



## **Opening Remarks by the Permanent Secretary for Commerce, Trade, Tourism and Transport, Shaheen Ali**

### **Joint PIFS-ITC Symposium on Trade Finance**

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Secretary-General of the Pacific Islands Forum Secretariat,  
Secretary-General for the Organisation of the Africa, Caribbean and Pacific States,  
Executive Director for the International Trade Centre,  
Acting Director-General for the Melanesian Spearhead Group,  
Head of Delegation of the European Union for the Pacific,  
Distinguished presenters and panel members,

Ladies and Gentlemen,

It is a pleasure to join you today, at this Regional Symposium on Trade Financing. Today's Symposium is against the backdrop of a challenging global environment – including in respect to trade.

Before we discuss the impact of Coronavirus (COVID-19) on trade and economic recovery, let me begin with a historical perspective on trade's role in economic development.

World trade today, is the most important component of the global economy. As a percentage of global GDP, it rose from 25% in 1960, to around 60% in 2019. But it is clear that this growth slowed in the recent years, especially in the last year.

This is why this Regional Symposium is timely. We need more innovative and disruptive ideas that will make regional and global trade more efficient, more inclusive and more resilient.

Ladies and Gentlemen,

There is no doubt that International trade and foreign direct investment have played a major role in shaping the Pacific's economic development. However, with the perennial and pervasive effect of climate change, coupled with the impact of COVID-19, the Pacific Region's ability to trade and foster a conducive environment for businesses especially micro, small and medium enterprises (MSMEs), has come under severe pressure.

In response to the pandemic, we in the Pacific, including Fiji, essentially balanced lives against livelihoods – because without one, you cannot have the other. In this respect, the Region has undertaken a range of health and safety measures, which, in Fiji's case has proven highly successful in protecting our communities. Today, we have gone over 325 days without any community transmission.

At the same time, our Region has not been immune to deleterious impact of COVID-19 on international travel and tourism and overall impact on economic growth.

Ladies and Gentlemen,

According to the IMF, the global economy is expected to recover from a 3.5% contraction to a 5.5% growth in 2021. However, this recovery will be uneven, as economies dependent on tourism and a narrow range of sectors, will continue to face challenges in the longer term.

The restoration of cross-border trade will undoubtedly be vital in driving global economic recovery in the wake of the pandemic. A return to trade-led growth will hinge on creating enabling conditions for businesses to trade and to thrive.

In order for this to happen, the International Chamber of Commerce estimates that approximately US\$5 trillion worth of trade credit is needed to enable a rapid recovery from the pandemic. They have warned that trade financing gaps risk hampering a global recovery, impacting the survival chances of small businesses.

Hence, there is a strong case for pro-active interventions to enable and empower the trade finance market to help small businesses weather the crisis. Access to cost-effective trade credit is a vital lifeline for many entrepreneurs – as we have witnessed in Fiji.

Ladies and Gentlemen,

Certain decisive actions taken by our Governments, central banks and development partners to provide support, to some extent, has stabilised what could have been a much worse catastrophe. These interventions have already immensely contributed to maintaining market confidence and stability.

For example, as part of our COVID-19 Response Budget, the Fijian Government worked with the financial sector to restructure over \$3.4 billion in loans, introduced Concessional Loans for Micro, Small and Medium Enterprises (MSMEs) and provided trade finance through the National Export Strategy. Business related training, mentoring, advisory, incubation services, as part of a comprehensive package of initiatives have continued to play an important role.

But the reality of the matter is that, as SIDS, our economies are not large enough to build a recovery, solely off the domestic market. Our comeback hinges on the recovery of our regional and international trade partners and ability to trade – both goods and services.

Ladies and Gentlemen,

The WTO over the last decade, has highlighted that trade is heavily dependent on the availability of trade financing and related risk mitigation. Around 80% or more of merchandise trade requires underlying financing to take place.

Access to trade finance allows businesses to fund operating costs and deal with various risks. The availability of trade finance is indispensable in building resilience and sustainability, and in overcoming challenges posed by global shocks - including health and climate crises.

Ladies and Gentlemen,

While advanced economies typically have robust financial systems that provide widespread access to funding, developing economies find access to finance far more difficult— particularly for MSMEs.

This has been a historical problem for MSMEs and developing countries. In 2016, the ADB estimated that the global trade finance gap was US\$1.6 trillion and financing was not evenly distributed. This is despite the fact that trade financing is considered one of the safest forms of finance, where less than 1% of transactions go into default.

Ladies and Gentlemen,

What we need is timely intervention, by policy makers, development partners, donor agencies and financial institutions — to empower our MSMEs through continued access to reliable, adequate and cost-effective sources of trade financing. This will ensure that businesses not only recover from the crisis, but emerge stronger than ever.

As a Region, I recommend, we explore avenues to combine our resources. And one such avenue is establishing a Regional Trade Finance Institution, or the Pacific's very own EXIM Bank. I know this is easier said than done, as a lot hard-work, cooperation, and goodwill is needed, especially from our respective central banks.

Such an institution will overcome the challenges faced by MSMEs in our economies and disadvantages of being SIDS. This proposal can be further explored by PIFS and the South Pacific Central Bank Governors Forum. The concept, however, cannot be successful without the backing of development partners, such as ITC, Commonwealth Secretariat, ADB, World Bank, many of whom are part of this Symposium.

Ladies and Gentlemen,

Every challenge, including the one posed by the current pandemic, offers opportunities. It is incumbent upon our Symposium today to tap on expertise from different regional and international institutions, to address accessibility to trade financing, especially for Pacific businesses.

I am confident that the outcomes of the 2-day Symposium will identify existing gaps in the Region's trade finance architecture. Furthermore, in collaboration with all participants and stakeholders, the Symposium will provide better understanding and insight to the trade financing needs of the Region and put forward effective solutions – for all of us to consider.

With these words, I wish you all fruitful outcomes and productive deliberations.

Thank you. Vinaka vakalevu.