Trade Exchange tfp

THE QUARTERLY MAGAZINE ALL ABOUT EBRD'S **TRADE FACILITATION PROGRAMME** DECEMBER 2011

{Highlights in 2011}

Winners of the EBRD Trade Finance Awards
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THE TFP in facts and figures
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Find out how the TFP team are delivering on-line training
PAGE_*16*

EDITOR'S LETTER

I am delighted to introduce EBRD's *Trade Exchange*, the new quarterly publication dedicated to the activities of the Trade Facilitation Programme (TFP).

Since 1999 the TFP team has played a key role in helping companies in the EBRD region of operations engage in trade by providing guarantees for international transactions. *Trade Exchange* aims to keep our clients, partners and donors informed and show how, by bringing much needed liquidity, the EBRD has supported TFP's Issuing Banks and enabled companies to keep trading.

In this issue we highlight TFP news and articles about the latest EBRD training programmes introduced for the coming year, and uncover the secrets of our unique e-Learning Programme, where a blend of electronic education, face-to-face training and trade finance news forums has proved both innovative and highly effective. An article on the history of trade finance in the area of modern Ukraine invites us to look back at the roots of international trade in the EBRD countries of operations, while stories from our clients reflect on how they have benefited from doing business through the TFP and why they believe it essential.

We also include features about TFP events this year in Astana and Istanbul, where we brought together leading players in trade finance to exchange views and join our well-established business community.

We hope that you enjoy reading *Trade Exchange* and that it helps you enhance your business networks.

Warm regards,

Kamola Makhmudova, Executive Editor
makhmudk@ebrd.com

NEWS *UPDATE*


Trade finance is gaining importance in Mongolia

CONFIRMING BANKS IN CHINA

- Agricultural Bank of China
- Australia and New Zealand Banking Group
- Banca di Roma
- Bank of China
- Bank of Montreal
- Bank of New York Mellon
- Credit Lyonnais
- Industrial and Commercial Bank of China
- KBC Bank
- Korea Development Bank
- Sanpaolo IMI
- Woori Bank

FOCUS ON

Doing business in Mongolia

In 2010 Mongolia recovered strongly from the economic crisis with an estimated GDP growth of 6.1 per cent, driven by some high commodity prices, an expansionary fiscal policy and a policy programme agreed with the International Monetary Fund (IMF) and completed in October 2010. On the back of this economic recovery, the EBRD further expanded its activities in Mongolia in 2010 and 2011.

In the financial sector the Bank has signed its first medium-term co-finance facility with Khan Bank and in addition, the EBRD concluded its first togrog local currency transaction with a Mongolian Bank (XacBank) with funds to be on-lent to XacBank's small and medium-sized enterprise (SME) clients.

The EBRD has also provided technical assistance to train trade finance specialists in both banks to prepare proposals which meet international standards.

THE TFP IN MONGOLIA

The first bank in Mongolia to sign an issuing bank agreement under the TFP was XacBank ('KhasBank'), on 13 September 2006, and this was followed a year later with an agreement with Khan Bank. In all, three banks have participated in the Programme to date, and the EBRD is currently looking at further new partnerships for 2011-12.

TFP transactions to date total more than US$ 1 million, and include the import of motor vehicles and parts, equipment and machinery from European manufacturers, and consumer goods of Asian manufactures.●

www.ebrd.com/pages/country/mongolia/strategy.shtml

MONGOLIA AT A GLANCE

Number of EBRD projects (all products) – 36

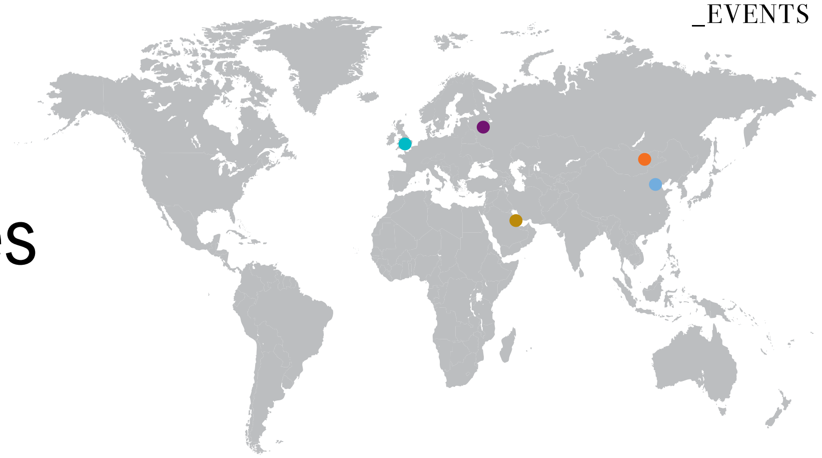
Net business volume €300.9 million

Total project value €877.2 million

Gross disbursements €254.5 million

Current portfolio €261.0 million

Portfolio share in private sector – 100%



Addressing global challenges

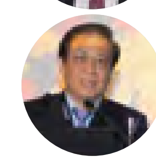
Key challenges to global trade and finance were high on the agenda at the recent International Chamber of Commerce (ICC) Trade Finance Summit and Banking Commission meeting (Beijing, China, October 2011), which brought together some 600 eminent banking professionals, international organisations and supervisory bodies from over 100 countries.

As the world economy founders on debt and unemployment, the meeting emphasised that trade has been a primary source of growth over the past 60 years, and that trade finance must be made more accessible, particularly for developing countries and small and medium-sized enterprises (SMEs).

The event attracted the participation of primary multilateral institutions, the International Monetary Fund, the World Bank, the EBRD, and The Asian Development Bank, who took part in panel discussions with leading Chinese banks, and listened to key speakers such as Zhu Guangyao, Chinese Vice Minister of Finance, and Liu Mingkang, Chairman of the China Banking Regulatory Commission.

As a founding partner of the ICC's Market Intelligence Group on Changing Patterns in World Trade, the EBRD presented the role of its Trade Facilitation Programme (TFP) in supporting trade, in crisis response and in promoting intra-regional trade in the EBRD countries of operations. The EBRD e-Learning Programme, which blends face-to-face teaching with electronic education in partnership with the ICC, supports development of trade through developing people, which requires a strong dedication to capacity, building in trade finance skills and expertise.

A new ICC report, Global Risks – Trade Finance 2011, shows that trade finance is a relatively low-risk asset class that should not be feared by banks, nor overregulated by governments. ICC representatives underlined the measures announced by the Basel Committee on Banking Supervision and applauded this opportunity to refine the rules to foster the development of trade and support for SME clients.●



Top: Zhu Guangyao, Vice Minister of Finance, China
Above: Liu Mingkang, Chairman, China Banking Regulatory Commission

Pioneering trade in Mongolia

International trade is growing rapidly in Mongolia, and trade finance is steadily increasing in importance. With this in mind the EBRD recently supported the first ever Mongolia Trade and Commodity Finance Conference aimed at improving the financing of commerce in the country.

The EBRD's TFP team joined events specialist Exporta to organise the pioneering conference on 13 October in Ulaanbaatar. Opened by Ganhuyag Chuluun Hutagt, the Deputy Minister of Finance for Mongolia, it attracted numerous investors and business leaders active in the Mongolian market.

In order to raise awareness of alternative and modern trade finance products, a panel discussion was tabled on the role of trade facilitation programmes in emerging markets such as Mongolia. Marco Nindl, an Associate Banker in the TFP team, moderated the debate between panelists from the International Chamber of Commerce (ICC) and Commerzbank, as well as from two of the TFP's issuing banks in Mongolia: Khan Bank and XacBank.

The general consensus of the discussion was that there are many opportunities for local banks and companies to become more active in trade finance. However there remains a lot of work to be done in communicating the advantages of modern trade finance products to local companies. This is one area where the EBRD's TFP team will be needed in order to support the further growth of trade finance in Mongolia.

Tim O'Neill, Vice-President, Business Banking at XacBank and chair of the conference, noted that "with the volume of international trade in Mongolia doubling annually, the timing for this conference could not have been better."●

Vincent O'Brien ICC Banking Commission and Marco Nindl, EBRD TFP

Future Events

Trade Finance e-Learning Programme Graduate Ceremony

7 FEBRUARY 2012

MOSCOW, RUSSIA

EBRD's TFP e-Learning Programme Graduation Ceremony will take place during the 5th Annual Russia and Eurasia Trade and Export Finance Conference organised by Exporta. All students who have successfully completed four or more of the modules by 25 December 2011, will be eligible to attend the 2012 Graduation Ceremony. Conference attendance is free of charge, but participants are expected to cover travel and accommodation costs.

Contact the TFP team for more information.

ICC Banking Commission Meeting

25-29 MARCH 2012

DOHA, QATAR

Contact Natalie Montelongo at natalie.montelongo@iccwbo.org for more information.

TFP Annual Event and Awards Ceremony

17 MAY 2012

LONDON, UNITED KINGDOM

Contact the TFP team for more information.

EBRD Annual Meeting and Business Forum

18-19 MAY 2012

LONDON, UNITED KINGDOM

www.ebrd.com/pages/news/events

TFP in 2011

The EBRD continues to live up to its reputation as the best international development bank in trade, regularly winning industry recognition.

In 2011, the EBRD won two prestigious trade finance awards:
- Best Developmental Financial Institution in Europe, in Trade Finance magazine's Trade Finance Awards for Excellence.
- Best Developmental Financial Institution Gold Award, in Trade & Forfaiting Review.

www.ebrd.com

Rudolph Putz, Head of the TFP team at the EBRD receives the award from *Trade Finance* magazine

PRESS TALK

'... it is the European Bank for Reconstruction and Development (EBRD) that stood behind the emerging, but fragile economies of Eastern Europe and the CIS when the global financial crisis struck.'

Trade & Forfaiting Review
August 2011

TFP AWARDS CEREMONY

Prize attractions

The TFP team honoured its most active issuing and confirming banks at a special awards ceremony during the EBRD's Annual Meeting (Astana, Kazakhstan, May 2011)

This year's TFP ceremony attracted more than 150 visitors from over 50 banks, international businesses and media organisations from around the world.

The winners for 2010 were announced based on the number and the quality of transactions rather than the pure size of the business volume. Category winners included Commerzbank, which was named the 'Most Active Confirming Bank'. Accepting the award, Per Fischer, Head of Financial Institutions at Commerzbank commented: "For the future we see the EBRD TFP as a strong platform from which to generate more trade finance in intra-CIS trade business and to intensify trade with other international markets as well." Bank Vozrozhdenie of Russia won the Export Deal of the Year and NBD Bank of Russia won the Import Deal of the Year (see page 8).

Allan Popoff, EBRD

It was Ambassador Hsiao-Yueh Chang of the Taipei Representative Office in the UK who awarded Locko-Bank as the 'Most Active Confirming Bank In Financing Trade with Taiwan'.

The most active users of EBRD's guarantee facility in 2010 were: Araratbank of Armenia, Bank Respublika Azerbaijan, Belrosbank of Belarus, Raiffeisenbank Bosnia and Herzegovina, Komercijalna Banka Skopje FYR Macedonia, Bank of Georgia, Bank CenterCredit of Kazakhstan, Demir Kyrgyz International Bank, Moldova-Agroindbank, Credit Bank of Moscow, Promsvyazbank of Russia, Cacanska Banka Cacak of Serbia, Tojiksodirotbonk of Tajikistan, and OTP Bank of Ukraine.

Notable presentations at the event included a summary of TFP's achievements by Rudolf Putz and Vincent O'Brien, Chair of the ICC Market Intelligence Group (MIG), as well as an account of the joint EBRD/ICC Trade Finance e-Learning Programme by Leo Cullen, Head of Trade Products, Coastline Solutions.

Individual award winners included Aigerim Kassymbekova, Head of International Division, Kazkommerzbank, who was among the top 10 graduates in EBRD's e-Learning Programme in 2010.

Facts & figures

A brief history

Launched in 1999, the Trade Facilitation Programme (TFP) aims to promote foreign trade to, from and among the EBRD countries of operations through a range of products.

Through the Programme, the EBRD provides guarantees to international confirming banks and short-term loans to selected issuing banks and factoring companies for on-lending to local exporters, importers and distributors.

CONFIRMING BANKS OPERATE IN 77 COUNTRIES

TOP 10 CONFIRMING BANKS IN 2011
as of 31 October 2011

	Bank	Country
1	Commerzbank	Germany
2	UBS	Switzerland
3	Bank Hapoalim	Israel
4	KBC Bank	Belgium
5	Deutsche Bank	Germany
6	HSBC Bank	United Kingdom
7	UniCredito Italiano	Italy
8	BHF-Bank	Germany
9=	UniCredit Bank Austria	Austria
9=	Türkiye İş Bankası	Turkey
9=	Raiffeisen Bank International	Austria
9=	Intesa Sanpaolo	Italy

TOP 10 COUNTRIES IN 2011 BY NUMBER OF TRANSACTIONS
as of 31 October 2011

1	Belarus
2	Georgia
3	Russian Federation
4	Kazakhstan
5	Ukraine
6	Armenia
7	Azerbaijan
8	FYR Macedonia
9	Moldova
10	Serbia

102
NUMBER OF ISSUING BANKS IN 20 EBRD COUNTRIES OF OPERATIONS

11,000+
TOTAL NUMBER OF TRANSACTIONS

800+
NUMBER OF CONFIRMING BANKS OPERATING IN 77 COUNTRIES *see map above*

€7 billion
TOTAL TRANSACTION VALUE SINCE 1999

130
CONFIRMING BANKS ARE IN EBRD COUNTRIES OF OPERATIONS

TO DATE IN 2011 **TFP** HAS ISSUED **1,200+ TRANSACTIONS...**
SUPPORTING MORE THAN €800 MILLION IN TRADE

IN *DEPTH*

_CASE STUDY_IMPORT DEAL OF THE YEAR

BOOSTING LOCAL BUSINESS

Success in developing small and medium-sized enterprises led NBD Bank of Russia to win a TFP honour

The prestigious "Trade Finance Import Deal of 2010" title was awarded to NBD Bank for its participation in a transaction supporting a local vehicle component maker in the Nizhniy Novgorod region. The award was presented under the TFP at the EBRD Annual Meeting in Astana, Kazakhstan in May 2011.

It was in July 2010 that NBD Bank issued a €103,750 letter of credit for the import of construction machinery by Ruskomtrans, needed for the modernisation of the company's manufacturing facilities and product range expansion. The transaction was supported with a guarantee from the EBRD through its TFP, which was confirmed and risk-shared by Commerzbank. The Dutch development bank FMO and private market insurers led by ACE Global Markets also shared the EBRD's risk.

Established in 1996 in the town of Balakhna, Ruskomtrans Ltd employs over 100 workers and specialises in producing chassis and vehicle steel shells for various transportation needs.

"The Trade Finance Import Deal of 2010 award to NBD Bank is a perfect example of how the EBRD's Trade Facilitation Programme is able to support local banks and their SME importers, especially as a majority of TFP transactions range from less than €500,000 and many are for less than €100,000," commented Dr. Rudolf Putz, Head of the TFP team.

"For the last 19 years, NBD Bank's work has been aimed at the development of small and medium businesses in the Russian regions. The EBRD has been one of our strategically important partners for 17 years. With the EBRD's support, we have financed over 20,000 projects in the micro, small and medium business development sector worth a total of over US$ 150 million," said Alexander Sharonov, Chairman of NBD Bank's Management Board.

Alexey Shic, Executive Director of Ruskomtrans, said that the transaction guaranteed by NBD Bank was an important part of its development programme. "The purchased plasma cutting and press brakes machines not only allowed us to optimise and modernise our production cycle, but also gave us the opportunity to create absolutely new models in our range of products which we are now able to offer to our clients," Mr Shic said.●

How to cover intra-regional transactions

An example of an intra-regional transaction covered under the Trade Facilitation Programme is the import of industrial equipment for the manufacture of vehicles and trailers from Turkey to Russia in 2010.

In this transaction NBD Bank, Nizhniy Novgorov, issues a letter of credit, confirmed by Commerzbank Frankfurt, Germany, and the EBRD guarantees Commerzbank up to 100 per cent of the political and commercial payment risk.

The TFP strengthens the ability of local banks to provide trade financing and gives entrepreneurs in eastern Europe and the CIS the support they need to expand their import and export trade.

Source: TFP factsheet

Right: Ruskomtrans makes parts for vehicles such as ambulances

> "With the support of EBRD programmes, we have financed over 20,000 projects in the area of micro, small and medium business."
>
> Alexander Sharonov, Chairman of the Management Board, NBD Bank

AT A GLANCE

- Ruskomtrans is a medium-sized business that employs around 100 people in the production of components for vans, ambulances, camping cars and other vehicles
- NBD Bank's €103,750 letter of credit helped increase Ruskomtrans' profitability by 70%
- The transaction led to NBD Bank winning the EBRD's award for Trade Finance Import Deal of 2010 at its Annual Meeting in Astana.

How will Basel III affect trade financing? Here, Kemal Suffee and Samuel B. Whitman of White & Case LLP provide a brief summary of the changes from a legal perspective

2011 saw changes to the capital adequacy requirements for trade finance transactions

MAPPING *CHANGE*

The severe economic crisis now gripping many economies worldwide has exposed a number of weaknesses in the stability of the global banking sector. In response, the Basel Committee on Banking Supervision (or 'the Committee') published the report, 'Basel III: A Global Regulatory Framework for More Resilient Banks and Banking Systems' (December 2010), which sets out a number of measures intended to bolster the stability of the banking sector.

In summary, Basel III will affect trade financing in a number of ways, particularly in the area of the reforms relating to the liquidity coverage ratio and the risk weighting of lending. The intention behind these reforms is clear: in times when liquidity is scarce banks are required to have sufficient 'high quality liquid assets' to meet anticipated payments and to have sufficient capital in place to survive losses. The reforms are intended to reduce the reliance on short-term funding. In addition, a new reporting requirement, that will affect all banks and types of financing, will be introduced requiring that a bank discloses its ratio of Tier 1 capital against its gross assets. For the purposes of this ratio, the assets – including off-balance sheet letters of credit – are not risk-weighted and security is not taken into account. The European Commission will then decide whether to implement a binding requirement, the purpose of which is to place a limit on the extent to which a bank can lever its capital. If and when this is introduced as a hard limit a bank will not be able to create exposures that exceed 33 times its Tier 1 capital.

INCREASED COST

However well-intended these measures may be, they will come at an increased cost to lenders and, to some, at a cost so high that it could damage trade. The Committee has therefore taken the opportunity to look again at the impact its reforms will have on trade financing. In its report 'Treatment of Trade Finance under the Basel Capital Framework' (25 October 2011), the Committee has agreed to two changes in the hope of reducing the costs to lenders, namely:

- to waive the one-year maturity floor for certain trade finance instruments under the advanced internal ratings-based approach for credit risk. Currently, the capital requirements for credit exposures are subject to a minimum maturity of one year and so do not take into account that many trade finance instruments have a maturity of less than one year.
- to waive the 'sovereign floor' for trade finance related claims on banks using the standardised approach for credit risk. Under this approach the bank confirming the letter of credit takes a reimbursement risk on the issuing bank. Issuing banks in low-income countries are often unrated and so are subject to a risk weighting of 50 per cent or, in the case of short-term claims, 20 per cent. However, the risk weighting cannot be lower than the risk weighting of the issuing bank's country of incorporation (the sovereign floor) and in the case of low-income countries this is typically 100 per cent.

33
No bank will be able to create exposures that exceed 33 times its Tier 1 capital

50%
The potential risk weighting of issuing banks in low-income countries

When viewed through the lens of promoting trade in low-income countries, the Committee has indeed made positive changes that should result in reducing the capital requirements for banks engaged in trade finance.

However, given the overall costs introduced by the Basel III reforms, only time will tell whether banks will consider trade financing profitable enough to allocate their highly valued capital to support it.●

INECOBANK, ARMENIA

COOPERATION RATHER THAN COMPETITION

A structured approach towards trade financing is key to Inecobank's success

Throughout the 15 years of its activities Inecobank has always placed particular importance on the provision of lending services. Inecobank, a lifelong pioneer in offering new financial products in the market, initiated its trade financing activities at the beginning of this decade, when the banks of Armenia were beginning to promote trade finance products among clients engaged in foreign trade.

In the initial phase, it was necessary to introduce Armenian companies to the advantages of complex trade finance products over the other existing and familiar loan products. The most convincing arguments were the low transaction costs and the assurance of protection from payment risk.

Today Inecobank has a fully effective range of tools in the sphere of trade finance. Currently we cooperate actively with the EBRD, IFC, Atlantic Fortfaitierungs, OFID and Commerzbank. In 2007 Inecobank was recognised by the EBRD as the most active bank in the sphere of trade finance in Armenia, and in 2009 the EBRD recognised Inecobank as the most active issuing bank within the scope of its Trade Finance Programme as a whole. In 2010 Inecobank won an award from Commerzbank AG for excellent cooperation in the sphere of trade finance.

Inecobank's structured approach towards trade financing is worth mentioning. Guided by the principle of "cooperation rather than competition", Inecobank has combined trade finance with other credit services under one roof, thus enabling a complex and flexible approach to the customers' needs. Based on this principle, each and every customer is offered the product that most efficiently meets his requirements. In coming years Inecobank plans to extend the volume of its trade finance transactions and to enlarge its geographical outreach, by building cooperation with counterparties abroad.

Vaghinak Khachatryan, Head of Loan Department, praises the cooperation with the EBRD. "In sharing my experience of cooperation with the EBRD in trade finance projects I would like to emphasise that working with the EBRD has always proved productive. Owing to its highly professional approach and devoted staff, the EBRD has made our collaboration highly effective and mutually beneficial. We appreciate the experience of the Bank and its readiness to assist in solving all possible issues quickly and competently. We would also like to congratulate the EBRD for winning two prestigious trade finance awards in 2011 as the 'Best International Development Bank in Trade'. ...In line with Inecobank's overall growth, trade finance volumes have risen significantly in recent years, and average monthly volumes of trade finance transactions as at the end of the third quarter of 2011 have grown by 33 per cent in comparison with 2010. Today, Inecobank can offer Armenian companies and international counterparties a wide range of comprehensive trade finance products and also share knowledge and expertise in this area. We are looking forward to broadening the range of trade finance tools and long-term cooperation with the EBRD."

Development and External Relations Department, Inecobank, Armenia

BANK OF GEORGIA

What being a TFP member means

Technical and advisory support from the EBRD over the past 15 years has enabled the Bank of Georgia to become the first bank in Georgia to launch and implement factoring, and to become the only bank in the country currently offering factoring services to clients... Being a member of EBRD's TFP means having a reliable partner that allows a bank to expand its operations, provide more services to more clients, develop a wide network of partner banks all over the world and gain access to finance when it is most needed.

Ana Kartaradze, Head of Trade Finance Department, Bank of Georgia

UNIBANK, AZERBAIJAN

MAKING TRADE HAPPEN

Unibank is at the forefront of promoting trade finance in Azerbaijan, as Gulnara Seyidova explains

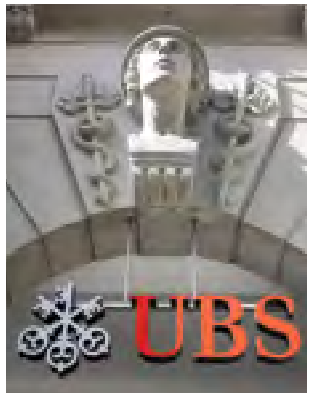
I have been working in trade finance at Unibank since June 2009. The experience has been richer than I could have imagined. While the job can be demanding, it's also enjoyable and I am fortunate to be linked with friendly and hardworking colleagues under our supervisor, Ilgar Alakbarov. Together we've achieved a great deal.

Trade in Azerbaijan has always been of great importance, and international trade has been part of our history since the time of the ancient Silk Road which connected east, south, and western Asia with the Mediterranean and European world, as well as parts of North and East Africa. Trade finance is not yet widespread in Azerbaijan, but at Unibank we believe it offers both a necessary and important tool for the development of our future trade.

In Unibank, as well as other highly-rated banks in Azerbaijan, we aim to keep our customers well-informed on trade finance purposes and practices, as we believe these products offer great potential for more widespread trade between counterparties in Azerbaijan and overseas. Like all other trade departments, we deal with letters of guarantee, letters of credit, post-financing, disbursements, collections etc… and it is a great feeling knowing that we also help our customers with their needs. Sometimes it can be a wild ride but we have proved that we are more than capable of overcoming all of the problems we face.

We have dealt with many different kinds of customers and situations, and with a wide range of foreign suppliers. Working with foreign producers and banks has broadened our knowledge and experience, as each request is unique and individual, and for cross-border transactions we seek out credit institutions like the EBRD and the International Finance Corporation (IFC) for help with financing trade products under comprehensive schemes: of these I would say that we tend to collaborate most often with the EBRD.

We have been cooperating with the EBRD for close to nine years, and although I have been working with the EBRD for only a little over two of those years, I'm proud to say that I recently won an online scholarship from this institution to participate in the EBRD/ICC's online training programme. I'm very grateful for this opportunity and am hoping that this will equip me for further success in the future. I'm looking forward to mastering further knowledge in the field, and I very much hope that the collaboration between our two institutions will enable us to implement a number of interesting and significant projects together. Thanks are due to the friendly and efficient EBRD staff with whom we work, as well. We wish your organisation a profitable and stable year end.



UBS, SWITZERLAND

In Azerbaijan, UBS' trade finance business is developing very well, particularly in the commodity, consumer and investment sectors. These business streams are predominantly covered with deferred payment L/Cs and discounting, and with a relatively small number of guarantees. We notice an increasing demand for longer tenors of 3-5 years, covering investment goods on a bank-to-bank loan basis.

In Armenia, we have noticed a growth in trade finance volume of up to 1 year and recently handled more transactions with UBS' counterparties in this country. Business potential in Georgia has been limited for the last couple of years but we look forward to a renaissance in the future.

*Isabelle Simmen
Trade and Export Finance – TEF Consulting Financial Institutions, UBS*

> "Working with foreign producers and banks has broadened our knowledge and experience"

Gulnara Seyidova, Leading Specialist in the Trade Finance and Documentary Operations Department, Unibank

KEEPING TRADE *MOVING* IN THE EBRD REGION

The EBRD's Office of the Chief Economist (OCE) charts the trade increases between 2000-2008 and suggests how to achieve similar growth in future

Over the past decade the EBRD region of operations has expanded into global trade networks in terms of both volume and reach. Nevertheless, the recent economic crisis has still shaped the long-term tendency of export growth in the region as well as across the world. The gradual increase in world exports before the crisis was followed by a dip in global exports by 12 per cent in 2009, the largest decline in more than 70 years, while exports from the EBRD region declined by around 11 per cent, driven mostly by contraction in global demand (Figure 3).

In 2010 exports in the EBRD region recovered by almost 10 per cent while global export growth reached an exceptionally high 14.5 per cent of growth.

Across the last decade, transition economies have achieved closer trade ties with neighbouring countries and new trading partners, and in the presence of increasing world exports the region's share has risen from around 4 per cent in 2000 to almost 8 per cent in 2010.This increase compares with a growth in exports from China from around 4 per cent in 2000 to about 11 per cent in 2010 (Figure 2).

DRIVING EXPORTS

The EBRD region has tended towards exports to heavily export-based economies like Germany. In 2000, an average 57 per cent of the region's exports was sold in markets that themselves exported more goods than they imported, as compared with 45 per cent of exports from China selling in the same markets.

The EBRD transition region has a diversified exports destination which encompasses a wider range of markets than some other emerging markets. For instance, exporters from emerging Asia have become increasingly focused on their own region, while export market concentration in the Middle East and North Africa (MENA) has remained broadly unchanged. In contrast, both EBRD and Latin America countries have diversified their export markets significantly. Much of this diversification has taken place as intra-regional exports– especially within the SEE (south-eastern Europe) and the CEB (central Europe) regions and to a lesser extent within the EEC (eastern Europe and the Caucasus) countries – grew faster than exports to large outside partners such as Russia or the European Union (EU). Central Asian countries on the other hand decreased their internal trade, and instead strengthened ties with countries such as Belarus and Ukraine as well as Asia, while Turkey strongly increased its exports to the SEE and MENA regions (Figure 4).

COMPETITIVE ADVANTAGE

An analysis conducted in the EBRD Transition Report 2010 indicates that there were three main factors behind the export growth in EBRD countries of operations between 2000-2008:

The EBRD transition region has a diversified exports destination

- **Rapid global trade growth.** Real imports of trading partners doubled for most EEC and CIS countries and the Baltic states, and rose by at least 40 per cent for the other countries, in line with rapid expansions in global trade over the period.
- **Low unit labour cost at the beginning of the decade.** According to the findings of the International Labour Organisation, countries in the SEE and CEB sub-regions demonstrated lower unit labour cost (ULC) than most of the other emerging markets in 2001. The ULC in Czech Republic, Poland, Hungary, the Slovak Republic and Turkey were estimated to be about 35-40 per cent of those in the United States. However, some of this competitive advantage has since faded away. Between 2001 and 2008 the ULC in transition countries grew between twice and 10 times as much as those in the United States.
- **Free trade agreements reducing tariffs.** Trade liberalisation has been an important factor for global trade networks, encompassing both the 2004 and 2007 waves of accession to the European Union and the multilateral Free Trade Agreement among SEE countries in 2006. Other trade liberalisation agreements have also contributed during the period, namely between the European Union and Albania, Algeria, Bosnia and Herzegovina, Chile, Egypt, Korea, Lebanon, and Montenegro; between Turkey and countries in the SEE region (Albania, Bosnia and Herzegovina, Croatia and FYR Macedonia) and the MENA region (Egypt, Lebanon, Morocco, Syria and Tunisia); between Belarus, Kazakhstan and Russia; and between Ukraine and Belarus, FYR Macedonia, Moldova and Tajikistan. As a result, tariffs faced by CEB and SEE exporters have fallen, and although the average decline has been modest, some industries have faced large changes, with tariffs falling by as much as 20 per cent or rising by as much as 5 per cent.

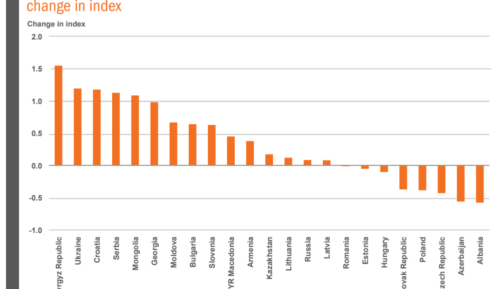
Pre-crisis tariff cuts benefitting exporters in the transition region were partly offset by increases in non-tariff barriers. Figure 1 shows the trade-weighted average non-tariff trade barriers faced by exporters in each of their export markets. Except in Albania, Azerbaijan and some central European countries, exporters faced increasing barriers between 2000 and 2007.

FUTURE GROWTH

However, these factors of growth are unique to the last decade. In order to achieve a similar export growth in the future, policy-makers need to create an environment favourable to exports that is also a source of innovation and growth. This will be increasingly important, as other sources of growth will remain weak in near future. The process will become more difficult as the one-off effects from entering free trade areas subside and ULC catch up with those of trading partners, and policy measures will therefore be necessary to sustain rapid export growth. In particular, policy-makers can stimulate greater export-orientation by lowering non-tariff trade barriers that impede new and major existing export markets – a policy that Turkey, for example, has actively pursued during the past few years. They can also improve key aspects of the domestic business climate by reducing corruption and improving the rule of law and customs procedures.

The EBRD invests and operates in the following 29 countries: Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Estonia, FYR Macedonia, Georgia, Hungary, Kazakhstan, Kyrgyz Republic, Latvia, Lithuania, Moldova, Mongolia, Montenegro, Poland, Romania, Russia, Serbia, Slovak Republic, Slovenia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan. The EBRD ceased making new investments in the Czech Republic in 2007, but still manages a portfolio in the country.

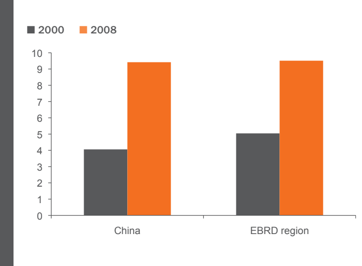
Figure 1. Changes in non-tariff barriers faced by exporters, 2000-2007, change in index



Source: Fraser Institute's World Economic Freedom, 2009.

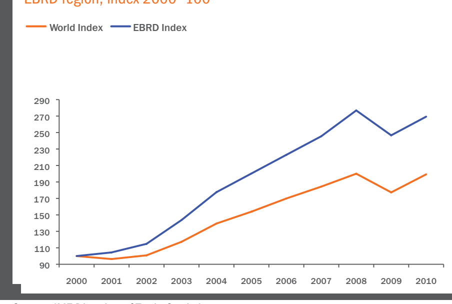
Policy-makers need to create an environment favourable to exports that are also a source of innovation and growth.

Figure 2. Share of total world exports, in per cent



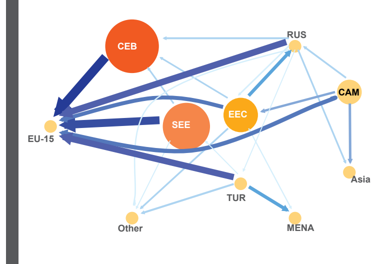
Source: IMF Direction of Trade Statistics.

Figure 3. Performance of export in the world and in EBRD region, index 2000=100



Source: IMF Direction of Trade Statistics.

Figure 4. Share of exports to country groups in 2008, in per cent



Source: EBRD Office of the Chief Economist.

DRIVING GLOBAL GROWTH

Trade finance is key to developing world trade. Thierry Senechal, Senior Policy Manager at the International Chamber of Commerce (ICC) explains why

Market conditions are grim. The ICC experts and practitioners who gathered in Beijing on 24-28 October 2011 anticipated that Q1 2012 will offer no respite from the current poor economic environment. As the world goes through a de-leveraging process, with most governments lacking the flexibility to implement fiscal stimulus, economic growth will be slow and even negative in some regions. Trade volumes may drop, leading to low or negative growth in employment.

A further challenge is presented by the regulatory environment, which may complicate the difficult process of trade recovery and a return to growth: specifically, by not treating trade finance as a low-risk asset class from a regulatory perspective, the new Basel Capital Framework could make trade finance less accessible and less affordable, exerting severe pressure on global trade and job creation, in particular in the developing world. Treating low-risk, low-margin trade finance transactions from a regulatory perspective the same way as higher-risk, higher-margin transactions could actually make the banking system less stable. Simply put, when the cost of capital is the same, banks have the incentive to shift their resources to higher risk/margin activities, away from trade finance.

ICC has recently provided overwhelming evidence that trade-finance related assets are low-risk. The 'Global Risks – Trade Finance 2011' report which contains data from major international banks reflecting a minimum of 60-65 per cent of traditional global trade finance activity, found that fewer than 3,000 defaults were observed in the full dataset of 11.4 million transactions.

The ICC report also noted that statistics provided by the multilateral development banks (MDBs) exhibited no significant defaults or losses. Of 11,892 guarantees reviewed by ICC, and issued by MDB trade finance programmes valued at over US$ 20 billion over the past six years, no defaults and no losses have occurred. Of the 11,258 trade loans disbursed by MDBs to banks valued at US$ 15.8 billion, no defaults and no losses have occurred.

In conclusion, the rules set by bank regulators under Basel III impose capital requirements on trade finance that may have adverse impacts on growth. While the changes proposed by Basel Commission on Banking Supervision (BCBS) are a positive step in the support of global trade, more could be done to reflect the low risks associated with trade finance.

As a minimum, policy-makers around the world should encourage MDBs to maintain or enhance the trade finance programmes crucial to keep trade flowing, especially to emerging markets and in times of economic turbulence, both sustaining jobs and supporting further job creation.●

NOTABLE FEATURES OF THE ICC REGISTER DATASET

Short tenor of trade transactions. The average tenor of all products in the dataset is 147 days; the off-balance-sheet products covered by the Register (import L/Cs, export confirmed LCs, and standby L/Cs and guarantees) have average tenors of less than 80 days.

Low default and loss across all product types. Using a standard calculation, ICC calculated the following average default and loss rates within each product-type over the three focus years of this report (2008-2010):

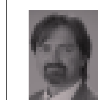
1.	Import L/Cs: default 0.067 per cent, loss 0.006 per cent
2.	Export confirmed LCs: default 0.09 per cent, loss 0.03 per cent
3.	Standbys and guarantees: default 0.013 per cent, loss 0.0007per cent
4.	Import loans – corporate risk, default 0.06 per cent, loss 0.07 per cent
5.	Import loans – bank risk, default 0.09 per cent, loss 0.05 per cent
6.	Export loans – corporate risk, default 0.29 per cent, loss 0.017 per cent
7.	Export loans – bank risk, default 0.17 per cent, loss 0.01 per cent

Source: Global Risks – Trade Finance 2011 report (http://iccwbo.org/uploadedFiles/ICC-Register_Report_26_October_2011.pdf)

> "ICC has recently provided evidence that trade-finance related assets are low-risk."
>
> Thierry Senechal, Senior Policy Manager at the International Chamber of Commerce (ICC)

The ancient art of trade finance

Sviatoslav Kuzmych shows how trade financing was practised more than 2,500 years ago



In the first millennium BC a number of different tribes lived in the territories of modern Ukraine: the Nevres, Helones, Budins, Scythians, Cimerians, and the Tauri. During the Greek colonisation period of 700 to 400 BC, incomers arrived by sea to access the resources of the northern coastlands of the Pontus Euxinus (today's Black Sea) and to found temporary trade colonies, some of which eventually developed into large city-states, or 'poleis'. The ancient city-states of the northern Black Sea coast reached the apex of their development in the 4th century BC, being the main suppliers of grain to the Mediterranean markets.

The Scythians, who inhabited almost the entire central and eastern part of the territory of Ukraine at that time, were engaged in agriculture and cattle breeding and had a mainly nomadic lifestyle. The main source of the Scythians' wealth was the trading of goods delivered thorough the larger Greek cities, and their main exports were grain (wheat, barley and millet), as well as cattle, dried fish, leather, wool, honey, and slaves.

From the end of the 7th century BC many of the cities of Greece, Asia Minor and other lands minted their own coins, and more than one thousand cities had their own mints. These existed in Kerkinitis (Yevpatoria, Crimea), Chersonesus (Sevastopol, Crimea), Olbia (Paroutyno, Mykolaiv region), Tyras (Bylhorod-Dnystrovskiy, Odessa region), Nymphaion (Heroevskoe/Eltygen, Crimea), Nikoniy (Roksolany, Odessa region), Pantikapeum (Kerch, Crimea) and Theodosia (Feodosiya, Crimea).

The turnover and range of coinage during the 5th-4th centuries BC gave rise to a system for calculating rates of exchange for coins of different types which was operated by professional money-changers or 'trapezai'. The trapezai were also able to identify if a coin was counterfeited or defaced, received money for safe-keeping and provided loans to interpreters and merchants.

The main instrument of trade financing in the ancient world was the 'maritime loan' provided to merchants and shipowners to organise their long-distance maritime foreign-trade expeditions. All of the conditions of the deal were put into the agreement: the rate charged was dependent on the length of the trip and the loan was paid back no later than twenty days after the return of the ship. The amounts of maritime loans were significant and tenor could run from a few weeks to one year. Taking into account that long-distance journeys were quite risky at that time, the bankers charged interest for Black Sea region expeditions of 20-30 per cent on loans, and frequently syndicated them, sharing the risk with other trapezai or wealthy citizens.

As we can see, the foreign trade and banking transactions had their place in the territory of modern Ukraine more than 2,500 years ago, and even in very early times, international trade was facilitated by "trade finance" mechanisms.●

Left: Silver coin of the Indo-Scythian King Azes II

Sviatoslav Kuzmych, Deputy Head of Financial Institutions and Trade Finance Division, The State Export-Import Bank of Ukraine

TRAINING *DIGEST*

E-LEARNING GOES FROM STRENGTH TO STRENGTH

The EBRD is extending the scope, content and delivery of its on-line training, as Kamola Makhmudova reports

The International Chamber of Commerce (ICC) and the EBRD have recently launched the second phase of their e-Learning Programme, which is aimed at helping issuing banks involved in the EBRD's Trade Facilitation Programme to achieve best international practice in trade finance.

Since the launch of Phase I in May 2010, more than 300 trade specialists from more than 80 banks across eastern Europe and Central Asia have taken part in the e-Learning Programme. Beginner and Advanced courses have so far covered key trade issues including Collections (URC 522), Commercial Letters of Credit (UCP 600) and Standby Letters of Credit (ISP 98).

Training and capacity-building initiatives designed to help our clients achieve their business goals are a crucial part of the EBRD's Trade Facilitation Programme. The number of participants, the high standard of academic achievement and the positive student feedback have greatly exceeded our expectations. We were also pleased that so many of the students came from senior levels of management.

ENHANCED PROGRAMME

The success of the initiative has prompted an expansion of the Programme Phase II, which includes training in the recently revised ICC trade rules for Demand Guarantees (URDG 758 and Incoterms 2010®) went live on 19 September 2011 and the "Environmental and Social Issues in Trade" module was launched in November 2011.

The EBRD's TFP team would like to continue training current trade finance professionals, to equip them with a thorough understanding of trade finance instruments, With the extension of Phase II, the e-Learning Programme consists of seven modules:

- Collections: Comprehensive training in Collections and URC 522
- Mentor 600: Comprehensive training in Letters of Credit, UCP 600 and ISBP
- DC Master: Advanced training in Letters of Credit
- ISP Master: Advanced training in Standby Letters of Credit and ISP 98
- URDG Master: Advanced training in Demand Guarantees and URDG 758
- Incoterms® 2010: Comprehensive training in Incoterms® 2010
- Environmental and Social Issues in Trade: Comprehensive training in environmental and social issues related to trade finance.

Thierry Senechal, ICC Banking Commission, Kamola Makhmudova, EBRD, and Leo Cullen, Coastline Solutions

The e-Learning Programme, funded by the EBRD's Shareholder Special Fund, now covers all of the ICC traditional trade products and Incoterms rules that are a key feature of international commercial contracts involving the shipment of goods. The selected students are awarded with scholarships that cover up to 100 per cent of the tuition fees on this programme.

"Promotion of the correct application of ICC Trade Rules is a core objective of the ICC Banking Commission, so we are delighted that the e-Learning Programme has proved such a successful addition to the EBRD Trade Facilitation Programme," said Thierry Senechal, ICC Policy Manager and Secretary of the ICC Banking Commission.

In the 18 months since we developed our electronic "e-Learning" education programme the Internet has greatly improved our training programme projects. As a programme leader I can now view the information for the entire EBRD region and instead of guessing where our clients have knowledge gaps, I can clearly identify them by looking at through exam results. While our students continue to work at their own pace, during out-of-office work hours and on different subjects, we can arrange targeted face-to-face training workshops with well-known consultants who can address specific areas that were perhaps not well understood during online training.

IMPROVED UNDERSTANDING

We have reversed traditional teaching methods, and through "the Flip" – as it is known in Silicon Valley – our students now go through their lectures online. The TFP team then aggregates the information on all the banks that participate in the programme and assesses where the knowledge gaps lie by individual bank, country and region. In this way we can then improve their understanding during individual training lessons in each country as necessary.

Studying online, on a smart phone or on a tablet while on the go, have distinct advantages as we have discovered from the large number of comments received since the launch. Our students need no longer feel ashamed when they have to review part or all of a lecture/module several times to understand a subject written in a language foreign to them (all the subjects are taught in English). Students can relax and advance at their own pace.

Thanks to e-Learning, we are seeing better-targeted trade, better use of products and a better understanding of risk. Our clients can better formulate the questions they address to the TFP team and apply the concepts they learned in everyday operations.●

For more information on ICC e-Learning visit:
www.iccwbo.org/events/id42530/index.html
For more information on the EBRD e-Learning Programme visit:
ebrd.coastlinesolutions.com/

Date	Name of the Training Course	City	Country	Consultant
19-23 September 2011	Trade Finance Advisory Services: Reconversion and Development Bank	Minsk	Belarus	Igor Roussine
26-30 September 2011	Trade Finance Advisory Services: BPS-Bank	Minsk	Belarus	Igor Roussine
10-14 October 2011	Trade Finance Advisory Services: Belinvestbank	Minsk	Belarus	Igor Roussine
17-21 October 2011	Trade Finance Advisory Services: Paritetbank	Minsk	Belarus	Igor Roussine
26 October 2011	Legal Proceedings in Connection with Bad Debt in Trade Finance	Almaty	Kazakhstan	Stephen Tricks
24 October 2011	Legal Proceedings in Connection with Bad Debt in Trade Finance	Bishkek	Kyrgyz Republic	Stephen Tricks
24-28 October 2011	Trade Finance Advisory Services: Belarusky Narodny Bank	Minsk	Belarus	Igor Roussine
31 October-04 November 2011	Trade Finance Advisory Services: Belarusian Bank for Small Business	Minsk	Belarus	Igor Roussine
07-11 November 2011	Trade Finance Advisory Services: BPS-Sberbank	Minsk	Belarus	Igor Roussine
15 November 2011	Legal Proceedings in Connection with Bad Debt in Trade Finance	Baku	Azerbaijan	Stephen Tricks
17 November 2011	Legal Proceedings in Connection with Bad Debt in Trade Finance	Tbilisi	Georgia	Stephen Tricks
14-18 November 2011	Trade Finance Advisory Services: Reconversion and Development Bank	Minsk	Belarus	Igor Roussine
21-25 November 2011	Trade Finance Advisory Services: Belagroprombank	Minsk	Belarus	Igor Roussine
28 November-02 December 2011	Trade Finance Advisory Services: BPS-Sberbank	Minsk	Belarus	Igor Roussine
05-09 December 2011	Trade Finance Advisory Services: Belarusky Narodny Bank	Minsk	Belarus	Igor Roussine
12-16 December 2011	Trade Finance Advisory Services: Belarusian Bank for Small Business	Minsk	Belarus	Igor Roussine
21-22 September 2011	Trade Debt Restructuring in the Context of International Trade Finance	Skopje	FYR Macedonia	Vincent O'Brien
26-27 September 2011	Trade Debt Restructuring in the Context of International Trade Finance	Belgrade	Serbia	Vincent O'Brien
10-11 November 2011	Trade Debt Restructuring in the Context of International Trade Finance	Kiev	Ukraine	Vincent O'Brien
17-18 November 2011	Trade Debt Restructuring in the Context of International Trade Finance	Moscow	Russia	Vincent O'Brien
21-22 November 2011	Trade Debt Restructuring in the Context of International Trade Finance	Yekaterinburg	Russia	Vincent O'Brien

e-Learning at a glance

83
NUMBER OF PARTICIPATING BANKS

Countries
Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Croatia, FYR Macedonia, Georgia, Kazakhstan, Kyrgyz Republic, Moldova, Mongolia, Russia, Serbia, Tajikistan, Turkmenistan, Ukraine and Uzbekistan

17
NUMBER OF COUNTRIES WHERE E-LEARNING HAS BEEN LAUNCHED

360
NUMBER OF STUDENTS

PHASE I
248 STUDENTS

PHASE II
112 STUDENTS

2011 GRADUATION CEREMONY

The EBRD held a graduation ceremony in Moscow on 8 February 2011 to recognise the achievements of students who had completed its Trade Finance e-Learning Programme (TFP). The ceremony was held in conjunction with the fourth annual Russia and Eurasia Trade and Investment Forum, organised by Exporta Publishing and Events.

"The conference was the first of its kind and, thanks to the EBRD's strong partnership with Exporta, was a great success," said Rudolf Putz, Head of the Trade Facilitation Programme at EBRD. "Participants were engaged by knowledgeable panel speakers, who talked on a range of topics".

The e-Learning Programme provides an opportunity for staff from the EBRD's client banks to study two basic trade finance subjects (Collections and Mentor 600) and two advanced subjects (ISP Master and DC Master). Students have up to 12 months to complete four on-line training modules. Upon completion, they receive an International Chamber of Commerce (ICC) certificate of achievement for each module. Exceptional graduates are awarded scholarships and training opportunities with leading international confirming banks.

Five graduates won special recognition awards from the EBRD's partner banks, which supported this project. **Sergey Kostogryz** of Raiffeisen Aval Bank, Ukraine won an EBRD Award of Excellence for an outstanding contribution to e-Learning Programme development; **Zaure Salimbayeva** of Bank CenterCredit, Kazakhstan won a training opportunity at Commerzbank, Frankfurt; **Victoria Chentsova** of Credit Bank of Moscow, Russia, won a training opportunity with Zurcher Kantonalbank; **Elena Golovleva** of Transcapitalbank, Russia, won an iPad sponsored by Landesbank Baden-Württemberg. **Irina Lepeshko** of Minsk Transit Bank, Belarus won a DC-Pro subscription courtesy of Coastline Solutions.

Rudolph Putz, Head of the TFP team, EBRD awarding Sergey Kostogtyz, Raiffeisen Bank with an EBRD Award of Excellence

EBRD'S TOP 10

ROLL OF HONOUR 2010

Outstanding results were achieved by these students in the first year of the e-Learning Programme

IRINA LEPESHKO
MINSK TRANSIT BANK – BELARUS

ANDRIY SHAPOSHNYKOV
OTP BANK – UKRAINE

SERGEY KOSTOGRYZ
RAIFFEISEN BANK AVAL – UKRAINE

VICTORIA CHENTSOVA
CREDIT BANK OF MOSCOW – RUSSIA

NATALIA PODUZOVA
RAIFFEISEN BANK – RUSSIA

ALEXANDER KIM
CREDIT BANK OF MOSCOW – RUSSIA

TATYANA GORYACHEVA
RAIFFEISEN BANK – RUSSIA

ZAURE SALIMBAYEVA
JSC BANK CENTERCREDIT – KAZAKHSTAN

ELENA MAYDAN
RAIFFEISEN BANK – RUSSIA

AIGERIM KASSYMBEKOVA
KAZKOMMERTSBANK – KAZAKHSTAN

STUDENT VIEW

"E-learning assisted me in obtaining more professional experience in trade finance products."

Sergey Kostogryz
Head of the Documentary Business Department at Raiffeisen Bank Aval, Ukraine

WHAT THE STUDENTS SAY

Colleagues warned me before the start of the course that it would be hard work. It definitely was, but it wasn't as scary as I thought it might be and the buzz of passing the exams made all the effort worthwhile.

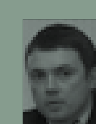
The ICC course structure makes very effective use of student time, which is particularly important for bankers who are too busy to attend classes during the working day. The lessons feature lots of examples from everyday practice and useful tips from experts in the documentary business.

This was a very practical course and I have come away feeling that any gaps in my knowledge about letters of credit have been filled.

Sviatoslav Kuzmych
Deputy Head of Financial Institutions and Trade Finance Division, The State Export-Import Bank of Ukraine

EBRD's e-Learning Programme is the best on-line training I have ever seen for people working in trade finance and documentary operations. This Programme will definitely be useful both for the beginner and the skilled. Perfectly prepared material and a convenient interface. For people for whom English is not a native language, the interactive element proved to be extremely user-friendly.

Alexander Kim
Head of Trade Finance, Credit Bank of Moscow



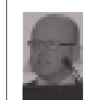
EBRD's TFP e-Learning Programme is indeed a valuable and perfect opportunity for improvement of one's professional skills in the world of trade finance / documentary business. I have no doubt that this programme will soon become more and more popular among our professional community. It enables you to decide when and where to study and it is applicable for all experience levels. We have been able to compare our experiences and discoveries with our peers.

I believe the programme may establish a global professional standard for those dealing with trade finance and really help in convergence of different banking practices and mentalities for the benefit of our clients.

Mikhail Timofeev
Head of Trade and Structured Finance, Transcapitalbank

KNOWING HOW TO *DO TRADE*

'Know-how' and 'Do-how' are essential to undertake trade, says Vincent O'Brien



Trade finance is undoubtedly in a challenging place at the moment: global growth is slowing, credit availability is tightening and liquidity is becoming an even more scarce resource. 'Default' and 'restructuring' have become a regular part of our daily dialogue and the storm clouds of depression are constantly overhead.

However, to undertake trade you must 'know trade'. Since its inception the EBRD has directed significant resources towards technical assistance and training in trade finance. I am fortunate to have been involved in this process of empowering people right from the very start. I have had the opportunity of working in each and every country of the former Soviet Union, with young enthusiastic people who share a vision of advancement and progress for themselves and their countries. In all technical disciplines 'know-how' is important, but in terms of trade finance 'do-how' is much more important.

To play the trade finance game you must have both detailed insight and the know-how to apply trade finance rules, operations and procedures. It has been my pleasure to deliver traditional face-to-face training workshops, covering everything from the basics of trade finance, through structured trade finance, the rules of the International Chamber of Commerce (ICC) and more recently in the current challenging environment, insight into how to solve disputes, restructure obligations and keep trade credit lines open with international counterparties.

Since the onslaught of the financial and economic crisis the EBRD has dedicated even more resources towards keeping credit lines open and trade moving. The EBRD also enhanced their already successful learning platform by adding an electronic learning dimension through partnership with the International Chamber of Commerce (ICC), in order to establish certified trade finance electronic learning programmes. The EBRD has had the foresight to embrace the benefits of a blended learning solution that combines the very best of traditional trade finance workshops, supported by a structured and accredited electronic learning platform. Feedback from the ICC in Paris is that this EBRD/ICC model is something that can possibly form the basis of a global trade and finance education platform or academy.

Despite the current challenges, world trade development continues to significantly outpace economic output which makes it clear that the winners will be the economies that implement the best and most competitive international trade policies and strategies. International trade and finance skills and expertise across a broad spectrum of the trading community are a prerequisite for progress in any emerging or developing economy.●

"EBRD has dedicated even more resources towards keeping credit lines open and trade moving"

Vincent O'Brien, ICC Banking Commission Market Intelligence Group

THE LEGAL *DIMENSION*

How do legal relationships work in international trade, what happens if there is a default and how best to protect banks? Stephen Tricks presents the case for legal training

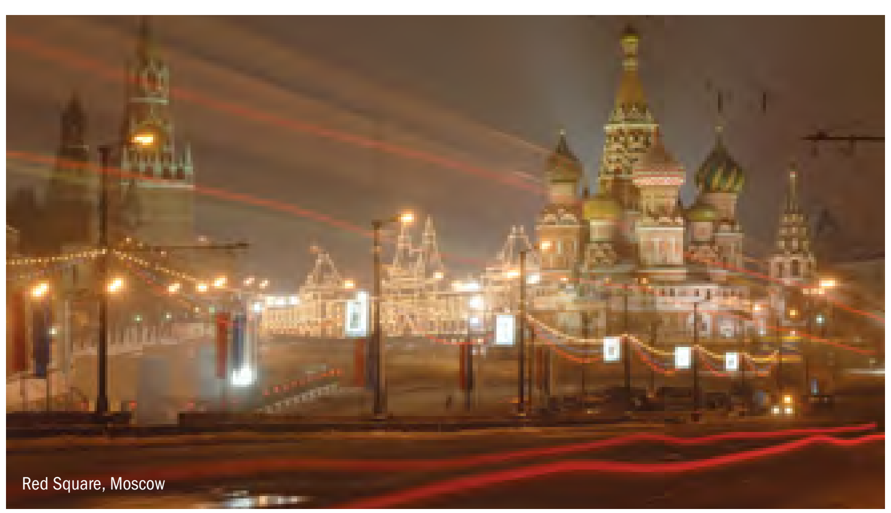
"So the laws of the United Kingdom are like your football teams? England, Scotland and Northern Ireland have different teams and different laws." I was in Minsk trying to explain to twenty representatives from local banks that although the United Kingdom is a single state, historically it is made up of separate countries, so it is always preferable to refer to 'English law' rather than 'United Kingdom law'. Suddenly one of the participants solved my problem by drawing an analogy with the national football teams playing in the qualifying stages of the European Championship. As ever, sport was the great connector. The football analogy worked and I used it again in subsequent seminars.

In December 2010 I embarked on a series of training workshops for EBRD's Trade Facilitation Programme, starting in Belgrade. By the end of November 2011 I shall have delivered 13 workshops in 12 different countries. The aim of the workshops is to give participants from EBRD client banks a better understanding of the legal relationships which arise in international trade finance and the legal proceedings which may follow a default. I had previously given many presentations on international trade law in London and western Europe, but I was worried that participants from the local banks would not want to listen to me talking about legal issues for almost a full day. However, much to my surprise and pleasure the level of interest shown in the seminars has been high and the feedback very positive. Although most banks would hope to never have a major default that landed them in court - in London, Paris or Frankfurt - members of trade finance departments, legal departments, middle management and senior management have all been eager to learn and to discuss the issues.

Publications from the International Chamber of Commerce (ICC), such as Incoterms and UCP, have done much to harmonise international trade law and practice around the world, but one still needs to address some unfamiliar legal concepts. For instance, the English law of international trade is based on the historical assumption that all goods would be carried by sea. It is only in the past 50 years that the UK has seen the development of air freight and more recently road and rail freight. Under English law a ship's original bill of lading has a special function as a document of title but the same does not apply to road, rail or air waybills. By contrast, banks in Central Asia will almost invariably be dealing with carriage by land or air, rather than carriage by sea. Nevertheless, the participants are keen to understand how the legal relationships work, what happens if there is a default and how best to protect the bank. The case studies, which are based on real problems I have encountered over many years as an international trade lawyer, provoke much interest and debate. But it is also interesting to hear the participants debating legal and practical issues which arise in their own countries. I have learnt a lot about local law in Skopje, Yerevan, Moscow, and Almaty in the past few months. The confirming banks can rest assured that the issuing banks take their responsibilities seriously and are keen to make the relationship work.

> **"These workshops have also given me an opportunity to see places I would not often expect to see; the grass plains of Mongolia in spring, Red Square on a summer's evening and the mountains behind Bishkek in the autumn..."**
>
> Stephen Tricks, Partner, Clyde & Co LLP

These workshops have also given me an opportunity to see places I would not often expect to see; the grass plains of Mongolia in spring, Red Square on a summer's evening and the mountains behind Bishkek in the autumn... all have been a delight. My language skills have improved a little but have a long way to go. In Chisinau I spoke to the hotel waiter in my halting Russian. He replied in perfect English that I must learn to speak Romanian, rather than Russian, when in his hotel. But whatever the language, I have made many friends in many cities and I hope to go back another year.●



Red Square, Moscow

Istanbul, Turkey, October 2011

TFP Forum in Istanbul

Daniel Bolschun, Principal Banker, EBRD, describes how the TFP Forum has developed into a trade finance hub which fosters trust through information sharing and direct communication

This year's event in Istanbul attracted more than 200 bankers and trade finance specialists from various areas including the International Chambers of Commerce of Paris and Istanbul, factoring associations and trade finance consultancies.

"It is the ideal platform to network and to get updated information for trade finance purposes," stated Commerzbank's Axel Nikolaus Bommersheim of the two-and-a-half-day forum.

It attracted participants from Armenia, Azerbaijan, Austria, Belarus, Georgia, Germany, Italy, Kazakhstan, the Kyrgyz Republic, Mongolia, Russia, Serbia, Slovenia, Switzerland, Turkey, the UAE and Ukraine, among others. And it offered sessions on international trade issues as well as opportunities for bilateral meetings to discuss correspondent banking relationships, the availability of counterparty and country banking limits, cooperation on different transactions, pricing, tenors and other topics.

> **"It is the ideal platform to network and to get updated information for trade finance purposes"**
>
> Axel Nikolaus Bommersheim
> Managing Director, Commerzbank

Presentations by EBRD staff such as Gana Petersen, Head of Financial Institutions, and Muzaffar Zuhurov, Principal Banker, Loan Syndications, provided valuable insight into the Bank's technical cooperation projects as well as the current state of the syndicated loans market.

An additional attraction was the extracurricular evening programme which provided ideal opportunities for participants to socialise and engage in networking in a relaxed and friendly atmosphere among fellow bankers.

Feedback on the TFP Forum has been positive. Alexander Golev from Asian Pacific Bank in Russia, for example, emailed us to say that "we have already begun cooperation with confirming banks from Italy, France and Germany who are new to APB. We are discussing two deals at the moment and that is, to my mind, the best confirmation of the importance of the event."

Sponsors have also been equally enthusiastic about the 2011 event, which drew support from Isbank, Bank of Georgia, Commerzbank and Landesbank Baden-Württemberg (as well as the EBRD Shareholder Special Fund). These sponsors have already asked the EBRD to host the TFP Forum in future and have offered generous support. As Isbank stated in a recent message to the EBRD: "We sincerely hope that this event will take place again next year and that we will see you once more in Istanbul".●

Trade finance: The lifeline of international trade

Axel Nikolaus Bommersheim, Managing Director, Commerzbank recounts his experience of the event

Commerzbank participated for the third time in the Trade Finance Forum (5-7 October 2011) in fascinating Istanbul. For me it was the second trip to the city since the TFP conference in 2010. It was also the second time that Commerzbank had the pleasure of contributing as a sponsor. Climbing the stairs on arrival at the venue, I met Daniel Bolschun of the EBRD who unexpectedly challenged me to moderate half of the Friday session of three panels. Of course I accepted: it meant a lot of preparation but it was great fun.

One of the main objectives on each day of the Trade Finance Forum was to emphasise that trade finance is the lifeline of international trade and supports the real sector, enhances living standards and increasingly develops emerging markets. We also underlined that trade finance business is safe - not only in the experience of all the participants, but also as proven by information and statistics prepared by the International Chamber of Commerce (ICC). Their updated 'Global Risks -Trade Finance 2011' was published recently with the support of international leading trade finance banks (including Commerzbank) and other institutions amongst them the Society for Worldwide Interbank Financial Telecommunication (SWIFT), the World Trade Organization (WTO) and the Asian Development Bank (ADB).

Commerzbank is very grateful to the EBRD for once again organizing the Trade Finance Forum in Istanbul, and to Isbank for hosting the event. It was outstanding and it is the ideal platform for meeting colleagues, exploring opportunities for future business cooperation and obtaining important updated information for trade finance purposes.

Commerzbank has received the EBRD's TFP award as the most active confirming bank seven consecutive times and supports the EBRD e-Learning Programme.

Leo Cullen describes the special e-Learning environment which is enhancing global trade

EMPOWERING THE TRADE COMMUNITY

Over the past ten years it has been my pleasure to manage the development and running of the International Chamber of Commerce (ICC) online trade finance training and information services. This has given me the opportunity to work with and learn from the world's leading experts in trade finance and to travel the world to meet trade finance practitioners, implement training solutions and observe training methods.

A thirst for knowledge is a common characteristic among trade finance practitioners. But readers who work in trade finance will know that this is a lifetime's work... a journey, rather than a destination. Issues arise every day that can challenge and exasperate in equal measure: Is the bill of lading signed and annotated correctly? What does "documents acceptable as presented" mean in an L/C? Does a Certificate of Origin need a goods description? Is a Draft a "required document"?

Whatever the issues that arise, decisions need to be made, often relating to high-value transactions. A correct decision means the trade practitioner is doing their job as expected, an incorrect decision can mean losses for the bank and sleepless nights for the practitioner, or worse.

Education is vital to ensure quality and consistency of decision-making within trade finance departments. The starting point is a detailed understanding of the ICC Rules; everyone should have a copy of UCP 600, URC 522, URDG 758, ISP 98 and Incoterms® 2010, and everyone should have access to training to ensure the basics and to keep up-to-date with changes in rules and practice. Once these first steps have been taken, the "learning journey" can begin in earnest – through mentoring, on-the-job experience and interaction with fellow professionals within individual banks and throughout the wider trade finance community. Access to a peer group enables and fosters knowledge-sharing and transfer – as the saying goes, "there is wisdom in crowds".

Of all the projects in which I have been involved, I am most proud of the EBRD TFP e-Learning Programme. Championed by Kamola Makhmudova, Principal Banker in the EBRD's TFP, the project was designed to extend the reach of existing EBRD trade finance training activities. It has enabled me to re-examine and fine-tune my understanding of effective training and will certainly inform and inspire all future training projects with which I am involved.

The EBRD TFP initiative spans 29 countries from Central Europe to Central Asia. Members of the participating banks in these countries have the opportunity to meet at conferences held by the EBRD to discuss the programme itself and operational matters relating to trade finance business. The opportunity to meet and share knowledge has fostered a strong sense of community for these participating trade finance bankers.

Since its inception, the EBRD TFP has employed some of the world's leading trade finance experts – including Vincent O'Brien (EBSI, Ireland), Igor Roussine (independent consultant, Austria) and Steven Tricks (Clyde & Co LLP, United Kingdom) – to help establish trade finance operations and facilitate the professional development of the bankers running these operations.

The establishment of the e-Learning Programme has enabled the EBRD to further structure and enhance the educational activity of its community of member bankers. Online delivery of training ensures that all students receive a consistent and authoritative message on ICC Rules and EBRD procedures, while the associated course assessments help to establish a benchmark of professionalism for the community. I believe that the main reason for the success of this Programme is, the enthusiasm, dedication and day-to-day involvement of the TFP team. It interacts with member banks on an on-going basis at transaction level, and so is ideally positioned to understand their educational requirements. This ensures that the TFP can tailor learning programmes to suit specific member banks and can communicate directly with students to help them attain maximum benefit and offer support.

This interaction creates a special learning environment akin to a school or university. The TFP team further nurtures this environment by arranging graduation ceremonies and by offering awards to the highest achieving students.

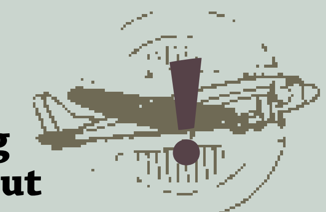
I was honoured to attend and participate in the graduation ceremony of the Class of 2010 in Moscow in February of this year where I witnessed at first hand the dedication, pride and sense of community that exists within this body of students.●

"The blended learning method adopted by the EBRD... is unique in the trade finance world"

Leo Cullen, Head of Trade Products
Coastline Solutions

PIT YOUR WITS AGAINST THE EXPERTS!

Every issue of *Trade Exchange* magazine will include a brain-teaser, drawn from the real-life trials of a trade finance expert. Here is your chance to demonstrate your ability to disentangle the most involved, contentious, or just plain weird combinations of documents and to solve a puzzle in the field of documentary collections.



Flying without a plane

We have recently received a presentation under a Letter of Credit which includes an Air Waybill as called for in the Credit. The Credit was available by sight payment with a nominated bank and the nominated bank has paid. Upon examination of the presentation we have also determined that the air transport document complies with the Credit and UCP 600 in all respects.

However, it has now come to our attention that it is physically impossible for a plane to fly out of the airport of departure stated in the Credit due to recent local developments in the country of export.

The Air Waybill also proves that the goods were transhipped en route to the airport of destination – but the Letter of Credit prohibits transhipment.*

The question...

Can we accept the Air Waybill as presented, even though we know for certain that the goods could not have been shipped on a plane from the airport of departure that was stated in the Credit?

**Note that the goods arrived safely with the importer so there is no concern regarding the possibility of fraud in the documents.*

Send your answers to TF-Expert@ebrd.com. Solutions and prize-winners will be announced in the next issue of *Trade Exchange*.

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