International Trade and Forfaiting Association

itfa.org
info@itfa.org

TOP TAKEAWAYS FROM ITFA ABU DHABI 2023

Written by Rebecca Spong, Editorial Consultant, November 2023

The 49th Annual International Trade and Forfaiting Conference took place in Abu Dhabi last month, attracting more than 400 delegates across 12 different sectors and 42 sponsors from around the world.

Delegates gathered at the Ritz Carlton Abu Dhabi Grand Canal Hotel to hear speakers cover an array of topics, including the future of supply chain finance (SCF); the gender gap in trade finance; how to tackle ESG issues, as well as updates on ITFA's collaboration with the world's major multilaterals.

The two-day event kicked off with a presentation by Robert Besseling, founder and CEO of Pangea-Risk, on the Middle East's shift from 'Big Oil' and the fresh prospects this opens up for trade.

There was a regional flavour to the agenda, with a number of speakers from major UAE institutions discussing opportunities for ITFA's members, including Raja Al Mazrouei, CEO of Etihad Credit Insurance, Khalil Al Mansoori, acting director general at Abu Dhabi Exports Office and Massimo Falcioni, chief competitiveness officer at the Abu Dhabi Investment Office.

Alongside the packed conference programme, there were plenty of opportunities for networking – culminating with the Gala Dinner at the Saadiyat Beach Club.

The conference took place amid heightened regional turmoil in Israel and the Gaza Strip, a situation acknowledged by ITFA chair Sean Edwards in his opening remarks. Emphasising that ITFA is not a political organisation, he underscored its commitment to fostering trade, a crucial driver of prosperity. "Trade is the key to prosperity, and through prosperity, there is peace," he said.

Here are the top takeaways from this year's conference.

1) Trade Potential as the Middle East Shifts Away From 'Big Oil'

New opportunities for increased non-oil trade and investment as a result of the Middle East's shift away from its historic focus on hydrocarbon production were central to discussions at this year's conference.

"The Middle East is no longer a place of inequality and of overdependence on oil – it is increasingly a place of trade," said Besseling at Pangea-Risk, in his keynote presentation.

Besseling outlined how major Gulf countries such as the UAE and Saudi Arabia had been deliberately cutting their oil output and voluntarily imposing OPEC quotas on their production to both boost non-hydrocarbon growth in recent years whilst keeping a cap on inflation.

He highlighted the high levels of investment in infrastructure, transport and aviation as examples of how the Gulf countries in particular have been trying to diversify their economies over the past decade.

The region has also been cementing its position as a global hub for trade – both with developed countries and the 'global south' – with particular focus on the African continent. Dubai's DP World has led much of the initial forays into Africa, with investment and acquisitions in numerous ports and logistics zones across the continent from Algeria to Senegal and South Africa, he explained. “The UAE has certainly become a key player in Africa,” he said, noting that the Gulf region is the fourth-largest investor in the African continent.

There have also been fresh efforts to cement the region as a central cog in global trade flows, Besseling explained, referencing a preliminary agreement made on the sidelines of the G20 summit in Mumbai in September that envisaged the creation of a rail and shipping project that would link India to the Middle East and Europe.

“When completed, it could significantly lower costs on trade to Europe from India and accelerate trade flows. It currently takes 25 days to ship from Mumbai to Europe – but it could be five or six days,” Besseling said.

Besseling also highlighted a shift towards more gas production in the region – with huge investments being made by Qatar, UAE and Egypt. “Big oil might be dwindling – but big gas is coming,” he said.

The boom is being driven by increased demand from European markets as they attempt to lessen their reliance on natural gas from Russia. New pipelines are being built by Egypt and Algeria to connect to their European customers.

Amidst this story of growth and diversification, Besseling also noted areas of concern in Africa. Egypt, for example, is under observation due to its risk of a sovereign default. Huge investments in mega-infrastructure projects – some of which are not high revenue generators – have undermined the country’s finances and led to a withdrawal of foreign investors, he said.

2) Greater Collaboration Needed to Close the Trade Finance Gap

How to tackle the gap in trade finance provision continued to be a hot topic at this year’s event, with panellists generally agreeing that increased collaboration with multilaterals and technology providers is part of the solution.

The current global trade finance gap has grown to US$2.5tn in 2022 from US$1.7tn two years earlier, according to the latest statistics from the Asia Development Bank (ADB) released in September. The gap measures the difference between requests and approvals for financing to support imports and exports.

Panellists on the “Multilaterals Advisory Panel” spoke of how many banks were “de-risking” and retreating from emerging markets – making it even more imperative for the multilaterals to step in with their own trade finance programmes to potentially share risk with commercial banks.

The panellists from the world’s major multilaterals spoke of the importance of working with trade associations such as ITFA to collect data on SMEs, improve the reporting of ESG targets, and connect more emerging market corporates with potential commercial bank financiers.

Speakers on the “Changing Face of Supply Chain Finance” panel said there was still room for improvement in terms of increasing access to supply chain finance [SCF] programmes for SMEs.

Closer cooperation with technology platforms has been helping increase accessibility to a certain extent, said panellist Marina Narganes, head of distribution and sales strategy at Triterras.

“One of the main reasons [SCF] is more accessible is that more and more funders are partnering with platforms to deploy assets – which really is a match made in heaven.

"Platforms have the reach in terms of origination and have the technology to make the process easier – while funders have the capital to deploy at much more competitive pricing than those platforms. We have all the pieces there to get more money into SMEs – but we are still coming across challenges," she said.

Viacheslav Oganezov, CEO and co-founder of Finverity, said there is often a mismatch between appetite to fund an SCF programme and the operational capacity to run programmes.

"There are two main problems we see and try to address. One is the operational constraints that the funders have. They might have the credit risk appetite to fund something, but they might not be able to operationally process the sheer volume of invoices and payments that need to happen in order to run these programmes.

"On the other side, the problem is being able to access the assets and the corporates which need that capital. You can solve it by both of those angles – but a lot of work needs to be done for it to be scalable."

Other speakers noted the potential obstacles of KYC and regulatory constraints that limit banks and other financial institutions' appetite to provide finance to SMEs.

3) How to Support the Next Generation in Trade Finance

Nurturing the next generation of trade finance talent is core to what ITFA does – and was a key topic of discussion in Abu Dhabi.

ITFA's Emerging Trade Financier Award has been a central component of the conference programme since 2019 – and this year was no different, with the competition attracting 13 entries submitted from around the world. The premise of the competition is to come up with an idea or project that would make a significant contribution to the industry.

The awards jury met in August to shortlist the submitted projects. The three short-listed candidates were invited out to Abu Dhabi to present their ideas. After the presentations, it was revealed that judges were torn as to who should win – deciding all three were worthy of this year's award.

The winners were:

Charlotte Russo from American International Group, London - 'The Trade Finance Talent Gap'

Neha Saxena from DBS Bank, New Delhi - 'Unlocking the Potential of Deep-Tier SCF'

Ruby Zhou, UBS O'Connor in New York - 'ESG Pricing Incentive for SCF'

"This year's Emerging Trade Financier Award was a true nail biter… at judging stage we were all very impressed with the overall quality of the projects submitted and we had a really difficult task in selecting the three shortlisted candidates.

"Little did we know then that we would have yet another good problem to solve during the actual conference. The three presentations delivered in Abu Dhabi were outstanding and given that the result of actual voting from delegates was so close, we made an executive decision to give the award to all shortlisted candidates. A true win-win, ITFA style," said board member Duarte Pedreira after the event.

The award falls under ITFA's Emerging Leaders function – overseen by Pedreira and chaired by Pouya Jafari. The award sits alongside other initiatives such as networking events, working with universities, and mentoring.

“We want to give the younger generations in our industry a voice and a chance to participate. And I think we were quite successful in accomplishing our vision of becoming perhaps the most recognised group of young professionals in at least the transactional banking industry,” said Pedreira in his opening remarks before the projects were presented.

He added that the Martin Ashurst Trade Finance Mentoring Scheme has had another “record-breaking year” with 44 mentors and 44 mentees.

Speaking specifically about the award, Jafari said: “We wanted to have a way for young people or people new to the industry to be able to showcase their abilities and make a contribution to the industry, as well as foster a culture of productivity and an entrepreneurial spirit at an early stage in their careers.”

“Especially as banking, insurance and all these industries have become very regulated, quite process driven, which I think is very necessary. But we need to not lose sight of the fact we do need to come up with new ideas,” he added.