

Fourth High-Level Conference on Asian Economic Integration: Towards an Asian Economic Community

November 18-19, 2005, New Delhi, India

Organized by



RIS
Research and Information System
for Developing Countries,
New Delhi, India



LEAS
Institute of Southeast Asian Studies
(ISEAS), Singapore

Supported by



Sasakawa Peace Foundation, Japan



UNDP Regional Centre, Colombo

Promoting Asian Economic & Financial Cooperation Exim Bank's Initiatives

Mr. T.C. VENKAT SUBRAMANIAN

Chairman & Managing Director
Exim Bank of India

Introduction

International trade & investment – vital components of economic growth

- ❑ Globalisation – opened up new opportunities for economic progress in developing countries through greater integration.
- ❑ Growing trend towards greater political, economic, and social integration among countries, both inter-regionally and intra-regionally.
 - ➔ Regional integration – a key factor in the rapid and sustained economic development of the Asian region, linking domestic development and regional economic restructuring.
- ❑ Enhancing economic cooperation among countries facilitates the analysis, identification and formulation of policy options.

Regional Cooperation

...enhances & amplifies domestic effort at development

- ❑ **Economic integration has increased significantly; some factors:**
 - ➔ **Growing trade interdependence**
 - ➔ **Rapid expansion of investment flows**
 - ➔ **Fundamental shifts toward market-based open policy**
 - ➔ **Economic liberalisation**
 - ➔ **Internationalisation of capital and production networks.**
- ❑ **Regional cooperation is best manifested in the increasing proliferation of Regional Trading Agreements (RTAs), which is reshaping the architecture of the global trading system.**
- ❑ **More than one-third of global trade takes place between countries that have some form of reciprocal RTA.**

Regional Trade Flow Trends

Regional Trade Flows (US\$ bn)

Region	1999	2000	2001	2002	2003	2004
North America	934	1058	990	948	998	1324
South & Central America	294	358	347	351	378	276
Europe	2352	2440	2484	2655	3146	4028
CIS	215	271	286	314	400	266
Africa	111	145	141	136	176	232
Middle East	169	262	237	239	301	393
Asia	1395	1650	1498	1620	1902	2388
World	5473	6186	5984	6272	7294	8907

Share of Intra Regional Trade (%)

Region	1999	2000	2001	2002	2003	2004
North America	39.6	39.8	39.5	40.3	40.5	56.0
South & Central America	16.0	17.3	17.0	15.4	15.6	23.2
Europe	69.1	67.8	67.5	67.3	67.7	73.8
CIS	26.1	26.6	26.6	25.5	24.5	20.7
Africa	9.9	7.6	7.8	8.1	10.2	9.9
Middle East	8.3	6.5	7.6	7.1	7.3	5.6
Asia	46.6	48.9	48.2	48.9	49.9	50.3
World	100.0	100.0	100.0	100.0	100.0	100.0

Source: International Trade Statistics, WTO, various issues

Note: Data for 2004 for Europe includes Central Europe & Baltic states & for CIS excludes these countries

More than half of the exports of Asian economies are among themselves

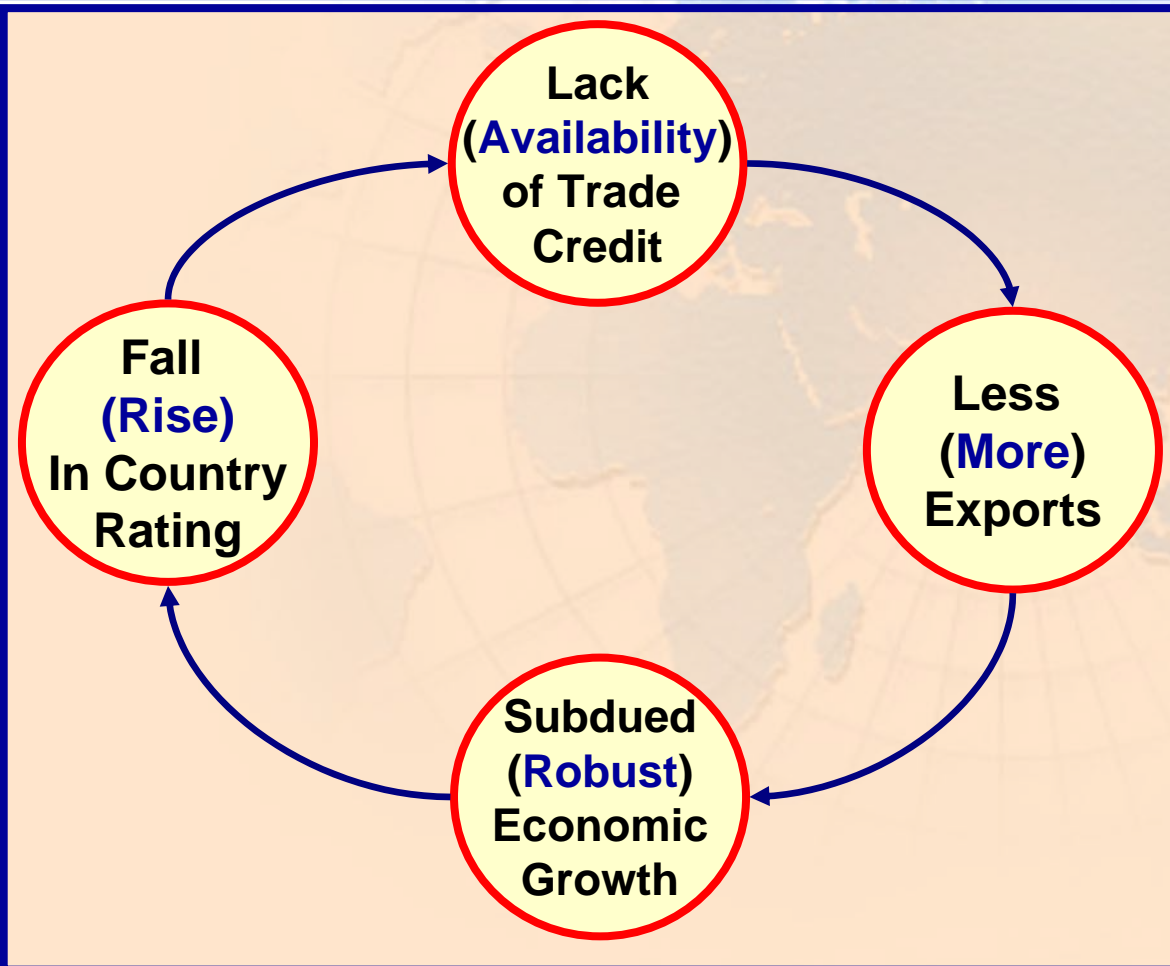
Role of Exim Banks

Exim Banks – playing a vital role in promoting international trade

- ❑ Exim Banks support their countries' exports through a variety of financing programmes.
 - ➔ Help exporters to meet global competition effectively and ensure that they do not lose out due to uncompetitive financing packages.
- ❑ Exporters from AAA rated OECD countries are backed by their Exim Banks with very attractive credit packages while bidding for large global contracts.
- ❑ Exim Banks in the developing world are unable to match such credit packages as their cost of funds are much higher compared to their counterparts in the OECD block.
- ❑ In the Asian region, except JBIC, other Exim Banks are comparatively weaker in their abilities to match ECAs from OECD group.

Regional Exim Bank for Asia

Trade promotes investment & turns the Vicious Circle into a Virtuous Circle



- ❑ Developing countries in Asia invest their forex reserves in AAA rated banks and institutions in OECD countries.
- ❑ Exim Banks from developing countries borrow from these OECD markets at far higher interest rates.
- ❑ Thus, need for a strong AAA rated institution in Asia which can provide credit enhancement to weaker economies and from whom borrowings could be raised by Exim Banks for financing exports of their respective countries.

Regional Exim Bank for Asia

Facilitating regional integration through increased intra-regional trade in Asia

- ❑ The objective of Regional Export Credit Agency for Asia (RECAA) will be to improve access to Trade Finance for Asian Economies, through Credit Enhancement and Risk Mitigation measures and thereby, contribute to enhance intra-regional and extra-regional trade & investment.
- ❑ RECAA will seek to achieve its above objective by positioning itself as a regional supra-national agency with high credit rating (AA-minimum).
- ❑ RECAA will be a Refinancing / Rediscounting / Reinsurance institution and not a Direct Financier.
- ❑ RECAA would complement rather than duplicate or supplant existing multilateral, regional, sub-regional and national institutions, which would increase the level of intra and extra Asian trade and investment.

The Asian Exim Banks Forum

Creating an Institutional Mechanism for Regional Cooperation

- ❑ Global trade and investment flows in recent years have witnessed the increasing manifestation of emerging countries from Asia as important drivers of growth.
- ❑ The challenge – How to capitalise on globalisation by designing an institutional mechanism, which ensures that a country can seize new opportunities created by globalisation.
- ❑ It was with this objective that the Asian Exim Banks Forum was initiated by Export-Import Bank of India (Exim India) in 1996 for enhancing regional cooperation & forging a stronger link among member institutions.
- ❑ First meeting of Asian Exim Banks was held in India, which led to the formation of the Asian Exim Banks Forum.

The Asian Exim Banks Forum

Marking a Decade of Enduring Cooperation

- ❑ Cooperation among Exim Banks is vital for successful completion of an international project.
- ❑ While Exim Banks are considered as competitors, considering that they support their respective national exports, the objective of this Forum is to collaborate while competing through enhanced economic cooperation among member institutions.
- ❑ Every year, the Exim Banks meet at the CEO level in a different member country by rotation.
- ❑ Members of the Forum include Exim Banks from Australia, China, Japan, Korea, Malaysia, Thailand (all founding members), Indonesia and Philippines (who joined subsequently), in addition to Exim India.
- ❑ Asian Development Bank is a permanent invitee since 2001.
- ❑ There are other invitees from similar institutions who attend as observers.

The Asian Exim Banks Forum

Endeavor is to Promote Intra-regional Trade & Investment

- ❑ The Annual Meetings serve as a forum for discussing a wide range of issues focused on fostering common understanding as well as exchanging and sharing information.
- ❑ First two meetings took place in Bangalore and Mumbai, India, both in 1996, hosted by Exim India.
- ❑ The discussions focused on formalising an annual meeting and developing a common agenda.
- ❑ Specific topics covered at each meeting were decided in advance and reviewed during the time leading up to the meeting.
- ❑ Substantial progress made with the support and active participation of the member Exim Banks.
- ❑ Provides an opportunity for cooperation in areas that transcend trade and investment, such as social sectors capacity building and governance.

The Asian Exim Banks Forum

Each meeting has proved to be a valuable opportunity...

- ❑ **Participating institutions have learnt a great deal from sharing each other's experience and engaging in active dialogue.**
- ❑ **For example, the third meeting in Tokyo (1997) provided an opportunity to exchange views and share information of member countries' experience in project financing.**
 - ➔ **By combining the expertise of Japanese companies with those of member institutions, participants were able to learn a lot about project financing.**
- ❑ **The discussion in Beijing (1998) and Bali (1999) focused on topical issues such as the 'Role of Asian Exim Banks in the wake of Asian Financial Crisis'.**
 - ➔ **The meeting in Bali also marked the first one in which international financial institutions such as ADB and EDC, Canada participated as observers.**

The Asian Exim Banks Forum

...from sharing experiences and knowledge building

- At the meeting in Bangkok (2000), member institutions signed a Memorandum of Understanding (MOU).
 - The main pillars of the MOU – the establishment of bilateral L/C confirmation and insurance facility – were proposed.
 - Parallel to this initiative, a trade financing programme was also proposed by Exim Thailand and the foundation for adopting a risk sharing facility was finally laid.
- At the meeting in Seoul (2001), the theme was Asian Trade Expansion through Regional Cooperation in Export Credit and Export Credit Guarantee, which followed the MOU signed by all participating institutions in the previous meeting, to reflect the objectives and consensus of areas of cooperation among Asian Exim Banks.

The Asian Exim Banks Forum

... to developing concepts on improving intra-regional trade

- ❑ The broad structure of the L/C Confirmation Facility was discussed at the meeting in Kuala Lumpur (2002). The meeting marked the culmination of discussions held at the Annual Meeting in Seoul in 2001, by signing of a Multilateral L/C Confirmation Facility Agreement by participating Institutions (on voluntary basis).
- ❑ The meeting also marked the evolution of a concept for establishment of a regional trade refinance/reinsurance mechanism by Exim India, in view of inadequate availability of export finance.
- ❑ The idea for development of regional internet-based trade information exchange system among Asian ECAs (Asian TRADEX) was also put forward by PhilExim.

The Asian Exim Banks Forum

... to actually implementing mechanisms for facilitating trade & investment

- ❑ The meeting in Manila (2003) marked the initiation of the Bilateral L/C Confirmation Facility Arrangement with the signing of the facility agreements by
 - ➔ Exim India and Exim Malaysia
 - ➔ Exim India and Exim Thailand
 - ➔ Exim Malaysia and Exim Korea
- ❑ At the meeting in Beijing (2004), the Forum members sought further avenues to consolidate regional cooperation
- ❑ One of the proposals under discussion – establishment of a regional export credit agency for Asia to facilitate credit enhancement and increased liquidity to weaker economies in the region.
- ❑ Discussions also focused on the role, objectives, activities and structure of Regional Export Credit Agency for Asia (RECAA).

The Asian Exim Banks Forum

The 11th Annual Meeting of Asian Exim Banks, Goa, India

- ❑ Theme – Promoting Regional Cooperation Through Trade Financing.
- ❑ Observers – ADB (Manila), UNCTAD (Geneva), OECD Sect. (Paris), KfW (Germany), BNDES (Brazil), SME Bank & Central Bank (Sri Lanka).
- ❑ The Forum deliberated on the following : -
 - ➔ Training needs of member institutions
 - ➔ Role of Asian Exim Banks in financing and developing SMEs
 - ➔ Regional export financing mechanisms under the auspices of ADB
 - ➔ The role that Asian Exim Banks can play in natural disaster management in the specific context of the recent Tsunami experience
 - ➔ Role that Exim Banks can play in facilitating two way FDI flows
 - ➔ OECD Arrangement and export credit issues related to WTO
- ❑ Exim India & Exim Thailand signed Bilateral Guarantee Facility Agreement for \$ 50 mn.
- ❑ Exim Thailand signed a Bilateral L/C Confirmation Facility Agreement with Exim Malaysia for US\$ 5 mn.

Asian Exim Banks' Forum Portal



The Asian Exim Banks' Forum Portal

- ❑ **Technical launch of the Asian Exim Banks portal developed by Exim India**
- ❑ **Rationale of the portal is to create competitive online presence, information and experience sharing, brand building and then facilitate conduct of business among the member institutions.**
- ❑ **The portal incorporates a three level layered access security protocol.**
- ❑ **The portal will be made formally operational after incorporating suggestions and comments from member institutions.**
- ❑ **The operation of the portal will be reviewed at the next Annual Meeting to be held in Japan.**

Important Milestones

- ❑ **Important outcomes of past endeavours of the Asian Exim Banks Forum include the following : -**
 - ➔ **Signing of the Memorandum of Understanding**
 - ➔ **Multilateral Letter of Credit Confirmation Facility Agreement**
 - ➔ **Bilateral Letter of Credit Confirmation Facility Agreements**
 - ➔ **Feasibility of a framework for establishment of a Regional Export Credit Agency for Asia for trade refinance/reinsurance facilities (under discussion)**
 - ➔ **Web Portal of Asian Exim Banks Forum – www.asianeximbanks.org**
 - ➔ **Training Committee**

THANK YOU

For more information, visit us at

www.eximbankindia.com

www.eximbankagro.com