

V SYMPOSIUM ON INTERNATIONAL TRADE

Brazil – Trade Finance and the Current Private Sector Financing Environment



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Financing Environment for Brazilian Corporates

- 2001 / 2002 (market uncertainty -- 9/11, Enron, drought, elections)
 - Shorter tenors
 - Secured transactions (eg, DPR securitizations)
 - Insured bonds (eg, PRI insurance)
 - Liability management
- 2003 and 2004 (re-opening of capital markets)
 - “Plain vanilla” financing returns
 - First mid-cap equity issues
- 2004 to mid 2007 (open markets)
 - Novel products (e.g., subordinated notes, perpetual bonds, hybrid capital, FIDCs, FIPs)
 - Surge in equity issues
- Mid 2007 to September 2008 (onset of subprime)
 - Capital markets largely closed (return of secured transactions)
 - Trade finance flourishes
 - Some project finance continues

Financing Environment for Brazilian Corporates

- Current environment
 - Global liquidity crisis, not a Brazilian issue
 - Liability management operations
 - exchange offer / waiver solicitation / debt repurchases
 - Limited secured financing, local market financing
 - Private banks are reserving limited liquidity for top clients / relationships
 - Higher spreads, when available
 - Reduced international lines
 - Local market financing not immune
 - Projects being postponed or cancelled; greater dependence on ECAs
 - Lower commodity prices
 - Trade finance – weakest in syndicated and pre-export financing
- Silver lining?
 - Strong banking sector (well-regulated, well-capitalized)
 - Historic levels of international reserves
 - Early, coordinated governmental action
 - Bank reserve requirements
 - Use of international reserves
 - Support by official institutions

Financing Environment for Brazilian Corporates

- Past approaches / solutions
 - Securitizations
 - Insured bonds
 - Liability management
 - Trade finance
- Limited impact -- depend on global liquidity
- New solutions are being tested
- Public sector support
 - MLAs / ECAs (direct and indirect)
 - Trade finance facilitation programs (to promote global trade)
 - Increased support of government spending (pro-growth)
 - Direct lending
 - Brazilian government
 - Coordinated response
- Old solutions are coming back
- Factoring, forfaiting
- Less “open account” trade, more collateralizing of the full process chain