Emerging Opportunities in Asia

Q&A with Kaushik Shaparia, Regional Head of Trade Finance & Cash Management for Corporates, Asia Pacific Global Transaction Banking, Deutsche Bank

> “Investment is driving growth in India, with infrastructure projects offering opportunities for banks and corporations across a variety of sectors.”

Emerging markets will continue to drive global growth, particularly China and other parts of Asia. 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.

What does this mean for multinational corporations?

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 liberalisation 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 internationalisation, and initiatives to facilitate easier cash and treasury management in China, organisations of all types are gaining confidence in developing and implementing their investment plans in China.

In this rapidly changing environment, it is essential to work with a bank that has both a detailed understanding of the financial and regulatory environment in China, and comprehensive market access. In many cases, banks such as Deutsche Bank that offer these opportunities, are actively leading the process of liberalisation through involvement in ground-breaking pilot projects in which a number of Deutsche Bank's clients have been able to participate.

India

We are also witnessing substantial growth in India, a market that offers considerable future potential. With inflation stabilising 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. Consequently, we are supporting a wide range of corporations keen to leverage this growth opportunity through a variety of innovative cash management and trade finance solutions.

What type of solutions would you highlight?

During the global financial crisis, companies became acutely aware of business continuity risk, so they are prioritising 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 amongst the first to leverage supply chain financing techniques, European and latterly Asian companies are also using these solutions to access new sources of liquidity, re-position their borrowing profile and support their supply chains. In fact, it is not only banks and corporations that recognise 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.

What would you identify as the primary challenges for corporations expanding their activities in Asia?

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, whilst 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 optimising internal processes.

Another important dimension to the dialogue between banks and corporate treasurers – especially in Asia – is how banks can help corporates to optimise 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 recognising that using the right supplier finance and accounts receivables programmes is essential. The recent financial crisis and the resulting shift in trade flows, combined with the emergence of new centres of economic growth demonstrate that our clients 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 for clients.

Taking a collaborative approach to optimising the experience of a client entering a new market reflects an important change in the corporate-to-bank relationship. The focus is now more on providing cohesive, integrated and competitive solutions that meet today's requirements and tomorrow's ambitions locally, regionally and globally.

How do you see this trend developing in the coming years?

Few banks have the geographic reach and depth of presence in each market to provide the detailed understanding and breadth of solutions that multinational corporations require. Consequently, we anticipate that only a few global banking players will be in a position to support the diverse and complex cash and treasury management needs of multinational corporations throughout Asia and globally, particularly during a period of fast-changing regulation and global economic volatility. We anticipate that 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.

Technology innovation will continue to facilitate growth in Asia. In transaction banking, this will take the form of next generation web-based solutions, such as Deutsche Bank's Autobahn App Market – the first App-based electronic distribution system in the financial services industry – which provides a single access point to more than 150 electronic products and services, including cash management, trade finance and securities services, as well as market research, commentary and asset class data.

As we have already seen, the focus on individual banking products and services has already been superseded by a solution-based approach, and this trend will continue to strengthen as corporations of all sizes seek to optimise their business flows from end-to-end while leveraging new technology to create efficiency, control and competitive advantages. □

Kaushik Shaparia
Regional Head of Trade Finance & Cash Management for Corporates, Asia Pacific Global Transaction Banking, Deutsche Bank

Kaushik Shaparia joined Deutsche Bank in 1985 and is currently Regional Head of Trade Finance & Cash Management for Corporates in Asia Pacific, overseeing one of the core businesses of Deutsche Bank's Global Transaction Banking (GTB) division in the region. Based in Singapore, Kaushik is responsible for driving the growth strategy of the bank's Trade Finance & Cash Management for Corporates business, which includes corporate cash management, as well as structured trade and flow trade with both corporates and financial institutions in Asia Pacific. He is also part of the regional GTB management team that is responsible for formulating and executing the division's ambitious growth plans in Asia Pacific.

Prior to taking his current role, Kaushik had successfully set up and grown Deutsche Bank's GTB franchise in India. He was also instrumental in the initial product development phase of the bank's state-of-the-art electronic banking platform in Singapore in the early 1990s. Over the course of his 25-year career, Kaushik has gained extensive experience in corporate relationship management, branch operations and global markets, particularly in India and Singapore.