



Planet Opportunity

WITH ECONOMIC GROWTH IN EMERGING MARKETS SPECTACULARLY OUTPACING THAT OF THE DEVELOPED WORLD, THERE ARE REAL OPPORTUNITIES FOR COMPANIES WITH AN APPETITE TO GROW INTERNATIONALLY. CO-ORDINATED HELP, ADVICE AND ACCESS TO FUNDING CLOSE TO HOME AND IN YOUR OVERSEAS MARKETS CAN MAKE IT ALL THAT MUCH EASIER TO HANDLE.



Surveying a container port from the cab of a crane is all in a day's work for Aidene Walsh, head of global network banking at RBS. She is in India to understand how RBS can help a client, Gateway Terminals India, expand its successful container terminal operation in the region efficiently and profitably.

Walsh heads the team charged with helping the bank's large corporate clients make full use of a global banking network that is available in 40 countries and in a further 20 via partner bank arrangements.

"Many clients use our global electronic banking network for all their treasury and cash management needs: to make treasury payments to overseas accounts so working capital

and funds for investment are in the right place at the right time, send cross-border payments and exchange trade data to facilitate their global supply chains and then repatriate surplus funds or concentrate them at a regional level as appropriate," Walsh explains. "They like the fact that they can monitor all their activity with fully integrated reporting online. In many cases, they also ask us to provide in-country banking services to local operating units; account structures can be set up and managed locally, or centrally from the client's head office if required."

According to Walsh, clients like the combination of the electronic network giving access to an extensive global footprint, with payment and clearing systems worldwide, plus RBS's local, in-country experts, who are able to provide practical advice and simplify the complexity of international business at the point of need, at home or in-market.

"For example, local regulations and exchange controls can sometimes complicate business in emerging markets, as when Gateway Terminals wanted to repay a loan in India early," says Walsh. "Our local markets experts were able to quickly understand the issues, facilitate discussions with the Indian regulatory authorities and find a solution that satisfied all parties." (See the case study below.)

Tapping into an international network and specialist market knowledge can also be invaluable when it comes to optimising returns on short-term working capital in overseas markets. For example, RBS's liquidity management experts have been able to structure balance optimisation solutions for a number of companies with business in Asia. These solutions can be applied to balances in both regulated and

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unregulated markets in Asia, so enhancing returns on positive balances held in different countries across the region.

THE OPPORTUNITIES BEYOND HOME BORDERS

Working with a global network bank in this way can make doing business in emerging markets more accessible to companies, helping them to take advantage of considerable opportunities.

Some companies, naturally enough, reacted to the global financial crisis by focusing activity closer to home (often in mature markets) where supply chains were shorter and risks better understood. But it is timely to look again at the potential to expand overseas.

Emerging markets, especially those in Asia, are moving ahead much faster than developed ones: the International Monetary Fund¹ projects real GDP growth for the Asian region of 7.9% for 2010 and 6.7% for 2011, compared with a sluggish 2.7% (2010) and 2.2% (2011) for the US, and 2.6% (2010) and 2.3% (2011) for the euro area. India's GDP growth is projected at 8.4% in 2011 and China's at 9.6%.

And companies are gearing up for the opportunities. The UNCTAD World Investments Prospects Survey 2009-2011² notes that the transnational corporations (TNCs) surveyed were planning to reduce their foreign direct investment (FDI) expenditure in 2009, but "expected to resume their investment plans, albeit modestly in 2010 but gaining momentum in 2011". Half of the TNC respondents expected their FDI expenditures to be higher in 2011 than in 2008. The UNCTAD report also identifies companies' top five targets for FDI as China, US, India, Brazil and the Russian Federation.

A GLOBAL NETWORK BANK CAN SIMPLIFY THE COMPLEXITY OF OVERSEAS OPERATIONS The banking support needed to do new business in emerging markets will vary considerably, depending on many factors.

For example, a company with operations elsewhere in a region might already manage a market remotely, but now needs to set up a presence locally and requires in-country accounts, payments and collection facilities.

A multinational company with several subsidiaries might have reached the critical mass to make setting up a regional treasury or shared services centre worthwhile. In this case, establishing which processes can be standardised and how to centralise liquidity across borders will be the priority.

Another common scenario is when a subsidiary company finds investment funding for a particular project difficult to come by, or too expensive, in its home market and asks the parent company for help.

For a company manufacturing in one country and selling into a new market, letters of credit or other trade finance facilities may be required to protect against the credit risk involved. The company might also need pre-export financing to bridge the working capital gap between order and payment.

In all these cases, local market expertise and cross-border capabilities are both called for in order to structure and deliver the right solution. A global network bank should be able to provide both, close to the customer and in their local language.

Catherine Adair-Faulkner, head of global cash management

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solutions at RBS, explains that SMEs and corporates operating in the mid-market can also benefit from the business reach available from a global network bank. "Smaller companies are faced with many of the same issues when it comes to understanding local customs and requirements, getting accounts open, managing FX risk or putting funding in place. Having access to a team of international experts, who will work together and connect them to their overseas markets, is invaluable. RBS has a range of fit-for-purpose solutions for customers across the business spectrum who need international services, and we are organised to ensure that corporate customers of NatWest, Ulster Bank and our Citizens Bank customers in the US also have full access to network banking."

RELATIONSHIP MATTERS Whether the client is in Singapore, Mexico City or Dublin, in group treasury or managing a subsidiary operation, he or she should expect relationship support and a single point of contact to coordinate overseas requirements, bringing in country and product expertise as required. "Relationship becomes even more important when you need to get things done in different countries and jurisdictions," says Walsh. "It's obvious clients need us to act quickly and facilitate their transactions reliably, but the key differentiator for clients is often the bank's commitment over time and a longer view of their business. When relationship banking works well, a constructive fit develops between the two organisations that goes far beyond the immediate business issues on the table."

RBS provides cash management services to three of Ingram Micro's operating units in Asian countries. The relationship is co-ordinated from Singapore. Klaar Eyckerman, director of tax and treasury, Ingram Micro Asia Pacific, says: "We get excellent, well-co-ordinated products and service from RBS with a single point of contact for all our needs, but the relationship also delivers something else that's extremely valuable to us, and that's ideas. As an example, RBS brought their economist to speak to our senior management. RBS not only say they want to be our trusted adviser; they think about our business and act like one."

CASE STUDY: LOCAL EXPERTISE WINS THROUGH The AP Moller-Maersk group owns Maersk Line, the world's largest privately owned container shipping company, and APM Terminals, the second largest container terminal operator in



cash management

GLOBAL NETWORK BANKING

the world. It has a concession to construct a large container terminal in western India which it is currently operating via a joint venture (Gateway Terminals India – GTI) with Container Corporation of India (Concor). Concor is a semi-government organisation involved in operating container trains and is also listed on the National Stock Exchange of India.

Setting up a large container terminal is complicated and the company needed a financial solutions provider to help it through this. GTI needed a healthy mix of long-term debt at competitive interest rates, equity contribution from sponsors and internal accruals. RBS proactively worked with GTI to structure a financial package comprising Export Credit Agency financing and a performance guarantee which GTI needed for securing payments.

Over the past few years, GTI has successfully operated the terminal and converted it into, arguably, the largest (in terms of throughput) and most efficient container terminal in India. Operational efficiencies and good risk control mechanisms, among other things, ensured that the company has built up substantial cash reserves and therefore started looking toward prepayment of the foreign currency debt on its books. Prepayment involved, inter alia, negotiation with the concerned Export Credit Agency (ECA) and permission from

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Indian regulatory authorities, and is not very common among foreign currency borrowers in India.

RBS proactively discussed this with the ECA, and facilitated the requisite approvals from Indian regulatory authorities. Being an uncommon request, this required several discussions/explanations with the various parties involved over a few months. GTI finally received the requisite approvals and has commenced prepayment of its debt over various tranches. This has helped the company rationalise its cashflows and further improve profitability and efficiency in India. RBS was therefore involved in both the crucial legs of arranging for the finance for GTI and helping the company achieve financial closure, and prepaying the debt when the company became cash-rich. This has helped further strengthen the relationship which RBS enjoys with GTI in India and with the AP Moller-Maersk group globally.

Box: Easier access to Asian markets

“Doing Business in Asia: Meet the Experts” is a series of events designed to give UK companies up-to-date information and advice on exporting to Asia.

RBS is partnering with UK Trade & Investment and its Asia Task Force (co-chaired by Vince Cable, the secretary of state for business, innovation and skills, and Lord Powell of Bayswater) to present a series of events across the UK during 2010 and 2011.

Event attendees have the opportunity to hear and learn from senior British diplomats, experienced business leaders and RBS experts who are based in key Asian markets, all while networking with other similar companies.

As invitees of RBS/NatWest, readers of The Treasurer are entitled to a reduced fee for the event. For more information:

www.export.rbs.co.uk/asia/?DCMP=ILC-CORP-INTL-UKTI

www.export.natwest.com/asia/?DCMP=ILC-COMM-INTL-UKTI

RBS employs over 17,000 staff across 11 countries in Asia, servicing more than 75,000 accounts in the region. RBS is a top four trade bank in Asia.



Footnotes

1. IMF World Economic Outlook, October 2010

www.imf.org/external/pubs/ft/weo/2010/02/index.htm

2. (based on 241 interviews, Feb-May 2009)

www.unctad.org/en/docs/diaeia20098_en.pdf

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