



Global Network of Exim Banks & DFIs

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Creating a Common Agenda

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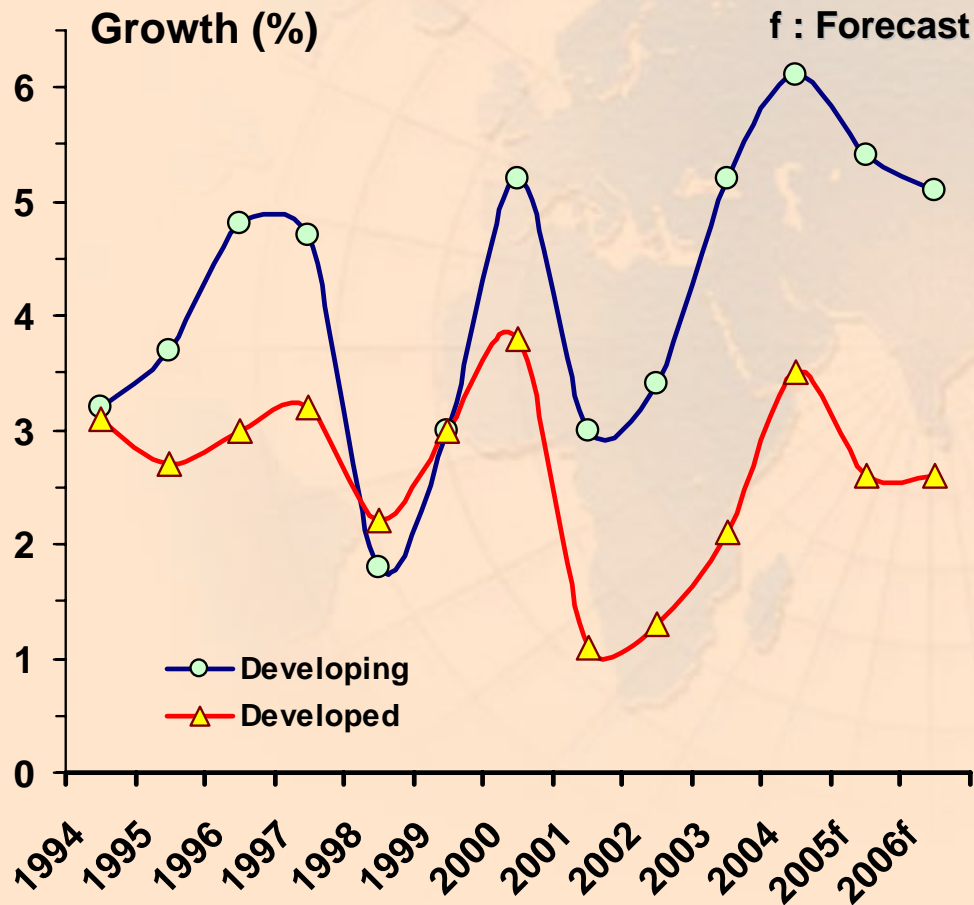
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Emergence of Developing Economies

... through higher GDP Growth than High-Income Countries



- Developing countries (DCs) constitute the most dynamic sector in global production and trade.
- After 1999, GDP growth of DCs has always outpaced developed country growth.
- In 2004, all developing regions posted significantly higher growth rates than in previous years.

Emergence of Developing Economies

... and through increasingly higher share in international trade

Year	VALUE (US\$ bn)			SHARE (%)		
	1990	1995	2004	1990	1995	2004
Global Merchandise Exports	3493.6	5168.9	8975.6	100.0	100.0	100.0
Developed Economies	2516.8	3606.6	5661.0	72.0	69.8	63.1
Developing Economies	976.8	1562.3	3314.6	28.0	30.2	36.9
Global Services Exports	830.8	1239.0	2192.8	100.0	100.0	100.0
Developed Economies	668.6	930.9	1641.5	80.5	75.1	74.9
Developing Economies	162.2	308.1	551.3	19.5	24.9	25.1

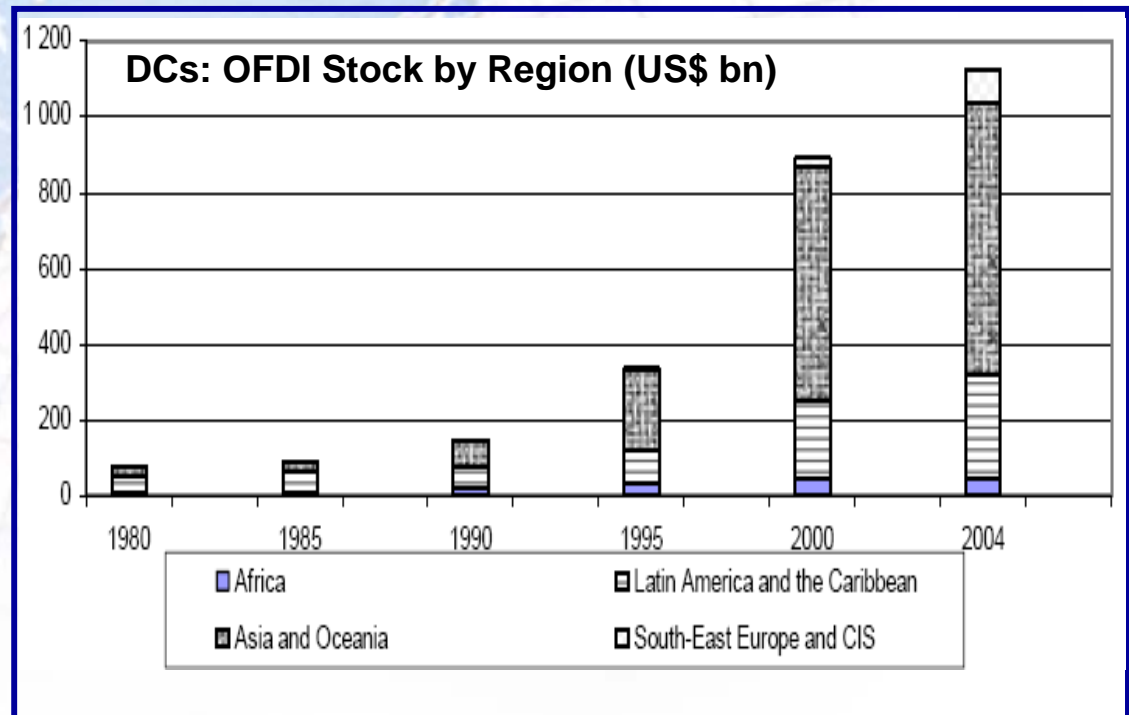
Source: Handbook of Statistics 2005, UNCTAD

- Share of DCs in global merchandise trade increased consistently from 28% in 1990 to 37% in 2004; in services, from 19% to 25%.

Emergence of Developing Economies

... and finally through increasing South-South investment

- ❑ Rapidly growing South-South trade is a major driving force behind the rising share in world trade of all developing countries taken as a group.
- ❑ Growing importance of the South in the global economy is not confined to trade relations only but covers investment as well.
- ❑ Outward FDI (OFDI) from DCs has increased from US\$ 147 bn in 1990 to over US\$1 trn in 2004.
- ❑ DCs together accounted for 11% of the world's OFDI stock in 2004, compared with 7% in 1990.
- ❑ Contribution of RTAs
- ❑ DCs more financially integrated
- ❑ Enhanced cooperation between Exim Banks (promoting trade) and DFIs (promoting investment)



Trade & Investment Complementarities



- **Strong linkages between trade and investment in a globalising world.**
 - **Increasingly trade is investment- driven**
 - **Emergence of cross-border supply chains generating trade**

- **Countries with an open trade regime attract more FDI ;countries with an open investment regime trade more**

- **Positive correlation between**
 - **Outward FDI and exports of home country**
 - **Inward FDI and industrial growth of host country**
 - **Inward FDI and exports of host country**

Trade & Investment Capacity Building



- ❑ **The new global economic context offers opportunities as well as challenges.**
 - ➔ **The new challenges of multilateral trading system and competing demands of RTAs confront DCs with an expanding array of competitiveness and policy challenges.**
 - ➔ **Yet, they frequently lack the institutional and human resource capacity to meet these challenges.**
- ❑ **Developing countries want to integrate with the global economy.**
 - ➔ **Beneficial integration with the global economy requires a more effective participation in the rulemaking and institutional mechanisms that shape the global economy.**
- ❑ **Trade and investment liberalisation contribute to development and welfare.**
 - ➔ **More trade, not aid**
- ❑ **A common alliance amongst institutions engaged in trade, investment financing can play a role in enhancing international competitiveness of local industry and in promoting bilateral trade and investment**

... Natural Synergies

- ❑ Leverage intrinsic complementarities
- ❑ Natural counterparties in Lines of Credit transactions
 - ➔ Exim Banks provide MLT, export finance for capital goods, projects;
DFI on-lend to domestic enterprises as MLT (domestic) loans
- ❑ Exim Banks can also co-finance with DFIs, domestic projects through buyers' credits.
- ❑ Exim Banks can finance OFDI from respective countries by way of co-financing with DFIs in the host countries.
- ❑ Exim Banks who provide short-term trade finance can collaborate with DFIs for facilitating imports /finance for exports of the clients of DFIs.
- ❑ Where DFIs open import letters of credit, they can be confirmed by Exim Bank in the country of the exporter.

Development Financial Institutions

...fulfilling the need of the time

- ❑ Specialised financial institutions addressing the gaps in the financial system.
- ❑ Provision of medium and long-term financing for industrial projects; carry higher credit risks and market risks.
- ❑ Contribute to the development and growth of the targeted industries and strategic sectors of the economy & thus national development.
- ❑ Generally state-owned ; Little relevance in developed countries now.
- ❑ However, Europe had the benefit of Marshall Plan, Japan had Reconstruction Finance Bank.
- ❑ Well developed capital markets in developed countries
- ❑ Many developing countries did not have such special financing mechanisms.

THE CONTINUING RELEVANCE OF DFIs IN DCs

Exim Banks

... a creation of developed world, but gaining significance in DCs

- ❑ While DFIs are losing relevance in developed countries, Exim Banks gaining increasing significance in current environment.
- ❑ Exim Banks – a creation of the developed countries.
 - ➔ US Exim : Estb. 1935; Exim Japan : Estb. 1950 ; Exim Korea : Estb. 1976
- ❑ Exim Banks operate in developed countries to suit evolving needs.
 - ➔ USA : Small Business Enterprises
 - ➔ Japan : Broader role through merger with OECF
 - ➔ Korea : Supporting Chaebols (trading houses) & overseas investment
 - ➔ Now, China : Policy Bank
- ❑ Exim Banks, as specialised focused institutions beyond Commercial Banks, have a key role to play in national devpt. & operating in a competitive global environment.
- ❑ Exim India (estb Mar 1982) – one of the first Exim Banks for a developing country.
- ❑ Others who have since set up Exim Banks include Nigeria, Malaysia, Turkey, China.
- ❑ Operate as commercially viable & profitable organisations.

Exim Banks and DFIs

... through a Common Institutional Mechanism

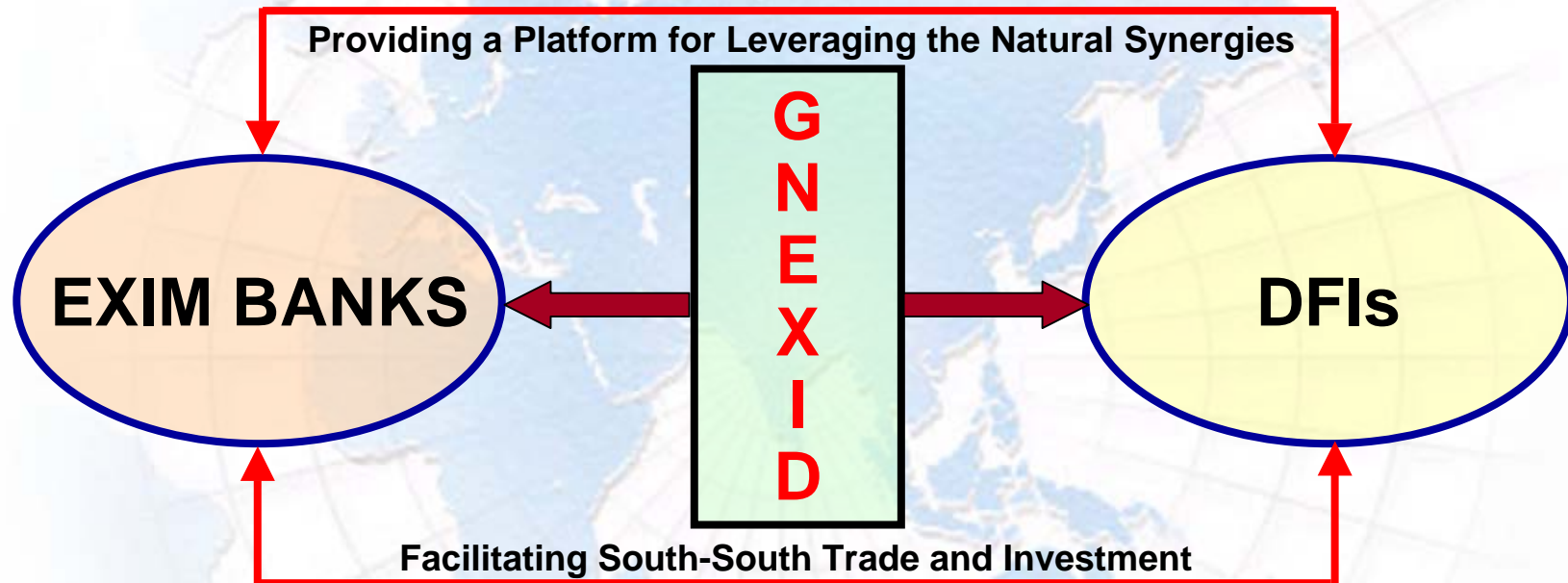
- ❑ The policy challenge for DCs: Need for policies that nurture and sustain external competitiveness in a globalising world.
- ❑ A Common Institutional Mechanism covering Exim Bank and DFIs to leverage their natural synergies to promote South-South trade & investment can contribute to addressing this challenge.

GNEXID : AN INITIATIVE IN THIS DIRECTION

SEEKING TO PROMOTE TRADE & INVESTMENT AMONG DCs

Exim Banks and DFIs

Exim – DFI Symbiotic Framework



- ❑ Imperatives to form partnerships within the established institutional framework:
 - ➔ Mutual trade and investment capacity building through collaboration.
 - ➔ Regular contacts amongst leaders
 - ➔ Follow on structured interaction to maximise operational benefits

... a historical background

- ❑ At the XIth Congress of UNCTAD in Rio de Janeiro in June 2004, it was decided to create an international network of Exim Banks & DFIs that will be a Global Network for institutions involved in trade and project financing.
- ❑ Exim India, Exim Malaysia, AfriExim Bank, Andean Development Corporation, Exim Slovakia met in March 2005 in Geneva under the auspices of UNCTAD and concluded a MOU for creation of GNEXID.
- ❑ Objectives – Serve as a global forum for these institutions to work together to promote trade and development finance through:
 - ➔ Cooperation and joint technical assistance activities
 - ➔ Providing networking opportunities
 - ➔ Facilitating exchange of information on best practices in trade and project finance.
- ❑ Legal statutes circulated for acceptance.
- ❑ Formal launch – today on March 13, 2006

CATALYTIC ROLE OF UNCTAD

GNEXID: The Way Forward

Creating a Common Agenda

We may seek to create a framework that:

- Enhances individual member's capacity to contribute to respective public policy formulation
- Facilitates business strategy development to address institutional objectives
- Promotes financial cooperation amongst members
- Develops common denominators to address issues arising from application of international protocols such as Basel II, WTO etc.
- Enables greater trade and investment flows amongst member countries in particular

Creating a Common Agenda : Task

Identification and prioritisation of specific areas; illustratively

- ❑ Access to international finance, technology, markets for SMEs
- ❑ Develop trade financing capabilities for DFIs and (export) investment financing capabilities for Exim Banks
- ❑ Multilateral and bilateral medium term financing mechanisms
- ❑ Support for infant industry, exporter
- ❑ Strategies for relevance of DFIs and Exim Banks to be relevant to private sector enterprises in a globalising, deregulating world.

Creating a Common Agenda

- ❑ **GNEXID** would complement rather than duplicate existing multilateral, regional, sub-regional and national institutions.
- ❑ Members at the CEO level to meet annually and engage in an active dialogue.
- ❑ The Annual Meetings will deliberate upon measures to foster long-term relationship amongst members, share experience and strengthen financial cooperation to promote trade and investment.
- ❑ Annual Meetings may be supplemented by Technical Group meetings; workshops/seminars; bilateral exchanges of staff and information; web enabled services; to address agenda decided upon in the Annual Meetings.
- ❑ GNEXID may launch own portal which can evolve in due course into a B2B exchange for SMEs of member countries

GNEXID : IN SUM

THE CONTEXT

- ❑ Trade and investment strongly linked
- ❑ Increasing South-South trade and investment
- ❑ Need to strengthen financial mechanisms to further interests of DCs
- ❑ Natural synergies between Exim Banks and DFIs

THE OBJECTIVE

- ❑ Serve as a global forum for Exim Banks and DFIs to work together to promote trade and development finance

THE WAY FORWARD

- ❑ Launch
- ❑ Agree on Common Agenda

We Can Learn A Lot In GNEXID

GNEXID



PARTNER IN GLOBALISATION





THANK YOU

For more information, visit us at

www.eximbankindia.com