

## *Profiles in Trade*

# Growth in Export Opportunities Broadens Need for Financial Partners with Experience

On average, 20th century Westerners — whether from Great Britain, Belgium, the Netherlands, the United States, Canada or Australia — had three times the material wealth and standard of living of their forebears the century before.

“The world is on the cusp of another explosive economic growth phase, this time in emerging markets such as India, Brazil and China,” says Sanjiv Sanghvi, chief executive officer of Wells Fargo HSBC Trade Bank.

Consequently, emerging markets represent a tremendous opportunity for U.S. companies, large and small, that are willing to invest in developing their businesses there, according to Sanghvi.

U.S. exports have been growing at an 11 percent average over the last five years. In 2007, total U.S. exports reached a record \$1.1 trillion, helped in part by the weakened dollar.

## **Growth Markets**

The following examples illustrate some of the opportunities in the emerging markets:

- India runs a trade deficit of \$17 billion. Last year, India’s imports grew at 60 percent while its exports grew 20 percent.

In the last quarter century, India’s burgeoning middle class has more than tripled to 250 million people. A recent McKinsey study suggests that India’s middle class will rise to 583 million people by 2025.

- In Brazil, heavy foreign investments have led to a booming economy as well as a stable political system. Recent business-friendly tax reforms have contributed to steady growth in Brazil’s gross domestic product — 4.4 percent over the last four years — with many experts forecasting a 4.3 percent average annual growth over the next five years.

Brazil is now ranked fifth most attractive country in the world for investment over the next three years.

- China is another growth center. Some estimates state that more than 1 billion people will enter the middle class in China within the next eight years.

Meanwhile, Americans are Chinese companies’ largest customers, with Chinese imports growing to \$321 billion in 2007, a 12 percent annual increase. In 2007, China’s imports grew 21 percent, while imports from U.S. companies to China grew 18 percent.

## **First-Time Exporters**

As markets develop, many U.S. companies are for the first time looking at overseas markets for growth. Meanwhile, companies that haven’t considered themselves “traditional” exporters are finding there is a large opportunity to tap into new markets by exporting.

Being new to the export field means businesses have to navigate challenges such as learning the culture, marketing and distribution in each market, and understanding the legal and regulatory environment. Even ensuring prompt payment from trading partners in other parts of the world can be difficult.

## **Banking Complexities**

Global trade also adds complexities to banking. For example, Sanghvi says, “Selling to a customer whose core business operates in currencies other than U.S. dollars means that U.S. companies need to hedge their foreign-currency exposure to lock in their profits.”

A financial institution with expertise in foreign exchange operations can help with such matters, in addition to assisting in solving cash and treasury management needs.

Financing is another challenge. Traditionally, many banks have been unwilling to lend on accounts receivable from foreign companies, making it difficult for a company to finance overseas growth opportunities.

To help a company succeed anywhere

in the world, a financial institution may not need to have physical offices in every country, but will need to have the local expertise and the connections to help businesses get established in the countries they choose.

## **Trade Bank**

Wells Fargo HSBC Trade Bank (the Trade Bank), an equity joint venture between Wells Fargo Bank and the HSBC Group, is the only nationally chartered bank in the United States dedicated exclusively to international trade.

The Trade Bank offers a full suite of banking products and services to help meet businesses’ international financial needs, including:

- Offering export letter of credit confirmations, which means the Trade Bank takes on credit risk on customers’ behalf.
- Providing payment solutions and “escrow” services to ensure that businesses get paid before they release title to goods in foreign ports.
- Providing foreign-exchange risk management solutions to help businesses lock in profits from overseas operations.
- Setting up accounts overseas and giving businesses anytime, anywhere visibility into domestic and foreign accounts through an Internet-based platform—the Commercial Electronic Office®.
- Helping finance international expansion efforts, including in-country financing in places like China, Brazil and Mexico.

The Trade Bank website is located at [www.thetradebank.com](http://www.thetradebank.com).

*“Profiles in Trade” is a new regular feature in Alert highlighting the international trade activities of member companies.*

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