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Trade Finance Opportunities through South-South Cooperation

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Key messages

Developing countries and emerging markets' national and regional institutions can substantially address the trade and infrastructure finance needs of developing countries.

There is a need for a new global financial architecture and a holistic approach to trade and finance.

Developing countries' suppliers need to access trade finance as a means to enter, establish and/or move up in regional / international value chains.

Financing is needed to support export capacities and to strengthen production capacities as required by the complexities of GVCs.

¹ Economic Affairs Officer, UNCTAD. The opinions expressed in this paper are those of the author and do not necessarily reflect the views of UNCTAD nor those of other experts or institutions that are mentioned therein.

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² See http://www.ipea.gov.br/portal/images/stories/PDFs/boletim_internacional/130924_boletim_internacional014.pdf

Acronyms

ADB	Asian Development Bank
ADFIAP	Association of Development Financing Institutions in Asia and the Pacific
AfDB	African Development Bank
AFREXIMBANK	African Export Import Bank
AfT	Aid for Trade
AIA	Afreximbank Investment Account
ALBA	Bolivarian Alliance for the People's of Our Americas / <i>Alianza Bolivariana para los Pueblos de Nuestra América</i>
ALIDE	Latin American Association of Development Financing Institutions / <i>Asociación Latinoamericana de Instituciones Financieras</i>
ASEAN	Association of Southeast Asian Nations
BAFT-IFSA	Bankers' Association of Finance and Trade-International Financial Services Association
BCBS	Basel Committee on Banking Supervision
BLADEX	The Foreign Trade Bank for Latin America / <i>Banco Latinoamericano de Comercio Exterior, S.A.</i>
BNDES	Brazilian Development Bank
BOT	Build Operate Transfer
BRIC	Brazil, Russia, India, China
BRICS	Brazil, Russia, India, China, South Africa
CABEI / BCEI	Central American Bank of Economic Integration / <i>Banco Centroamericano de Integración Económica</i>
CAF	The Development Bank for Latin America (formerly <i>Corporacion Andina de Fomento</i>)
CARICOM	Caribbean Community
CBDI	Central Bank Deposit Investment
CDB	China Development Bank
CMI	Chiang Mai Initiative
COFIG	Financing and Guarantee Committee of Exports
DBSA	The Development Bank of Southern Africa
DFI	Development Finance Institutions
ECA	Export Credit Agency
ECDPM	European Centre for Development Policy Management
EDC	Export Development Canada
EDCF	Economic Development Cooperation Fund
ETI	Eco-bank Transnational Incorporated
Ex-Im	Export-Import
FDI	Foreign Direct Investment

GRID	Grassroots Initiative and Development
G-NEXID	Global Network of ExImbanks and Development Finance Institutions
GVC	Global Value Chain
G20	Group of 20
IADB	Inter-American Development Bank
ICC	International Chamber of Commerce
ICF	Investment Climate Facility
IDFC	International Development Finance Club
IMF	International Monetary Fund
IPEA	Institute of Applied Economic Research (Brazil)
ITC	International Trade Centre UNCTAD/WTO (ITC)
JBIC	Japan Bank for International Cooperation
KEXIM	Korean Ex-Im Bank
LAC	Latin America and the Caribbean
LAIA	Latin American Integration Agreement
L/C	Letters of Credit
LDC	Least Developed Countries
LIC	Low Income Countries
MDB	Multilateral Development Bank
MERCOSUR	Southern Common Market
MoU	Memorandum of Understanding
MSMEs	Micro, Small and Medium Enterprises
NESA	National Export Support Account
NEXIM	Nigerian Export Import Bank
NYSE	New York Stock Exchange
OECD	Organisation for Economic Co-operation and Development
PAFTRAC	Pan African Private Sector Trade Policy Committee
PPP	Public Private Partnerships
PROEX	The Export Financing Programme (Brazil)
RDB	Regional Development Bank
SCO	Shangai Cooperation Organisation
SME	Small and medium-sized enterprise
SWFs	Sovereign Wealth funds
SUCRE	Unified System for Regional Compensation / <i>Sistema Único de Compensación Regional</i>
TDA	Time Deposit Account
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
WB	World Bank
WTO	World Trade Organization

Abstract

This paper discusses the potential role of trade financing in fostering global recovery from the recent financial and economic crisis. The issue becomes all the more relevant given the relatively low risk character (low-default segment of credit) involved in short-term trade finance transactions as compared to other international long-term lending. Furthermore, as South-South trade increases, exporters and importers need flexible mechanisms that can support both trade and infrastructure investment projects. In addition to the role played by traditional multilateral and regional mechanisms, several developing countries and emerging economies have established their own national trade financing schemes to support local exporters. They have made progress in establishing or strengthening their regional development banks and fostering cooperation initiatives that may provide affordable alternatives to support trade and investment projects. This paper attempts to assess the extent to which institutions from developing countries and emerging markets can complement the actions of traditional multilateral and regional banks.

Keywords: *developing countries, emerging markets, trade, trade financing, Aid for Trade (AFT), development banks, South-South cooperation*

Introduction

The global financial and economic crisis that began in the last quarter of 2008 has had worldwide economic impacts. One of these has been the lack of trade financing due to a decline in bank liquidity, and a subsequent additional reduction in world trade. In this context, Auboin and Engemann (2013) have noted that "... a lack of trade finance was one of the reasons for the decline in trade".³ The availability of trade finance affects both exporters and importers, since they both use supplier credit for their inputs and receive payment in advance for a high portion of sales.

The rationale for supporting trade financing lies in its potential multiplier effect. There is a strong interaction among bank-mediated trade finance, other forms of bank lending, and inter-firm credit arrangements. This means that banking sector shocks may trigger chain reactions in the trading sector, which may in turn impact the banking sector, amplifying and lengthening the crisis. This partly explains how the financial and economic crisis spread in 2008 and 2009, and confirms the need for measures that can contain its pervasive effects.

Although trade is a cause and a transmission channel of the global economic crisis, it is also expected to play a key role in the global economic recovery. Given the decline in developed countries' growth, developing and emerging countries are expected to be key driving forces of the recovery. The question is how developing countries will be able to address this pervasive economic slowdown, and whether the process of shifting markets and leading recovery will be able to find sufficient financial support. This paper sets out some ideas on the potential counter-cyclical function of trade financing facilities in developing countries and emerging economies in times of economic crisis.

Traditional multilateral development banks (MDBs) and regional development banks (RDBs)⁴ have played an important role in supporting developing countries during the global financial and economic crisis. The higher costs of trade finance have also prompted actions by traditional national, regional, and international financial institutions to strengthen and/or introduce innovative mechanisms to help prevent disruptions to export activities. This has been evident, for example, in the case of export credit agencies (ECAs)⁵, mainly from developed countries.

The purpose of this paper is to show how, in addition to the above-mentioned traditional financial institutions, developing countries' national and regional institutions can substantially address the trade and infrastructure finance needs of developing countries. National institutions can better identify financing needs at the local level, particularly with regard to export development. Similarly, regional development banks, made up largely of institutions from developing countries, can better recognise and reaffirm regional development priorities. This gives authorities from developing countries more potential discretion and policy space in the institutional decision-making and motivates them to commit more funds to regional projects. This more flexible approach to lending makes these institutions more accessible to members. Further, they

³ It is, however, generally recognised that one reason trade in services has proved significantly more resilient during the crisis than trade in goods, is the lower relative dependence of services in trade finance (Borchert and Mattoo, 2009).

⁴ In this paper, I use the term RDBs to refer to regional development banks of developing countries and emerging economies which are currently shaping the evolution of a new global financial architecture and, in some cases, with a progressive approach.

⁵ In this paper, I use the term Development Finance Institutions (DFIs) and ExImbanks when referring to development banks that are owned by countries from the South (developing countries) and emerging economies. The term ECA (Export Credit Agencies) is used when referring to agencies in developed countries and emerging economies governed by the Organisation for Economic Co-operation and Development (OECD) Arrangement on Officially Supported Export Credits.

can provide vital long-term solutions to problems that require a regional focus and close coordination; they tackle the structural and institutional aspects of development which may contribute to ensuring the stability of member countries' policies. Last but not least, they are in a strong position to provide distinctive added value to the discussions on a new financial architecture.

A number of developing countries and emerging economies have been establishing and/or strengthening their national development banks and ExImbanks, as well as RDBs. Their initiatives are addressed in this paper, which draws on primary sources whenever possible, including the findings of an UNCTAD Survey on Trade Financing Facilities (2011) and interviews⁶ with representatives of national and international financial institutions conducted during 2010-2013, in addition to original desk research.

The *first* part of this paper addresses the rationale for trade financing in the context of the global economic crisis. The *second* part deals with the need for a holistic approach to trade and finance. The *third* part reviews the lessons learned from the strategies and measures adopted by trade financing institutions in developing countries and emerging economies in an effort to prevent the decline of cross-border trade in the South as a result of the crisis. These strategies and their outcomes raise important policy issues regarding the capacity and the strength of these institutions to support trade and South-South cooperation in order to mitigate the effects of the global crisis.

Several other initiatives have been discussed and/or adopted in international fora in order to address the financing needs of developing countries. They range from strengthening traditional regional monetary and financial cooperation mechanisms (such as the Latin American Integration Agreement - LAIA's Reciprocal Payments and Credit⁷- and the Chiang Mai Initiative – CMI – in Asia)⁸ and introducing new initiatives (such as, the Unified System for Regional Compensation – SUCRE)⁹ to provide developing and emerging economies with appropriate support for growth, while optimising the use of foreign reserves. Although these issues are important, they are beyond the scope of this paper.

The need for trade financing was at the heart of the discussions at the Fourth Global Aid for Trade (AfT) Review Conference (World Trade Organization - WTO/Geneva, 8-10 July, 2013), the main theme of which was "Connecting to Value Chains". A major topic was how to mobilise the resources that are needed for developing countries, particularly least developed countries (LDCs), to join global and regional value chains. In this connection, the recent WTO/OECD (2013) publication "Aid for Trade at a Glance" points out that developing countries' goods suppliers rank the lack of access to trade finance as their main barrier to entering, establishing, or moving up international value chains. This is particularly important for small firms whose ability to access Global Value Chains (GVCs) is also a question of finance.¹⁰

⁶ A number of interviews were conducted *in situ* by the author in India, South Africa, Latin America (Brazil, Peru, and Venezuela), as well as in Geneva, Switzerland.

⁷ See www.aladi.org/nfsfaladi/arquitec.nsf/VSITIOWEB/convenio_de_pagos_y_sml

⁸ The Chiang Mai Initiative was signed in December 2009 and came into force in March 2010. It is a multilateral currency swap arrangement among the ten members of the Association of Southeast Asian Nations (ASEAN), the People's Republic of China (including Hong Kong), Japan, and South Korea. See www.adbi.org/files/2010.07.13.wp230.chiang.mai.initiative.multilateralisation.pdf

⁹ See www.sucrealba.org/images/informes/informe_2011.pdf

¹⁰ WTO (2013).

The rationale: Trade financing facilities and the global financial and economic crisis

It has been argued that the tightening of trade finance conditions was one of the reasons trade flows collapsed in the wake of the 2008-2009 global financial crisis. The fact that 80-90% of global trade in merchandise is supported by some form of trade finance (Auboin, 2011) means that it is urgent to address the lack of availability of trade credits under affordable conditions, particularly in the case of developing countries and LDCs. The deceleration of the growth rate of global merchandise exports between 2008 and 2012 to 3.98% (from 6.45% during 2000-2008¹¹) reflects the decline of imports by developed countries and a corresponding weakness in developing economies' exports, which was particularly accentuated in early 2012¹² remaining sluggish into early 2013. Several factors explain the unexpected decline in the growth rate of world trade over this period. The constraining factors include natural disasters, including the earthquake in Japan, and floods in Thailand that significantly disrupted the operation of GVCs, as well as global economic uncertainties arising from a worsening of sovereign default risks across the Eurozone and weak global demand that negatively affected commodity prices.

The crisis affected letters of credit (L/Cs), which are considered the "lifeblood of international trade"¹³, as well as other instruments of trade finance. Small and medium enterprises (SMEs) were particularly affected since they needed to secure short-term financing and protection against commercial risks at a time when demand was falling.

Despite the numerous measures that have been introduced by the international community to mitigate the effects of the crisis, trade finance is still not sufficiently available and existing financial systems lack the capacity to ensure the availability of trade credits, particularly in developing countries. This has prompted a number of national and regional institutions, particularly from developing countries and emerging economies, to look for alternative sources of finance. As for infrastructure financing, the growing trend is to rely on alternative financial mechanisms such as grants, public-private partnerships, and bonds.¹⁴

It is widely recognised, meanwhile, that South-South trade has been growing since the global crisis. South-South exports have been rising slightly faster than world exports since the 2008 crisis. According to available data¹⁵, South-South exports in 2011 accounted for nearly a quarter of world trade, compared to 13% in 2001. Emerging markets have become more attractive to domestic and foreign producers, both from the North and the South. Regarding regional product specialisation, Asia dominates exports of manufactured goods; fuels dominate Africa's exports to the Americas, which include Latin America and the Caribbean (LACs); and this latter region exports basic food items to Africa and commodities to Asia. Countries from the South still need to diversify their exports, including into services, in order to be able to respond to changes in global demand, which is mainly being driven by urbanisation and the growth of the middle class.

¹¹ UNCTAD figures on the volume of exports of goods; based on the World Economic Outlook (International Monetary Fund - IMF - estimates for 2012).

¹² WTO (2012).

¹³ See www.comasters.com.au/Comasters_Articles/Commercial_Letters_of_Credit_08.11.07.pdf

¹⁴ ECDPM. GREAT Insights. Thematic Focus: Financing Infrastructure. Vol. 2, Issue 4. May/June 2013. Brussels.

¹⁵ UNCTAD (2012). See www.unctad.org

Box 1. Trade financing facilities: Institutional setting

Trade financing involves a wide range of instruments that determine cash, credit, investments, and other assets that can be used to facilitate and support trade. Typical trade-related financial services include letters of credit (L/Cs), import bills for collection, import financing, shipping guarantees, L/C confirmation, checking and negotiation of documents, pre-shipment export financing, invoice financing, and receivables purchase, among others. Trade finance instruments can be structured to include export credit guarantees or insurance.

Commercial Banks play a key role in facilitating trade, both through the provision of finance and bonding facilities, and through the establishment and management of payment mechanisms, such as documentary L/Cs.

Export credit agencies (ECAs), ExImbanks, multilateral and regional development banks, and private insurers complement the role of commercial banks.

ECAs: The term refers to the quasi-governmental institutions (some are privately managed) that are involved in diverse activities including direct credit, credit insurance (and reinsurance), and guarantees. Their specific activities depend on their national policy and mandate. In addition to supporting international the cross-border trade in goods and services, some ECAs are also involved in promoting and protecting offshore investments. In return for providing these services, ECAs charge clients premia and/or interest. The majority of ECAs provide insurance and other financial services for medium-term (up to five years) and long-term (five to 10 years and more) transactions, which are usually associated with large projects. Many ECAs are members of the Berne Union, a leading association for export credit and investment insurance worldwide that works for cooperation and stability in cross-border trade and provides a forum for professional exchanges among its members.

ExImbanks: These institutions are generally established by governments. They take risks using their own balance sheets.

Multilateral development banks and regional development banks: These operate formal trade and project financing, as well as trade facilitation programs that are designed to support member countries, especially the latter's SMEs.

For developing countries to be able to respond to global demand, the growing needs for trade financing will have to be met because trade performance goes hand in hand with trade finance. Countries need both immediate trade financing to bridge the gap between production and receipt of income, and – as pointed out by Kregel (2011) – the "...flow of foreign finance for investment projects ... determines output and trade flows".¹⁶ Trade is dependent on its financing: access to finance increases a country's export potential.

The lack of comprehensive data on trade financing hinders rigorous analysis of trends. The available data usually covers trade financing provided by ECAs from developed economies, by MDBs, and by private banks. According to the International Chamber of Commerce (ICC)¹⁷, a survey conducted in 2012 comprising 229 banks in 110 countries revealed signs of recovery in trade finance. The majority of respondents in the survey indicated that volumes increased in 2011, particularly for traditional trade finance products, such as L/Cs and guarantees. In the aftermath of the financial crisis, a number of surveys were conducted to demonstrate how the tightening of credit for firms had depressed the export sector. This situation has been particularly difficult in those sectors that are more exposed to financial shocks, measured by their dependence on external finance. In view of the lack of reliable quantitative information and the limited evidence on the relationship between international trade and trade finance (banks rarely report trade credits volumes), some international institutions have conducted surveys as a means to fill the

¹⁶ Kregel (2011).

¹⁷ ICC (2012).

information gap, such as: the World Bank survey, the joint survey by the International Monetary Fund (IMF) and the Bankers' Association of Finance and Trade-International Financial Services Association (BAFT-IFSA), and those of the ICC. In addition, UNCTAD has conducted two surveys that include the development banks and ExImbanks of developing countries and emerging economies, first in 1996 to evaluate the capacity of trade financing institutions and their needs¹⁸, and then in 2011, in order to evaluate the impact of the global financial and economic crisis.¹⁹ A major conclusion has been the need to enhance capacity-building and to strengthen local and regional trade finance facilities.

According to the ICC Global Survey (2012), the financial problems that were affecting trade as a whole in 2009 and in early 2010 have diminished to some extent. Although the 2013 ICC report²⁰ noted that the market for trade finance seems to be growing slowly and steadily, the shortage of financing for international trade is still a major challenge for economic recovery and development.

The above trend has been reinforced by the changing international environment, which is dominated by global export markets organised in GVCs. These are currently at the centre of the international debate on how to sustain the recovery from the global crisis. A recent Issues Note²¹ by UNCTAD explained that a successful Aft Initiative should include special facilities to provide support on export diversification with a view to enabling developing countries – particularly LDCs – to join regional and global commodity-based value chains. Such facilities should aim at improving technology and production efficiency while boosting labour productivity and incomes. This means that developing countries need to adapt to new modes of production in order to strengthen their production capacities, particularly if they intend to join GVCs. Financing is therefore needed not only to support export capacities, but also to strengthen production capacities so they are able to deal with the increasing complexities of GVCs within the challenging international global economic environment.

Some traditional multilateral and regional development banks have been actively involved in trade financing operations in developing countries. In fact, they have increased their lending capacity under trade facilitation programs since the beginning of the crisis.²² ECAs in both developed and developing countries have also committed to providing short-term loans of working capital and credit guarantees aimed at supporting SMEs. Central banks with large foreign exchange reserves have been able to supply foreign currency to local banks and importers, generally through repurchase agreements. At the Group of 20 (G20) Summit in London (April 2009), leaders decided to ensure the flow of at least US\$ 250 billion through ECAs and MDBs²³ to support trade finance. Thanks to the G20 package, these institutions have been strengthened and are now better able to back trade finance activities. Despite their widely recognised support of the WTO/OECD Aft Strategy²⁴, these institutions still apply strict conditions that go beyond developing countries' financial means.

¹⁸ UNCTAD (1996).

¹⁹ Alvarez (2011).

²⁰ ICC (2013).

²¹ UNCTAD (2013).

²² ICC (2012).

²³ Auboin (2011). See also www.tradefinancemagazine.com/Article/2175614/Update-G20-trade-finance-package-agreed.htm

²⁴ See www.wto.org/english/tratop_e/devel_e/a4t_e/aid4trade_e.htm

The need for a holistic approach to trade and finance

The global financial crisis has highlighted the importance of the essential linkages between monetary and financial policies on one side and trade policies on the other. For many years, there was an almost exclusive focus on the effects of economic policy on trade and the real economy, rather than on finance and financial markets. There was therefore a considerable gap in the literature on trade and that on finance.

In the 1960s, the two concepts – trade and finance – were separated. Truman (2010)²⁵ explains that they were separated because they were dealt with by different institutions: except in a few specific cases, policies related to international trade and finance were developed in separate institutional and ideological contexts. Indeed, countries have both trade and finance ministers with separate tasks, and this has sometimes resulted in the emergence of two different policy agendas. At the international level, the existence of the WTO (for trade issues) and the IMF (for financial issues) also reflects this silo mentality.

In order to assess the importance of trade finance, it is worth recalling the link between trade and finance. Trade and finance reflect the real and monetary circuits of the economy. Regarding the trade circuit, an increasing number of developing countries rely on exports to sustain their economic growth. The shift from import-substituting industrialisation to export-oriented development strategies translated into a greater reliance on export revenues and a greater exposure to external shocks. Moreover, it is now widely recognised that enabling trade to resolve the economic crisis would require or involve the use of economic models that are based on global production and trade networks, such as GVCs. This has added a microeconomic dimension to the macroeconomic analysis that is used to understand the implications of economic shocks. With GVCs, it is possible to better explain the overreaction of international trade to financial shocks, as was the case in 2008-2009.

Given the importance of GVCs, a decline in world trade is greater when the lack of credit occurs within a production system that is organised through those chains. A lack of credit in one part of a GVC can reduce trade for the entire chain. The denial of credit to importers in one country may lead to credit problems for sellers in others, reducing their access to credit and affecting in turn their ability to import, and so on. This scenario generates a vicious circle between the real and the financial sides of the economy, and confirms the need to strengthen institutions so as to enable them to deploy innovative trade finance instruments.

Economic shocks affect firms not only as regards the sale of finished goods (final demand) but also through changes in the supply and demand of intermediate goods and services. GVCs imply the existence of numerous relationships between firms. These intra-firm relationships could result in the transmission of financial shocks that could adversely impact the entire chain of firms. Many developing countries have lost their credit lines at a time when demand for their products was declining. Therefore, as a way to counteract the decline and the high cost of trade finance, some leading firms and large intermediaries operating within GVCs have offered financial support to firms participating in the chain (see Cattaneo, Gereffi and Staritz, 2010). For example, this was the case with Kohl's Supply Chain Finance Program (in the apparel sector), and Walmart's Supplier Alliance Program.

²⁵ Truman (2010).

Analysis of direct spillovers from emerging economies to developing countries – particularly from Brazil, Russia, India and China (BRIC)²⁶ economies to low income countries (LICs)²⁷ – also confirms the strong linkages that exist between trade and finance. Improvements in productivity in emerging markets have had a significant and diverse impact on developing countries, especially in terms of foreign direct investment flows (FDI) from emerging to developing countries. According to Samake and Yang (2011), the rapid growth of the BRIC countries and their noticeable integration into the global economy seem to have contributed to the substantial strengthening of their trade and financial ties with LICs and, as a result, their economies have also been strengthened. Significant spillovers from the BRIC to LICs have taken place through both direct channels (e.g., bilateral trade, FDI, exchange rate movements, and technological change) and indirect channels (e.g., global demand, international commodity prices, and world interest rates).

The global financial and economic crisis has demonstrated that both policies are inter-related. The need to undertake reforms with a holistic approach has therefore become a major issue. Finance needs to get back to the business of providing security for people's savings and mobilising resources for productive investment. As a result, surveillance and regulation need to be strengthened. Other financial reforms are also required to support trade growth. Failure to take steps to correct monetary and financial policies that increase income and wealth inequality can be harmful to growth, social cohesion, and economic stability.

Lessons from the strategies and measures adopted to face the economic crisis: The potential for developing financial institutions in the South

In addition to the measures adopted by some governments from developed, developing, and emerging countries, a number of trade-finance facilities were established or reinforced by traditional multilateral and regional development banks in order to offset the effects of the crisis. The latter included some (traditional) RDBs such as the Asian Development Bank (ADB), the Inter-American Development Bank (IADB), and the African Development Bank (AfDB). As mentioned before, these banks benefitted from an initial allocation of US\$ 250 billion to support trade finance operations, as agreed during the G20 Summit in April 2009.

Although not exhaustive, Table A1 in the Annex summarises the objectives, programs, products and partnerships of selected national and regional institutions addressed in this paper. They provide trade finance or infrastructure finance and they have achieved tangible results in their efforts to support developing countries and emerging economies and to foster South-South cooperation more generally. The table also lists some of the RDBs that are providing trade and infrastructure financing for member countries.

Several lessons can be learned from the activities carried out during the financial crisis by the trade finance institutions and development banks. In the case of the Development Bank of Latin America – CAF's new name – its strong financial standing enabled it to act as an investment bank and financial advisor to raise lending operations in support of Latin American countries through offers of loans and equity investments

²⁶ Samake and Yang (2011). Note that in their analysis, Samake and Yang (2011) use the term BRIC to refer to Brazil, Russia, India, and China; they do not include South Africa. As of April 2011, the term BRICS is used to include South Africa.

²⁷ This is the classification scheme proposed by the IMF. It includes 30 countries comprising, among others, the UN's LDC category.

(especially in capital funds). CAF has now become the main source of multilateral financing for infrastructure and energy in the region.²⁸ The Brazilian Development Bank (BNDES) is an example of an institution that is committed to national development but also increasingly guided by an internationalisation strategy. BNDES-ExIm provides Brazilian producers of goods and services with an important source of financing for trading with the rest of the world. Among its efforts, the increasing support of Brazilian companies trading in South America has been emphasised, in response to their strategy to strengthen commercial and financial ties across the continent. The Brazilian Export Financing Program (PROEX), which is managed by the *Banco do Brasil*, supports Brazilian exports of goods and services, especially by SMEs. The Foreign Trade Bank for Latin America and the Central American Bank for Economic Integration (CABEI/BCEI) have noticeably gained high credit standing in the international community. CABEI has undertaken initiatives that promote intermediated credit to SMEs and has become the main regional provider of funding to the sector. It began with intermediated financing of microcredits and has gradually expanded its scope of action through other activities. The Latin American Foreign Trade Bank (BLADEX) is a specialised supranational bank originally established by the central banks of LAC countries to promote trade finance in the region. The Latin American Association of Development Financial Institutions (ALIDE) has played a key role in promoting joint actions and coordinated participation of development banks and financial institutions focusing in LAC's socioeconomic progress. It also promotes exchange of experience with institutions from other regions.

The African Export-Import Bank (AFREXIMBANK) has supported African trade during the global crisis by deploying innovative trade finance instruments and exploring ways to adapt to the new international context, including by furthering cooperation with peers and other international institutions. The Bank led the Global Network of ExImbanks and Development Finance Institutions (G-NEXID) until June 2013. G-NEXID is a 24-member network aimed at promoting global trade and investment flows, especially between developing countries, within the framework of South-South cooperation it has supported the global economic recovery. In June 2013, BLADEX took over the Presidency of G-NEXID and stated its clear objective to foster cooperation among member institutions from Africa, Asia, and the LAC region.

A number of trade financing and infrastructure financing initiatives were introduced by the Export-Import Bank of India, including specific programs to support micro, small, and medium companies. In the case of China, trade finance support is driven by the two main policy institutions, namely the China Development Bank (CDB) and the Ex-Im Bank of China. As an example of the type of negotiation that China is undertaking, it is possible to cite the CDB's infrastructure – related bilateral arrangements signed with selected countries linked to petroleum projects. Furthermore, the Korean Ex-Im Bank (KEXIM) has also been quite active in promoting South-South cooperation. For example, the Economic Development Cooperation Fund (EDCF) seeks to develop human resources and economic infrastructure in developing countries. Table A1 also includes the Türk ExImbank, which has recently partnered with the Nigerian ExImbank (NEXIM) to support activities in the non-oil Nigerian sector; ExImBank Malaysia, a government-owned development financial institution that provides a diverse range of products and services to Malaysian exporters; and the Philippines Export Credit Agency (Philguarantee), which provides export loans and guarantees.

Other initiatives summarised in Table A1 include the Bank of the South, which was proposed by some South American countries with the aim of fostering cooperation between them, and the ALBA²⁹ Bank, which was created to support South-South cooperation among progressive-oriented countries in the LAC region.

²⁸ Ríos (2013).

²⁹ Bolivarian Alliance for the Peoples of Our America (ALBA).

In view of the potential contribution of RDBs to trade and economic development, it has been proposed that it may be helpful to support these institutions by providing them with a minimum of 1% of financial resources of the sovereign wealth funds (SWFs).³⁰ This figure is based on the current account surpluses and significant foreign exchange reserves that have been invested by developing countries in SWFs. It is argued that if these funds are partially used to support existing and new national and regional development banks from the South, they would be in a better position to increase their lending for the benefit of many countries in the South. Griffith-Jones (2012) estimates that channelling 1% of SWFs' assets held by developing countries to RDBs would increase the capital of these institutions sufficiently to secure stable, low cost, and long-term capital for countries in the South. Effective implementation of this proposal would of course require strong development banks that are capable of leveraging their retained earnings as well as their paid-in capital.

Despite their political ideologies and economic differences, the BRICS (Brazil, Russia, India, China and South Africa) is an example of a group of countries that have found grounds for collaboration. Among various proposals, the establishment of a Bank of the BRICS is of major interest. At the fifth BRICS Summit, which was held in South Africa in March 2013³¹, the five countries agreed to examine the feasibility of setting up a new development bank for mobilising resources for infrastructure and sustainable development projects in the BRICS and other emerging economies and developing countries in order to supplement the existing efforts of multilateral and regional financial institutions for global growth and development. In addition, BRICS' ExImbanks and development banks concluded a "Multilateral Agreement on Cooperation and Co-financing for Sustainable Development", which reflects their strong commitment to cooperation. The BRICS agreement seeks to establish the basis for coordination and an exchange of information between the development institutions in the five countries, aimed at improving mechanisms for sustainable development and building partnerships in this area.

A preliminary conclusion that emerges from this review of recent developments is that trade finance institutions from developing countries and emerging economies can be expected to play a key role in ensuring the availability of export credit to support South-South trade. They have a clear orientation towards strengthening cooperation and the development of partnerships that can ensure the provision of the long-term funds that are required to foster trade and integration, including a possible reduction in the use of hard currency in favour of alternative payment arrangements.

The provision of trade financing has also been tackled by financial regulators. The severe decline in the availability of financing that was precipitated by the crisis was identified by some analysts as one of the principal causes of the record decline in trade flows; this was coupled with the transmission of the crisis to countries that are most dependent on trade. Indeed, this development prompted the Basel Committee on Banking Supervision (BCBS) to address demands for softer measures affecting the trade financing community. Among the recently-approved regulations, we note that parties in trade finance transactions will be able to receive a rating for risk-weighting purposes that is higher than that of the sovereign country in which they are based, which in many cases has either no rating or a very low one.³²

³⁰ Griffith-Jones (2012).

³¹ The Fifth BRICS Summit. BRICS and Africa: Partnership for Development, Integration and Industrialisation. eThekweni Declaration. Durban, South Africa, 27 March 2013.

³² See WTO. Report on G-20 trade measures (October 2011 – May 2012).

Final considerations

The issues discussed in this paper are still evolving and therefore require careful monitoring.

Several development banks have tried to coordinate activities and come up with common policies to improve the conditions for and availability of trade financing. Cooperation has successfully taken place through the Global Network of Development Finance Institutions (DFIs) and ExImbanks (G-NEXID)³³, which seeks to facilitate cooperation between parties in the developing world. The contribution of the Berne Union, the Prague Union, the International Development Finance Club (IDFC), the Amman Union, the Association of Development Financing Institutions in Asia and the Pacific (ADFIP), the Asian ExIm Banks Forum, and the newly-proposed BRICS Development Bank, are some examples of effective cooperation between institutions that adhere to different ideologies, face different levels of development and/or are geographically distant.

The experience of several governments from developing countries and emerging economies in strengthening their trade finance institutions and enhancing their regional cooperation schemes can be useful to those countries that still do not have national trade financing institutions. Setting up national development banks and/or ExImbanks requires a significant effort as well as bold decisions by governments, including decisions regarding the status of the institution (e.g. a government department, an agency, or an independent financial institution that is partly or entirely owned by the state), the most appropriate models of export credit, insurance and guarantee institutions that should be used as a reference, and the services that could be provided. Governments must also insure (or guarantee) the export credits that are extended to buyers by exporters and private financial institutions, manage the risk involved in the operation, and evaluate the impact of the institution on the financial and real sectors of the economy. The principal goal should be to provide developing countries with institutions that can back their trade and development programs, particularly during periods of severe economic shocks and situations of financial distress.

As an indispensable facilitator of international trade, trade finance requires continuous monitoring by trade policy-makers and finance experts. The expansion of South-South cooperation can be further fostered not only by creating mutual trade preferences schemes among developing countries, introducing other bargaining issues into the discussions (such as climate change and trade facilitation), but also by fostering intra South-South financial transfers and cooperation. The RDBs of developing countries and emerging economies have an important role to play in supporting these national and regional projects, including as a complement to the support provided by traditional multilateral and regional development banks.

South-South cooperation is at the forefront of the debate on international economic development. Accordingly, the ways in which trade financing supports trade and cooperation should be a major topic of debate and analysis in exploring joint work programs between development banks and ExImbanks. The existing partnership between UNCTAD and G-NEXID provides a useful means to facilitate such cooperation.

³³ See www.gnexid.org

Annex I: Table A1. Towards a new financial architecture: support for South-South cooperation by selected institutions

INSTITUTION, DATE OF CREATION, MAIN OFFICES AND BRANCHES, WEBSITE	MEMBERSHIP/ BENEFICIARIES	OBJECTIVES/SPECIFIC FACILITIES/ PROGRAMS	PARTNERSHIPS	HIGHLIGHTS
<p>African Export-Import Bank (Afreximbank)</p> <p>Established in 1993</p> <p>Harare, Zimbabwe and Abuja, Nigeria</p> <p>http://afreximbank.com</p>	<p>Shareholders:</p> <ul style="list-style-type: none"> • Class “A”: African governments, central banks, African regional and sub-regional institutions • Class “B”: African private investors and financial institutions • Class “C”: Non-African financial institutions, export credit agencies and private investors 	<ul style="list-style-type: none"> • African Trade Expansion & Diversification Scheme • Export Development Scheme • Afreximbank’s central bank deposit/investment program (CBDI) aims to mobilise, in part, African Central Banks’ foreign exchange reserves to fund viable trade and joint venture projects in the region. The program includes a Central Bank Time Deposit Account (TDA), the National Export Support Account (NESA), and the Afreximbank Investment Account (AIA). 	<ul style="list-style-type: none"> • Active member of G-NEXID. • Cooperation with the private sector: jointly with AfDB, ITC, Ecobank Transnational Incorporated (ETI), the Investment Climate Facility (ICF), UNECA, and Canada’s export credit agency (EDC). 	<ul style="list-style-type: none"> • Formally launched the Pan African Private Sector Trade Policy Committee (PAFTRAC), a platform for African private sector participation in trade policy formulation and multilateral trade negotiations. • Supports member countries. • Specialised in training programs on structured trade finance to deal with risks in financing trade.
<p>Banco del Alba – The Bolivarian Alliance for the Peoples of our America (ALBA)</p> <p>Established in 2008</p> <p>http://www.bancodelalba.org/</p>	<p>Bolivia, Nicaragua, Cuba, Saint Vincent and the Grenadines, and Venezuela</p>	<p>The Bank aims to boost industrial and agricultural production and to support social projects and multilateral cooperation agreements among its members.</p>	<p>The Bank is part of the ALBA strategy, jointly with the SUCRE regional currency.</p>	
<p>Central American Bank of Economic Integration (CABEI)</p> <p>Banco Centroamericano de Integración Económica (BCIE)</p>	<ul style="list-style-type: none"> • Founding members, beneficiaries: Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua • Non-founding members, beneficiaries: Panama, Dominican Republic, Belize 	<ul style="list-style-type: none"> • BCEI’s strategy focuses on “Competitiveness with Integration and Social Development”. • The 2010-2014 Institutional Strategy establishes focus areas so that the Bank’s resources (which are provided through credit approvals, programs, or technical cooperation) are in conformity with the 	<ul style="list-style-type: none"> • BANCOMEXT • IDFC • G-NEXID 	<p>Since 1960, the Bank has channeled close to 70% of funds to the Central American public sector with the remaining 30% going to the private sector, including the financial sector, which in turn provides financial</p>

<p>Established in 1960</p> <p>http://www.bcie.org/</p>	<ul style="list-style-type: none"> • Other members: Argentina, Mexico, Spain, Taiwan (Rep. of China) 	<p>strategic objectives.</p> <ul style="list-style-type: none"> • Products & services: <ul style="list-style-type: none"> • Lending: Direct and co-financed, intermediated lending, guarantees. • Leasing • Financial services & schemes: Funds and trust management, letters of credit, financial intermediation, the Initiative to Facilitate International Trade (IFÁCIL1), carbon credits, supply chain program, green micro, small and medium enterprises (MSMEs) initiative, tender services, A-B loans, syndicated loans, Public Private Partnerships (PPPs), Build Operate Transfer (BOT), project finance, partial guarantees • Technical cooperation: Technical assistance, feasibility studies • Investment banking and capital markets: Bond issuances, swaps, syndications 		<p>services to MSMEs, manufacturers, and other mainstays of regional development.</p>
<p>Banco Latinoamericano de Comercio Exterior, S.A. (BLADEX)</p> <p>(The Foreign Trade Bank for Latin America)</p> <p>Established in 1975; operations began in 1979</p> <p>Headquarters: Panama</p> <p>http://www.bladex.com</p>	<ul style="list-style-type: none"> • BLADEX, a specialised supranational bank, was originally established by central banks of Latin American and Caribbean countries to promote trade finance in the region. • Shareholders include central and state-owned entities in 23 countries of the region, as well as Latin American and international commercial banks, and institutional and retail investors. 	<ul style="list-style-type: none"> • The Bank's mission is to provide seamless support to Latin America's foreign trade, while creating value for its stockholders. It is principally engaged in providing trade financing to selected commercial banks, middle-market companies and corporations in the region. Its lending and investing activities are funded by interbank deposits, primarily from central banks and financial institutions in the region, by borrowings from international commercial banks and, to a lesser extent, by sales of the Bank's debt securities to financial institutions and investors in Asia, Europe, North America, and the region. • Trade finance products offered include L/Cs, issuance of guarantees and lines of credit for trade finance, loans and revolving credit lines, short-term trade finance, pre- and post-export of goods and services, import of goods and services, 	<p>Member of G-NEXID; currently holds the Presidency</p>	<p>On October 17 2012, BLADEX marked the 20th anniversary of its listing on the New York Stock Exchange (NYSE).</p>

		<p>undertakings, bankers' acceptances, and discounted notes.</p> <ul style="list-style-type: none"> • Structured finance products, guarantees of official export development programs, receivable financing by private insurance companies, and trade credit forfaiting or vendor finance. • Leasing allows the preservation of working capital, thus protecting traditional credit lines. • BLADDEX structures and manages syndicated loans. 		
<p>Bank of the South Established in 2009</p>	<ul style="list-style-type: none"> • Members: Argentina, Brazil, Paraguay, Uruguay, Ecuador, Bolivia, and Venezuela • Observers: Chile and Peru 	<p>The goal is to support social programs and infrastructure in the Latin American region.</p>		
<p>The Brazilian Development Bank (BNDES) Established in 1952 Headquarters: Rio de Janeiro, Brazil Branches: Brasilia, London, Montevideo http://www.bndes.gov.br</p>	<p>Brazil, with a internationalisation strategy</p>	<ul style="list-style-type: none"> • As the main financing agent for development in Brazil, BNDES offers several support facilities to Brazilian companies as well as public administration entities, from the analysis phase through to implementation and monitoring. It finances the expansion of national companies far beyond the country and seeks to diversify its resources on the international markets. • The international dimension of BNDES includes continuous efforts to strengthen traditional operations such as export financing of Brazilian goods and services, to projects implemented overseas and institutional fundraising through multilateral organisations, sharing experiences, and enhancing promotional activities. 	<ul style="list-style-type: none"> • IDFC, ALIDE • Cooperation agreements signed with the development banks of China, India, Russia and South Africa as part of its continuing engagement with the BRICS countries. • March 2012: BNDES signed a MOU with the Japan Bank for International Cooperation (JBIC). • Partnerships with multilateral organisations 	<ul style="list-style-type: none"> • April 2010: BNDES signed a MOU with the Bank of Foreign Economic Activity (Vnesheconombank), based in Russia, the CDB, and the India Eximbank. The MOU enables cooperation in training of personnel as well as the possibility to share experiences between the institutions. • DBSA later joined the cooperative alliance.
<p>The Development Bank for Latin America (CAF)</p>	<p>Latin American countries, Jamaica, Trinidad & Tobago Spain, Portugal</p>	<ul style="list-style-type: none"> • CAF aims to reinforce and expand its role as an institution that promotes Latin American integration, and to strengthen the sustainability of its operations. 	<ul style="list-style-type: none"> • G-NEXID • IDFC 	<ul style="list-style-type: none"> • Thanks to its high credit standing and in addition to its capital, CAF raises funds for operations primarily in the international financial markets: bonds issued in

<p>Established in 1968</p> <p>Headquarters: Caracas, Venezuela</p> <p>Branches: Brasilia, Montevideo, Panama, Spain</p> <p>www.caf.com</p>		<ul style="list-style-type: none"> • Products & services: <ul style="list-style-type: none"> ▪ Loans: short-, medium-, and long-term ▪ Structured finance, without recourse or limited guaranties ▪ A-B Loans with multilateral institutions and international banks ▪ Financial advisory services ▪ Bonds and guaranties ▪ Partial guaranties ▪ Equity ▪ Treasury services ▪ Technical cooperation ▪ Credit Lines 		<p>both the regional shareholder countries and in the international capital markets.</p> <ul style="list-style-type: none"> • CAF accepts deposits and obtains loans and credit lines from central banks, commercial banks and, as long as they are related to projects financed by CAF, export credit institutions. • CAF has obtained medium - and long-term loans and credit lines from multilateral and bilateral institutions, as well as from international commercial banks, in order to support the development of its short-, medium-, and long-term activities.
<p>China Development Bank (CDB)</p> <p>Established in 1994</p> <p>The Export-Import Bank of China</p> <p>Established in 1994</p> <p>Branches: 37 across the country, one offshore branch in Hong Kong, and representative offices in Cairo and Moscow</p> <p>http://www.cdb.com.cn/english</p>	<p>Chinese public and private institutions</p>	<ul style="list-style-type: none"> • CDB has been China's leading financier for the development of infrastructures and basic and key industries, which are its primary business. It has financed various mega-projects in China and has made a significant contribution to the country's rapid urbanisation process by providing for infrastructure beyond China's mega cities. • The Export-Import Bank of China aims to facilitate exports and imports of Chinese mechanical and technical products and complete sets of equipment; to assist Chinese companies with comparative advantages in their offshore contract projects and outbound investment; and to promote Sino-foreign international economic and trade cooperation. • Products & services: Export credit and import credit; loans to overseas construction contracts and loans to overseas investment projects; Chinese government concessional loans; international guarantees; on lending loans from foreign governments and international 	<ul style="list-style-type: none"> • China Export-Import Bank: Member of G-NEXID • China Development Bank: Member of IDFC • The Asian Exim Banks Forum³⁴ • CDB: Member of ADFIAP 	<ul style="list-style-type: none"> • CDB has financed a number of high-profile cross-border collaborations by providing commercial lending facilities, including a China-Russia petroleum project, a China-Brazil petroleum project, and a China-Venezuela co-financing fund. • It has also supported the overseas expansion of China's most successful companies, such as PetroChina, Sinopec, and China Minmetals. • It is instrumental in initiating inter-bank association establishments within the frameworks of the Shanghai Cooperation Organization (SCO), the China-ASEAN Dialogue, and the BRICS.

³⁴ See www.asianeximbanks.org

http://english.eximbank.gov.cn		<p>financial institutions; international and domestic settlement and corporate deposits under the loan facilities provided by the Bank; raising funds in domestic and international capital markets and money markets; international inter-bank loans, organising or participating in international and domestic syndication loans; inter-bank borrowing/lending and bond repurchasing; foreign exchange transaction and approved risk-protection foreign exchange (FX) business for clients; creditworthiness investigation, consultation, appraisal and witness services which are relevant to the Bank's business; other business approved or entrusted.</p>		
<p>The Development Bank of Southern Africa (DBSA)</p> <p>Established in 1983</p> <p>http://www.dbsa.org</p>	<p>South African government agency</p>	<p>DBSA's strategy is to:</p> <ul style="list-style-type: none"> • Generate investment in assets, both hard (physical) and soft (human & institutional), that serve the poor both directly and indirectly, and that support broad-based wealth creation (infrastructural and productive capital); and • Mobilise, develop, apply, and share knowledge in support of greater development effectiveness, innovation, and an enabling developmental environment. 	<p>IDFC</p>	<p>The proposed BRICS Bank was launched at the BRICS Summit in South Africa, 2013.</p>
<p>Eximbank India</p> <p>Set up in 1981; operations began in 1982</p> <p>http://www.eximbankindia.com</p>	<p>India, national development bank</p>	<ul style="list-style-type: none"> • Products & services: Export credits, finance for export-oriented units, overseas investment finance, credit lines, SME & agricultural finance, film finance, rural initiatives, buyer's credit (a unique program to facilitate Indian exports by extending credit facility to overseas buyers for financing their imports from India). • ExImbank (since 2003-04): Operates at the behest of and with the support of the Government of India, provides credit lines to countries in the developing world. • Program for MSMEs: Aims to tap and propagate the potential of MSMEs. Partnered with the Commonwealth 	<ul style="list-style-type: none"> • Framework Agreement on Financial Cooperation with development banks of BRICS countries signed in April 2011. • Founding and active member of G-NEXID and the Asian Exim Bank Forum 	<ul style="list-style-type: none"> • Furthering relations with Latin America, particularly MERCOSUR and CARICOM • The proposed BRICS Bank was launched at the BRICS Summit in South Africa, 2013.

		<p>Secretariat, organised the 12th edition of Commonwealth-India Small Business Competitiveness Development Programme. The Commonwealth Secretariat and the Government of India are working on several policies to enable the development of micro SMEs</p> <ul style="list-style-type: none"> Grassroots Initiative and Development (GRID): Under its rural initiatives, the Bank acts as an enabling agency by reaching out to organisations operating at the grassroots level across India. 		
<p>The Export Import Bank of Korea (KEXIM)</p> <p>Established in 1976</p> <p>http://koreaexim.go.kr</p>	<p>Support to Korean Exporters</p> <p>Assistance to developing countries through EDCF</p>	<ul style="list-style-type: none"> Official export credit agency providing comprehensive export credit and guarantee programs to support Korean companies in conducting overseas business. Its primary services include export loans, trade finance, and guarantee programs structured to meet the needs of clients in a direct effort to both complement and strengthen their competitiveness in global markets. It also provides overseas investment credit, natural resources development credit, import credit, and information services related to business opportunities abroad. 	<p>The Asian Exim Banks Forum</p>	<p>The bank is responsible for the operation of two government funds:</p> <ul style="list-style-type: none"> the Economic Development Cooperation Fund (EDCF), a Korean Official Development Assistance program (1987) to promote economic cooperation between Korea and developing countries; and the Inter-Korean Cooperation Fund, an economic cooperation program with North Korea.
<p>Nigerian Export-Import Bank (NEXIM)</p> <p>Established in 1991 by the Federal Ministry of Finance incorporated and the Central Bank of Nigeria</p> <p>http://www.neximbank.com.ng</p>	<ul style="list-style-type: none"> Nigerian exporters The Bank is also the government's national guarantor under the ECOWAS Inter-state Road Transit program. 	<ul style="list-style-type: none"> Provides short-term guarantees for loans granted by Nigerian banks to exporters as well as credit insurance against political and commercial risks in the event of non-payment by foreign buyers. Products & services: Export credit guarantee and export credit insurance facilities for its clients; credit in local currency for its clients (in support of exports); establishment and management of funds connected with exports; maintenance of a foreign exchange revolving fund for loans to exporters who need to import foreign inputs to facilitate export production; maintenance of a trade 	<p>G-NEXID</p> <p>NEXIM partners: (Nov. 2012) Turk ExImbank to develop the non-oil Nigerian sector</p>	<ul style="list-style-type: none"> In January 2013, the AfDB signed a deal to provide two sovereign-guaranteed multi-tranche credit lines to the Bank of Industry and the Nigerian Export-Import Bank (NEXIM) respectively. NEXIM has made significant contributions to various entertainment projects on the value-chains like distribution and exhibition infrastructure, digital studios and digital equipment, as well as film production.

		information system in support of export business; domestic credit insurance where such a facility is likely to assist exports.		
EXIM Bank of Malaysia Established in 1995 http://www.exim.com.my	Government-owned development financial institution	<ul style="list-style-type: none"> • Products & services: All forms of conventional finance, Islamic financing following sharia concepts, Insurance and Credit Takaful, which provides protection against the risk of non-payment by buyers as a result of commercial and/or political risk. • Credit Takaful is an essential facility for Malaysian exporters so they can be assured of receiving future payments, either from the buyers or from EXIM Bank by way of Takaful claims. 	<ul style="list-style-type: none"> • Aman Union • Asian Exim Bank Forum • Berne Union 	The bank participates in the Asian Development Bank Trade Finance Program.
The Export Financing Program (PROEX) www.bb.com.br/proex	<ul style="list-style-type: none"> • Established by the federal government of Brazil to provide export financing for Brazilian conditions equivalent to the international market. • The financial agent is the Bank of Brazil. 	<ul style="list-style-type: none"> • There are three forms of credit assistance: <ol style="list-style-type: none"> 1. Funding: Type of direct financing to Brazilian exporters (supplier's credit) or importer (buyer's credit), for cash payment to the exporter with funds obtained from the National Treasury. 2. Interest Rate Equalisation: PROEX assumes part of the financial charges on loans granted by financial institutions, through equalisation payments, making them compatible with the financial burden on the international market. 3. Exportable Production Financing (PROEX Pre-Shipment): The modality is intended to meet demand for resources to finance the production of goods and services for export. • Financing and Guarantee Committee of Exports (COFIG) 		
Philippines Export Credit Agency (Philguarantee) Established in 1977	Sovereign guarantor that extends credit, insurance, and related services to business entities	Products & services: Guarantees, direct lending, SME Unified Lending Opportunities (SULONG)	<ul style="list-style-type: none"> • ADFIAP • Asian ExIm Bank Forum • Berne Union 	

http://www.philexim.gov.ph/				
<p>Türk Eximbank</p> <p>Established in 1987</p> <p>http://www.eximbank.gov.tr</p>		<ul style="list-style-type: none"> • The bank is Turkey's official export credit agency. • It is a fully state-owned bank that acts as the government's major export incentive instrument in Turkey's sustainable export strategy. • It supports foreign trade and Turkish contractors/investors operating overseas; offers assistance to export development; and offers specialised financial services through a variety of credit, insurance, and guarantee programs. 	<ul style="list-style-type: none"> • Aman Union • Islamic Development Bank • ADFIMI³⁵ • European Investment Bank • Berne Union and Prague Club³⁶ • International Islamic Trade Finance Corporation (ITFC) 	<p>The Nigerian Export-Import Bank has agreed to work with the Turk Eximbank on a number of projects, with the aim of strengthening the partnership between them.</p>

Source: Author's compilation based on the UNCTAD Survey on Trade Finance Facilities (2011); Websites access

³⁵ Association of National Development Finance Institutions in Member Countries of the Islamic Development (ADFIMI)

³⁶ www.berneunion.org

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About ECDPM

ECDPM was established in 1986 as an independent foundation to improve European cooperation with the group of African, Caribbean and Pacific countries (ACP). Its main goal today is to broker effective partnerships between the European Union and the developing world, especially Africa. ECDPM promotes inclusive forms of development and cooperates with public and private sector organisations to better manage international relations. It also supports the reform of policies and institutions in both Europe and the developing world. One of ECDPM's key strengths is its extensive network of relations in developing countries, including emerging economies. Among its partners are multilateral institutions, international centres of excellence and a broad range of state and non-state organisations.

Thematic priorities

ECDPM organises its work around four themes:

- Reconciling values and interests in the external action of the EU and other international players
- Promoting economic governance and trade for inclusive and sustainable growth
- Supporting societal dynamics of change related to democracy and governance in developing countries, particularly Africa
- Addressing food security as a global public good through information and support to regional integration, markets and agriculture

Approach

ECDPM is a “think and do tank”. It links policies and practice using a mix of roles and methods. ECDPM organises and facilitates policy dialogues, provides tailor-made analysis and advice, participates in South-North networks and does policy-oriented research with partners from the South.

ECDPM also assists with the implementation of policies and has a strong track record in evaluating policy impact. ECDPM's activities are largely designed to support institutions in the developing world to define their own agendas. ECDPM brings a frank and independent perspective to its activities, entering partnerships with an open mind and a clear focus on results.

For more information please visit www.ecdpm.org

ECDPM Discussion Papers

ECDPM Discussion Papers present initial findings of work-in-progress at the Centre to facilitate meaningful and substantive exchange on key policy questions. The aim is to stimulate broader reflection and informed debate on EU external action, with a focus on relations with countries in the South.

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