



# Banking on Foreign Trade

Banks offer worldly know-how in cultures, politics, networking and services, when helping companies with their importing and exporting needs.

By Mike Silverstein, Contributing Writer

**A**s the American economy has become increasingly trade-oriented, it's not surprising that New Jersey has become a prime beneficiary of this trend. Its ports, central location to key domestic markets, and the state's large concentration of ethnic populations with trade contacts around the world, have all worked to make this true.

Commercial banks are important players in international trade. They provide financing, collection, currency exchange and fund transfer services, letters of credit and introduction, as well as advisory services and interfaces with government agencies such as the ExIm Bank.

Some major banks active in the trade field are domestically owned with large international banking depart-

ments. Additionally, foreign-owned banks have become increasingly prominent trade-facilitators. Banks with home offices in the U.K. (Citizens/Royal Bank of Scotland and HSBC), Spain (Sovereign/Santander) and Canada (TD) claim special abilities to assist importers and exporters because of their strong presence in key world markets.

Other major players in New Jersey, when it comes to facilitating international trade, are community banks such as Indus American. These banks have a unique capacity to service some importers and exporters, especially smaller enterprises, in certain regions of the world because of their managers' and customers' personal knowledge of these markets, their informal networks and contacts there.

### Bank and Trader Link-Ups

For many businesses, the commercial bank they work with is the natural one for them to seek out when they need importing or exporting assistance. Banks, however, are far from passive when it comes to acquiring clients in this realm.

“Our bankers are always talking to existing bank clients about other services we provide, including services in the international trade area,” says Susan Baker Shipley, executive vice president and head of global trade finance, North America, Royal Bank of Scotland/Citizens Financial Group in Pittsburgh. And once a new trade client coming from any source is identified, “we have people to handle their trade needs in local markets ... someone in Philadelphia, in our New York office, and trade service experts in both Northern and Southern New Jersey.”

James Bender, director of international trade banking for Sovereign Bank in Boston, notes that “we get a lot of new [trade] clients through meetings of business organizations that our staff attend.” In New Jersey, a new client might then get together with Sovereign’s trade sales officer in Short Hills.

Once a new client has been assigned a relationship manager by Sovereign, that client is walked through the trade process, beginning with the basics. “There’s a lot of hand holding in the beginning,” says Bender, “because there are almost always hiccups” when just entering the trading field.

One piece of advice both Bender and Shipley say is worth considering by all newcomers to trading involves a bit of travel. “It’s good to know the macro numbers,” says Bender, “but visiting a country where you plan to trade is a very good idea ... get together with a local Chamber of Com-



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**Susan Baker Shipley**, of Royal Bank of Scotland/Citizens Financial Group, advises that all persons new to international trade visit the countries where they plan to trade.

merce or other organizations there. Meet with people at our branches. Start the networking process. Networking is vital ... for a new exporter.”

Mark J. Luppi, executive vice president - business banking for HSBC North America in New York, notes that his own bankers “are not only out there identifying companies already in international trade, but those who seem likely to be there”

in the future, tapping data generated by industries “where companies might need help with their trading. We let them know ... we have a [trade] trained banker in every New Jersey location.”

### Competitive Advantage

Banks with parent companies that are the major banking players in their home market - or other key markets - often cite this fact as something importers and exporters might consider in choosing their own bank. For example, Dan Fisher, TD Bank’s regional director of global trade finance, based in Mt. Laurel, notes that Canada is the biggest U.S. trading partner and Canadian companies in TD’s [Canadian] fold are potential lenders to U.S. companies trading with our northern neighbor.

“We’re a key international bank in many parts of the world. When you deal with us on trade matters, you deal with just one bank ... not with a domestic bank that needs a foreign banking partner,” he says. “You’re talking directly with the people who are handling all the paperwork.”

Citizens/RBS has a presence in 39 countries around the globe, and systems that are all technologically integrated, states Shipley. “We have all the expertise in-house and don’t have to use outside banks.” In many places, “RBS is the largest Forex [foreign exchange] dealer. We can make payments in 120 currencies ... and hedge in 60.”

Bender points to Sovereign/Santander’s strong presence in Latin America, the biggest U.S. trading market outside Canada. His bank is the largest bank in that region with lead positions in Mexico, Chile and Brazil. It has 3,700 branches in Brazil alone.

There are a great many trading opportunities in a country like Bra-



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zil, not all of them obvious at first glance, according to Bender. One example: “We work with a company that exports diaper manufacturing materials to a Brazilian manufacturer. The foreign company has its own materials [for diapers], of course, but the exporting company’s is of a higher quality. ... You can miss a lot of opportunities like this if you don’t know the territory or aren’t doing business with a bank that does.”

A long history in a fast-growing foreign market and a strong presence there are two qualities HSBC can point to when it comes to China. “We began as a trade bank in China in 1865,” says Steven Lotito, senior vice president - head of trade and supply chain sales with HSBC North America. Today, “we are the largest international bank in Mainland China and Hong Kong (496 branches and offices there).” Among other advantages “we can offer clients added transparency [with Chinese counterparts] because so many are also our clients. ... We are the same bank for both sides of a transaction.”

### Risk Management

Along with trade opportunities for U.S. companies, there are risks - especially for small- and medium-sized firms that don’t have long-standing, trust-built relationships with foreign counterparts. Various

government agencies and international trade groups have rules that provide many protections here. International banks have additional ways to manage trading risk.

Fisher, for example, cites a situation in which a letter of credit issued

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by a Japanese bank could have its value confirmed by his own bank, protecting a U.S. business even in case of a supply interruption such as caused by the recent earthquake and tsunami.

“Companies naturally want to make as many sales as possible, but may not be aware of concentration risk while doing so,” says Shipley. “A company may be too dependent on payment from a customer that for



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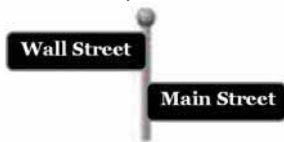
With all the worries today about the fluctuating values of currencies, it’s not surprising that currency risk is on the minds of a great many exporters and importers in deals that aren’t done in U.S. dollars. “Before you quote a price,” says Bender, “you need to factor in conversion costs. You need currency advice. You have to have a good sense of what’s involved.”

**The Community Bank Edge**

These days, “relationship banking” is how many banks like to describe their services. When it comes to importers and exporters, some community banks, founded to serve a clientele with strong roots in certain regions of the world, can lend this relationship model a distinctly personal tone.

“Our customers are primarily South Asians [from] India, Pakistan, Bangladesh and Sri Lanka,” says Jasbir Chopra, president and CEO

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of Indus American Bank in Iselin. "We serve this community's banking needs, some of which are unique."

A number of the bank's business customers import and export, he notes. "On the import side, this involves mostly food, textiles and apparel. On the export side this includes bulk products such as scrap metals and chemicals."

Along with the usual bank trade services, he points to some things his bank offers that might give some traders (and would-be traders) buying or selling in South Asia an edge doing business there. "Our people speak the language, know the customs, can help find the market opportunities through friends, family and business associates.

"If you were going from New Jersey to India," he continues, "a big bank can connect you with a local chamber of commerce and give you a list of local businesses. We're different. We can provide personal contacts through people in our own [New Jersey] footprint who know terms of trade that might differ in different places .... who also may have customers in that market, and already be selling products there."

And then there's the matter of local bureaucracy. "In places like India, there's still a lot of bureaucracy and government barriers," notes Chopra, though things are changing. "You need a local person who knows how to get things done."

#### Conclusion

As the American economy struggles, more and more companies are looking abroad for business opportunities, going where demand is still growing. New Jersey, a major gateway for imports and exports, has an unusually large number of banks with the varied skills needed to enhance such trading activity. **NJB**



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