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NOTIFICATION

Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration

Fourth session

Trade financing and the role of regional financial institutions in promoting South–South trade and investment

Geneva, 24–25 October 2012

The *Multi-year Expert Meeting on International Cooperation: South–South Cooperation and Regional Integration* will be opened at 10 a.m. on Wednesday, 24 October 2012, in room XXVI of the Palais des Nations.

Background and purpose of the meeting

The global financial crisis starting in the United States in 2007 spread rapidly around the world, and led to the largest output and employment losses since the Great Depression. Five years later, the crisis shows no signs of abating. Growth prospects in many countries remain subdued, and the global financial system has yet to recover.

The impact of the crisis has raised serious questions about the resilience and effectiveness of the international financial system, including its ability to support the expansion of international trade. Trade volumes and commodity prices have been highly volatile recently, and there are concerns that developing-country export-led growth strategies, which often rely heavily on final markets in the advanced economies, must adapt to the post-crisis environment.

Partly in response to these limitations, and partly because of the imperatives of the ongoing internationalization of production, several countries have increasingly turned to regional arrangements in order to strengthen the links between trade, finance and development. These evolving arrangements have fostered considerable debate about how best to combine multilateral and regional structures in support of sustainable and inclusive development. This Expert Meeting will explore current and emerging issues in trade finance, and the role of regional financial institutions in promoting South–South trade and investment.

The main objectives of this Expert Meeting are to:

- Examine whether, and to what extent, regional arrangements can promote stable links between trade, finance and inclusive development.
- Discuss how to improve the provision of trade credit in the current context of global risk aversion and tight financial markets, focusing, in particular, on the potential contribution of regional banks.



- Highlight the specific problems of trade finance in the context of international (and, specifically, regional) value chains.
- Share and discuss the experiences of the existing and emerging Southern development banks.

The meeting will be structured around four sessions:

The opening session will examine regional financing arrangements in the South and the North, consider the extent to which they have contributed to regional integration, and evaluate the scope for their improvement.

The second session will review the contribution of regional banks to trade finance, and will discuss ways to encourage resource-pooling and co-financing between providers of trade finance, including the potential contribution of central banks as holders of foreign currency reserves.

The third session will explore the problems surrounding the provision of finance for transnational value chains. This will involve an examination of successful experiences, especially within regions, and an examination of the role of regional development banks. This session will also consider the potential for scaling-up value chains in developing countries through South-South integration and cooperation.

The final session will focus on the new experiences of, and prospects for, Southern development banks, including the Banco del Sur and the recently announced “BRICS development bank”.

Participation

UNCTAD member States are requested to nominate experts to participate in this meeting at an early date, and not later than **14 September 2012**. Experts will contribute in their personal capacity. They are expected to have proven expertise in the subject, and may be selected from government institutions, academia, the private sector, and non-governmental organizations (NGOs). Experts may also be invited as resource persons. Specialized agencies and intergovernmental bodies wishing to participate in the meeting, as well as NGOs in the general category, and those in the special category wishing to participate as observers, are requested to inform the UNCTAD secretariat of the names of their representatives by **10 October 2012**.

Financial assistance

Depending on the availability of funding in the Trust Fund for Financing the Participation of Experts at the time, funds may be made available to finance the participation of a limited number of officially nominated experts from least developed countries (LDCs). Governments requiring funding are therefore invited to explicitly request this in their letters of nomination. The decision as to which experts will receive funding will be based on the principle of equitable geographical representation, the needs of beneficiaries and the expertise of the experts concerned. Changes in the experts nominated will be considered as new nominations.

Nominations including requests for funding should be received no later than **14 September 2012**. They should be accompanied by the following information about the nominee:

- Curriculum vitae
- Mailing address



- Telephone and fax number
- E-mail address
- Name of a contact person in the Permanent Mission in Geneva

Once the list of experts to be funded has been finalized, all travel arrangements will be made in accordance with United Nations rules and regulations. Use of the least costly fare will be authorized.

Background documents and contributed papers

The provisional agenda for the meeting and the secretariat's annotations are available on the UNCTAD website. In order to facilitate the discussion, the UNCTAD secretariat will submit background documents. These documents and further information about the Expert Meeting will be available in due course on the UNCTAD website (www.unctad.org) under the heading "Meetings". An annotated outline of the meeting is attached. Experts are encouraged to prepare and submit in advance brief papers related to their studies, findings and/or country's experience. These papers will be made available to the meeting in the format and language in which they are received.

Logistics

The meeting will take place at the United Nations Office at Geneva, Palais des Nations. Simultaneous translation will be provided in the six official languages of the United Nations.

Upon arrival, participants are requested to collect their badges at the United Nations Security Service, Pregny Gate, 14 Avenue de la Paix. The Security Service is open from 8 a.m. to 5 p.m. Because of the security measures in force, *participants are strongly advised to arrive before 9 a.m.* on the first day in order to complete their entry procedures in good time. Passports or equivalent national identity cards will be required. Please note that taxis are not allowed to enter the grounds of the Palais des Nations, and that luggage may not be brought into the buildings unless the Security Service gives special clearance. Participants should subsequently proceed to the "E" Building. At the reception desk, please ask for directions to Room XXVI.

Further information and contact details

Nominations and related communications concerning representation at the meeting should be sent to the UNCTAD Secretariat, Intergovernmental Support Service, Palais des Nations, CH-1211 Geneva 10; fax: +41 22 917 0214; e-mail: meetings@unctad.org.

All other enquiries should be addressed to Mr. Richard Kozul-Wright, Palais des Nations, CH-1211 Geneva 10, Switzerland; fax: +41 22 917 0044; e-mail: richard.kozul-right@unctad.org or candy.catala@unctad.org.

(signed)

Supachai Panitchpakdi
Secretary-General of UNCTAD

27 August 2012

Trade financing and the role of regional financial institutions in promoting South–South trade and investment

Annotated outline

Session I. Regional arrangements to promote trade and development

The global financial crisis began in the United States in 2007, spread rapidly around the world, and continues to hold back growth prospects in many countries. The severity of the crisis has raised serious questions about the effectiveness of the international financial system, including its ability to provide a stable environment for international trade. Trade flows have been particularly volatile over the past few years, and there are concerns that export-led growth strategies that have relied on final markets in advanced economies are losing their relevance for many developing countries. In response, many countries have turned to regional arrangements as a possible means of strengthening the links between trade, finance and development. Partly as a consequence of these new arrangements, there has been considerable debate about how best to combine multilateral and regional structures in support of sustainable and inclusive development paths. The introductory session of the Expert Meeting will examine some of the most relevant issues in this regard, including the following:

- Is the regional setting better suited to building sustainable links between trade, finance and development?
- What are the financial arrangements that must be in place to advance integration at the regional level?
- What have we learnt about such arrangements from recent experiences in the South and the North?

Session II. Trade finance

The financial turbulence and the worldwide liquidity contraction which followed the collapse of Lehman Brothers affected the trade finance available to developing countries. Although trade finance is generally at the low-risk, high-collateral end of the credit spectrum, this did not insulate it from the crunch, especially in developing and low-income countries. The second session of the Expert Meeting will discuss ways to facilitate the supply of trade credit in a global context of risk aversion and tight financial markets. In particular, contributions will focus on:

- The contribution to trade financing by regional financial banks, including for counter cyclical lending
- How to encourage resource-pooling and co-financing between the various providers of trade finance
- The role of central banks as foreign currency providers

Session III. Financing international value chains

In the last two decades, advances in information and communications technology, coupled with a gradual reduction in policy-driven trade barriers, have allowed the production process to be “sliced up” into discrete economic steps and separated geographically. This has provided new trading opportunities for developing countries, including in more dynamic products. However, value chains do not eliminate the financing constraint on development; small and medium-sized firms continue to face a series of constraints on effective participation in these chains, and the scarcity of trade finance could disrupt many supply chain operations, and even slow down world trade and output growth. The third session of the Expert Meeting will focus on the issue of financing trade in the context of international value chains. Issues to be discussed include:

- Access to finance in the context of value chains: successful regional experiences
- The role of regional development banks in promoting international value chains
- Scaling up value chains through South–South integration and cooperation

Session IV. Southern development banks

Regional development banks are well positioned to deal with the uncertainty of long-term, large-scale strategic projects and can help developing countries to overcome critical limitations in credit provision, including trade credit. However, in recent years, and partly in response to perceived weaknesses in existing arrangements, new South–South financing mechanisms have begun to emerge. The Banco del Sur (Bank of the South), established in 2009 by the Governments of Argentina, the Plurinational State of Bolivia, Brazil, Ecuador, Paraguay, Uruguay and the Bolivarian Republic of Venezuela, represents a vivid example of this strategy, since it aims to finance infrastructure projects and support regional integration. Along the same lines, but not constrained to the regional level, the BRICS recently envisaged the creation of a bank in order to mobilize resources for infrastructure and sustainable development projects in BRICS and other emerging economies and developing countries. The last session of the Expert Meeting will focus on:

- Regional experiences with Southern development banks: lessons learnt
- Banco del Sur: history, project and challenges ahead
- The BRICS development bank: perspectives for the future