



## ITFA roundtable: Enabling trade through digital solutions while promoting government policies

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By **Naura Hussain**, Chairperson of the Middle East Regional Committee

In November last year, the International Trade & Forfaiting Association (ITFA) Middle East Regional Committee held its 4th annual trade finance roundtable, hosted by DP World in collaboration with **GTR**. In this wrap-up, ITFA brings together some of the key takeaways from the discussion, which is available to view [here](#).

Roundtable participants:

- Raja Al Mazrouei, executive vice-president, DIFC FinTech Hive
- Maninder Bhandari, director, Derby Group and GTR representative (*moderator*)
- Sean Edwards, chair, ITFA
- Shada Elborno, Managing Director, Head of Global Subsidiaries
- Tom James, CEO, TradeFlow Capital & Executive Director Supply@Me Capital Plc
- Vikas Jha, group head of trade and supply chain finance, Emirates NBD
- Yusuf Ali Khan, Head of Trade and Working Capital Solutions – MENA & Pakistan, Citi
- Michelle Leong, country head of Saudi Arabia, Bahrain and Jordan, UK Export Finance
- Sinan Ozcan, Senior Executive Officer and Board Director, DP World Financial Services Limited (“Cargoes Finance by DP World”)

### Shifting supply chains and sources of finance

**Leong:** Following the pandemic-driven supply chain disruptions and other fault lines, businesses and economies are now readjusting and moving their supply chains closer to the source of demand. Large emerging economies with growing populations and a very strong manufacturing base will rebalance to cater towards domestic demand.

While the movement of goods will still dominate, we can expect service-oriented trade to grow to 28% of global trade by 2030 from 25% in 2019, and to dominate trading patterns.

**El Borno:** Business operating models are being reshaped to becoming more adaptive and agile to build resilience to future shocks. Companies have realised that uncertainty will be the new normal for some time to come and while traditionally business models allowed for a certain amount of volatility the resultant solutions were not factored into business models and strategies as they are now.

Technology has been a great enabler allowing more transparency into movement of goods and access to data in real time allowing clients to become more agile and better positioned to cope with challenges within supply chains.

**Khan:** The shifts in trade patterns are already evident from traditional corridors i.e. North-South flows to South-South flows between one emerging market to another. They are driven by infrastructure development and enabling strategies such as China’s Belt and Road Initiative. The UAE has positioned itself successfully as a



global trade and services hub by investing in infrastructure that is world class which has resulted in various multinationals locating themselves here to service not just MENA but Sub-Saharan Africa as well.

**Ozcan:** The limited access to capital is one of the biggest barriers to closing the trade finance gap of US\$1.7tn. While 50% of global trade more or less comes from SMEs, this segment has access to a significantly smaller portion of funding from within the financial ecosystem because of a historically higher default ratio as compared to larger corporates.

DP World has created a solution to provide access to capital by promoting the inclusion of alternative lenders, trade finance funds and fintechs into the financial ecosystem along with financial institutions. DP World aims to enable smarter trade by providing logistics and digital solutions while ensuring inclusion within the trade ecosystem – hence the formation of Cargoes Finance.

**Bhandari:** Companies have realised that uncertainty will be the new normal for some time to come and while traditionally business models allowed for a certain amount of volatility, the recent restrictive situation was not factored into business models and strategies as they are now. Given the various shifts within the trade ecosystem, the massive trade finance gap growing each year, and the outlook on sustaining the current growth patterns, will the alternative solution providers be able to fill this very large gap of requirements?

#### **Dubai Expo: Leveraging a global trade showcase**

**Bhandari:** Expo 2020 will continue challenging and addressing key conversations such as climate change, responsible production and circular economies, such that each visitor will embark on a purposeful journey after Expo 2020 to continue seeking collective solutions to global challenges in a culmination of innovation and collaboration.

**Al Mazrouei:** The Expo delivered a message globally of inclusion, connectivity and collaboration, and resultantly a return to normality and recovery within the UAE. The UAE in general challenges the status quo perpetually, exploring every avenue for innovation whether through reinvention to emerge from the financial crisis or through diversification using technology or space exploration.

**Jha:** The three sub-themes of Dubai Expo of opportunity, mobility and accessibility are core to creating a Sustainable Trade Finance ecosystem. Expo is helping us reimagine a future which is better and more sustainable.

From a geographical perspective, the UAE is well placed and is one of the pivotal centers of Trade and Supply Chains of clients across Asia, Europe and Africa. Given the pandemic challenges, there could not have been a better time, place or way of showcasing triumph, possibility and celebration of human spirit. Expo provides an opportunity to focus on how the future will look with digital infrastructure being built out while providing an opportunity for everyone to start thinking about how to create a new and more sustainable future.

**El Borno:** Since day one, the Expo has had sustainability, sustainable practices and responsible acts at the core of its operating model, framework and infrastructure. It has been focused on bringing together and giving



an opportunity to businesses, society, governments and individuals to be innovative and creative to make an impact not just for the six months, but with the future in mind.

**Khan:** The Expo theme relates to the direction financiers, exporters, export credit agencies, multilaterals and governments are headed in terms of having an ESG agenda. For corporates it's not just about sustainability, it's also about governance and having effective controls to mitigate common risks within trade. Countries within the MENA region require financing from developed markets of between USD 7B to USD 70B between now and 2030 to achieve their sustainability goals. Sustainability measures will jointly also require measurement metrics to be established in order to track the progress being made in terms of agreed milestones

### **Digital trade: Investing in transformation**

**Edwards:** There is a need for a transparent and nimble financial ecosystem with multiple players as compared to previously where reliance was on a relatively limited number of financial players and where data was treated as proprietary in order to avoid disclosing pricing information. There is concurrently a need for greater transparency in the financial supply chain in order to build trust between buyers and sellers and be able to appropriately measure risk. Current technology solutions are now enabling parties to provide access to more data while motivations have now changed to wanting to make the marketplace bigger.

**James:** The big C 'collaboration' is important. Businesses can drive innovation forward but governments need to work together to assure us the legal framework.

**Edwards:** Unless we have also got the collaboration and coordination at the government level, to be able to allow the technology to be applied as good as the piece of paper, then we're always going to have a bit of a headache.

Digital transformation in trade finance has been well underway even before the pandemic – although it has underlined the obvious and hence has been acting as the catalysing role right now.

The future, driven by showcase events like, Expo is forming up a digital financial infrastructure which is the turning point to reshape the past 150 years of trade.

**James:** The need for the availability of data in order to measure delivery against ESG goals is important. SMEs' need the trade and technology solutions and trade risk management systems which can allow not just collection of data but improvement of governance with promotion of best practices and greater visibility is equally important for enabling trade flows.

**Jha:** There are new ways of exploring technology solutions, however providers need to start prioritizing the impact of the new solution on the end user workflow. Given the varied challenges and expectations of the ecosystem stakeholder, one solution is unlikely to suit all stakeholders and the lack of commonality will mean that the cost benefit will be skewed. This has been one of the key challenge for mass-scale adoption of distributed ledger technology; with different parties developing their own siloed ecosystem. A few other key challenges are lack of common legal identifier or authentication tool, lack of standardization,



**Al Mazrouei:** Fintechs are successfully leveraging access to technology while the advancement of tech tools such as blockchain promote connectivity of data sources, providing insight to decision makers, building competencies and addressing gaps within the system. The UAE has played a great role in nurturing and supporting the fintech sector since 2017, with plenty of fintech companies operating in different areas, however trade finance still provides a lucrative opportunity.