

The independent voice



# GTR

Global  
Trade  
Review

www.gtreview.com  
Vol 6/Issue 1  
September/October 2007

5TH ANNIVERSARY ISSUE

## Let's talk supply chains

What's driving your business?



Who's the best in  
trade services?

Five years on from  
Issue 1: what's  
changed?

Shrinking structures  
for Indian SMEs

Green issues and  
eco-credentials: what  
you can't ignore

Russian second tiers  
gain popularity

Role of financial  
institutions in  
the corporate  
supply chain

Webinar, p34



## Cover features

Trade Services & the Supply Chain News.....	36
Open account trade: how financial institutions can benefit.....	42
Annual readers' poll: who's leading in trade services?.....	44
Experts' roundtable discussion of trends and issues.....	46
Technological innovation forges SCF momentum.....	52
Pooled payables securitisation.....	54
Adapting your treasury to the supply chain.....	58
Global trade management trends: Aberdeen publishes research.....	60
Who's who in Swift's TSU?.....	64

## Features

Five Years On.....	23
What's changed since Issue 1 of <b>GTR</b> five years ago?	
Electronic trade... or is it supply chain?	
Hedge funds have made ground	
The IFA and forfaiting – all calm now	
Corporate, Social & Environmental Responsibility.....	65
The costs and implications of going green for trade financiers	
Interview.....	69
Kamel Alzarka, Chairman, Falcon Trade Corporation	
Asia Pacific.....	74
Shrinking structures for Indian SMEs	
Meeting India's vast infrastructure needs	
Japan awakens: JBIC means business	
Indonesia: attractive investment or risk too far?	
Former Soviet Union.....	93
Russian second tier risks gain popularity	
The Americas.....	102
Argentine trade remains unfazed and cheap despite pressures	
Corporate profile: Case New Holland expands in Brazil	
Middle East & North Africa.....	111
How Iran can't be dictated to	

## Regulars

On the Move.....	4
Letters to the Editor.....	22
Asia Pacific News.....	71
Former Soviet Union News.....	84
The Americas News.....	96
Sub-Saharan Africa News.....	106

Middle East & North Africa News... 108
Southeastern Europe News..... 114

## Data

Emerging Markets Debt Pricing... 116
Arrangers of Trade Finance..... 118
Forfaiting Rates..... 120



**6** Rathvon leaves StanChart for HSBC



**12** SG appoints new export finance head



**23** Five years on from Issue 1: what's changed?



**65** The cost of going green



**74** Indian SMEs fly high



**82** Take a punt on Indonesia



**93** What tier to go for in Russia



**102** Argentina battles on



**111** Pressure mounts on Iran

## the team

Editor: Rupert Sayer  
 Deputy Editor: Rebecca Spong  
 Design & Production Manager: Katie Simeon  
 Americas Editor: Luis Waldmann  
 Supply Chain & Technology Editor: Justin Pugsley  
 Writers: Helen Castell  
 Marketing Director: Peter Gubbins  
 Events Manager: Rebecca Morrison  
 Events Coordinators: Julia Barraclough, Katherine Burchell, Mark Daly  
 Subscriptions Manager: Sam Cheung  
 Conference Sales: Stuart Biggs  
 Office Manager: Claire Ali  
 Founders & Directors: Peter Gubbins, Rupert Sayer

## subscribe to GTR

Global Trade Review is published six times a year. **Subscription rates for six issues: £375, €570, US\$725**  
 © Exporta Publishing & Events Ltd 2007. Copying without permission of the publisher is prohibited. ISSN: 1478-5269

Exporta Publishing & Events Ltd  
 3c Hillgate Place,  
 London SW12 9ER, UK  
 Tel: (+44) (0)20 8673 9666  
 Fax: (+44) (0)20 8673 8662  
[info@exportagroup.com](mailto:info@exportagroup.com)  
[www.gtreview.com](http://www.gtreview.com)  
[www.exportagroup.com](http://www.exportagroup.com)



## Putting the world within easy reach.

At Deutsche Bank we provide you with an award-winning range of trade products and services globally. We partner your trade business with intelligent risk mitigation, hedging and structuring, proven financing expertise and powerful transaction processing and distribution.

Make out international expertise work for your success.

Deutsche Bank



# Editorial board



**James Parsons**  
Managing Director,  
BlueCrest Capital  
Management, London



**Stephen Capon**  
Head of Country  
& Credit Risk  
Management, Ace  
Global Markets,  
London



**Kenneth Petrilla**  
Senior Vice-President,  
UK & Europe Regional  
Manager,  
Wells Fargo Bank,  
London



**Charles Carlson**  
Global Head,  
Structured Export  
Finance & Head of  
European Project  
& Export Finance,  
Standard Chartered  
Bank, London



**Angela Potter**  
Head of Global Trade  
& Cash Solutions,  
Barclays, London



**Daniel Cotti**  
Head of Global  
Products,  
Transaction  
Banking,  
ABN AMRO,  
London



**Nick Robson**  
Business Unit Head for  
Credit & Political Risk,  
JLT Risk Solutions,  
London



**Frédéric Genet**  
Global Head of  
Export Finance,  
Société Générale,  
Paris



**Paul Schuilwerpe**  
Managing Director,  
Global Commodities  
Group, Fortis Bank,  
Rotterdam



**Richard Hill**  
Vice-President,  
BAE Systems,  
Farnborough,  
UK



**Geoff Sharp**  
Managing Director,  
Head of Forfaiting,  
Western Hemisphere,  
HSBC, London



**Edward de Jager**  
Chairman,  
Omni Bridgeway  
Emerging Markets  
BV, The Hague



**Paul Simpson**  
Senior  
Vice-President,  
Treasury Services  
Business Executive  
JPMorgan Chase, New  
York



**Margrith Lütsch-Emmenegger**  
President,  
Fimbank, Malta



**Claudia Slacik**  
Senior Group  
Executive, Global  
Trade Head,  
Citigroup,  
New York



**John MacNamara**  
Managing Director,  
Structured  
Commodity Trade  
Finance, Deutsche  
Bank, Amsterdam



**David Sullivan**  
Managing Director,  
Trade Finance  
Corporation Ltd,  
Hong Kong



**Charles Morrison**  
Partner, DLA Piper  
Rudnick Gray Cary  
UK LLP, London



**Michael Sullivan**  
Partner, Sullivan &  
Worcester LLP,  
New York



**John O'Mulloy**  
Global Head,  
Trade Finance &  
Forfaiting, Standard  
Bank plc, London



**Bernard Zonneveld**  
Global Head,  
Structured Commodity  
Finance, ING,  
Amsterdam

## From the Editor



**Rupert Sayer,**  
Editor & Director

It's five years since the first issue of **GTR** burst forth onto the trade and export finance scene and we can't believe how quickly the time has flown. There were only three of us at Exporta back then, now there's 12 in London working on conference organisation and publications, and some dotted around the globe, spreading the word and gathering the news.

We take a look back to Sep/Oct 2002 to the first issue and hear what several market participants think has changed since then. The world has got even smaller; competition has increased; innovation has been stepped up; risks have remained while margins have fallen; and technology and supply chain issues are now driving much in the trade world.

### Sibos and supply chain

The other, leading, theme for this issue is this very area of supply chain and technology in trade – to coincide with Swift's Sibos meeting in Boston in October. We have the results of our readers' poll of trade services providers and have expanded the poll this year to include regional categories. The results clearly show that an elite of trade services banks and IT firms dominate the supply chain space.

We also publish an account of a roundtable of logistics/supply chain companies and banks that we gathered together to discuss innovations and drivers in their world. It makes interesting reading.

You can hear too from consultancy Aberdeen Group who publish the results of their latest global trade management survey, and other various players in the supply chain space. **GTR** will be distributed at Sibos this year and our trade and technology editor, *Justin Pugsley*, will be somewhere at hand to meet you if you have any questions to put to him.

### New face

Besides articles on Indian SMEs and export finance, Russia's big-ticket players, Argentina, Case New Holland's push in Brazil, Indonesian risk, and much more, our other great news is that **GTR** has a new deputy editor.

Rebecca Spong joins us from Euromoney's *Trade Finance* magazine (which I used to edit years ago). Rebecca has already hit the ground running, getting stuck into several articles and extending her contact base in the market. She also will manage the **GTR** eNews service from now on, which has been increased to a weekly service. You can contact her on [rspong@exportagroup.com](mailto:rspong@exportagroup.com).

Between us and our army of worthy freelancers around the world, we believe we have the market covered. If you feel that this isn't quite the case and you need to tell us about your deal or staff news, then let Rebecca or me know!

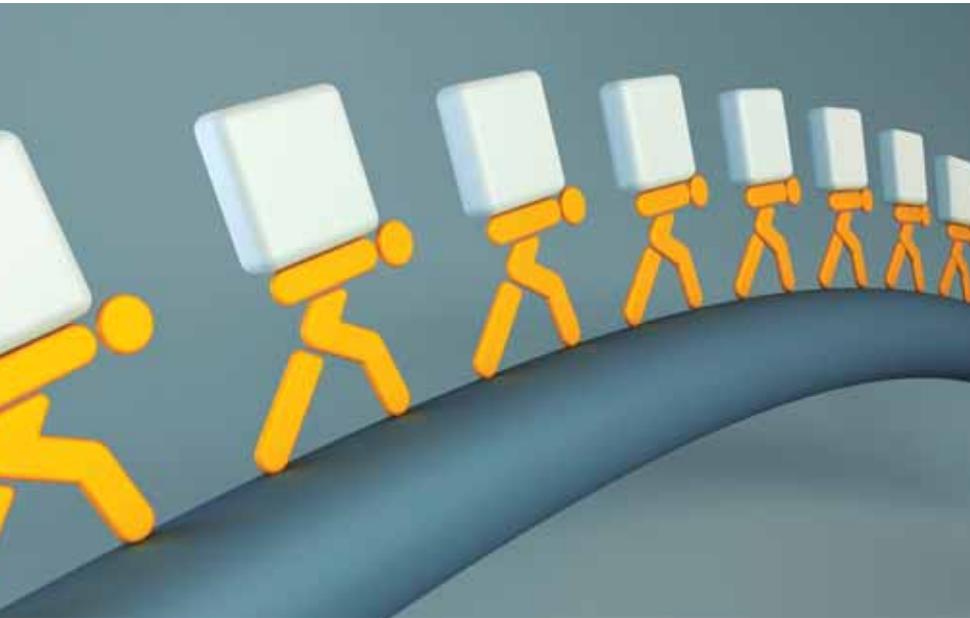
You can see all the latest news on our website, [www.gtreview.com](http://www.gtreview.com), plus this latest issue of the magazine, and our line-up of trade finance-related events coming up for the rest of the year, covering: Russia, Brazil, Turkey, Iran, Sub-Saharan Africa, emerging markets risk and recovery, and innovations in trade solutions.

Best regards,

**Rupert Sayer**  
Editor & Director



# Let's talk supply chains



GTR gathered together seven worthy trade services and supply chain experts from a mix of banks and logistics companies on the eve of Swift's Sibos annual gathering in Boston this year to talk shop: what factors are influencing their business and how should they all be approaching this business?

**Roundtable participants:**

- Andrew Betts**, Global Head of Supply Chain Business, ABN AMRO
- Frank Bothe**, Global Head, Trade Finance Product Management, Deutsche Bank
- John Bugeja**, Head of Global Trade Services, Royal Bank of Scotland
- Dominic Broom**, European Head, Global Trade Services, Bank of New York
- Stuart Morrison**, Chief Executive Officer, EZD Ltd
- Ulrike Rowbottom**, Director of Strategic Projects, UTI Worldwide
- Jeremy Shaw**, Head of EMEA Trade and Logistics, JPMorganChase
- Chairman:** Justin Pugsley, Supply Chain and Technology Editor of GTR

**GTR: What do we mean by the phrase 'supply chain'? It means different things to different people.**

**Frank Bothe:** You have to distinguish between the physical and financial supply chain. The latter is about improving accounts payable and improving working capital. The other is using 'just in time' techniques that efficiently manages inventory and stocks.

**Stuart Morrison:** The physical and

financial worlds are intermittently intertwined by definition. The reason is simple: all risks happen in the real world, not in the financial world.

**Ulrike Rowbottom:** The supply chain is cradle to grave. It starts with sourcing and it ends at the end customer. The risks contained therein can be measured and contingencies can be taken to mitigate them.

In terms of financials, inventory to this day is the single biggest cost factor in anyone's

supply chain. Therefore for us, finance is very closely linked as part of the holistic supply chain management process.

**Jeremy Shaw:** We're not a physical mover of goods, but we do start early on trying to unlock working capital and provide more visibility around the supply chain. We try to get involved in the process, typically long before a bank normally would. We look at financial suppliers and buyers. We look to bring more of the supply chain together.

**Dominic Broom:** We're interested in the money movement part of the supply chain. There's a realisation that the financial and physical elements can't function without the other. The key to success is linking up all the various services, although one doesn't necessarily have to be providing all of those services.

**John Bugeja:** I agree with Dominic – the key is how you integrate the physical and financial supply chains without necessarily wanting to get heavily involved in all aspects. So that might mean working with partners who are specialists in some of the physical aspects rather than trying to replicate or do these things ourselves. What banks are good at is providing settlement, financial support and mitigating risk; those remain key needs.

**Andrew Betts:** You need to understand the various paying pain points in order to see where banks can structure financial solutions. Having data from both sides of the transaction allows us to structure the transaction in a way that is of value to the corporate.

**GTR: Do you think that cash, trade and FX should all be carried out by a bank in a single line of business or divided up accordingly?**

**DB:** It goes back to what the demands of the particular customer are. The demands of 'no two customers are exactly the same'. That said, it is clear there has to be

far greater interaction between these three formally quite independent business lines: namely cash, trade and FX.

Within these business lines lie the tools you need to stack together in one form or another to deliver the solution to the client.

payables – the thing that is at risk is inventory and it is seen as ‘an asset on the balance sheet’.

In actual fact it is a huge liability. It means nothing and only means something when it is in the right place at the right time doing

or she wouldn't have a clue what you are talking about.

They don't want to talk about inventory financing because actually they're going to be measured on the penny savings on things like the cost of transport. They want



Frank Bothe of Deutsche Bank



RBS's John Bugeja

The way in which they stack is going to differ from a major retailer to a small scale supplier of produce based in Asia or to another type of retailer.

So yes, there is a great opportunity and need for convergence between these three formally independent product areas.

**AB:** It's about offering solutions to customers, looking at their underlying business and blending trade finance, cash, but also looking into global markets and what we have there such as considering commodity financing structures and asset-based lending. So by looking at the underlying business transaction we can structure solutions from the bank's complete range of capabilities.

**JS:** We should be addressing their commercial activities and what they need.

**SM:** If you look at what the customer wants, it's pretty simple stuff. All this fragmentation we're talking about is just internal fragmentation. What the customer wants is to be able to move the goods effectively and wants to be paid and wants low risk and so on.  
People talk a lot about receivables and

the right things and sold for the right value. Transit inventory is at best zero collateral because of the reality of it is that it has huge value if it is in the right place at the right time and that is what the current finance methodologies and so on do not address and that's what the customer wants.

**JS:** This is an area we would not have been talking about a few years ago. So we have all redefined this space and we have recognised that and have been missing 90% of our customers' activity.

**DB:** Some of the benefits of the LC process are what we need to replicate in a streamlined data-driven open account environment.

**GTR: The supply chain: is this an area that banks should be involved in from start to finish? Or are banks sometimes unqualified in these areas (areas such as customs, regulations, logistics)?**

**UR:** I think at the moment there's disjointed thinking even within an organisation. If you talk about financial supply chain to a logistics manager, he

to see reductions in terms of pennies per kilo rates when the real pound savings come from inventory savings.

And there's where you truly add on value to the client's business in terms of reducing it and doing other things with it so it doesn't come on to your balance sheet so you can free up the money.  
To this day organisations operate in a silo environment if you then transpose this to other organisations such as banks it becomes actually very disjointed in terms of how to communicate. I truly believe collaboration needs to be the name of the game.

**FB:** There's a high degree of specialisation needed in the logistics field. If you talk to a logistics provider in the automotive industry where they provide software tools to manage inventory they will typically focus on one area only, so it is very specialised.

From the financial industry perspective it's about how we can get information about the physical supply chain which could help with inventory finance and look at other issues the client might have. He may want to provide his suppliers with financing as well, which are not really just depending

on the company.

Where a bank can help is with their tools to address financing needs and address costs in his supply chain, which are happening on the supplier side and potentially affecting the buyer.

**UR:** The true leaders in supply chain efficiencies are high-tech and retail. And automotive could learn from them; they tend to concentrate more on manufacturing.

**AB:** A lot of innovation comes from the retail and high-tech sectors. These are

influencer at all points in the chain.

Yes, I think banks should be involved from start to finish but recognising that we don't have the skills to be involved at every point and that we need to collaborate in areas where some people have greater expertise and can add more value than we can: so long as it is not detrimental to what we offer.

**GTR: It costs money to create, integrate and monitor a supply chain – whether one is talking logistics, suppliers or financiers. It appears companies do not want to pay the**

quota, the customer will say 'excuse me but I've got to close down'. And that does happen.

**SM:** The recognition of the true costs of the supply chain are very limited. A lot of people within an organisation are very skilled in doing part of the role and actually what we're trying to do is optimise the whole process so our business model is to get as close to the owner as you can; you then get buy-in.

**DB:** I don't think a lot of companies realise that they have people who are working



**ABN AMRO's Andrew Betts**



**Bank of New York's Dominic Broom**

sophisticated operations; we're seeing in retail the point at which time when they take title to goods, and we're seeing direct sourcing in Asia. The retailer's overall objective is not to take title of goods until the last possible opportunity and that puts pressure on the supplier's working capital. So we see at commercial director level that convergence is happening and we have to see how banks can structure solutions that are very specific. There is a requirement to work together to encompass logistics and finance, so it is complementary, but not necessarily integrated.

**FB:** Within a company there are different interests from the treasury to the purchasing department, which can be quite difficult to manage.

**DB:** There needs to be a recognition, be it from banks or logistics companies, that we all need to be involved from start to finish, but that doesn't mean that we remain in the driving seat or that we are the key

**costs associated with real involvement (such as building interfaces, security...).**

**JS:** We talk to some companies who perform all of these services themselves then we look at the same industry and another company who does it in a completely different way so the way we approach this is that we have specialisms in certain industries and we provide to them quantifiable returns to their investment.

**DB:** Banks are looking at the underlying transaction of what is happening now, rather than looking at each entity in the supply chain as separate. Banks are looking at the underlying transaction and trying to credit rate the whole transaction.

**JS:** This isn't about efficiency and taking out disorder and dealing with compliance. With compliance if you make a mistake it can have a dramatic impact on your ability to ship goods, if you exceed an exporter

in competition with each other in the way they're approaching their activities because they're incentivised to do things that are damaging to another part of the organisation.

**GTR: Where is the profit for banks supposed to come from?**

**JB:** We are only as successful as our customers and we are committed to working closely with them to ensure their business success. There are a relatively small number of banks across the globe (of which we are one) that have the scale in payment processing and critical mass in key markets that will enable them to in-source payment volumes from the hundreds of banks that don't. The key for us is to support customers so they can grow their businesses and push more through their supply chain more efficiently.

The trick for us is that we have to be able to intervene at an earlier stage so we can support customers so they can grow their

businesses and push more through their supply chains more efficiently. And that's not just about using the data: its not just about using a clever platform, but it is also about influencing the credit stance, the way we think about risk and getting ourselves to be comfortable with the idea that by having this information and by recognising that the risk has been mitigated as a result of these flows of information being available to us and therefore our appetite should be greater. It sounds easy to say, but it is actually quite a challenge. In some respects it is counter-cultural with the banks' thinking.

**FB:** At our level we would like to take out

**DB:** It's about using the information that is at our fingertips. Just the sheer presence of the internet gives us the power to benefit through collaboration across a traditionally very competitive space: even among banks who should on the face of it be competing. I think there is a lot of room for collaboration... ask what services can we provide that are of value to our customers and which bring efficiencies?

**SM:** I think you have to make a distinction between data and information. I think there's a huge amount of data and relatively little information. If we integrate the two together then the integration

**DB:** I think trade remains a very local business and with one or two exceptions in the market today, I don't see banks currently enabled to provide a true end-to-end solution, or who are anywhere close to being able to provide an end-to-end solution.

A supplier in an emerging market, a buyer in a developed market, or even a supplier in a developed market, don't want to go hundreds of miles to their nearest entry point into the financial supply chain in order to do business.

**JB:** I think you're absolutely right and that's why there are two models that can



GTR's Justin Pugsley



Stuart Morrison of EZD

costs of the overall supply chain for the client, and we have to explain that to them. And we obviously want some return on that and have a benefit in this reduction of cost whether it's through arbitration interest and currency management or on the financing side. The benefit and cost analysis has to be clear to the customer. It is also very important that the client selects the right partner who is in this for many years.

**JS:** I think we're looking at providing a service as well. As we move out of the space of providing traditional financing, risk mitigation and payment services, we're looking at other services such as compliance and regulatory services and document preparation. All those added value pieces in the supply chain, If we look at our book of business – that piece of business is actually growing quite significantly as a proportion of the total trade revenue.

becomes truly exponential because the value that you then get totally transforms the risk you've got. We work with what we call event triggers and look through the data fields that are available; only a small proportion are truly event triggers and interestingly enough there are quite a few triggers that aren't in there. There is a big distinction between data and information that we all have to make.

**GTR: Does supply chain finance give the bank an opportunity to gain access and finance the suppliers, something which couldn't be done before?**

**AB:** Banking both sides of the transaction is advantageous. It depends on whether your bank has SME functionality. Banks like ABN AMRO are looking much more at the SME market and building out businesses in Eastern Europe, Asia and so on in order to do that.

co-exist – the network model and the partner bank model. Several banks play both games very successfully but it is the local partner bank at the supplier's end of the supply chain that is usually best placed to exploit the cross-selling opportunities. If you're not an indigenous bank in the supplier's market then it's going to be difficult to penetrate the SME segment and if you can't penetrate the SME segment then you're not going to really leverage this opportunity of being at both ends of the supply chain.

**SM:** In many ways banks have to look at themselves as liquidity suppliers and what we're talking about is how you channel that. That's where the limitation is because clearly it is localised to some degree, but actually the liquidity sources are much greater than just the banks. Banks need to be liquidity suppliers to intermediary introducers for example rather than deal direct with the clientele. I

know that's controversial in a trade finance environment but I think that's where clients look at it. We've got to look at liquidity pools.

**JB:** I think we recognise that is going to happen, which is why it becomes a scale game and important to provide additional services on the back of traditional ones. This means customers will receive added value which may mean working with partners outside of the banking industry a lot of the time.

**SM:** Hedge funds are particularly interested in this area because by

beginning as one of the initial banks. It is aimed at the open account trading business for banks that have realised that the area for growth is in the open account field. The LC is not growing dramatically, but it's still a stable payment method in our business.

With the TSU we would like to provide risk mitigation and financing opportunities in the open account field. And we could help to potentially take out some of the costs as well as some of the risks out of the trade finance area.

And in view of the Basel II requirements, and the capital which the banks allocate to particular financing structures depending

finance where two banks are involved across the globe.

The challenge for something like TSU is replicating decades of customs and practices around traditional instruments which means that everyone knows what they're getting.

**DB:** Potential is the key word. As TSU stands today what it's seeking to bring is cost reduction and efficiency and phase one in my opinion doesn't actually bring that because it still involves a lot of manual re-keying, which is where most of the mistakes are made in the maintenance of a supply chain programme.



**Ulrike Rowbottom of UTI Worldwide**



**Jeremy Shaw at JPMorgan Chase**

definition the supply chain is an arbitrage and it's a hedge position. And they have a lot of understanding of volatility in that area, which is actually not shared within the trade finance market.

**DB:** (Commenting on securitisation of trade finance assets to investors outside the banking industry). Even pension funds could be interested as soon as they can start to get a feel for what this might be in terms of a regulated asset class; which it isn't today. Then they're going to be all over it because of the short-term liquid nature of these assets. They are also a natural hedge for many of the investments positions they're taking today.

**GTR: Swift's Trade Services Utility (TSU) is now up running: what do you think about it?**

**FB:** I've been involved in the TSU project and Deutsche has been involved since the

on the risks they're involved in (in that context) trade finance could be seen as very low risk, if we find the right data to support it, so the TSU is basically its driver. Trade finance is one of the drivers of the TSU concept and it has potential as well to act as an alternative to the old classical LC, to have some LC like payment methods in a much more standardised method through TSU.

**JB:** We see potential, but it's too early to say whether this is something that is going to revolutionise the way people are going to do business and replaces in a sort of LC light sense the traditional instruments. But they have the potential to do that and it is possible to match data from the customer's own ERP platforms so you're cutting out the intermediary stage with a bank instrument matching data to minimise risk.

It should trigger events and it should enable us to provide settlement and

**JB:** If you were able to capture all the key data elements that you would ideally like to have for a free format LC and you were to put a set of rules around them not unlike UCP you would sort of reinvent the LC without the LC that's quite feasible.

**AB:** It's a step in the right direction and phase one is encouraging. We're interested in phase two, in creating this sort of inter-bank obligation, which actually provides the features that traditional products have, but in a more efficient online manner and that's where I think this will go. It's very much a partnership banking model as well. And we're seeing interest from some of the smaller regional banks which we inter-connect through. We will be building this out going forward.

*Roundtable co-sponsored kindly by  
ABN AMRO*