmental action and accessing decent job opportunities.

Prioritizing the empowerment of marginalized youth, including girls and young women, Indigenous peoples, and persons with disabilities, is imperative. This makes the "green" more just, inclusive and future ready as it should be.

Breaking barriers: How non-tariff measures impact women in e-commerce

UN Trade & Development

August, 2024

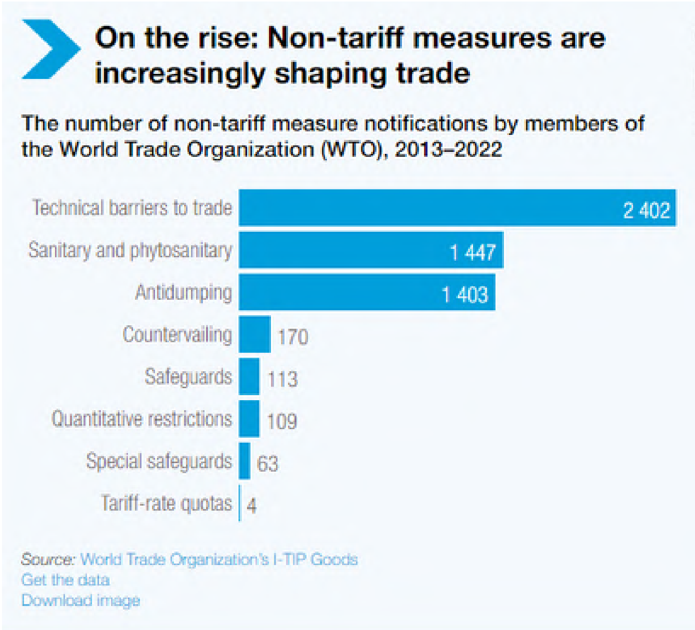
UN Trade and Development's (UNCTAD) latest publication, "The impact of non-tariff measures on women's e-commerce businesses in developing countries", sheds light on the unique challenges faced by women-led businesses in the digital economy and the role of non-tariff measures.

What are NTMs and why do they matter?

Non-tariff measures (NTMs) are any policy measures other than tariffs that can potentially have an economic effect on international trade in goods.

NTMs include product specifications for safety and regulations on food designed to protect health, as well as directly restrictive trade defence policies. These include quotas, non-automatic import licensing and rules of origin, to name a few.

While many NTMs aim primarily at protecting public health or the environment, they significantly influence trade by adding information, compliance and procedural costs. Their prevalence, as identified by UN Trade and Development, has risen steadily over the past decade. They increasingly shape trade, influencing who trades what and how much.



The challenge

NTMs, although designed in a gender-blind way, disproportionately affect women-led businesses. Compliance with these measures impacts these businesses more than those led by men due to several factors. These include pre-existing gender gaps, firm size, exporters' capacities, the economic sector in which businesses operate and the accessibility of support systems.

Since women-led firms are more likely to fall into the micro, small and medium-sized enterprise (MSME) category than their male counterparts, they face greater NTM-related trade costs. These businesses may experience NTMs differently due to distinct capacities, demand and concentration by sector and product. Smaller firms, in general, struggle with high fixed compliance costs relative to their trade volumes, resulting in heavier regulatory burdens.

Women-led businesses are also often concentrated in less profitable product categories such as agriculture and textiles, which have a higher prevalence of NTMs compared to sectors like machinery, minerals, fuel and transportation.

Additionally, women-led businesses face gendered supply-side constraints. These include difficulties in accessing information about compliance requirements, limited technical capacity and resources, and a higher share of unpaid work. For example, women-owned businesses spend 1.5 times longer for customs clearance than their male counterparts due to NTM compliance requirements. As a result, the overall impact of these measures on women-led businesses is disproportionately negative, as they struggle with increased compliance costs and time.

Can NTMs also support women in trade?
Evidence suggests that sectors where women are prevalent, like agriculture and food, may benefit from NTMs. These measures can enhance consumer confidence through sanitary regulations and technical barriers while boosting trade with low-cost requirements such as labeling and packaging.

Regulations related to cross-border online activities, though distinct from typical NTMs, can also protect female exporters from gender-based vulnerabilities like online violence and harassment. This protection can enhance their participation in e-commerce.

Additionally, digitalization of customs and trade procedures can alleviate gender-specific challenges, particularly for digitally savvy women exporters. By reducing in-person interactions, digital trade makes exporting safer for women, who often face higher rates of harassment and corruption.

Customs clearance gap: Women wait longer to clear imports and exports

Female-to-male ratio for the time spent by firms to clear customs for their exports and imports in the country of origin, percentage

Source: UN Trade and Development calculations using World Bank Enterprise Surveys.
Note: Country group averages were calculated using data (where available) from the 35 developed economies and 30 developing economies for which surveys were available in one or more years during the 2018-2022 period, weighted by their respective shares of their group's GDP in 2020. The samples include only firms that export directly and have their own website. Women-owned firms are defined as businesses with more than 50% percent female ownership. Country development levels were defined in accordance with UNCTADstat's country classification.
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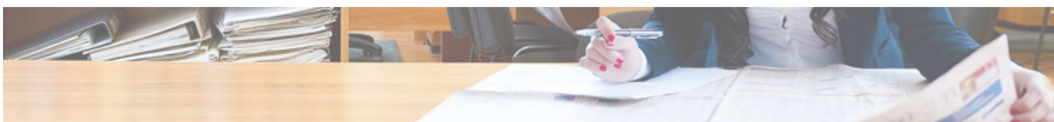
Making NTMs work for women-led e-commerce businesses
More efforts are needed to support women-led businesses in overcoming the challenges of breaking into global digital markets. Improving the awareness and understanding of non-tariff measures would result in improved compliance. This, in turn, would reduce delays through the efficient management of costs and time, enabling women-led ecommerce businesses to take full advantage of the opportunities offered by e-commerce.

Investing in research is crucial to better understand the gender specific impacts of NTMs across different industry sectors at regional, national and global levels. From a policy perspective, understanding the gender-specific impacts of NTMs can lead to the development of strategies that empower women-led firms to thrive internationally.

Effective policies should also address supply-side obstacles, such as the lack of necessary education and skills needed to recognize and comply with NTMs, thus reducing the disproportionate exposure faced by women-led businesses.



UN Trade and Development's groundwork in NTMs

This publication is part of UNCTAD's e-learning programme on trade and gender, a broader initiative by UN Trade and Development aiming to provide stakeholders, including government officials, academia, and civil society organizations, with the knowledge needed to analyze the relationship between trade and gender.

The latest online course offered from 17 June to 22 July 2024 tackled the topic "Trade and gender linkages with a focus on non-tariff measures from a gender perspective".

The path to a more inclusive digital economy is fraught with challenges. However, understanding and addressing the impact of NTMs on women-led e-commerce businesses is a crucial step towards bridging the gender gap. With targeted support and gender-sensitive policies, the potential of women in digital trade can be fully realized.