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Financing trade and supply chains

ALEXANDER R. MALAKET *

1. Summary

International trade is widely acknowledged as a positive force in the creation of economic value and in the advancement of global development efforts and poverty-reduction initiatives. Imperfections and inadequacies in the system of global commerce aside for the moment, it is correct to consider trade to be one of the few truly global drivers of economic activity, and, as was illustrated during the global crisis, one area where national and international policy levers can be effective and highly impactful.

The dependency of international trade on access to timely and affordable financing is now well established and widely acknowledged, as the contraction in trade activity at the peak of the global crisis was traced back in part to a sudden and drastic shortage of trade financing, including vital pre-export finance. Consequently, the profile of trade finance, and of emerging propositions in supply chain finance, has been irrevocably raised and brought sharply into focus. This esoteric branch of finance, which some years ago would have yielded limited material even through a Google search, is now the subject of significant discourse, deliberation and analysis, including robust research by academics, specialists in international institutions, top-tier consultancies and industry bodies and practitioners.

Political leaders, heads of international institutions, trade and development practitioners and private sector finance and treasury executives are putting more focus on the role of financing as a key enabler of international commerce, and there is consequently, significant attention on several areas of policy that hinder or restrict access to trade finance, or areas that can positively affect the availability of trade financing, including specifically in support of small and medium sized enterprises, and trade involving developing or emerging markets.

Several major issues impact the trade financing market today, and present opportunities for the development and deployment of effective policy initiatives and measures:

- The determination and setting of appropriate levels of reserve capital to be held against trade financing transactions and portfolios

* Alexander R. Malaket author is CITP, President, OPUS Advisory Services International Inc. The author is grateful to the ARTNeT Secretariat for technical support. The views are of the author alone as are any errors or omissions. Any enquires should be sent to ar.malaket@opus-advisory.com.

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- Appropriate balancing of the conduct of legitimate business, against the opportunity and the need to engage banks in enforcement activities related to anti-moneylaundering (AML) and terrorism finance, through AML and client due diligence requirements captured in "Know Your Customer" requirements
- Policy initiatives aimed at increasing global capacity from a credit, risk and capital perspective, to provide trade financing
- Globally consistent policies related to the accounting treatment of supply chain finance
- Policies aimed at increasing global professional competency and human resource pools linked to trade financing
- Policy initiatives aimed at linking financing to international development and poverty-reduction
- Policy effort aimed at supporting the development of the more promising new models and sources of trade finance and supply chain finance

Policy initiatives should aim to achieve an appropriate and equitable balance between prudential oversight and the support and enablement of legitimate business through access to adequate levels of financing and liquidity. Benefits in international development and poverty reduction can flow directly from the assurance of access to trade and supply chain finance for small and medium-sized enterprises, which often make up a majority of business sector in developing economies.

2. Introduction

The techniques, products and solutions typically utilized in the financing of international commerce are not well understood outside of a small, specialist audience of practitioners. While there are long-established, “traditional’ mechanisms such as documentary letters of credit, and evolving propositions in the context of financing global supply chains, it can be argued that trade financing, even at its most complex, is about four ‘elements’ (figure 1).

Figure 1. Four Elements of Trade Finance

Source: Financing Trade and International Supply Chains, Malaket, 2014

Traditional trade finance (and increasingly, the newer propositions under supply chain finance) involves some combination of the four elements listed in Figure 1: the enablement of secure and timely payment across borders from buyer to supplier, the provision of some form of financing to one or more parties engaged together in international commerce, with supply chain finance programs potentially covering hundreds or thousands of supplier relationships, the provision of risk mitigation solutions including insurance and guarantees of various types, to protect companies engaging in trade in high-risk markets or circumstances, and finally, the flow of transactional and financial information between parties.

The post-crisis global environment around international trade is showing signs of normalizing, with at least two major changes to the environment that are likely to have long-term implications for business leaders and for policymakers around the globe.

First, the peak of the global financial and economic crisis demonstrated, clearly and convincingly, that there is a direct link between the successful conduct of trade, and the need for adequate, timely and affordable financing.

Second, the link between trade and economic value-creation, long acknowledged in development circles, remains important, but is now seen to operate best when complemented with appropriate measures linked to robust domestic economic activity and policy initiatives. Relatedly, the central role of Access to Finance (A2F) is increasingly understood to encompass trade finance and its more recent incarnation, supply chain finance, just as trade financing is increasingly acknowledged as an effective source of financing in support of international development.

Trade financing then, has taken a rather more visible and central role in dialogue related to trade, trade policy, international development, poverty reduction, and national and well as international policy.

Industry estimates (for example, Asian Development Bank, December 2014) suggest that there is a gap of demand over supply of trade finance in the range of about $1.9 trillion per year, with over $1 trillion of the gap experienced in Asia, and a significant shortfall experienced by small and medium enterprises.

> "Gaps in trade finance affect SMEs more negatively than other company respondents. This is a particular problem in Asia where more than 90% of all firms are SMEs, the majority of which do not engage in direct exports. Lack of financial access is a well-known contributor to the export shortfall. Global rejection rates of trade finance applications are highest for SMEs. Fifty percent of their proposals for trade finance were rejected in 2013, as compared to only 7% for MNCs."

Source: ADB Brief "Trade Finance Gap, Growth and Jobs Survey" December 2014

The need for adequate and affordable trade and supply chain finance is increasingly being acknowledged at all levels, including among heads of state and leaders of international institutions. There remains a significant need for education and training around the nature of trade and supply chain finance, but it is equally clear that there are ample opportunities for supporting policy initiatives that could materially and positively impact access to trade finance, and by extension, the successful conduct of trade, the creation of economic value and the reduction of poverty and the advancement of development objectives.

The post-crisis research and analysis conducted around trade finance has been critically valuable to the industry in lifting a historical veil of mystery and complexity around what was a poorly understood and specialized branch of finance. Even as the important contributions of trade and supply chain finance to the conduct of trade and to the creation of economic value are acknowledged, the industry faces serious challenges. The industry exists in an environment where well-considered policy initiatives could materially impact the availability and accessibility of financing in support of international trade.

It is helpful to explore such policy initiatives in light of the evolution of the financing of international commerce. So-called "traditional" trade finance, including well-established instruments like documentary letters of credit and others, still facilitates about 10-20% of global trade, often involving high-risk markets. At the same time, roughly 80% of trade today is conducted on the basis of open account terms, with emerging solutions in supply chain finance (SCF) aiming to respond to those high-growth trade flows.

A notable market reality is that banks remain largely focused on traditional trade finance, with less than 20% of their portfolios involving supply chain finance business (ICC banking Commission, Rethinking Trade and Finance, 2014). Traditional trade finance has been and remains largely the purview of international banks, export credit agencies and multilaterals. Emerging SCF solutions by contrast are also provided by non-banks, technology and platform providers and others, sometimes specialist trading platforms targeting specific industry sectors.

The importance of public policy and international institution support in the area of trade and supply chain finance to complement the work of private sector providers, has been clearly and undeniably demonstrated through the global crisis, particularly at the peak of the crisis when bank-intermediated trade finance all but evaporated, and public sector and international institutions were forced to step in and address the resulting market gap.

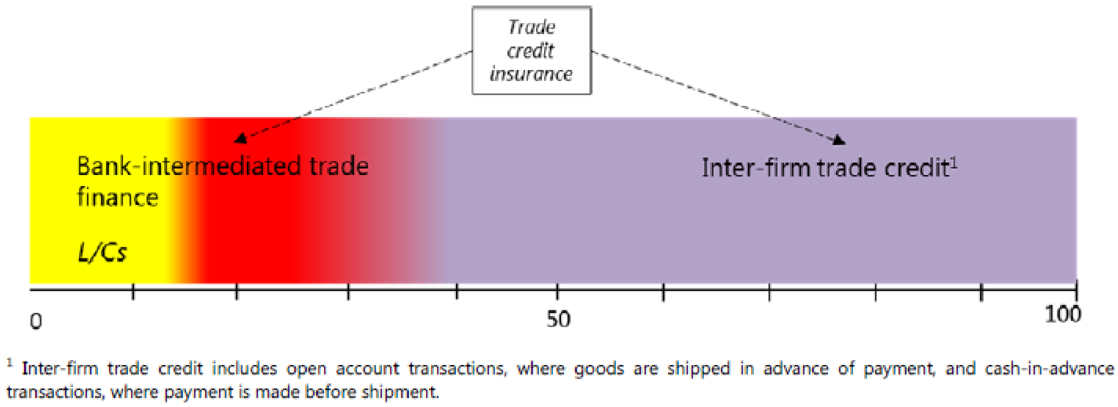
There are several major, potentially transformational areas where thoughtful public and international policy can positively impact the financing of trade and international supply chains, enabling trade by SMEs based in developing markets, contributing directly to the creation of significant economic value. High potential policy areas, elaborated from the summary list above, include:

- Capital adequacy and reserve requirements as implemented by national authorities, aimed at assuring the appropriate capital treatment of trade financing activity
- Due diligence requirements related to the need for international bankers in particular to demonstrate adequate knowledge of the parties and the transactions they finance (so-called “Know Your Client” and related requirements), as well as the expectation that banks assist in identifying and countering money laundering terrorism finance
- Policy initiatives aimed at increasing global capacity (from a credit, risk and capital perspective) for the provision of trade finance, to address the global gap and the limitations in industry capacity to provide trade financing
- Policy clarity on accounting treatment relative to emerging supply chain finance programs, aimed at providing assurance to bankers and corporates around the viability and advantages of evolving supply chain finance programs, as well as aiming at consistent cross-border treatment of these structures
- Initiatives aimed at encouraging the development of trade finance competencies, in recognition of the aging demographic of trade finance practitioners, and the inadequate flow of next-generation resources to the industry
- Policy initiatives aimed at linking financing to international development and poverty-reduction, including the establishment of linkages between, for example, trade facilitation and promotion activity, and trade financing, Policy effort aimed at enabling and supporting, through regulatory support, legal infrastructure, technology and intellectual property protection and other possible elements, the development of emerging modes of trade and supply chain financing

3. State of the Trade Financing Industry: What do We Know?

The trade finance business has historically operated 'in the shadows', with little recognition of the importance of this esoteric branch of financing in the enablement of trillions of dollars' worth of commercial activity every year, involving the full spectrum of complex and challenging markets around the world. The difficulty in sizing and articulating the variations of trade finance at play in the market today is one manifestation of this opacity.

Figure 2. Financing Global Trade: A Schematic Overview



Source: Committee on the Global Financial System: Trade Finance Developments and Issues, 2014

As illustrated in Figure 2, the clear majority of trade financing is categorized as inter-firm credit, which would include supply chain finance – an area which is increasingly attracting the interest of banks (among other providers). Export and trade credit insurers, both public sector and private sector, support approximately 1 trillion in annual trade flows (Berne Union, 2014), and play a critical role, along with multilateral development banks, in enabling access to difficult or high-risk markets.

Exact market sizing and distribution of transaction volumes across product types or categories of trade financing activity is difficult to achieve given the limited data available, thus the colour bands can be seen to represent the reality that categories of trade finance can overlap into each other. While Letter of Credit (L/C) volumes can be relatively easily ascertained through related message flows between banks, other categories shown above are less easily quantified by volume or by value, and thus are shown as merging into the next category.

The global financial crisis and the economic crisis which followed, and persists in many markets, resulted in an unprecedented visibility and positive acknowledgment of the value of trade and supply chain finance. Political leaders and heads of international institutions are working actively today to ensure the availability of adequate and affordable levels of trade-related financing, including specifically for SMEs and for emerging and developing markets.

4. Reserves and Capital Adequacy

Industry associations and organizations like the International Chamber of Commerce (ICC) Banking Commission have undertaken data collection and analysis aimed at objectively demonstrating the very favourable risk profile of trade finance, through the ICC Trade Register, with the result that regulatory authorities have recalibrated the treatment of trade finance in terms of reserve and capital adequacy requirements, to better align with the risk profile of this form of financing.

The issue of capital adequacy and maintenance of adequate reserves and capital structure in financial institutions can be complex and multi-faceted, but in its simplest form, comes down to the notion that banks, as regulated lenders and as critical actors in the global financial system, should maintain certain levels of capital in "reserve", based on certain regulatory targets determined in part by the risk profile of an institution's business.

While trade financiers have long argued anecdotally that the business of financing international commerce is low-risk, and has a low incidence of default and loss, regulatory authorities required objective demonstration of these claims as a basis for reconsidering what otherwise would have been disproportionately severe requirements, leading to an increase in the capital cost of trade finance.

Table 1 below, extracted from an annual ICC report on trade finance default and risk experience, is the most recent publicly-available data and clearly illustrates the negligible default experience in traditional trade finance, across a large pool of data drawn contributed by the leading global trade finance banks and representing perhaps 60% of global volumes.

Table 1: Default and Loss Data, Trade Finance

TOTAL 2008-11	TRANSACTION DEFAULT RATE	DEFAULTED TRANSACTION LOSS RATE	M (IMPLIED, DAYS)	SPECIFIC TXN-LEVEL LOSS RATE
Import L/Cs	0.020%	42%	80	0.008%
Export Confirmed L/Cs	0.016%	68%	70	0.011%
Loans for Import	0.016%	64%	110	0.010%
Loans for Export: Bank risk	0.029%	73%	140	0.021%
Loans for Export: Corporate risk	0.021%	57%	70	0.012%
Performance Guarantees	0.034%	85%	110	0.029%
Total	**0.021%**	**57%**	**90**	**0.012%**

Source: Global Risks Trade Finance Report 2013, ICC Banking Commission

To put the above data in some perspective, one can review corporate loan default data reported through rating agencies, or line of business data, such as credit card loan losses which might amount to 10-15% of a portfolio, or domestic mortgage losses which could reach 5% of a portfolio, as against losses related to Confirmed Export Letters of Credit, row two in the table, at 0.011%.

The regulatory standard is proposed by the Basel Committee on Banking Supervision in Switzerland, however, interpretation and implementation is the responsibility of regional and/or national regulatory authorities, and the implementation of these standards, staggered across geographic markets, creates variance and the issue of 'regulatory arbitrage' – a reality that has commercial implications for the conduct of international commerce. The scope of data collection and analysis, as well as of related advocacy efforts with regulatory authorities will necessarily increase, as will the robustness and sophistication of the methodology applied to the conduct of this research.

The policy opportunity here is to ensure that the execution of Basel requirements around capital adequacy are implemented in a manner that achieves the intended regulatory objectives while enabling access to adequate levels of trade-enabling financing. This policy-related activity should involve a degree of education about the nature and impact of trade finance, and its role in enabling trade and the creation of economic value.

5. Due Diligence: KYC and AML

In addition to capital adequacy, financial institutions, especially banks, are facing increasing pressure to participate in enforcement activity in support of local and international policing. Banks are required to engage in significant levels of due diligence related to their own clients, as well as on their client counterparties, under "Know Your Client" (KYC) and "Know Your Client's Client" (KYCC), along with anti-money laundering and anti-terrorism monitoring and reporting requirements.

> The paper ["Regulatory Issues Affecting Trade and Supply Chain Finance, 2014] notes the adjustments to Basel 3 regulations on account of the low risk profile of trade financing but cautions about the potential adverse impact of regulatory arbitrage on competitiveness due to uneven implementation of Basel rules across economies. Other major challenges to trade and supply chain financing pertain to difficulties of onboarding suppliers in the supply chain finance platform due to stringent Know-Your-Customer (KYC) and CDD rules. At a minimum, the paper suggests a central database in each economy where KYC-relevant company information are stored and accessed by financial institutions to ease the burden of executing KYC/CDD.

Source: Regulatory Issues Affecting Trade and Supply Chain Finance. APEC Policy Support Unit, Issues Paper No.8, 2014

KYC and AML demands placed upon financial institutions, though certainly understandable and clearly helpful in various dimensions of investigative and enforcement activity, do place significant staffing, cost and resourcing pressure on financial institutions. While local client KYC requirements present one level of difficulty, the need for a bank to perform even basic KYC activity on counterparty in an emerging or developing economy around the globe, raises the complexity and cost significantly.

Policymakers have an opportunity to consider KYC and AML requirements and their impact on the cost and availability of trade finance, aiming at the achievement of a balance between effective enforcement and enablement of trade.

The global financial crisis demonstrated beyond debate, the importance of assuring access to adequate levels of trade finance, especially in circumstances where traditional providers of trade finance might retreat from international markets, reduce risk capacity or otherwise materially reduce capacity in the provision of trade and supply chain finance.

6. State of the Trade Finance Industry: Knowledge Gaps

Certain aspects of trade finance activity, such as some preliminary notions of market size and distribution, default and risk profile, and the role of international banking in enforcing international policing of AML and terrorism finance are becoming clearer as a result of increased dialogue, deliberation and analysis, though it is clear there remains work to be done in each of these areas.

Other areas are relatively less advanced and mature in terms of the data collection, analysis and policy development. Longer-term developments related to the need for and sources of trade financing require urgent attention, as do certain fundamental aspects of the fast-growing but nascent area of supply chain finance.

While liquidity has returned to international markets, and several top-tier trade finance banks report ample capacity to support trade finance through significantly strengthened balance sheets and risk capacity, the longer-term reality is that there remains a significant gap in trade finance provision relative to current market demand, as noted earlier.

There is an opportunity for policymakers to assess the long-term need for trade financing, in the context of trade and global supply chains, and in light of increasing involvement of small and medium enterprises in international commerce. In particular, a robust assessment of industry capacity to meet long-term requirements independent of the peaks and troughs of 'business as usual' trade financing may suggest some policy initiatives, or may support the conclusion that leading providers (including banks, export credit agencies and multilateral development banks) do provide sufficient market capacity, in combination with emerging providers in supply chain finance.

Policymakers have an opportunity to sponsor or undertake an academically robust assessment of industry capacity to meet the long term trade and supply chain financing needs of the global economy, with the objective of developing appropriate policy initiatives aimed at assuring adequate levels of trade financing, if and as required.

High-growth supply chain finance (SCF) represents the future and the evolution of trade financing. This emerging proposition relative to the financing of international supply chains is so nascent, that the industry is working at this moment to try to establish a common understanding of SCF through a set of globally adopted definitions and terminology, as developed and sponsored through a multi-association drafting initiative led by the ICC Banking Commission.

This initial step should be complemented by a concurrent effort to define a supporting and enabling regulatory, accounting and reporting environment around the financing of international supply chains.

At this writing, one of the more common (and effective) techniques in a broadly defined discipline of supply chain finance, sometimes referred to a Supplier Finance, or Buyer-Led Supply Chain Finance, is gaining traction.

Supplier Finance involves collaboration between large global corporates and their bankers, to provide credit to strategic and otherwise qualified suppliers, on the strength of the financial health and borrowing capacity of the large buyer. This form of SCF makes financing available to small and medium –sized enterprises at affordable rates, allowing the supplier to be paid promptly should they need the financing, and enabling the large buyer to extend payment terms and/or organize payables into predictable aggregates.

In addition to the challenge of identifying and 'on-boarding' participating suppliers, both from a process and technology/platform perspective, Supplier Finance programs face some initial difficulty in convincing suppliers of the potential win/win that can be achieved through these programs, provided they are well-structured, and that the bank involved assures suppliers of an appropriate level of confidentiality even in the face of pressure for visibility by the large buyer, most often a key client of the financial institution.

A major obstacle to the broader availability of Supplier Finance programs relates to the absence of consistency and clarity in terms of the accounting and reporting treatment of these SCF techniques and transactions, notably, whether an invoice financed under such a program is an on-balance sheet asset, and whether it is to be treated as bank debt or not.

The implications for bankers and corporates are significant and the variance of opinions among accounting and auditing firms (even, at times, different offices of the same firm) creates an environment of uncertainty and an optic of financial risk around Supplier Finance in certain jurisdictions. The inconsistent treatment of these structures across jurisdictions is very problematic for large corporates seeking to manage supplier communities where hundreds of suppliers in multiple markets might qualify for participation in such a Supplier Finance Program.

There is an opportunity to support the financing of international supply chains and the provision of affordable finance to SMEs, by reviewing options for appropriate accounting and reporting requirements related to supplier finance programs. At a minimum, the achievement of some degree of consistency and clarity in this area would be materially helpful to the conduct of international trade.

Trade financing now is often positioned within larger banks as a part of core activities under so-called 'transaction banking' units: products and services that have regained popularity as an illustration of banks' desire to return to 'real economy' activities in the post-crisis environment, reducing emphasis on speculative, higher-risk investment finance and financial engineering, exemplified by derivative products and now closely associated with the near-collapse of the global economy.

The impact of this shift in focus has been to increase the financial and human resource investment in transaction banking businesses and to create a perception that bankers are in a 'back-to-basics' mode:

a set of circumstances that should be favourable to trade finance businesses in the banking sector.

Trade financing activity is exhibiting high growth in volume and value terms in supporting international supply chains, however, the traditional techniques, structures and mechanisms that support 10-20% of global trade, are failing today to attract a next generation of people interested in learning about and building careers in this domain. The shallowing of the pool of resources and competencies in international trade finance represents a fundamental threat to the future of trade and supply chain finance, one that requires a concerted and targeted effort involving industry leadership bolstered by support from the policy environment. This must complement in a significant way, the technical assistance and capacity-building programs deployed by several multilaterals in direct response to this resource and competency requirement.

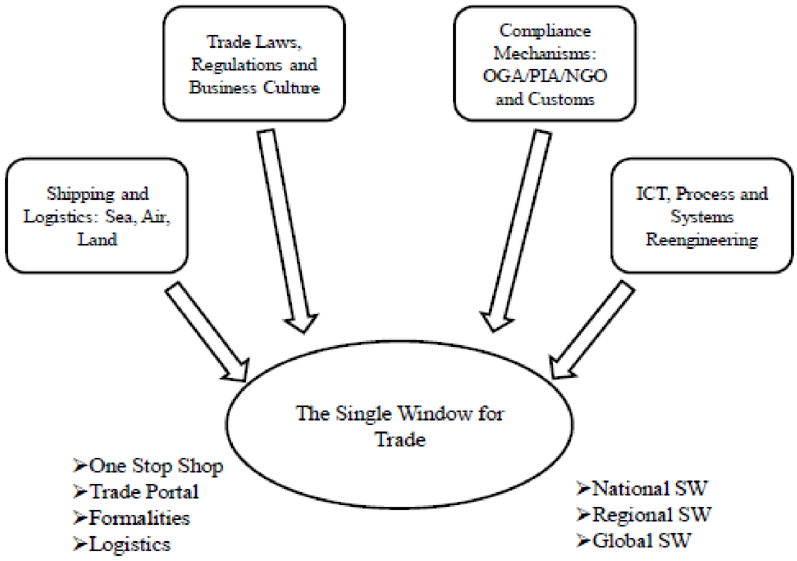
Just as certain industry sectors can be considered strategically important and therefore in need of policy attention, there is a clear imperative to address a looming shortage of resources and competency in a business that supports the majority of international trade flows, and thus enables the creation of trillions of dollars of economic value.

There is both an imperative and an opportunity to create a policy environment in education and professional training and development, that supports the creation of centres of technical competence and expert capacity in trade and supply chain financing.

The connections between international trade and international development, including poverty-reduction, are well established among practitioners of international development, trade facilitation and related disciplines. While the visibility of the link between availability of financing and the successful conduct of trade is a more recent development, it is both appropriate and necessary to 'close the circle', to explicitly acknowledge the connection between access to (trade) finance, the conduct of trade and the resulting positive impact on international development and poverty reduction.

Financing can and ought to be included in the scope of trade facilitation activity, including so-called "Single Window" Market Access programs, with the specific aim of deploying adequate levels of trade finance to exporting SME suppliers in developing markets in order to support the creation of economic value in those markets. Single Window market access programs aim to enable and provide a single point of access into markets that implement them, for exporters seeking to enter those markets. Comprehensive programs include streamlined customs clearance and documentation processes, access to supporting transport and logistics, import regulations and related. A fully-developed "single window' program, as it is understood today, might include the elements in Figure 3 below:

Figure 3: Intended Functionality of Single Windows



Trade Facilitation and the Single Window, UN/ESCWA, 2011While financing is often mentioned in its widest definition as an issue for developing and emerging markets and for SMEs based in those markets in particular, and much has been written and done to begin to address Access to Finance (A2F) challenges, the focus on trade financing (including traditional trade finance and supply chain finance) is very limited in comparison. Similarly, financing is sometimes recognized as an area requiring attention in trade facilitation activity, however, its critical role in enabling trade must be better articulated and understood. Likewise, the priority around integrating a financing dimension to Single Window programs must be raised significantly.

A project has been proposed under the auspices of UN/CEFACT to begin to explore the potential for inclusion of financing into the practices and processes of trade facilitation, starting with Single Window initiatives.

“The scope of Phase I of the broader project is limited to the development of a roadmap aimed at integrating Trade Finance and Supply Chain Finance into the practices around trade facilitation, including Single Window initiatives, given that access to financing can be a critical enabler for businesses of all sizes seeking to enter new international markets.”

Source: “Integrating Trade Finance and Supply Chain Finance into Trade Facilitation”, UN/CEFACT, UNECE Project Description, November 2014

There is an opportunity in the context of public and international policy, to advance the inclusion of financing (in particular, trade financing) into the scope of Single Window market access programs, and more widely into the scope of trade facilitation activity, on the basis that financing is a critical enabler of trade activity. Public policy can support the inclusion of financing as an element of international development activity, and explicitly drive an extension of the scope of development activity to include trade and supply chain financing.

7. Looking Ahead: The Supply Side

Banks, as traditional providers of trade finance, faced a serious risk of becoming irrelevant to this business in the 2004-2007 timeframe, as importers and exporters shifted from traditional mechanisms to trade on open account terms, where a banker's role shifted from providing a full suite of solutions, to simply transmitting a payment from buyer to supplier. It is in part this threat of 'disintermediation' that prompted banks to develop solutions under the umbrella of supply chain finance, in response to the evolving trading practices of importers and exporters.

One reality today is that the growth in open account trade (and relatedly, supply chain finance) is exponential in nature relative to that of traditional trade finance which is based on more cumbersome, costly and unpopular instruments like letters of credit. Traditional trade finance shows flat to downward trends in transaction volume and value, even in the share of current trade activity enabled, while supply chain finance is supporting an increasing percentage of current and new trade flows.
Just as banks face significant constraints and challenges in their ability to remain active in trade financing (reduced risk appetite post-crisis, increased cost of capital, increased regulatory and compliance burdens on international activity and others), the area is attracting interest from various non-bank providers often leveraging technology to propose cost-effective and transactionally efficient alternatives.

While numerous international banks appear to be exiting markets and international activities, there is an influx of new non-bank providers particularly active in serving small and medium-sized enterprises, as reflected in a recent announcement by Chinese trading platform Alibaba, that it will provide trade financing services to its users. US-based PayPal, likewise, has begun offering working capital loans to account holders based on their monthly volumes, and has actively promoted its services as being well-suited to cross-border transactions. The world of cross-border invoicing and settlement is shifting decidedly to electronic models using dematerialized documentation and electronic transfers of funds, with numerous providers championing acceleration of settlement and enhancement of cash and working capital positions for their users.

The staid and established practices of international trade finance are on the cusp of fundamental transformation from within the industry of traditional providers, as illustrated by recent interest in the "Bank Payment Obligation" which is a technology-enabled, data-based trade payment and financing framework.

The Bank Payment Obligation (BPO) is a framework developed jointly by SWIFT, the Belgium-based bank cooperative that enables the secure transmission of various messages (including trade finance instruments) between banks, and the International Chamber of Commerce Banking Commission. The BPO eliminates paper flow and takes subjective judgment (normally exercised by trade bankers) about whether or not a payment ought to be authorized in the context of a trade transaction. Technology capabilities and business processes are such that the BPO offers a degree of security that is higher than that available under open account transactions, and a degree of speed and efficiency that is superior to what can be achieved using traditional trade financing instruments like the paper-and-process intensive letter of credit.

A framework like the BPO could conceivably fit very well with technology and data-based Single Window programs, and might be a very effective means by which to bring the financing dimension into Single Window initiatives, nationally, regionally and globally.

At the same time, non-bank competitors and disruptors are clearly targeting the finance of international commerce, with some influences, such as the use of virtual currencies (like Bitcoins), difficult to assess at this early stage in their evolution.

There is an opportunity from a policy perspective, to assess the potential of these emerging and potentially transformational modes of trade finance and supply chain finance, and to develop or deploy policy measures aimed at supporting their development and adoption by the market.

8. Conclusions and Recommendations

Trade finance and supply chain finance are demonstrably critical enablers of international commerce, and increasingly recognized as key to the achievement of trade-driven economic growth, international development and poverty reduction.

While private sector sources of traditional and emerging trade financing solutions are robust and well-established, there is ample room for better understanding of the financing of international trade, and it is clear as one outcome of the global crisis, that international institutions and public sector entities and authorities are indispensable to assuring access to trade finance when the private sector retreats.

Current market conditions, coupled with the unprecedented profile and visibility of trade and supply chain finance create an environment in which strategic and policy focus on trade financing should be a matter of priority.

Robust, critical analysis of the domain of trade financing, leading to the development of thoughtful, prudential and commercially sustainable policy can combine to strengthen trade as a driver of recovery, economic value-creation and sustainable global growth.

It is recommended that industry stakeholders, leaders and policymakers collaborate further in conducting analysis of and facilitating education about the role of trade financing in enabling trade, creating economic value and contributing directly to international development and poverty reduction.

The more such analysis and advocacy takes place, the more likely it is that impact will be felt in practical areas such as the six policy opportunities (which are strongly illustrative, but not exhaustive) noted in this paper. Likewise, the more likely it is, that additional trade finance capacity will be created globally, and that the broadest positive outcomes attributable to the availability of trade financing – including those related to international development – will be achieved.

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Rajadamnern Nok Avenue

Bangkok 10200, Thailand

Tel: +66(0) 22881410

Fax: +66(0) 22881027