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Review

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Mena-Asia trade flows: The new dynamic

By Meguerditch Bouldoukian

INTRODUCTION (10F2)

• I have been asked by GTR Export Group Conference organizers to speak to you about MENA – ASIA trade flows: **The new Dynamic**.

This topic includes:

- 1. Growth in trade flows from Asian markets to the MENA region,
- 2. The role of international correspondent banking in financing trade,
- 3. The role of ECAs in promoting the growth of trade flows,
- 4. Alternative financing options, such as the A-MENA trade finance program.

Introduction (20F2)

- Well, the topic "the new dynamic" in MENA-ASIA TRADE FLOWS relates mainly to exporting and importing countries of the 2 regions, international correspondent banking and trade finance.
- I shall limit my presentation to the 4 main topics, which I enumerated above.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (1 OF 15)

- Let me make a general statement about this growth in trade flows.
- There is no growth in trade flows, if there is no TRADE FINANCE, under normal regional economic and political environment, as well as, credit facilitating institutions correspondent banks, ECAs, multilateral institutions and other financing arrangements, such as the IFC's Global Trade Finance Program, (G T F P) and others.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (2 OF 15)

- The Industrialization of emerging economies, in the long run, depends on the expansion of their markets and their sustainability. Trade flow is a function of several factors, namely:
 - The price of the merchandise,
 - Export subsidization,
 - Competition,
 - Innovation,
 - ECAs,
 - The banking system and finance,
 - Sanctions,
 - Economic crisis and political instability.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (3 OF 15)

- World trade dropped about 12% in 2009, according to Pascal Lamy, the Director General of the World Trade Organization. However, the UNCTRADE statistical data for 2007 and 2009 in ASIA-MENA region shows a far lower fall than world trade drop.
- The following statistical data from the same source, indicate how the Far Eastern emerging economies increased their exports and imports to and from MENA countries from 1994 to 2007 and to 2009, the share of the GCC being the bulk of the two way trade flows:
- Please follow the 1994, 2007 & 2009 statistical presentation.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (4 OF 15)

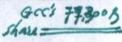
7.0		Selected Far East Countries								
<u>Countries</u>	China (US\$ M)	Hong Kong (US\$ M)	Indonesia (US\$ M)	Japan (US\$ M)	Malaysia (US\$ M)	· Singapore (US\$ M)	South Korea	Thailand (US\$ M)	total	
Algeria	59.8	0.6	186.4	230.3	4.4	16.4	47.6	19.2		
Egypt	279.6	21.3	141.1	709.0	201.7	110.5	354.4	88.1	×1,903_	
Lebanon	105.5	7.3	17.0	125.5	15.6	33.1	113.8	51.1		
Libya	29.5	0.1	2.2	165.9	27.9	12.3	150.4	15.3 🚄	-> 402 -	
Mauritania	31.6	0.1	7.3	29.1	2.3	0.0	1.1	12.1		
Morocco	89.6	9.5	26.0	111.9	11.7	23.8	38.5	6.1		
Sudan	38.6	0.2	8.9	25.6	18.8	10.4	31.8	12.0		
Syria	169.1	1.5	9.9	461.4	24.1	17.5	175.3	21.5		
Tunisia	50.5	2.0	18.4	68.6	8.4	20.5	20.3	7.7	Total Far East	
TOTAL	853.8 % (17.2)	42.6 (0.9)	417.2 (8.4)	1,927.3 (38.8)	314.9 (6.3)	244.5 (4.9)	933.2 (18.8)	233.1 (4.7)	4966.6 · · · · · · · · · · · · · · · · · ·	
THER ARAB' TOTAL	2,091.1 % (11.4)	184.6 (1.0)	1,166.3 (6.4)	8,133.4 (44.4)	1,292.1 (7.0)	1,419.7 (7.7)	2,691.8 (14.7)	1,351.0 (7.4)	(100)	
MENA TOTAL	2,944.9 V (12.6)	227.2 (1.0)	1,583.5 (6.8)	10,060.7 (43.2)	1,607.0 (6.9)	1,664.2 (12.5)	3,625.0 (15.6)	1,584.1 (6.8)	(100)	
Country Exports as % of Total Exports to Mena	(29.0)	(23.3)	(35.8)	(23.7)	(24.4)	(17.3)	(34.7)	(17.2)		

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (5 OF 15)

					Selected		7			
<u>Countries</u>		China (USS M)	Hong Kong (US\$ M)	Indonesia	Japan (US\$ M)	Malaysia (US\$ M)	Singapore (US\$ M)	South Korea	Thailand (US\$ M)	(M)
Algeria		3.8	0.0	1.6	108.7	0.0	61.3	19.4	0.0	
Egypt		15.2	26.3	9.6	79.9	5.0	122.7	159.1	15.1 •	434
Lebanon		0.2	0.7	0.7	3.3	0.1	0.5	1.2	10.7	
Libya		2.6	0.0	54.5	0.6	1.5	5.9	5.2	3.5 •	74 4
Mauritania		, 0.0	0.2	0.2	140.7	0.0	0.0	2.4	3.9	
Morocco		8.5	0.7	18.7	285.4	0.7	2.2	17.2	3.6	
Sudan		53.1	0.9	0.2	39.2	0.2	0.3	20.3	42.3	
Syria		2.0	15.4	17.2	17.1	0.9	1.9	1.4	17.4	
Tunisia		12.3	0.0	8.0	19.3	0.6	0.3	7.1	0.2	Total Far East
TOTAL	%	97.7 (6.6)	44.2 (3.1)	110.7 (7.5)	694.2 (46.8)	9.0 (0.6)	195.1 (13.2)	233.3 (15.7)	96.7 (6.5)	(100)
'OTHER ARAB' TOTAL	%	1,418.7	1,391.8 (3.2)	1,057.5 (2.4)	24,258.6 (55.1)	468.3 (1.1)	6,016.3 (13.7)	7,718.7 (17.5)	1,692.2 (3.8)	(100)
MENA TOTAL	%	1,516.4 (3.3)	1,436.0 (3.2)	1,168.2 (2.6)	24,952.8 (54.8)	477.3 (1.0)	6,211.4 (13.6)	7,952.0 (17.5)	1,788.9	(100) 45,503.0 G (100)
Country Imports as % of Total Exports to Mend		(6.5)	(3.2)	(9.5)	(2.8)	(1.9)	(3.1)	(2.9)	(5.4)	0 /Re
Far East Imports as % of Total Exports to Mend		Man en till mere en	erior (2000) services e vice, co	W NACHONINA (1994)		enganten et terrinore	ED STROMARTS	Name of the		(3.2)

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (6 OF 15)

				Select	ed Far East	Countries				
Niche Markets	China	Hong Kong	Indonesia	Japan	Malaysia	Singapore	South Korea	Thailand	TOTAL	
With Rots	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	
Algeria	2.741,9	25,5	146,4	851,8	112,1	43,8	768,1	136,5	4.826,1	
Egypt	4.468,1	174,7	589,5	1.288,6	476,7	330,3	1.166,5	490,7	x 8.985,1	
Lebanon	708,5	43,9	44,3	303,1	59,5	26,9	142,3	113,1	1.441,6	
Libya	870,9	3,2	34,5	251,2	75,5	38,4	402,1	266,7	× 1.942,5	
Mauritania	138,6	0,7	12,3	19,1	42,3		11,6	14,1	238,7	
Morocco	2.182,7	96,4	47,1	369,9	58,9	231,5	390,3	95,9	3.472,7	
Sudan	1.554,4	11,8	84,5	130,6	52,5	27,3	211,5	121,5	2.194,1	
Syria	1.892,1	24,8	79,5	478,9	166,1	18,8	607,7	121,2	3,389,1	
Tunisia	491,8	33,3	40,5	76,9	25,5	13,5	101,4	63,3	846,2	
Saudi Arabia	7.839,9	408,1	944,3	6.728,2	717,2	839,8	4.025,8	1.427,1	× 22.930,4	
Kuwait	1.345,9	57,7	129,4	1.664,8	167,9	248,3	1.305,7	225,0	5.144,	
Bahrain	385,9	56,5	35,0	676,1	60,1	53,6	202,2	96,2	1.565,0	
Qatar	622,6	35,2	146,3	1.840,8	292,8	251,4	1.163,4	222,6	4.575,1	
Jordan	1.113,0	214,7	119,4	374,2	89,9	54,7	386,5	174,1	• 2.526,	
Yemen	997,9	7,9	123,7	210,1	220,5	51,2	123,0	210,3	1.944,0	
UAE	17.104,9	2.622,1	1.324,8	8.048,7	2.947,1	3.491,2	3.704,7	2.228,6	× 41.472,	
TOTAL		A ME COST							107.495,1	
TOTAL	44.459,1	3.816,5	3.901,5	23.313,0	5.564,6	5.720,7	14.712,8	6.006,9	107.495,	



I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (7 OF 15)

				Selecte	ed Far East	Countries			
Niche Markets	China	Hong Kong	Indonesia	Japan	Malaysia	Singapore	South Korea	Thailand	TOTAL
Manacio	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)
Algeria	1.160,9	0,7	185,8	382,1	5,8	22,2	646,5	335,1	2.739,
Egypt	239,7	125,8	49,3	836,2	86,2	66,5	613,8	6,9	2.024,
Lebanon	18,6	4,9	0,6	5,1	7,4	1,4	33,0	2,5	73.
Libya	1.547,5		643,2	4,1	24,0	23,4	6,3	22,8	2.271
Mauritania	569,4	1,5	0,7	102,5	0,01	-	1,5	1,0	676.
Morocco	423,8	220,7	27,0	321,2	24,8	306,4	105,4	70,1	1.499
Sudan	4.171,2	4,2	280,3	2.681,2	41,7	23,5	342,9	25,7	7.570
Syria	8,2	1,9	0,4	23,0	1,7	0,2	6,5	0,6	42
Tunisia	30,3	10,9	10,9	104,6	20,0	2,9	25,1	4,2	208
Saudi Arabia	17.560,4	470,7	3.372,8	35.286,9	1.971,9	8.799,6	21.163,1	4.574,8	× 93.200
Kuwait	2.290,6	71,3	1.705,8	9.916,4	599,3	5.073,7	8.746,7	160,3	× 28.564
Bahrain	102,4	5,9	30,3	428,8	122,1	252,7	320,2	129,1	1.391
Qatar	588,0	19,6	41,8	16.922,2	23,6	4.180,9	8.453,9	2.043,2	32.273
Jordan	82,1	5,2	44,4	122,3	66,8	42,7	48,2	10,0	421
Yemen	1.745,3	12,8	0,6	543,9	29,1	61,1	255,3	1.424,7	4.072
UAE	3.012,0	1.501,9	190,4	32.361,8	1.289,2	4.592,2	12.655,9	6.842,6	× 62,446
TOTAL	MAN AND A	S. Laure							239.475
TOTAL	33.550,4	2.458,0	6.584,3	100.042,3	4.313,6	23,449,4	53.424,3	15.653,6	239.475

Source: United Nations Commodity Trade Statistics Database - UN COMTRADE

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I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (8 OF 15)

	MANUAL ROOM			Select	ted Far East	Countries				
Niche Markets	China	Hong Kong	Indonesia	Japan	Malaysia	Singapore	South Korea	Thailand	TOTAL	
	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	
Algeria	4.180,2	38,8	163,3	720,4	129,3	44,8	1.095,0	173,0	6.544,8	
Egypt	5.107,3	226,0	708,8	1.360,0	809,6	317,4	1.528,2	587,2	× 10.644,5	
Lebanon	1.439,6	61,9	67,2	263,6	95,1	45,3	191,5	142,6	2.306,8	
Libya	2.002,9	6,4	56,2	240,7	86,3	58,6	1.235,0	225,2	× 3.911,3	
Mauritania	241,7	6,7	16,4	17,0	70,5		5,7	52,1	410,1	
Morocco	2.129,2	112,1	55,1	260,4	43,0	109,8	302,2	143,5	3.155,3	
Sudan	1.705,4	11,6	80,1	104,7	40,0	26,8	232,8	72,3	2.273,7	
Syria	2.210,4	18,6	90,1	280,1	174,3	31,0	960,1	183,6	3,948,2	
Tunisia	711,2	57,2	42,5	85,1	48,2	26,7	126,8	103,7	1.201,4	
Saudi Arabia	8.977,8	572,1	956,2	5.384,7	813,1	745,7	3.856,6	1.819,6	× 23.125,8	
Kuwait	1.542,7	115,2	101,5	1.230,8	163,0	175,8	744,1	343,0	4.416,1	
Bahrain	475,3	73,4	25,2	431,7	83,0	82,7	282,6	137,3	1,591,2	
Qatar	872,4	49,1	73,9	1.635,4	544,3	248,7	1.309,8	345,0	5.078,6	
Jordan	1.965,9	104,1	131,8	253,3	149,9	33,9	1.018,6	215,6	3.873,1	
Yemen	1.168,4	5,3	102,8	176,5	204,8	71,2	125,4	233,9	2,088,3	
UAE	18.632,3	2.756,3	1.265,8	6.489,7	2.850,2	3.717,6	4.977,7	2.459,3	x 43.148,9	
TOTAL	,				130000				117.718,1	
TOTAL	53.362,7	4.214,8	3.936,9	18.934,1	6.304,6	5.736,0	17.992,1	7.236,9	117.718,1	

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I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (9 OF 15)

				Selec	ted Far Eas	st Countries			
Niche Markets	China	Hong Kong	Indonesia	Japan	Malaysia	Singapore	South Korea	Thailand	TOTAL
Traumatorio	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)	(US\$ M)
Algeria	946,6	0,6	54,3	171,1	2,3	2,5	688,3	447,7	2.313,
Egypt	752,5	202,1	93,7	303,1	36,3	47,0	463,0	55,4	1.953,
Lebanon	8,9		1,9	2,5	0,9	1,7	13,3	3,1	33,
Libya	3.173,9			The second secon		78,2	2,9	8,4	3.391,
Mauritania	853,9			The second second second	0,3		5,7	0,9	1.006,
Morocco	375,0			236,8	17,4	154,2	108,9		1.123,
Sudan	4.684,8	0,8	667,7	1.076,5	100,7	8,7	14,6	26,9	6.580.
Syria	10,0			36,2	1,4		90,5	0,1	143
Tunisia	107,5		11,9	143,9	9,8	13,5			332
Saudi Arabia	23.620,2		3.135,8	29.151,0	1.111,3	8.106,7			
Kuwait	3.500,9		1.442,2	8,964,2	289,9	2.763,5	7.991,5		x 25.432
Bahrain	211,2			522,6	159,9	301,5	317,9		1.649
Qatar	1.376,1	28,1	238,6	15.897,4	327,7	4.623,8	8.386,5	1.660,5	32,538
Jordan	112,2		165,0	231,9	24,3	4,0	30,7		574
Yemen	1.237,5			323,5	75,5	127,4			
UAE	2.595,2			22.665,3	1.737,2	4.281,1	9.310,0	6.666,5	× 47.880
TOTAL								PROPERTY.	217.110
TOTAL	43 566 4	1.298.9	6.310.3	79.870.0	3,918,3	20.513.9	47.232.2	14.400,4	217.110

Source: United Nations Commodity Trade Statistics Database – UN COMTRADE

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I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (10 OF 15)

We notice 7 **realities** in these figures:

- 1. All non-oil MENA importing countries have trade deficits while the oil producing MENAs have trade surpluses. On a global basis, the MENA region had a trade surplus of \$190 billion in 2009.
- 2. GCC share in the Asia-MENA trade flows formed 72% in 2007 and 67% in 2009 for imports, a fall of 5% and for exports, 92.5% in 2007 and 91.8% in 2009 a fall of less than 1%.
- 3. 2009 compared to the 1994 data, one can notice about 20 fold increase in the Chinese exports to the MENA countries, from 2.9 billion in 1994 to 53.3 billion in 2009;

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (11 OF 15)

- 4. Japan's exports increase is almost the double,
- 5. While that of South Korea, about **5 folds** increase.
- 6. The GCC share in ASIA-MENA trade exchange is preponderant due to the oil and gas factors.
- 7. The **Republic of Iraq** is not on the U.N. statistical data as a result of the **sanctions**.

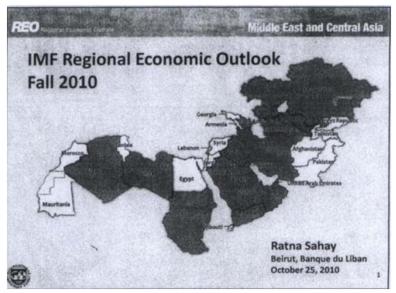
I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (12 OF 15)

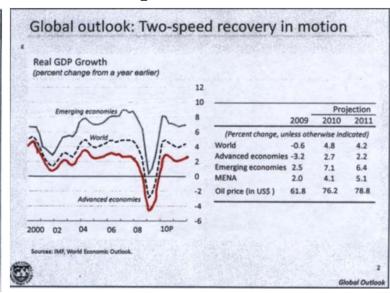
- As mentioned earlier, according to WTO-International Trade Statistics in 2010, world merchandise exports took a major tumble in 2009, declining by 12%. This steep fall in trade is ascribed to a combination of factors, such as:
 - Weak demand
 - Falling commodity prices, specially energy
 - The simultaneous impact of the economic crisis across countries and regions, and limited access to credit in general, and trade finance, in particular.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (13 OF 15)

The IMF, in its world economic outlook, ME and Central Asia indicates a 2 speed recovery in motion whereby MENA and emerging economies show a healthier state in their projections. Will this outlook be a reality in 2011? **I doubt**.

Please follow the statistical presentation:





I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (14 OF 15)

However, regarding the recent socio-economic events and the political instability in several MENA countries and their effect on this dynamic of MENA-Asia trade flows, we must expect changes:

- 1. Asian exporters have to think for new options and watch closely political developments,
- 2. Protectionism seems to be still an option worldwide,
- 3. The temporary closure of Suez Canal and the tense political situation in Egypt might disrupt shipping and transportation of goods and merchandise.
- 4. All Asian emerging economies desire the stability and the sustainability of their MENA markets and expect less political instability, civil commotions and the like, legislative uncertainty...
- 5. Piracy seems to be a minor factor.

I. GROWTH IN TRADE FLOWS FROM ASIAN MARKETS TO THE MENA REGION (15 OF 15)

- 6. As one **contingency plan**, merchandise trade within the Far Eastern region must be promoted, if trade flow between the 2 regions is affected.
- 7. **FDI and joint-ventures** can be initiated by firms from the Far East within relatively stable MENA countries.
- My last comment on the dynamic of trade flow figures:

 Annual comparisons, as to decreases or increases in trade flows between these 2 regions or other regions, as indicated by the UN Statistical Units and the WTO, do not necessarily mean a real increase or decrease. Prices of soft and hard commodities, oil and gas and other manufactured goods during these 3 periods, 1994, 2007 and 2009, have increased, thus **misleading** the statistical data. We do not show indices in these comparisons to witness the real growth in trade flows.

II. THE ROLE OF INTERNATIONAL CORRESPONDENT BANKING IN FINANCING TRADE (ASIA-MENA) (10F5)

- As I said in the beginning, the growth of trade between countries and regions, depends on trade finance; that is, financial services rendered mainly by correspondent banks and other institutional arrangements. Banks provide to various economic agents (government, business and other sectors) with unique services and products that other financial intermediaries do not.
 - Typical services offered include:
- L/Cs, import bills for collection, shipping guarantees, import financing, performance bonds, export L/C advising, L/C safekeeping, L/C confirmation, negotiation, preshipment export finance, discounting documentary drafts, factoring, forfeiting, L/C post financing, structured commodity finance and many others. These services are rendered for specific transactions or for continuing flow of goods transactions.

II. THE ROLE OF INTERNATIONAL CORRESPONDENT BANKING IN FINANCING TRADE (ASIA-MENA) (20F5)

- Importers and exporters depend on correspondent banks for the smooth, secure and the rapid realization of their transactions for which they pay a price.
- The letter of credit is the most "favorite product" for exporters and importers. It has to be confirmed by banks of both parties. Correspondent banks are unique financial intermediaries for this type of relationship. Major players in these two regions —Asia and MENA, are banks of international or global standing, regional banks and national banks; from the most sophisticated to the strong new comers. You know them all.
- In a nutshell, international correspondent banks provide with financial instruments in foreign trade that include:
- 1. Risk management services, such as assessment, risk mitigation, electronic services, structured financing solutions and secondary markets; and
- 2. Comprehensive trade finance products, compatible with the region's trade practices and customs, the legal environment, as well as, banking laws, without forgetting of course ICC's UCPs which is reviewed and amended since 1933.

II. THE ROLE OF INTERNATIONAL CORRESPONDENT BANKING IN FINANCING TRADE (ASIA-MENA) (30F5)

• With the advance in IT, correspondent banks try to introduce paperless procedures and e-documents for importers and exporters, for all the documentation utilized by the various agents involved in trade finance under L/Cs, such as insurance companies, shipping agents and brokers, SGS inspection, certificates of origin, invoices, consular invoices and other documents. The ICC has adapted itself to this changing technology by creating electronic UCP, Incoterm 2010 guide. Even the negotiation of documents under an L/C can be performed electronically. The problem is that for the moment, the various agents mentioned have not yet kept pace with IT evolution.

II. ROLE OF INTERNATIONAL CORRESPONDENT BANKING IN FINANCING TRADE (ASIA-MENA) (40F5)

- The IFC with its GTFP has come to complement the services rendered by correspondent banks. It has created a global network of F.Is that include confirming banks and issuing bank, thus enriching the institutions that contribute to the growth of trade flows between various regions, globally.
- BLF has been the first bank in Lebanon and the MENA region that joined IFC's GTFP on October 25, 2005 and BLF is the highest benefiting bank from IFC's trade finance facilities.

II. ROLE OF INTERNATIONAL CORRESPONDENT BANKING IN FINANCING TRADE (ASIA-MENA) (50F5)

- Besides the role of trade finance, correspondent banks spur business corporations in different countries and stimulate trade opportunities.
- Hence, one can summarize the role of international correspondent banks to be but not limited to:
- 1. Financiers for trade flows,
- 2. Promoter, stimulator, facilitator of trade flows,
- 3. Introducer of IT applications in the mechanics of financing trade flows.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (10F6)

- As you know, ECAs are public and private (COFACE in France) agencies and entities that traditionally provide government-backed credit, guarantees and insurance to companies seeking business opportunities in emerging markets that are considered commercially and politically risky for conventional transactions.
- In fact, ECAs are part of a broader government policy context of industrial policy, trade and investment promotion.
- ECAs medium and long term credits have been doubling every 3 years; the latest statistical data shows that ECA supported about 10% of world trade, a greater proportion in developing economies and which represents about \$1.4 trillion in transactions and investments—industrial and infrastructure projects. However, in the wake of the economic downturn following the financial crisis of 2008, the demand for ECAs to facilitate trade flows has sharply increased.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (20F6)

- All the Asian countries have their ECAs. With respect to the MENA Arab countries, they have the Arab Investment and Export Credit Guarantee Corporation in KUWAIT with the membership of 21 Arab states.
- Established in 1975, its role has been preponderant in stimulating inter Arab investment and trade, as well as, trade outside the MENA region, during the past 35 years.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (30F6)

- According to "the Trade Finance magazine" article no.2675304,
- 1. ECAs have upped coming into 2010 to successfully close more capital equipment financing transactions in the MENA region.
- 2. With much of the impact of financial crisis behind it, several countries in the Middle East are now entering a period of economic recovery with firmer oil prices and stronger public finances. We are seeing the start of a return of international capital to the region —and it is the export credit agencies (ECAs) that are helping spearhead this return to prosperity. In MENA countries, there has been a significant jump in ECA-backed trade financing since the beginning of the year 2010. However, the recent political instability in the area might slow this momentum in 2011.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (40F6)

The Arab Trade Financing Program (ATFP)

Arab countries in MENA region have the Arab Trade Financing Program since 1989 which serves from the beginning the private sector with following major objectives:

- 1. The assistance for the development of Inter-Arab trade, Exports and Imports, goods of Arab country origin, by providing the economic agents with information and credit and financial facilities up to 5 years, through member banks of the ATFP,
- 2. The promotion of Exports from Arab countries to overseas, all over the world,
- 3. The boosting of the private sectors' capacity of production and the competitive advantage in the Arab world.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (50F6)

- The shareholders of this program are: 1- The Arab Monetary Fund; 2- AFSED; 3- Private Banks and Financial Institutions of the AMF member countries; 4- Foreign banks and financial institutions with up to 50% Arab ownership.
- The capital of this program is USD500million plus reserves of USD250 million.
- BLF is one of the shareholders of this institution and one of the active users of the credit lines.

III. THE ROLE OF ECAS, IN PROMOTING GROWTH OF TRADE FLOWS (60F6)

• The ICIEC is a multilateral institution.

The Islamic Corporation for Insurance of Investments and Export Credits (ICIEC) is a member of the Islamic Development Bank Group established in 1994. Its objective is to increase the scope of trade transactions from the member countries of the organization of 36 Islamic Countries, and to facilitate FDIs into member countries and provide reinsurance facilities to Export Credit Agencies in member countries. It provides appropriate Islamic Shari'ah compatible credit, country risk and reinsurance instruments. ICIEC's services are tailored that target market segments; exporters, banks and investors.

IV. ALTERNATIVE FINANCING OPTIONS, SUCH AS THE A-MENA TRADE FINANCE PROGRAM (10F3)

- You will ask yourselves perhaps, with so many regional international institutions, from ECAs to multilateral and bilateral arrangements, in the ASIA-MENA region, do we still need new institutions or programs, that will facilitate the growth of trade exchange between Asia and MENA regions?
- Well, the more the financing facilities, the higher growth in trade flows.
- I shall introduce one new option which in my opinion might assist in the growth of trade between these regions and their integration which option does not exist. Is it feasible or realizable? In my opinion, YES.

IV. ALTERNATIVE FINANCING OPTIONS, SUCH AS THE A-MENA TRADE FINANCE PROGRAM (20F3)

- This option is the creation of ASIA-MENA trade financing program based on the ATFP structures.
- o It visualizes a **Dubai-based program**, composed of a **network of international financial institutions** and prime banks of the two regions. Exporters and importers could obtain from the program trade finance for up to five years tenor or more. A **private non-governmental** initiative that can also cooperate closely with ECAs and multilaterals of the two regions.

IV. ALTERNATIVE FINANCING OPTIONS, SUCH AS THE A-MENA TRADE FINANCE PROGRAM (30F3)

- The objectives of ASIA-MENA financing program:
- 1. To contribute to the growth of ASIA-MENA trade flows,
- 2. To provide medium and long term credit facilities and funding for up to five years or more for infrastructural projects at convenient costs,
- 3. To act as promoter and facilitator of trade flows by assisting in the creation of joint ventures between exporters and importers of the two regions. This will create ample opportunities for employment, income and ancillary spillover business,
- 4. To anticipate **contingency plans** to face future crises in the two regions that might affect trade flows.
- This **Dubai-based institution** can have regional offices: in Beirut and in Singapore.

IN CONCLUSION (10F2)

- 1. China's dominance in trade flows will prevail for a long time in this region.
- 2. Iraq will be an important part of this future dynamic in the region.
- 3. The political instability that began in January 2011 in the MENA region will take some time perhaps until 2015 and beyond that will affect the growth of trade flows.

IN CONCLUSION (20F2)

- 4. GCC's share will continue to have the lion's share in this trade exchange.
- 5. With the formation of joint ventures in the MENA region trade flows might continue to develop.
- 6. Do not forget that the European Union, Russia, Armenia, Turkey and Ukraine, as well as, the American Continent, North and South, have all traditional trade relations in the MENA region. These countries are closer to North Africa than Asian emerging economies.

THANK YOU