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## **Falcon hosts first annual Trade and Corporate Finance Forum**

**Dubai the location for the specialist financier's inaugural forum, focusing on current trends in trade and corporate finance**

The One & Only Royal Mirage Hotel and Resort in Dubai was the setting for the first *Falcon Annual Trade & Corporate Finance Forum* held at the end of May. The event saw leading economists and trade financiers address an audience of Falcon Group-invited corporate chairmen, CEOs and CFOs from the Middle East and Asia, on macro economic topics and their impact on global trade. Further presentations were from specific Falcon clients.



*Speaker Mark Auboin, Counsellor in the Economic Research division of the World Trade Organisation*

Trevor Williams, the well-known Chief Economist at Lloyds Banking Group, was the first of the keynote speakers. He noted that a divergence had emerged with respect to the impact of the crisis on developed and developing markets, with many emerging markets – especially in Asia and the Middle East – coming through virtually unscathed.

He also noted the emergence of the BRIC countries – Brazil, Russia, India and China – as regional trading powerhouses that would have an impact

on their regional emerging-market neighbours. He painted a future where the BRIC countries became regional trading hubs that rivaled the OECD economies as targets for the export activities of smaller emerging markets. In this respect, Mr Williams offered a bleak picture for the smaller Eurozone economies, because they were dependent for export growth on a self-sustainable Germany that had historically-low levels of consumption.

Questions followed, including on the situation within the Eurozone in which Mr Williams stated that many of the larger continental European banks have yet to restructure their debt. Painful write-downs are inevitable, he said, including for sovereign bonds. And while there is only a 30% chance of a double-dip recession globally, such structural difficulties mean that Europe's recovery will be weak for the medium term.



*Speaker Michael Spiegel, Head of Corporates for Global Transaction Banking, EMEA, at Deutsche Bank*

Mr Williams was followed by Marc Auboin – Counsellor in the Economic Research division of the World Trade Organisation – who focused in on trade finance and the impact of the recent credit crisis. Indeed, Mr Auboin cited the contraction of trade as a key multiplier in the downturn (with global trade declining faster than global GDP), and that restrictions on trade finance were a major factor in this decline in trade.

The near-shutting down of the secondary market for trade finance instruments in this period was a key reason for the liquidity drought, he said. And this engendered the encouragement of the official expansion of trade finance lines – via the export credit agencies and development banks – fostered by the WTO at the G20 summit in London in April 2009 and reiterated in Pittsburgh summit in September 2009.

However, since these critical moments, said Mr Auboin, trade finance has continued to improve, although recovery is uneven with the larger emerging markets leading the improvement – including China, India, Brazil and Korea – which have seen spreads decline to around 50-70 basis points from over

400bps or higher a year earlier. Yet the situation in other regions is mixed. For instance, in Latin America and the Middle-East the situation has eased in some countries but remained a source of concern in others. Meanwhile, in Europe, the emergence of sovereign debt default risk has had a chilling effect on trade lending in countries surrounding Greece (Romania, Bulgaria), which adds to the already difficult market conditions in central and Eastern Europe due to previous sovereign downgrades.

At the lowest end of the market – particularly Sub-Saharan Africa – financing capacity from many major banks seems to have been lost from the major providers, which may be more than a temporary phenomenon because of the rising cost of acquiring counterparty information and the declining profitability of small operations in the region, making financing trade unattractive to the larger banks.

Indeed, Mr Auboin pointed out that the continued perception of high risks for trade finance, combined with the low returns on offer, may lead large financial institutions to reduce their involvement in the trade finance market. And that the continued shortage of available trade finance could be a constraint for the global recovery, hence the WTO asking for official assistance not to be winded down yet at the late-June Toronto G20 summit.

Both Mr Williams and Mr Auboin also addressed the need for smaller enterprises to source financial support, especially in trade, and the fact that restrictions on lending to SMEs is having a drag effect on global economic recovery – a clear opportunity for specialists such as Falcon.



*Some of the guests arriving at the Armani Hotel, including Davy Kurniadi, Falcon Trade Corporation Asia Regional Manager (front) with Trevor Williams, Chief Economist Lloyds TSB and Kelvin Tan, CFO Selular Group, both of whom spoke at the Forum*

In the afternoon session the trade theme narrowed further when the invited audience heard from a trade finance practitioner – Michael Spiegel, Head of Corporates for Global Transaction Banking, EMEA, at Deutsche Bank. Mr Spiegel stated that the process of globalization is irreversible, which means that trade has to recover (indeed has already rebounded to a projected

annual growth of 9.5% this year) and that the terms of trade will also continue to liberalise. This means a further move away from letters of credit and towards open account trading.

Such trends, says Mr Spiegel, will have a profound impact on the role of trade finance in the future – not least because new banking regulations such as Basel II and Basel III (as well as KYC regulations) may mean that trade finance appetite from the banks continues to shrink at the very moment demand for trade finance from corporates – and especially smaller exporters – increases. And while some players – such as Deutsche Bank – are committed to trade and willing to invest in the technology in order to generate the processing efficiencies, others – especially in the emerging markets – may be unable to service the trade finance needs of their corporate client base.

The audience then heard from two Falcon clients. First up was Kelvin Tan, CFO of Selular, an Indonesian telecoms provider. Mr Tan discussed the company's success and growth – including the launch of innovative new mobile telephone products – although also discussed the company's response to the downturn by acquiring Nexian, a low-end handset manufacturer.

The financing of the acquisition was undertaken through an innovative facility arranged and executed by Falcon, who offered a financing package based on their strong knowledge of the company from trade-related activities.

The final invited speaker was Jaideep Singh, Chief Treasury Officer of Fal Oil Company of the UAE. In what he described as the “observations of a satisfied customer” Mr Singh stated that Falcon had worked closely with the company in order to finance oil shipments, often in south-south trades. Sourcing cargoes from the international market, Fal Oil is a major supplier of oil to North Africa, Southern Europe, the Indian Subcontinent and East Africa – all markets where Falcon has been happy to offer innovative support.

Falcon's chairman, Kamel Alzarka, closed the formal part of the event by stating that the Forum will become an annual event for clients, market practitioners and other senior invitees in order to strengthen the perception of Falcon as a partner.

“Our doors are always open and we want to hear from you,” were his closing words.

The forum was complemented by an evening event hosted by Falcon at the newly-opened Armani Hotel in the iconic Burj Khalifa – the world's tallest tower.



*Mr Jamal Al Jassim*