



TreasuryPulse

Asian Growth Creates Opportunities for Multinational Corporations



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Emerging markets, particularly China and other parts of Asia, will continue to drive global growth. This growth is strongly apparent in trade flows both within Asia and between Asian countries and other markets in Europe, North America, Latin America and Africa, positioning Asia as a dynamic trade partner for the world. Even though 2014 is likely to bring some economic recovery in the US and Europe, Asia remains a powerhouse of growth.

Asia's strong economic potential means that corporations of all sizes need to make strategic decisions about the extent to which they wish to leverage the growth opportunities that exist. Many are embracing these opportunities with enthusiasm, resulting in significant levels of liquidity being placed in Asia, creating a vigorous and motivated trading environment. With intra-Asia trade flows continuing to strengthen, companies that can take advantage of these trade routes will gain a competitive advantage.

China

As the world's second largest economy and the pivot of significant amounts of both intra-Asia and global trade, China is the primary focus for many corporations.

Despite a softening of growth resulting from the global financial crisis, China's growth has remained robust, currently at around 7.5%, which is impressive compared with other regions. China has embarked on a journey of regulatory liberalization to encourage foreign investment,

which has been met positively by banks, non-bank financial institutions and corporations across a wide reach of industries.

With greater cross-border movement of RMB reflecting steady progress towards RMB internationalization, and initiatives to facilitate easier cash and treasury management in China, organizations of all types are gaining confidence in developing and implementing their investment plans in China.

India

We are also witnessing substantial growth in India, a market that offers considerable future potential. With inflation stabilizing and a strengthening of monetary policy, the conditions are right for increased levels of liquidity. While growth in China is primarily export- and consumer-led, investment is driving growth in India, with infrastructure projects offering opportunities for banks and corporations across a variety of sectors, with an increase in the use of structured finance and trade finance solutions.

ASEAN

ASEAN is emerging strongly as a sub-region within Asia. Many of these countries have seen an improvement in their credit ratings, which is further enhancing their growth potential. A burgeoning middle class is increasing domestic consumption, which is positive for growth sustainability.

Role of Supply Chain Financing

During the global financial crisis, companies became acutely aware of business continuity risk, so they are prioritizing efficiency and resilience across their entire supply chain, using techniques such as supply chain financing to support their own liquidity objectives and those of their suppliers and distributors.

Although North American corporations were among the first to leverage supply chain financing techniques, European and recently Asian companies are also using these solutions to access new sources of liquidity, reposition their borrowing profile and support their supply chains. In fact, it is not only banks and corporations that recognize the benefits of supply chain financing. Increasingly, we are seeing both governments and export credit agencies (ECAs) supporting supply chain finance solutions, despite their traditional focus on longer-term project financing.

Technology is critical to the success of many of the innovative banking solutions that are emerging in Asia and beyond. Banks that have built strong and flexible front-end platforms early on and have the ability to integrate cash management and foreign exchange services into cohesive solutions are well-positioned to support their clients' growth ambitions in Asia. No longer is it sufficient to provide individual products and services — corporations now require comprehensive, integrated solutions to meet their operational and financial requirements in each country within the context of a consistent regional and global framework.

Diversity Presents Challenges to Asia Expansion

Every market in Asia is different, from an infrastructure, regulatory, language and cultural perspective, so corporates need to understand and respect this diversity when planning their cash and treasury management approach, while keeping in mind their overall regional and global financial objectives.

The right banking partner can be critical in achieving this complex balance, by helping a corporate understand the local regulatory requirements, and benefit from best practices for cash and treasury management both within their own industry and more widely. While historically conversations between corporate treasurers and their bankers have been mostly focused on banking products and services, this has now extended to ways of optimizing internal processes.

Another important dimension to the dialogue between banks and corporate treasurers — especially in Asia — is how banks can help corporates to optimize their working capital. Using trade finance instruments to improve working capital metrics is not just a Western trend. It is picking up momentum in Asia as well and corporates are now recognizing that using the right supplier finance and accounts receivable programs is essential.

The recent financial crisis and the resulting shift in trade flows, combined with the emergence of new centers of economic growth, demonstrate that corporates are looking to expand their sales into newer markets — increasingly emerging markets. Therefore, being able to mitigate risk while growing their business has become a key priority.

Trends in Coming Years

As regulatory reforms in many Asian countries continue, regional cash and treasury management techniques such as cross-border pooling will become more prevalent and greater cohesion in payment and information formats will emerge. Identifying local sources of liquidity will also become a higher priority as companies strengthen their presence in Asian markets, leading to the development of new financing solutions and techniques.