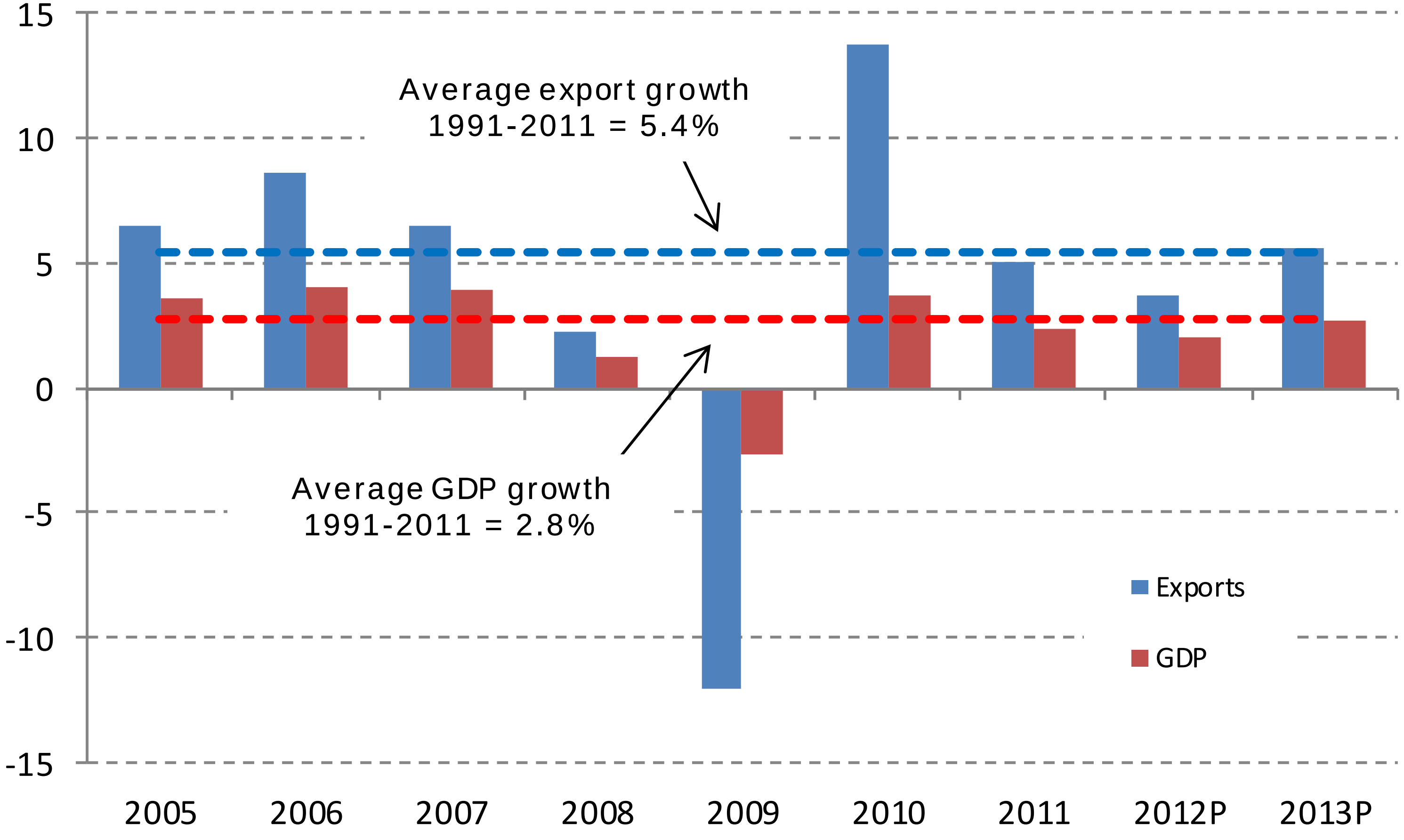
International trade flows and trade finance through a cycle

WTO OMC

Slide 1 Growth in volume of world merchandise trade and GDP, 2005-13

Annual % change

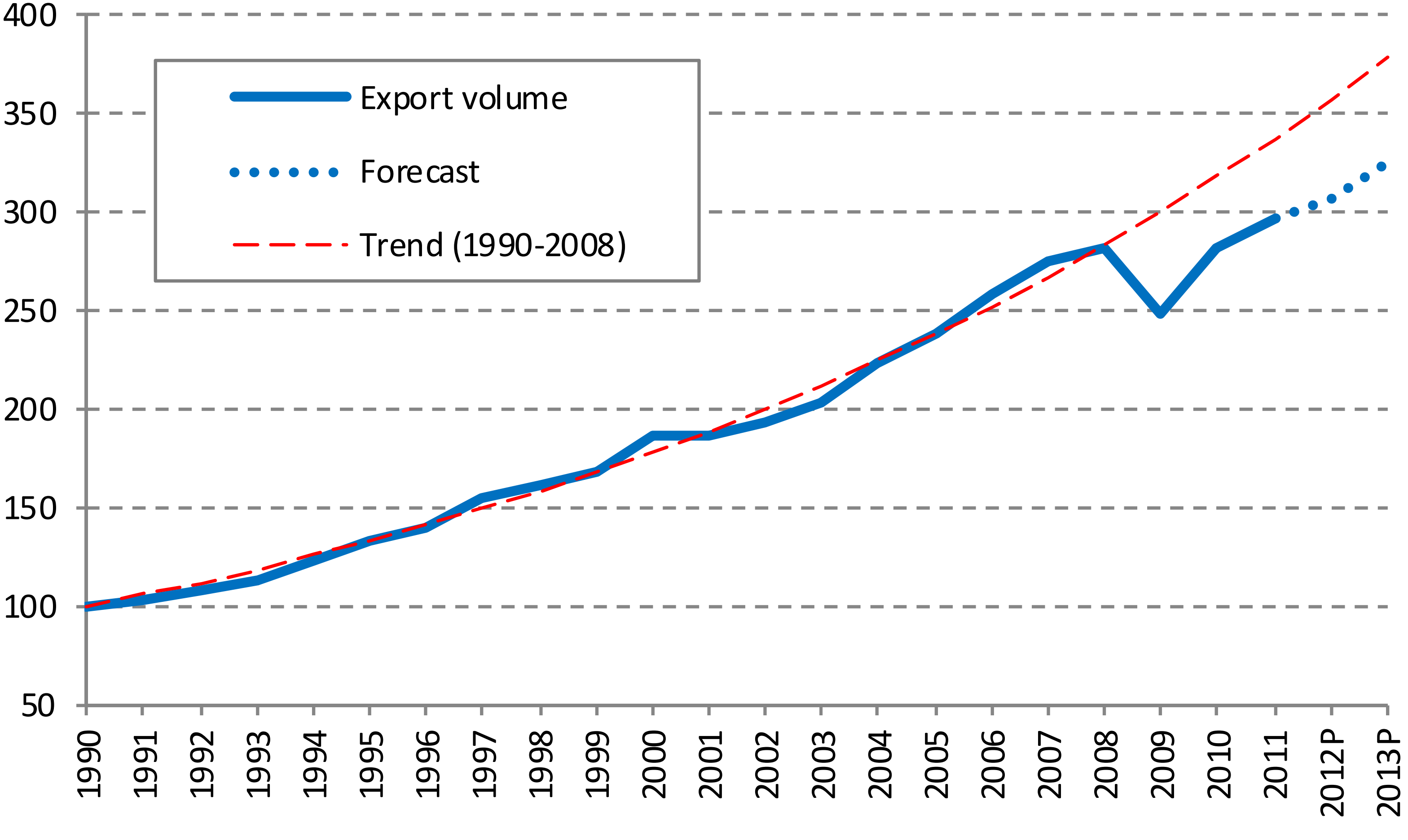


a Figures for 2012 and 2013 are projections.

Source: WTO Secretariat.

Slide 2 Volume of world merchandise exports , 1990-2013 a

Index, 1990=100



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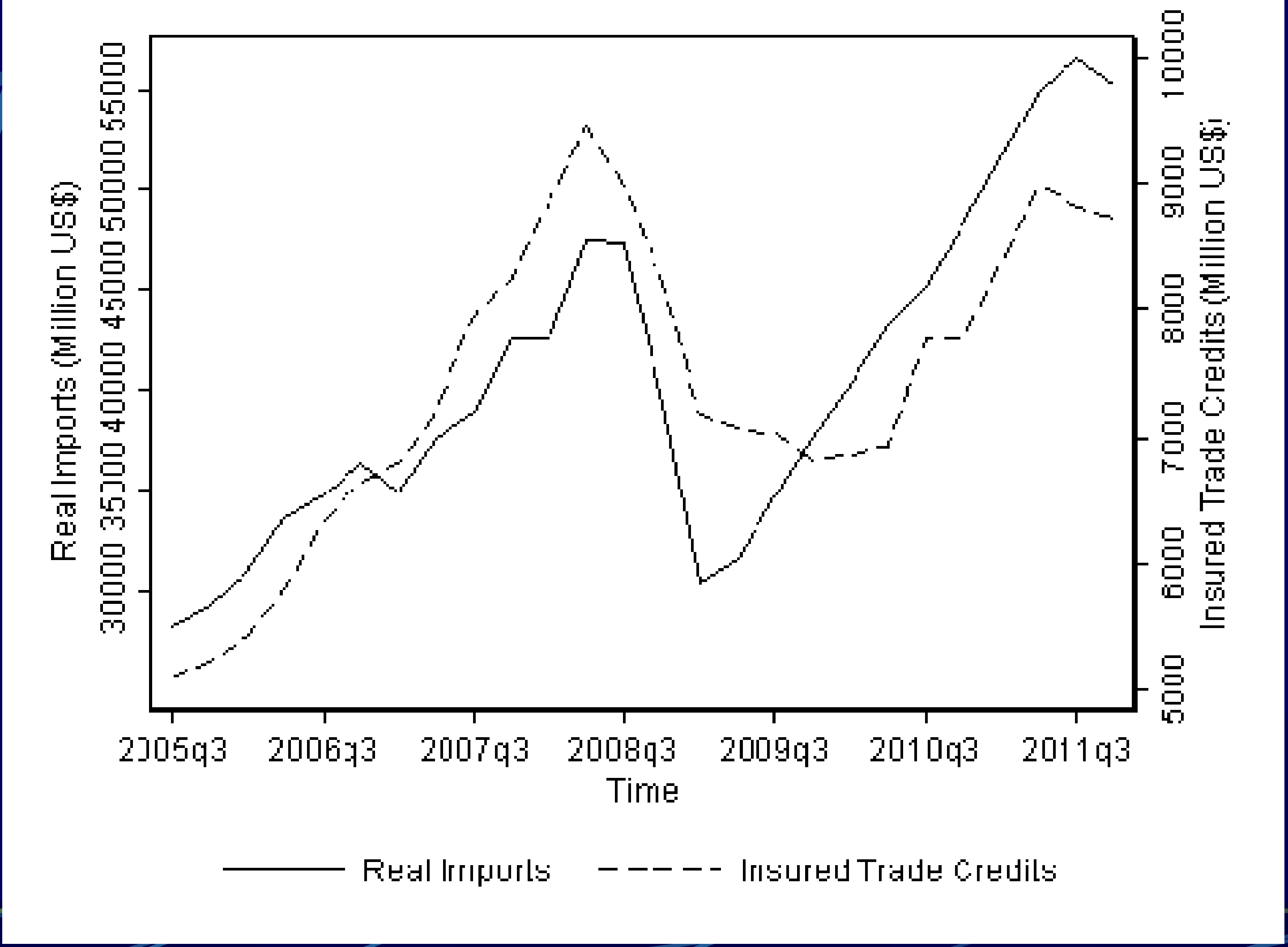
Source: WTO Secretariat.

II. Trade finance in crisis

Rough environment for trade finance: 2009 financial crisis and subsequent deleveraging

- 2009 reveals vulnerability of trade finance markets: short-term market prone to contagion from crisis; strong impact of 2009 liquidity squeeze
- Long-term market was also affected in a context of re-evaluation of risks
- As a result, G-20 package in London (April 2009). $250 billion in extra capacity – $150 billion used
- Export credit agencies stepped in – with government guarantees mainly
- Ever since ECAs have kept a high profile role, providing liquidity, guarantees and insurance in challenging markets and times
- ECA support bank-intermediated business at a time when bank commitments towards trade may be more hesitant
- Justifies need for risk mitigation provided by multilateral development banks, which saw demand for their products increase
- Deleveraging creates challenges: good deleveraging if incentive system is right (back to basics in banking; orientation towards fast growing trade lending), bad deleveraging if incentive is wrong (orientation towards more profitable business segments…)

Strong link between real trade and ECA business

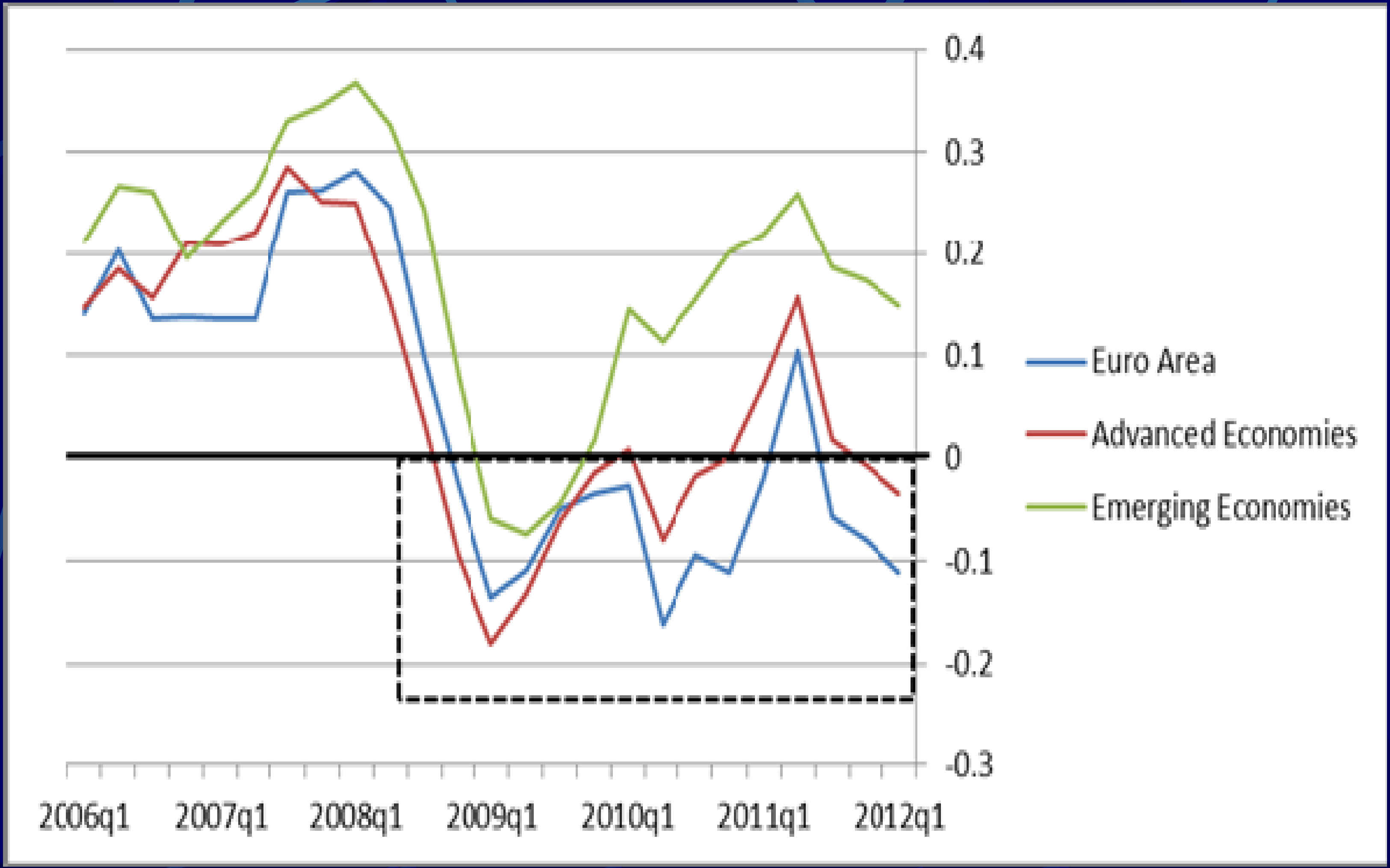


II. Trade finance: improving

WTO DG Expert Group Meeting - 25 October 2011 - Market situation

- **Volumes in trade finance growing slowly, with trade growth.**
- **No global capacity constraint on trade finance.**
- **But, geographically, tensions in Europe and some parts of Latin America.**
- **US dollar funding remains an issue outside the United States, but growing use of RMB.**
- **Permanence of stress at the low end of the market, and for SMEs everywhere**
- **Justifies need for risk mitigation provided by multilateral development banks, which saw demand for their products increase significantly.**
- **Markets experience structural changes in market shares, operators and instruments:**
- **Shifts away from LCs to open account, in line with expansion of supply chains;**
- **Less bank intermediation, more inter-company lending, supported by more trade insurance volumes; greater interest by non-banks to invest into trade assets; Regional banks gain, global banks loose**
- **But global trade banks will benefit from expansion of international supply chains, in which large clients are key players. Driven by growing import content of exports.**

Y-on-y international claims on non-banks



Barriers to trade

- Monitoring Exercise under the G-20: list of trade-restricting measures taken since beginning of the financial crisis. Last official release: "There has been a slowdown in the imposition of new trade restrictive measures, but the stock of accumulated trade restrictive measures is on the rise. The most frequent measures continue to be trade remedy actions (anti-dumping investigations), followed by more stringent customs procedures. The sectors most affected by restrictive measures : iron and steel (and articles of), plastics, organic chemicals, rubber products, man-made staple fibres, and edible vegetables and fruits (and preparations of)."