

Update to the APEC Deputy Finance Ministers on 2016 proposed activities.

1. In recent years, global trade has been slowing. Amidst global concerns, a study by the World Bank Group¹ in 2015 had cited four reasons for the slowdown observed since 2012: the changing structure of global value chains, changes in the type of demand, weak trade finance and increased trade protection. Other work included those by IMF, the US Federal Reserve Board and the OECD that had highlighted the different and complex aspects of this phenomena.
2. Set within this new evolving background, the APFF Trade & Supply Chain Finance (TSCF) work-stream seeks to raise awareness, promote industry good practices and contribute to the evolution in trade finance ecosystem in interested APEC economies to facilitate sustainable growth. Related to global value chains and accessing trade finance, the work-stream's agenda items include:
 - a) KYC/AML and Derisking - to promote understanding of the global required standards in KYC/AML to bridge implementation gaps without a dilution of such standards;
 - b) E-commerce & Digital Trade Finance - to link e-commerce trade, trade facilitation and supply chain finance that matters to a business' working capital cycle. Efficiently generated organic cashflow is one of the best sources of sustainable finance to any businesses. It can also support a more favourable credit information profile and facilitate access to sources of external financing; and
 - c) Use of regional currencies in settlement and asset-based financing like Receivables Financing that are financing tools anchored with a business' growth for risk-managed financing.
3. In 2016, with interested economies, the TSCF planned activities are as follows:
 - a) As a practical anchor to TSCF's focus, the Trans-Pacific Partnership (TPP) has a powerful potential to allow SMEs and businesses to enter into global value chains and grow. This can drive needs for supply chain financing, e-commerce and greater awareness of global standards for compliance.

Therefore, to facilitate business and financial institutions' participation in TPP when it is "in-force" and in alignment with our focus, TSCF will seek to raise awareness on aspects of TPP and good practice supply chain and finance considerations vis-a-vis global KYC/AML compliance standards, de-risking, e-commerce, trade facilitation and trade financing; and

- b) To promote greater efficiency and effectiveness in cross-border trade, TSCF plans to highlight major impediments, discuss and propose key recommendations to the APEC Finance Ministers Process on cross-border e-commerce, digital trade finance and electronic payments areas.

The areas can include, for example, clarity on the degree of acceptability of electronic/digital proofs e.g. of delivery, signatures, documents, etc that are relied to release financing and cybersecurity/anti-fraud standards in cross-border trade and supply chains.

4. For 2016, we are targeting 1-2 such private-public sector workshops to cover 3(a) and/or 3(b). This will depend on available level of support and sponsorship. The workshops' results can contribute to finance and trade development policy considerations, as well as to private sector participants' preparations to capitalize on emerging opportunities.
5. The TSCF's 2016 planned activities can also contribute to the progress of the 2015 APEC Finance Ministers' Cebu Action Plan. Collaboration and coordination with the APEC Financial Information Development Network (FIDN) on Secured Lending and Credit Information, and with other APEC processes and committees are also envisaged.

Source:

1. https://www.worldbank.org/content/dam/Worldbank/GEP/GEP2015a/pdfs/GEP2015a_chapter4_report_trade.pdf, <https://www.imf.org/external/pubs/ft/wp/2015/wp1506.pdf>, <http://www.federalreserve.gov/econresdata/notes/ifdp-notes/2015/slowdown-in-global-trade-20151230.html>, <http://www.oecd.org/economy/emerging-market-slowdown-and-drop-in-trade-clouding-global-outlook.htm>