

Conference on Trade Finance in the
Mediterranean
Toward the 2010 EuroMed Free Trade Area

The EuroMed Trade Financing Program

ETFP or EMTFP

M.H. Bouldoukian
Head F.I.
MENA Countries
Bank of Beirut SAL

www.mhbouldoukian.com

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A. INTRODUCTION

- The Euro-Med Partnership declaration in Barcelona Conference on 27/28 1995 Article III stipulates among other things:
 - The establishment of a free trade area in accordance with the principles contained in the Barcelona Declaration is an essential element of the Euro-Mediterranean Partnership

A. INTRODUCTION

- Cooperation will focus on practical measures to facilitate the establishment of free trade, as well as its consequences:
 - Harmonizing rules & procedures in the customs field
 - Harmonizing standards
 - Eliminating unwarranted technical barriers to trade
 - Possibilities of regional cooperation

A. INTRODUCTION

- On November 27/28 2005, after 10 years of gathering in Barcelona, I read in the French daily "Le Monde" the same elements for the establishment of a free trade area, in addition to a new code of conduct against terrorism and illegal immigration

A. INTRODUCTION

- Dr. John Grech's vision to revitalize the economies in the EuroMed Area, is complementary to the Barcelona Declaration;
- by setting up a network of Euro Mediterranean Banks, the process of the establishment of a **free trade area** can be accelerated
- Not a network of 4 banks; but a network of banks from each country surrounding the Mediterranean Sea; perhaps 100 banks or 200 banks will help this acceleration

B. REGIONAL CHANGES DURING THE PAST 15 YEARS IN THE FINANCIAL SERVICES INDUSTRY

1. Banking Reforms in every country around the Mediterranean, that is, Deregulation or Reregulation:

- With respect to minimum Capital required
- Recommendations made by the Basel II, regarding CAR, Risk management & Compliance, etc.
- Fight against money laundering & FATF recommendations
- M & A Laws

B. REGIONAL CHANGES DURING THE PAST 15 YEARS IN THE FINANCIAL SERVICES INDUSTRY

2. Privatization plans & Banking sector consolidations in Egypt, Lebanon, Turkey, Libya, Algeria, Tunis
3. Financial Innovation & Securitization although the latter much less in year 2005 due to the huge liquidity spill over to the financial markets, as a result of oil price skyrocketing

B. REGIONAL CHANGES DURING THE PAST 15 YEARS IN THE FINANCIAL SERVICES INDUSTRY

4. Cross-Border Acquisitions & Mergers in a few countries such as Turkey, Egypt, Lebanon, as well as mergers & acquisitions on national levels in Spain, Morocco, France, Italy, Turkey, Greece, Egypt, Lebanon
5. More regionalization than globalization

B. REGIONAL CHANGES DURING THE PAST 15 YEARS IN THE FINANCIAL SERVICES INDUSTRY

- v These reforms are excellent intentions for privatization and reforms will take time
- v All these give rise to new Opportunities & Challenges to the EuroMed countries to increase and strengthen their ties amongst each other

C. MAJOR INSTITUTIONAL MODELS OF EXPORT/IMPORT FINANCING

→ **Government department/facility**

- ♣ UK & Switzerland government departments; ECGD, the oldest, established in 1919
- ♣ Other countries either through the Central Banks or Ministries of
- ♣ Commerce

C. MAJOR INSTITUTIONAL MODELS OF EXPORT/IMPORT FINANCING

- **State-Owned Corporations/Agencies**
 - China, India, Japan, Korea, Malaysia, Thailand, Indonesia
- **Private company as agent**
 - France: Coface
 - Germany: Euler-Hermes
 - Italy: SACE
- **The Berne Union**
- **The Prague Club**

D. FEMIP

- The Facility for Euro-Mediterranean Investment and Partnership (FEMIP) is a product of the political will, expressed on both sides of the Mediterranean, to give a new impetus to financial cooperation between Europe and the Mediterranean Partner Countries

FEMIP

- In Barcelona, in March 2002, then in Brussels, in December 2003, the EU Heads of State and Government drafted the “road map” for this initiative, the main objectives of which are to promote economic development and political and social stability in the Mediterranean.

FEMIP

- Capitalizing to that end on the 30's or so years, experience acquired by the European Investment Bank (EIB) in the region, FEMIP gives priority to expanding the private sector and to regional integration projects, while at the same time encouraging economic and financial dialogue between European countries and Mediterranean partners.

E. THE EUROMED TRADE FINANCING PROGRAM

This program briefly can be described as follows:

1. A specialized EuroMed financial institution, having as **mission** to contribute to the development of EuroMed trade
2. This contribution can be by the **promotion** of trade exchanges of commodities, raw materials or finished goods & capital goods produced by the EuroMed countries, by facilitating the financing and funding of these trade exchanges up to, say 5 years tenor, at convenient costs

E. THE EUROMED TRADE FINANCING PROGRAM

3. The financing facilities to be provided by the **network** of the member banking institutions throughout the EuroMed countries
4. Membership to include all banks on the two shores of the Mediterranean
5. The EuroMed Trade Finance Program will be a private initiative, devoid of any political interference

E. THE EUROMED TRADE FINANCING PROGRAM

6. Head Office – Malta will be the right location for that institution, with perhaps 2 or 3 regional offices
7. Information & statistics to be available to all member banks. Information on exporters, importers and goods traded
8. Other information can include, free trade areas (zone franche), fx systems, storage – warehousing, shipping, transportation & insurance, etc.

F. CONCLUSION

- Not landlocked countries
- Access to the Sea
- 3000 years or more of trade & exchange relationships & population movement
- Independent republics & kingdoms & interdependent
- We lack networking of banking institutions

APPENDIX

EXPORTS FROM SELECTED EUROPEAN COUNTRIES TO BANK OF BEIRUT NICHE MARKETS (in millions of US\$)

| Importing Countries | UK | Russia | Ukraine | France | Italy | Germany | Spain | Turkey | Greece |
|---------------------|--------------|--------------|--------------|---------------|--------------|--------------|--------------|--------------|------------|
| Algeria | 410 | 314 | 250 | 3.233 | 1.273 | 879 | 742 | 437 | 48 |
| Egypt | 755 | 373 | 218 | 448 | 537 | 715 | 394 | 346 | 75 |
| Lebanon | 284 | 320 | 165 | 583 | 674 | 578 | 198 | 234 | 83 |
| Libya | 434 | 43 | - | 315 | 1.230 | 617 | 266 | 255 | 79 |
| Morocco | 560 | 703 | 105 | 2.927 | 1.013 | 740 | 1.764 | 210 | 37 |
| Syria | 63 | 116 | 295 | 154 | 313 | 245 | 64 | 291 | 86 |
| Tunisia | 225 | 186 | 115 | 2.768 | 1.895 | 912 | 581 | 199 | 40 |
| Jordan | 197 | 46 | 86 | 180 | 216 | 437 | 64 | 139 | 10 |
| TOTAL | 2.928 | 2.101 | 1.234 | 10.608 | 7.151 | 5.123 | 4.073 | 2.111 | 458 |

Source:
UN Statistics division
Commodity Trade Database
2003

Prepared by:

M. Bouldoukian
Head Financial Institutions
MENA Countries
Bank of Beirut SAL
6/11/2005

APPENDIX
EXPORTS FROM SELECTED EUROPEAN COUNTRIES
TO BANK OF BEIRUT NICHE MARKETS
(in millions of US\$)

| Importing Countries | UK | Russia | Ukraine | France | Italy | Germany | Spain | Turkey | Greece |
|---------------------|--------------|--------------|--------------|---------------|---------------|--------------|--------------|--------------|------------|
| Algeria | 393 | 329 | 439 | 4.125 | 1.547 | 1.209 | 886 | 584 | 52 |
| Egypt | 1.227 | 762 | - | 1.248 | 1.655 | 1.728 | 832 | 473 | 143 |
| Lebanon | 386 | 192 | - | 776 | 942 | 714 | 183 | 234 | 43 |
| Libya | 396 | 87 | - | 276 | 1.884 | 809 | 138 | 337 | 196 |
| Morocco | 589 | 997 | 251 | 3.161 | 1.159 | 1.053 | 2.126 | 364 | 45 |
| Syria | 162 | 278 | - | 375 | 675 | 639 | 163 | 395 | 96 |
| Tunisia | 277 | 390 | 182 | 3.189 | 2.418 | 1.075 | 674 | 322 | 61 |
| Jordan | 213 | 48 | 246 | 225 | 313 | 556 | 96 | 187 | 10 |
| TOTAL | 3.643 | 3.083 | 1.118 | 13.375 | 10.593 | 7.783 | 5.098 | 2.896 | 646 |

Source:
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Thank You