

Foreword

The expansion of firms' access to export and import markets depends on reliable, adequate, and cost-effective sources of trade finance. These help to fill the time gaps between production, shipment, and payment.

Trade finance is routinely supplied to exporters and importers by banks and other financial intermediaries, mitigating the financial and payment risks involved in cross-border trade. Whereas developed economies can often rely on large and advanced economic sectors mobilizing sophisticated trade finance instruments such as supply chain finance, significant shortages exist in many emerging and low-income economies. These shortages can have many reasons—both international (inflation, availability of correspondent banking relationships, country risk) and local (level of development and expertise of the financial sector, cost, access to finance by local firms).

To better understand the trade finance ecosystem in developing countries, the constraints to trade finance, and gaps in provision, the International Finance Corporation (IFC) and the World Trade Organization (WTO) pledged in November 2021 to enhance their cooperation in this area. As part

of this effort, they engaged in a series of surveys aimed at examining the specific obstacles faced by lenders and borrowers in low-income regions. The first study, conducted in 2022, analyzed the trade finance markets of the four largest economies of the Economic Community of West African States (Côte d'Ivoire, Ghana, Nigeria, and Senegal, referred to as the ECOWAS-4). In 2023, the second study examined the trade finance markets of Cambodia, the Lao People's Democratic Republic, and Viet Nam (the Mekong-3).

This third study shifts the focus to three upper-middle income economies in Latin America—Guatemala, Honduras, and Mexico—collectively denoted as the CAM-3, a reference to their belonging to the Central America-Mexico trade agreement. Building on the trade profiles of the three countries, the study examines the characteristics of trade finance in these fast-growing markets. It focuses on the share of trade supported by trade finance, its costs, and the

potential benefits if trade finance obstacles were reduced. Collectively, these three regional studies offer insights into which solutions could be promoted across different levels of development, both locally and internationally, for trade finance to be a driver of greater competitiveness and market access for a wide range of firms.

IFC and the WTO are committed to further fostering trade growth and economic development outcomes, drawing on our knowledge and track record of mobilizing capital. We are thankful to the joint IFC-WTO team that produced this report and look forward to the findings and recommendations that will inform debates and decision-making across various stakeholders.



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