PECC Conference on

“Economic Crisis and Recovery: Enhancing Resilience, Structural Reform, and Freer Trade in the Asia-Pacific Region”

Title :

Reviving Trade Finance for Corporations and Small and Medium Enterprises

Presented by :

RAZALI JOHARI
President, National Chamber of Commerce & Industry Brunei Darussalam (NCCIBD)

WHY?

1. The **availability of short-term trade finance** in such periods has therefore became a major concern of International financial and trading communities.
2. “Some **80% to 90%** of the world trade relies on **trade finance**.”
3. “**The scarcity** of trade finance is very likely to accelerate the **slowdown of world trade** output.”
4. “The **liquidity problem** has spread to **developing countries which account to 1/3 of world trade** facing some problems of opening letters of credit and trade financing instruments.”
5. “The **credit crunch** can affect both exports and imports as to **the point of Stoppage**.” (Indonesia’s case.)
6. The collapse of World Economy?

(Ref : Vox, Marc Aubion 09)

WHAT? – Trade Finance

Trade finance provided by the bank to exporters and importers.

A. Opening Letters of Credit (L/Cs)

Accepting and confirming (L/Cs)

Discounting L/Cs

Working Capital loan or overdrafts

Issuing performance, bid and advance payment bond

B. Other forms of financing without intermediary of the Bank

Bill of Exchange

Promissory Notes

How bad is the problem <u>NOW</u> or Improving?

Since Lima, Peru – 19th-20th November 2008

We recognized the importance of ensuring that SMEs Enterprises are able to access finance to continue to trade and expand their businesses. The efforts by the Export Credit Agencies to collaborate and work together in supporting trade and investment in the region.

The Trade Finance Survey conducted by Singapore, 2009

1. **10 out of 18 economies** expect that the Trade Financing situation should ease over the next six months.
2. **16 out of the 18 economies** are facing some problems in Trade Financing.
3. **17 out of the 18 economies** had existing programmes to support trade finance.
4. **15 out of the 18 economies** had implemented new programmes, or enhanced existing schemes, to support trade finance.
5. **Half of the 18 economies** implemented new or enhanced export credit insurance schemes.

What needs to be done, When and How?

On-going policy efforts – Government Stimulus Packages

Public Policy Measures to guarantee the bank.

Indonesia wants APEC trade financing body?

National Responses – Brunei Darussalam

BRUNEI GOVERNMENT ASSISTANCE

1. Enterprise Facilitation Scheme (EFS)
2. Micro-credit Financing Scheme (MFS)

Objectives of Enterprise Facilitation Scheme (EFS)

1. To provide financial support for Small and Medium Entrepreneurs (SMEs) in Brunei Darussalam.
2. To encourage and assist local enterprises to upgrade, modernize and expand.

FINANCING FACILITIES

1. Term Financing
2. BBA
3. Letters of Credit
4. Letters of Credit / Trust Receipt
5. Bankers Guarantee

OUTLOOK the IMF Perspectives

1. Output growth is projected to remain weak in the near term, recovering only gradually over the medium term.
2. Major government projects and a pick up in non-energy sector activity would be key sources of growth.
3. Downside risks stem from possible further declines in energy prices as the global economy slides into a recession.
4. Given much lower hydrocarbon prices in 2009, the fiscal and current account surpluses would fall significantly.
5. In addition, the global financial turmoil could further reduce the value of external assets.
6. Over the longer term, growth would depend on hydrocarbon reserves expansion, the recovery of the global economy and oil prices, and success in diversifying the economic base.
7. GDP growth is expected to rise to 1¾ percent by 2013, assuming that energy production will remain conservative.

The Way Forward

- IMF encouraged the authorities to accelerate economic diversification and private sector job creation, in line with the priorities set out in their strategic development plans.
- They recommended
  - greater private sector participation in areas currently dominated by the public sector,
  - reduction in the large gap between public and private sector compensation packages, and
  - removal of structural impediments to create an enabling environment for private sector development.