



Pictures by Jason Borg

Stimulating Euro-Med trade financing

by Vanya Walker-Leigh

DISCUSSIONS are under way for Malta to host a private sector Euro-Mediterranean Trade Financing Programme offering export/import financing to help expand regional trade flows.

The proposal for this new programme was made by a senior Lebanese banker, Dr Meguerditch Bouldoukian, at a conference entitled "Trade Finance in the Mediterranean-Towards the 2010 Euromed Free Trade Area", organised at the Hilton in St Julian's last week by Economic and Management Consultancy Services (EMCS) and FIMBank.

A favourable reception by the audience of over 100 Maltese and Mediterranean business and finance leaders led to an initial round of informal discussions on Friday afternoon chaired by EMCS.

Dr Bouldoukian, Head of Financial Institutions, Middle East and North-African countries at the Bank of Beirut, visualised a Malta-based programme head office as focal point for a network of all Mediterranean banks, flanked by two or three regional offices. Seed money for the programme could come not only from member banks but also from international financial institutions. Exporters and importers could obtain from the programme both trade finance of up to five years' tenor and wide-ranging statistical and operational data.

Although a private, non-government initiative, the proposed programme could be modelled on and develop close links with the existing \$500 million Arab Trade Finance Programme based in Abu Dhabi, Dr Bouldoukian told *The Sunday Times*. Set up by the Arab Monetary Fund, the programme provides trade refinancing through lines of credit extended by national agencies appointed by national monetary

authorities.

Urging his audience to think in terms of 'process' rather than political structures, EMCS managing director Dr John Grech, highlighted the challenge to all economic actors "to participate in making the Mediterranean region a major global business zone open to free trade of goods, services and investment also acting as a major interface for cultural exchange, understanding, co-operation and promotion of world peace and prosperity.

The huge economic potential of the Mediterranean as well as of possible future links with the Gulf Co-operation Council countries and Africa was being constrained both by lack of political will to attain the objectives of the Euro-Mediterranean Partnership and "gaps in a rather inadequate financial infrastructure".

While multinational corporations would certainly seize opportunities offered by the future Euro-Mediterranean Trade Area, local small and medium-sized enterprises providing millions of jobs could lose out. "The economic impact of EMFTA would in this case be very restricted and could lead to major political and social frustration," he warned.

Recalling his 1995 proposal for a Mediterranean Bank as well as Mediterranean Bank Network (the latter launched in 1996, but with only 12 members so far) Dr Grech said such a bank was more urgently needed than ever. This bank should underpin the future Free Trade Area, taking over some of the present Mediterranean activities of the European Investment Bank and financing major regional projects, in close co-operation with the World Bank and its International Finance Corporation. The new bank should also provide guarantees to other

banking institutions undertaking cross-border financing in the region.

In addition, networking of European and Arab/Islamic private banks and financial institutions must be accelerated, and major efforts made to foster the proliferation of

joint ventures for factoring and forfaiting-type financing to develop the region's trade and infrastructure.

Dr Stephen Calleya, director of the Mediterranean Academy for Diplomatic Studies, urged the establishment of a private-sector led

annual Euro-Med trade and financial forum, as one way of overcoming the shortcomings of the Partnership which threatened to lead the region 'to missing the globalisation boat'

(Continued on page 84)

Stimulating Euro-Med trade financing

(Continued on page 84)

"Let us have a Med-centric, Med-led partnership, instead of EU-led as now," he said.

Disappointment in Euro-Med's limited achievements was strongly echoed by Tunisia's new ambassador to Malta, Mohammed Mezghani, who stated that "if a full religious wedding is not possible between EU and the South Mediterranean, there must be a solid civil contract".

The president of FIMBank Malta, Margrith Lutschg-Emmenegger, stated that Malta's recent joining of the World Bank's International Finance Corporation would qualify a range of Malta-based internationally-focused activities for IFC support. These could include not only the proposed Trade Finance Programme but savings or investment funds focused on developing projects in neighbouring countries and attracting funds from private Maltese and private foreign investors.

The IFC's \$500 million Global Trade Finance Programme covering 70 countries so far, including Egypt and Syria, was designed to offer banks risk mitigation, with partial or full guarantees to cover

according to IFC's Senior Investment Officer, Souleymane Traore. He confirmed Malta's eligibility for IFC support to locally based, regionally focused financial and trade ventures.

During the conference a new trade finance venture entitled 'Egypt Factors' was launched by the Egyptian Ambassador to Malta, Abdel Karim Mohamed Soliman, partnering FIMBank Malta and Commercial International Bank of Egypt backed by the International Finance Corporation. Another venture called 'Malta Factors' would soon be established, FIMBank's president told *The Sunday Times*.

The future manager of the Cairo-based Egypt Factors, Jeroen Kohnstamm, Secretary-General of Factors Chain International, stated that total Mediterranean trade factoring barely reached the level of Taiwan.

A new cycle of EU-south Mediterranean trade negotiations to liberalise Euro-Mediterranean trade in services and establishment would be launched on March 24 at a trade ministers' conference in Rabat, Philippe Meyer, Head of Unit D2 at the European Commission's DG Trade told the meeting. However, he did not know how many South

Also foreseen was the progressive launching of bilateral negotiations on raw and processed agricultural and fisheries products. The Pan Euro-Mediterranean protocol on cumulation of origin would also be progressively inserted into all the bilateral EU-south Med association agreements.

However, the actual emergence of the regional free trade area depended on the South Mediterranean partners Mr Meyer warned, highlighting the slow progress in concluding and implementing south-south trade liberalisation agreements.

Expressing strong support for regional trade liberalisation, Dr Simon Busuttill, MEP, warned that there must be careful attention to possible negative social and environmental impacts in southern countries.

Quoting the conclusions of the Phase II report of the Sustainability Impact Assessment of the Euro-Mediterranean Free Trade Area, undertaken by Manchester University for the European Commission, Dr Busuttill endorsed the report's call for strong flanking measures by governments as well as EU financial support to mitigate negative impacts while maximising the