Blogswatch

Emma Clark, head of business development UK in Europe for Falcon Group, says financiers need to collaborate to support stifled trade flow

Many UK companies haven't considered trade with the emerging markets in more than a generation. Most of their export trade is with developed markets, the largest being the US followed by a series of EU countries with Germany leading the pack.

But these markets are very different from where they were 30 years ago. In addition to huge infrastructure developments – both physical and technological – the emerging markets have toiled to reduce corruption, introduce business-friendly regulation, and enhance prosperity.

The latter effort has been particularly successful, with middle class populations booming. Collectively, they present a consumer base of over half a billion people, with spending set to reach over US$20trn by 2020. Asia alone has a middle class population of 525 million – larger than the population of the whole of the EU. Certainly, these markets hold a great deal of promise.

For UK trade, the impact of Brexit will be severe – collectively as a bloc, the EU is by far our largest trading partner, acting as the destination for nearly 50% of British exports. The Brexit silver lining, however, is that it might encourage UK exporters to once again look further afield to trade corridors they were not able to consider before.

Yet achieving such ambitions is easier said than done. This is particularly true when global banks – with their hands tied by stringent regulations and liquidity constraints, as well as a scant appetite for risk – are shrinking, simplifying, and retreating from the emerging markets.

One option for liquidity-parched exporters could be to seek capital through suppliers – primarily by extending payment terms. While this is an approach larger suppliers can sustain, doing so with smaller suppliers could impact their returns on marketing rebates or unsettle credit departments.

For Emma's full blog, see www.tfreview.com/

Daniel Cotti, managing director of Cotti Trade & Treasury, finds that an interoperable trade ecosystem where paper is a thing of the past is all corporates really want

At the heart of it, corporates want global trade solutions that facilitate the delivery of goods and services between their clients and the ecosystem in the easiest, most cost effective, and least risky way possible.

However, with the trade solutions and processes in place today they have to deal with traditional trade finance and commercial contract settlement arrangements. These processes are often complex, paper intensive, and require capturing data on a myriad of systems that are not connected or interoperable.

These sub-optimal processes result in high cost, error rates that impact client service and the need for manual reconciliation. In turn, there is a negative impact on working capital and high operational risk – to the detriment of the efficiency and effectiveness of the entire trade ecosystem.

Regardless of size, industry or geography, corporates' trade finance needs can be classified in three broad buckets:

- Strategic needs. These range from financing, risk and balance sheet management, to brand, product, and supplier, client and service provider management.
- Working capital needs – cash/cash flow and debt management, receivables and client management, payables and supplier management, inventory management and equipment financing and payment execution.
- Operational needs – physical goods handling and operational efficiency, along with contract settlement, document and trade instrument handling, operational processes and technology.

Indeed, even at the most basic, operational level, technology and digitisation have the potential to greatly improve the corporate trade finance experience.

For Daniel's full blog, see www.tfreview.com/node/14065