The ITFA Muse

Wednesday, 5 July 2017

CHAIRMAN'S MESSAGE - Sean Edwards, ITFA Chairman / Head of Legal at SMBC

Dear Members and Friends,

Trade Finance is an exciting business! One of the recurring themes we have been talking about over recent months has been the robustness of emerging markets in general and the remarkable performance registered so far during the first six months of 2017.

In January, the relative expensiveness of valuations and tightness of spreads had shaped asset manager's strategic and tactical allocations for an increased preference towards cash holdings, only to realise that they had been missing out on the rally witnessed in the first few months of this year. That realisation led to new flows pouring into the asset class as investors became increasingly aware that company balance sheets were healthier and the weaker US dollar provided a supportive background for emerging market issuers. Much of this investment is reflective of, or supported by, trade flows providing an incentive for greater bank intermediation. In the longer term, it will also underpin the work going on at the moment to make trade assets an easier asset class for funds and others to invest in, an area we shall be exploring during our annual conference.

On a more exciting note, we are enthusiastic that preparations for the 44th Annual Trade and Forfaiting Conference are well on track to ensure another memorable ITFA event. To register on-line, to view the conference programme and for any other informative details, please click here. As this year's Conference started to gain pace, please bear in mind that since the Early Bird Discount has now expired, we encourage you to register by no later than 15 August in order to avoid incurring the late registration fees.

As ITFA is totally aware of the need for finance professionals to network, talk with old and new partners and find opportunities as cost effectively as possible, we are pleased to announce that our networking portal is open for business. All registrants will be sent an email with a link to a networking page. You can then look up availability of other delegates and book a space in our dedicated networking room. We hope to see you in Edinburgh!

In the July edition of the ITFA Newsletter you will find an article titled ''the ITFA Board Member Perspectives'', written by Paul Coles. Andre Casterman has contributed an interesting piece titled ''Online Market Places will help Re-Invent (and digitise) Trade Financing''. Texel Finance Limited has provided our readers with the Lloyd's Political Risk Claims Figures as at Quarter 2, 2016. Finally, we update you on the NERC Summer event which was held on 29th June in London, the SEARC meeting held on 30th June and the GRC Stammtisch event which took place in Frankfurt on 03rd July. We conclude with Trade chart of the month, contributed by Dr. Rebecca Harding - Equant Analytics titled ''Why the South and East China Seas matter''.

We look forward to hearing from you with any feedback you may want to share with us by sending an email to myself, any of the Board Members or to our general email, info@itfa.org.

The Newsletter of the International Trade & Forfaiting Association

July 2017

Contact us

For information about ITFA please visit www.itfa.org or send an email to info@itfa.org www.itfa.org

ITFA Upcoming Events

- AUG 31 - VEFI Summer Cocktail – organised by VEFI
- SEPT 06 - ITFA Annual Conference, Edinburgh – organised by the ITFA Board
- OCT 26 - VEFI Economic Outlook – organised by VEFI
- DEC TBA - ITFA Christmas Party and Educational Event, London – organised by the ITFA Board
- DEC 07 - VEFI and ITFA Annual Christmas Cocktail, Zürich – organised jointly by VEFI and ITFA

Issue Contents

Best wishes,
Sean Edwards

Posted by Alexia Vella at 01:14 No comments:

Labels: JULY 2017

ITFA BOARD MEMBER PERSPECTIVES by Paul Coles, ITFA Board Member - Market Practice

Working as a member of the ITFA Board is a very rewarding task, but one which also comes with a lot of responsibility and has its own challenges.

All the board members act on a voluntary basis and therefore make time for the association in addition to their day jobs and personal lives. Each board member has a dedicated role, and collectively we all work closely together in the interests of the association's members.

But how do we decide what to focus our efforts on?

The most important thing to remember is that we are here to support, promote and educate our industry. The key channels for us are the Regional Committees and the Market Practice Committee, along with the recently created Insurance Committee which has brought us new members from a different investor class and covers a rapidly developing form of risk distribution.

The Regional Committees are there to give us guidance on what are the burning issues in the market, and act as the voice of our members. The more active the committee, the more we can dedicate our attention to what's relevant. Whilst we can sometimes second-guess or have our own views on how to drive the association and the trade industry (and the secondary market in particular), we rely on our members' input and suggestions.

The same goes for the Market Practice Committee and Insurance Committee, where we thrive on matters that are brought to our attention either through the Regional Committees or directly, and that deserve to be investigated further or opined on.

Active Regional Committees are also the drivers of a number of great and recurring events that are put on for our members, helping to bring them up to date on any issues, and to provide them with regular networking opportunities.

A number of events (free for members) are regularly organised thanks to this, such as in Germany, London, Spain, the Netherlands and Singapore over the past months, and ITFA often co-sponsors the events in the interest of deploying our resources efficiently.

The Market Practice Committee also looks at deploying resources where a collective market view can be beneficial, one such example being the commissioning of the CRR Article 194 legal opinion on behalf of both ITFA and BAFT members. This initiative provided significant value to members who would need to have a legal opinion on file as to the effectiveness of using the BAFT MPA as an eligible credit risk mitigant in the context of European Basel 3 legislation.

The committee is constantly looking into any new issues that arise, and in turn how we can address them or educate our members as to how our business could be impacted. Current work in progress includes looking into IFRS9, contributing to the BAFT MPA update process, instructing and financing the renewal of the CRR Article 194 legal opinion, and our previous

CHART OF THE MONTH - DR REBECCA HARDING, EQUANT AN...

► June (7)
► May (5)
► April (6)
► March (6)
► February (7)
► January (6)

► 2016 (64)
► 2015 (59)
► 2014 (23)

work with Moody’s around Supply Chain Finance methodology, to name but a few.

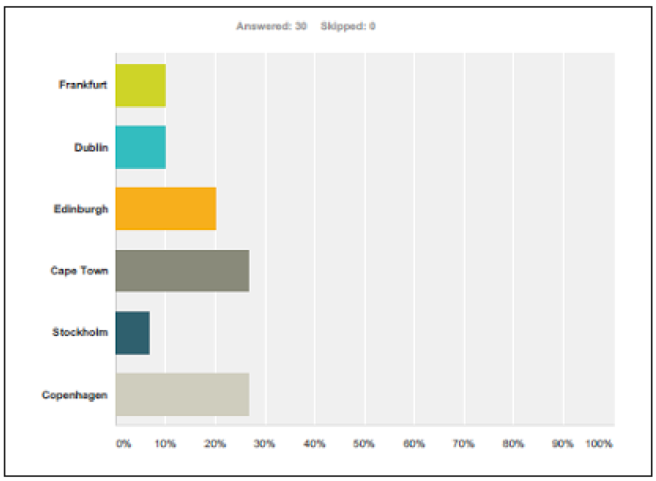
Similarly, the Insurance Committee has spent a lot of time looking into the Insurance Act of 2015 and how it impacts the industry, together with creating the Insurance Guidelines document that is available to our members. These guidelines provide a wealth of information on how to ensure that policies are CRR compliant, amongst other matters.

More critically, we are always keen to organise a stimulating annual conference that includes great content together with an ideal opportunity for attendees to develop meaningful connections with other participants in the market.

Aside from the content itself, the logistics involved in choosing a suitable location can be highly complex: finding an interesting venue, in a hotel that can host the conference itself and accommodate all the participants is harder than it sounds, especially if it’s not an anodyne purpose-built conference hotel next to an airport!

There were 30 responses from the feedback survey at our last annual conference in Warsaw, and the results are below:

Q15 With respect to next year's ITFA Annual Conference 2017, if held in one of the following destinations, which would you prefer and be mostly likely to attend, including consideration for approvals within your organisation:



Answer Choices	Responses	
Frankfurt	10.00%	3
Dublin	10.00%	3
Edinburgh	20.00%	6
Cape Town	26.67%	8
Stockholm	6.67%	2
Copenhagen	26.67%	8
Total		30

Using this feedback, and deciding that it was time to hold the conference in the UK to increase its accessibility this year, we also decided that Cape Town should be next year’s venue, with a view to supporting our business on the African continent.

Whilst we understand that different venues create pros and cons in terms of travel approvals for our delegates, we have to strike a delicate balance between taking it to new destinations in order to promote our industry, and pleasing our existing members and regular conference attendees.

The important point to make clear is that the conference remains exceptional value, when you consider that:

- You can meet a great number of market participants in one location, rather than needing to travel to multiple destinations.
- The conference costs are all-inclusive and include the business content, meals, entertainment, transfers and accommodation, all designed to keep attendees together throughout the conference to promote the networking opportunities.
- Furthermore, the association membership fees pay for themselves if more than one member attends the conference (vs the non-member delegate cost).

That being said, we remain focused on finding economical solutions whenever possible, such as finding co-sponsors for events, travelling at our respective bank's cost whenever practicable, and so on, and therefore save the association significant cost throughout the year.

This enables us to use the funds for the greater good of the industry, by presenting at other related conferences, organising and/or co-sponsoring the free regional events, and so on.

We look forward to members' constructive input on any of these matters, and indeed invite them to assist us in shaping the way the association acts, as ultimately our scarcest resources are time and good ideas!

Posted by Alexia Vella at 01:00 No comments:

Labels: JULY 2017

ONLINE MARKET PLACES WILL HELP RE-INVENT (AND DIGITISE) TRADE FINANCING by Andre Casterman, FinTech business developer in Treasury, Trade and Capital Markets and CMO at INTIX, a financial data management fintech company

Trade finance has been a very slowly moving space when it comes to embracing digital innovations. However, this is now accelerating: developments in the Corporate Trade space as well as innovations in Capital Markets show game-changing value propositions for CFOs and treasurers.

Corporates were first to digitise trade flows

Corporates started to adopt digital technologies to operate their business-to-business supply chain activities several decades ago. The use of electronic data interchange (EDI) links was initially introduced in automotive and retail industries, and later expanded into manufacturing, healthcare, pharmaceutical, utility and construction companies. Goal was then to accelerate the communication with suppliers. Focus was on digitising the corporate-to-corporate (B2B) information flows such as purchase orders, shipping documents, invoices, ...

During three decades, the use of electronic communication continued to increase firmly in the business-to-business (B2B) space and expanded to electronic invoicing (e-invoicing). Acknowledging the benefits of digital communication, several governments around the world encouraged, sometimes mandated, over the last 7 years, the use of e-invoicing. This further increased digitisation in the B2B space involving millions of SMEs through digital platforms.

Some of the e-invoicing platforms that were launched before the financial crisis of 2008 have become prominent players, such as depicted on Gartner's Magic Quadrant on Purchase-to-Payment. A plethora of domestic e-invoicing platforms are now in business and helping corporates of all sizes digitise invoices, usually focusing on the high-volume national markets.

Whereas the corporate-to-corporate space was actively moving (and moving fast) towards digital processes, the corporate-to-bank and bank-to-bank spaces camped safely on their established paper practices. The only notable development during the first decade of the 21st century was about banks starting to roll out their own single-bank portals to address their clients' needs for online trade finance services.

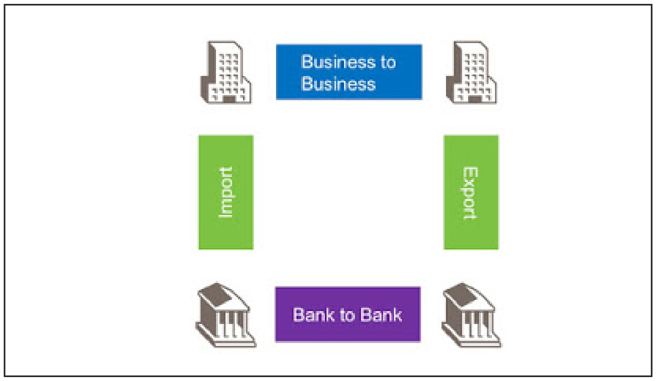


Figure 1: The business-to-business space was the first one to digitize trade flows whilst banking processes continued to depend on the exchange of paper documentation.

Trade-related digital innovations have now entered all spaces

Fast forward to 2017 and the situation is very different as technology has invaded all three spaces – corporate-to-corporate, corporate-to-bank, and bank-to-bank. And much more is actually happening but I will expand on that in later sections.

1. In the corporate-to-bank space, large corporates have increasingly adopted multi-banking trade software solutions. Such offerings help treasurers and trade managers manage all types of trade finance flows such as demand guarantees, collections, letters of credit, bank payment obligations and sometimes receivables financing. Multi-banked corporations operating substantial volumes of transactional flows are those attracted most by such multi-banking trade finance offerings. Global Trade Corporation (GTC) is a leader in that space working also with SWIFT's multi-banking messaging services (FIN and FileAct) and trade standards (MT 798)
2. On the B2B shipping and logistics side of the market, a very limited number of platforms (two actually) took on the challenge to digitise the bill of lading as well as other key shipping documents and are engaging with a growing number of banks. I am referring here to essDOCS and Bolero. essDOCS serves 18,000+ clients of all sizes and located around the world
3. The very paper-intensive inter-bank space has also been attempting to digitise trade flows as the ICC rolled out eUCP as well as an ISO 20022-based settlement instrument known as the Bank Payment Obligation (BPO - see reference 1 below). Use of those legal schemes is still limited to a small number of banks. Banks' appetite for digitising the bank-to-bank trade flows only started recently and has been very slow to move along given the legal complexities and IT investments required. Yet they have proven critical for early adopter banks wishing to respond to demanding clients. The Bank of Tokyo-Mitsubishi UFJ, BNP Paribas, TEB, Standard Chartered Bank, UniCredit and Commerzbank have been very active on the BPO, primarily in the chemicals and car industries.
4. In this same inter-bank space, banks recently piloted the use of blockchain technology to digitise bank-to-bank trade flows but the few implementations are - at this stage - limited to glorified trials.

Most of above mentioned innovations succeeded to transform paper-based information flows into electronic equivalents. When doing so, counterparties maintain – or slightly adapt - their established legal and business practices and gradually move information flows to technology-based processes and software applications. This approach is bringing immediate benefits in terms of cost efficiency and speed, but it also limits the extent of the newly proposed value propositions as digital technologies are introduced in bilateral relationships - without revisiting the full business model.

Among recent product launches, multi-banking online market places have emerged in both primary and secondary spaces with the aim to provide superior value propositions by reinventing trade processes.

New avenues to innovate: Online market places offer superior value propositions

A new way to roll out technology-based business innovations has recently emerged in trade finance, with a focus on enhanced interactions and collaboration among transactional parties through common platforms. They are often referred to as online market places. Some even describe themselves as exchanges of trade assets. In such centrally managed services, all players involved in a transaction are connected to and interact with a central counterparty platform acting as a trusted service provider. This is offering users a very different experience compared to the previous digitisation model, where players keep on using bilateral business practices.

The following picture compares the two models:

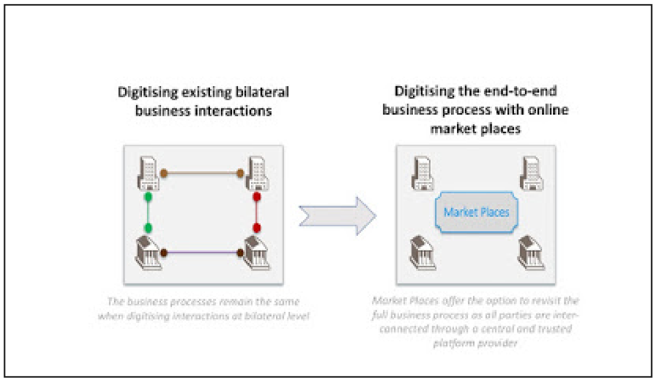


Figure 2: Online market places bring all involved parties together and enable to re-invent trade business processes

The benefits of such platforms are numerous as their users (also clients) work collaboratively on an end-to-end transactional workflow. Users are quickly on-boarded given the limited impact on their internal back office applications. The initial cost to join such platform is very low as usage-based pricing is often applied and back-office integration is not required from the start. The value propositions brought by such platforms are superior to the ones brought by the digitisation of bilateral interactions. Platform owners define and operate full business processes and can therefore have stronger control and value add on the evolution of the transaction (e.g., escrow service, automated decision making, artificial intelligence checks at transaction level). Such market places also offer a superior level of added value as they re-invent the end-to-end business processes. Evolving user needs can be quickly accommodated as a single software instance needs to be upgraded.

The following outline compares the key attributes of both innovation models:

Digitising existing bilateral business interactions

- **Bilateral -** Institutions digitise bilateral information exchanges using agreed data structures and business processes
- **Software and Standards -** Software solutions are developed or acquired by both institutions and made compatible by using agreed messaging standards
- **Automation at bilateral level -** Business process is improved incrementally with multi-banking capabilities, automated data aggregation, STP data flows, …

- **Improved bilateral processes -** Increased speed, visibility, efficiency thanks to paper replaced by digital – however limited to bilateral relationships

Digitising the end-to-end business process with online market places

- **Multilateral -** All involved institutions join a common platform and participate in transactions based on multilateral rules
- **Platform Service -** The central platform manages transactions in a complete and collaborative way enabling faster time-to-market and service upgrades for all parties
- **Innovation at transaction level -** Value propositions are maximised through auctioning, escrow service, proxy payment, automated decision making, analytics, artificial intelligence based checks, …
- **Re-invented transaction-level process -** End-to-end business process is re-invented and offers more value to all participants

As per above comparison, online market places score better than traditional digitisation models.

In the corporate-to-bank origination space, new request-for-quotation platforms recently emerged so as to provide corporates with streamlined access to their trade finance banks at sourcing level. Two recent multi-bank origination bidding platforms located in Europe and the Middle East seem to enjoy successful product launches. I am referring here to Mitigram and Trade Asset Exchange (TAEX). Surely others will follow suit. Other market places have emerged in the receivables space as well as in the secondary space, as outlined in the following section.

The trade ecosystem has also found new avenues to innovate as well as new players to engage with – I am referring here to institutional investors.

New players to involve in trade flows: capital market firms

As trade finance has suffered under the new regulatory requirements imposed on banks, capital constraints have started to become a priority. Trade banks have identified the need to position this business as an attractive asset class towards capital markets, also called the buy-side. This trend was triggered as post-crisis regulatory requirements increased the cost of capital. Balance sheet management became a priority for most trade banks and selling down assets became critical to release regulatory capital, and manage their balance sheet. Such balance sheet improvements enable banks to originate more transactions and to provide more funding to their clients.

This regulatory driven market development has led to a series of innovations aimed at bridging the trade banks with the asset management firms. Bringing more liquidity into the trade space was until now possible through various intermediaries structuring (synthetic) securitisation programmes. It is now also achievable via specialised market places bridging the trade space to the wide community of institutional investors.

Two new platforms are being launched this year to help banks in this respect:

- TrustBills combines the efficiency benefits of an online market place and the access to institutional investors. This platform provides a new, cost-effective way for the buy side to access a highly profitable market with an attractive risk profile and short-term self-liquidation. TrustBills offers sellers of trade receivables (unconfirmed or confirmed) several benefits such as speed, pricing fairness, convenience and KYC/compliance. Since Q2 2016, two German banks - DZ Bank and Deutsche Bank - have partnered with and invested in this new venture
- Capital and Credit Risk Manager (CCRManager) facilitates the distribution of trade finance and working capital obligations between financial institutions. CCRManager is offered to banks, non-bank financial institutions, and institutional investors only. It helps banks to address balance sheet (RWA decrease), return on

equity and cost challenges. A total of 16 financial institutions signed up since early 2017.

Conclusion

Digitising trade and trade finance is a very long journey. Early digitisation attempts in trade have delivered tangible value to the industry and corporates have been much faster than banks to realise the benefits, which have mainly been about automating B2B trading processes.

Whereas the initial digitisation wave helped the market migrate away from paper-based practices to digital ones, we now see new online market places through which corporates, banks and investors can operate transactions collaboratively, using as many streamlined and automated processes as possible.

We can expect those platforms to bring superior value propositions as they overhaul business practices and deliver much more than digitisation. They achieve this by connecting all parties involved in the end-to-end transaction workflow including new ones such as insurers and institutional investors and can therefore reinvent trade finance practices and leapfrog the digitisation objective.

Posted by Alexia Vella at 00:50 No comments: G+

Labels: JULY 2017

NEW ITFA MEMBERS

ITFA welcomes three new members to the Association:

Intesa Sanpaolo S.p.A (ISP) is the leading banking group in Italy, with over 5,300 branches around the world, serving over 19 million customers. They have an international network, with a presence in 36 countries between branches, subsidiaries and representative offices.

Trade is considered to be one of the most important products that ISP offers to its clients. ISP has the scale, experience and expertise to offer a range of services, to other banks and financial institutions, designed to help them access attractive business opportunities for themselves and their clients.

Tracy Bell will be the main delegate for all ITFA related matters.

C.R.S Capital Relief Solutions is a consulting firm that socializes in structuring, distributing and operating (re)insurance products provided to Banks and Corporates. CRS specialises in bridging the gap between the Banks, (Re)insurers and Corporates.

CRS services provided to Banks include: Risk Transfer Solutions, Capital Relief, ROC improvement, Single Borrower and Single Sector relief, portfolios and single risk transactions. CRS solutions comply with Basel regulation and are acknowledged as such as Regulators, Leading CPA's and Law firms. CRS services provided to Corporates include: Surety, short and long-term Credit Insurance, Trade & Export Finance, Project Finance and Non Trade Lending.

Liron Ben Yaacov will be the main delegate for all ITFA related matters.

Banif Bank (Malta) plc is a credit institution licensed to undertake the business of banking by the MFSA in term of the Banking Act 1994 and is a member of the Depositor Compensation Scheme.

Posted by Alexia Vella at 00:40 No comments:

Labels: JULY 2017

UPCOMING EVENTS

May we take the opportunity to remind our readers about the BAFT Annual Conference on International Trade / Supply Chain Finance Bootcamp. Join BAFT in a gathering of key trade finance professionals during the **27th BAFT Annual Conference on International Trade on September 11 - 13, 2017 in Chicago, IL.** The conference attracts 250+ senior bankers, corporate executives, consultants, other trade providers and management of government agencies, covering the key issues that enhance the growth and impact of trade finance on the economy.

As a pre-conference event, BAFT is offering its **2nd Supply Chain Finance Bootcamp**. This is an all-day deeper dive training covering various types of supply chain finance techniques. Attend both events to receive discounted bundled pricing!

Register today at www.baft.org/trade.

Posted by Alexia Vella at 00:30 No comments:

Labels: JULY 2017

LLOYD'S POLITICAL RISK CLAIMS FIGURES AS AT Q2 2016

The ITFA Muse reported last year on the Lloyd's market published headline claims statistics as at June 2015. See 'Focus on Insurance: Top Tips for Managing a Successful Claim by Katie Fowler and Carol Searle of Texel Finance Limited' appearing in the May 2016 ITFA Muse.

The authors of that article are pleased to report an update to those June 2015 statistics which, as before, have been made available to ITFA members by Xchanging Claims Services who maintain these statistics for the Lloyd's market.

To access the updated statistics (as at June 2016) readers need to log onto the member area of the ITFA website. These statistics reflect claims paid by Lloyd's Syndicates per year since 1997 up to 30 June 2016. As before these statistics are recorded according to Lloyd's risk codes. The relevant codes for non payment insurance are CF (Contract Frustration, the risk code for payment risks of public borrowers) and CR (Trade Credit risk, the risk code for payment risks of private borrowers).

Posted by Alexia Vella at 00:20 No comments:

Labels: JULY 17

NERC SUMMER EVENT, 29 JUNE 2017 - LONDON

The Trade Finance department of Bank of China (BOC) London Branch, in collaboration with ITFA NERC regional committee hosted a Summer Networking Event which was held in London on Thursday 29 June 2017 on the roof lounge of BOC building.

The event commenced at 16:00hrs with an educational session on the latest development of the Chinese Economy presented by Bank of China Economist, Mr. Fred CHEN. After this, all present enjoyed some canapes and a drinks reception.

The reception started by a welcome speech by Mr. Huabin Wang, Deputy General Manager of BOC London Branch and continued with a greeting from Mr. Sean Edwards, chairman of ITFA. All ITFA members as well as FI clients of BOC London Branch were invited and almost 100 of them attended the event. Those present were not only from London but also from as far as Italy, Spain, Germany and Netherlands.

A lovely Summer event enjoyed by all present in the company of our fellow trade financiers in the industry. Photos taken at the event can be found on the ITFA website, however, such are available for ITFA members only.

Posted by Alexia Vella at 00:10 No comments:

Labels: JULY 2017

ITFA SEARC MEETING HELD ON 30 JUNE 2017, BANK OF CHINA - SINGAPORE BRANCH

Bank of China Singapore Branch & ITFA are pleased to have jointly hosted the inaugural International Trade and Forfaiting Association (ITFA) Southeast Asia Regional Committee (SEARC) Meeting on 30 June 2017. We hosted a total of over 30 representatives from ITFA members in the Southeast Asia region to witness the inauguration of the new SEARC, comprising of 5 banks, namely Bank of China (Chairperson Bank), HSBC, BNP Paribas, Standard Chartered Bank and ANZ.

This month is coincidentally Bank of China Singapore Branch's 81st anniversary and we had the honour to host this meeting in Bank of China Singapore Branch. Mr Deng Lei, Bank of China Assistant Country Head, gave an opening speech to welcome all representatives. He hopes to bring together ITFA members in the region to collaborate and grow the trade finance business through forfaiting and trade asset management instruments. As an ITFA SEARC member, Bank of China Singapore Branch hopes to strengthen the collaboration and have the members' continuous support to ITFA SEA activities.

The meeting concluded with a discussion session led by the new Chairperson, Sophie Zhong. The members discussed the plans for the remainder of 2017. It was a great networking session with all the active ITFA members in the SEA region present.

Posted by Alexia Vella at 00:10 No comments:

Labels: JULY 2017

GRC STAMMTISCH - 3 JULY 2017, FRANKFURT

This year the ITFA GRC combined their annual Stammtisch with the presentation of the ITFA Market Practice Committee.

This year's sponsor was Deutsche Bank AG, Frankfurt am Main. The event was very well attended, not only by the German membership but also by ITFA Members from London, Amsterdam and Zürich.

The topics presented by the members of the ITFA Market Practice Committee were:

- Introduction of the ITFA Market Practice Committee - Waltraud Raderschall, Commerzbank
- BAFT MRPA update – Paul Coles, HSBC and Head of the ITFA Market Practice Committee
- CRR IV Article 194 Legal Opinion Renewal – James Collins, Bank of Ireland
- Supply Chain Finance – Sean Edwards, SMBCE and ITFA Chairman
- Abengoa – Manuel Lopez, Marsh
- Insurance Committee and BCBS Paper, Silja Calac and Head of the ITFA Insurance Committee

The lively discussions on the topics presented continued during the Stammtisch, in the very relaxed atmosphere of YOURS Australian Bar, with good food, beer and vine.

A special thank you to Deutsche Bank AG, Frankfurt am Main, for hosting the event and to the speakers, Silja Calac, Paul Coles, James Collins, Sean Edwards, Manuel Lopez and Waltraud Raderschall for their excellent presentations.

All presentations delivered during this event together with photos taken at the event, can be found on the ITFA website, however, such are available for ITFA members only.

The ITFA GRC is already looking forward to their fall event which will probably take place in November 2017. As is customary, it will be combined with their ITFA GRC Christmas Dinner.

Posted by Alexia Vella at 00:05 No comments:

Labels: JULY 2017

Tuesday, 4 July 2017

CHART OF THE MONTH - DR REBECCA HARDING, EQUANT ANALYTICS

Why the South and East China Seas matter

The South and East China Seas matter to world trade flows and to energy security. The importance of the South and East China Seas cannot be understated. It is not just a source of geopolitical tension, it is also a major trading route. The countries in the region's US$ 10.7tn trade accounted for just over 54% of world trade in 2016. More than this, the countries in the South and East China seas account for just over 40% of world oil trade (Figure 1). Any risk of disruption or threat of instability should make markets and commentators alike feel nervous as a result, not just because of the spill-over effects into the global trade system but also because of the region's strategic importance.

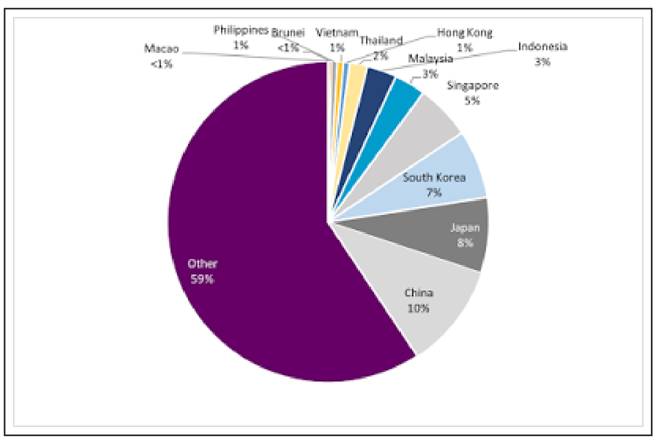


Figure 1: Share of world oil trade for countries in the South and East China Seas area 2016

Source: Equant Analytics 2017

To read more, click here: https://equant-analytics.com/july-trade-outlook/

Posted by Alexia Vella at 04:53 No comments:

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