

June 6, 2018

Informal Group on MSMEs

Meeting of 8 June, 2018

NOTE FOR THE CHAIRMAN

Introduction

1. I would like to thank you for inviting me to this meeting of the informal group on MSMEs, as the Chairman of the WTO Working Group on Trade, Debt and Finance (WGTDF).

2. As you may know, the work of the WGTDF on trade finance is supported by the Expert Group on Trade Finance, and informal group of trade finance practitioners, comprising representatives from multilateral development banks, professional associations, and the private sector. As my predecessors, I have been attending this meeting, which is summarized in the document WT/WGTDF/W/86, discussed this morning.

3. The good news is that multilateral development banks (MDBs) are stepping in to meet the demand for trade finance by SMEs, notably in developing countries. We know that this is not enough to fill the entire financing gap, but participating in the MDBs programs helps SMEs and their banks build experience for future transactions. Participation to trade finance facilitation programs also involves formal training on trade finance and compliance regulations. Finally, a joint cooperation program has been decided, between the Financial Stability Board, the World Trade Organization and the International Financial Corporation.

4. The Director-General's involvement to achieve these aims has been important, and he should be thanked for it. He has been following up on proposals that he made before WGTDF Members. He met heads of multilateral development banks collectively and individually. He encouraged them to devote more resources to support trade finance in places from which global banks had withdrawn – Central Asia, Africa, Latin America, even parts of Europe, such as Cyprus and Greece. As a result, multilateral development banks have increased their trade finance support by almost 50% in two years – to over \$30 billion. The number of trade finance trainees doubled during this period. MDBs also said that there was so much more they could do to help. In order to find a durable solution to problem, it was important to bring the private sector back into challenging markets.

5. Hence, one step was to engage into a dialogue with the Financial Stability Board, which was trying to address some aspects of the reduction in global correspondent bank relationships around the world. The network of distribution of trade finance had become smaller. The Director-General reported that he was working with the heads of the FSB and the International Financial Corporation (IFC) of the World Bank Group to address some of these aspects. In fact, the FSB has made progress in the past couple of years in updating and clarifying regulatory expectations – notably on anti-money laundering and know-your customer regulation. They are looking at the possibility of joint technical assistance missions, helping to build knowledge on trade finance and on compliance requirements at the same time.

6. Trade finance is at the border of two systems of governance, in this case the trading system and the financial system. This step-by-step, cooperative approach, end up paying off.

7. After the Director-General's report, there has been a very fruitful discussion between Members. The points I made in my summing up of this discussion were the following: Members of the Working Group on Trade, Debt and Finance supported the work on trade finance and SMEs, and showed their appreciation for the Director-General's efforts. There was praise for his direct interactions with leaders of multilateral development banks and of the Financial Stability Board in examining the problems linked to reducing correspondent banking relationships in the area of trade finance. There was also acknowledgement for the efforts related to capacity-building. Trade Finance was one area of the WTO work in which the interaction between Members and the Director-General is bearing fruits and results. There was a desire to continue this work in the WGTDF, and to invite in future meetings qualified persons working on achieving progress. There were a number of suggestions on how to do so, which we will follow-up in the next meeting.

8. I thank you very much for your kind attention.