

The Importance of Globalization & Increasing Sales with Trade and Project Finance

2018



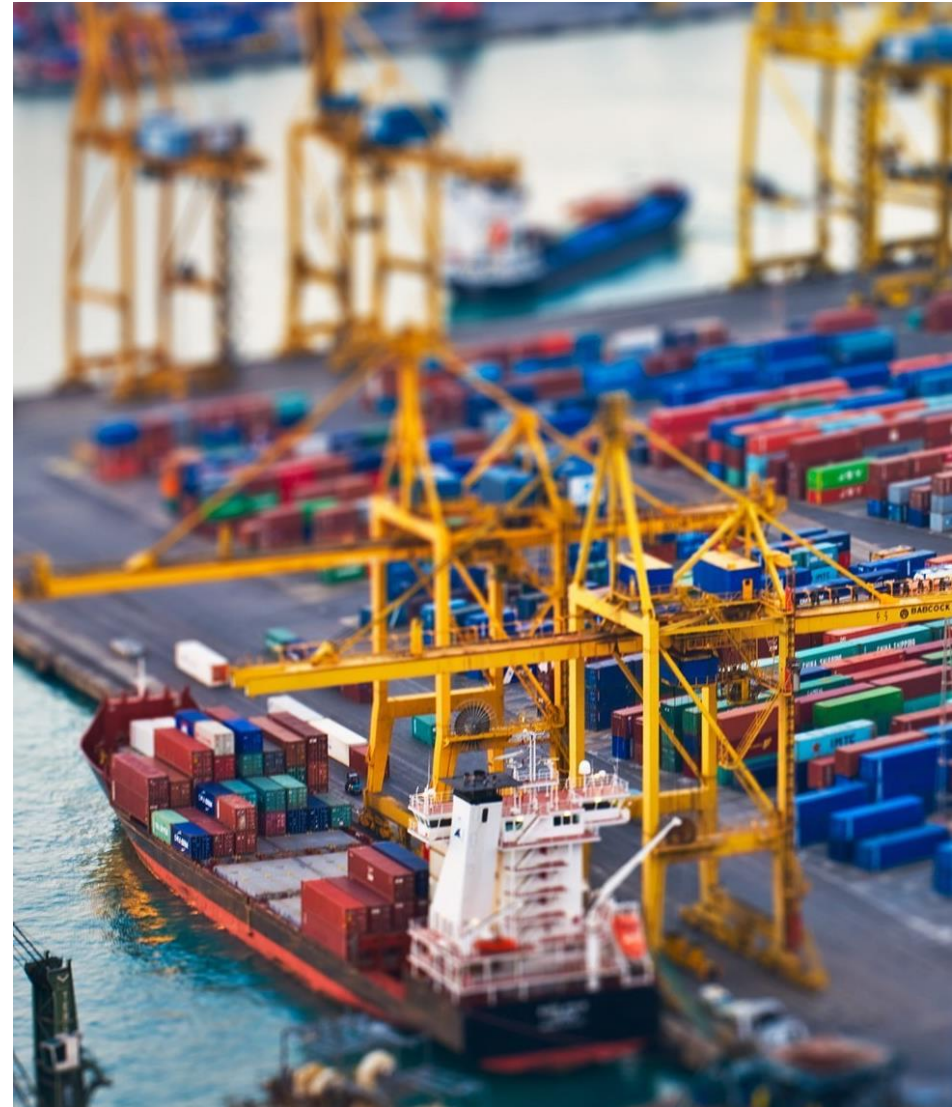
Blades International, Inc.

THE IMPORTANCE OF GLOBAL TRADE

- A. Important for Exporters & Multinationals-Economic Growth
- B. Economist David Ricardo-Comparative Advantage (1817)
- C. Helped Raise Millions from Poverty
- D. Globalization Trends
 - Communications
 - Technology
 - Freedom Opens Emerging Markets
 - Transparency

Exports a Key to the Economic Rebound

- All countries want to Increase Export Industries.
- Massive Global Financial support for Trade during 2008-2009 credit crisis.
- In 2016 there are concerns about Growth.
- Reducing Trade Barriers is an ongoing challenge.
- An Example in the News is the Trans-Pacific Partnership (TPP).

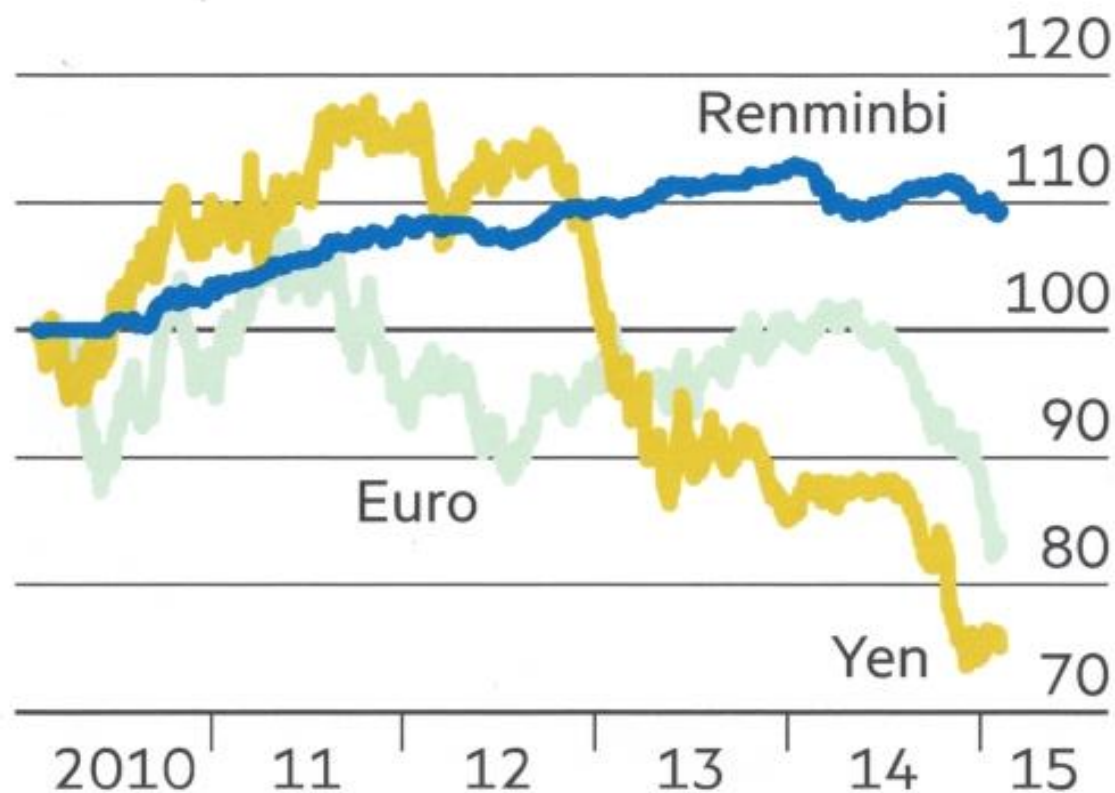


Global Trade will Help Rebalance Economies

- China, India, and Emerging market high growth rates stimulate demand and global economies.
- In financial crisis in 2008-2009 emerging market growth and stability was a positive factor. Today, the slow down in Emerging Markets is a key concern for our slower growth environment.
- In the U.S. after stimulus and Quantitative Easing the economy finally starting to rebound. Stronger \$\$
- The Euro weakens and it will stimulate Exports and increase inflation.
- U.S. accused Chinese of “Currency Manipulation”. The Yuan has appreciated for years and Chinese internal consumption increased.
- **THEME – In various ways Global Trade Growth patterns evolve and help rebalance Economies.**

China: losing a currency war?

\$ per currencies (rebased)

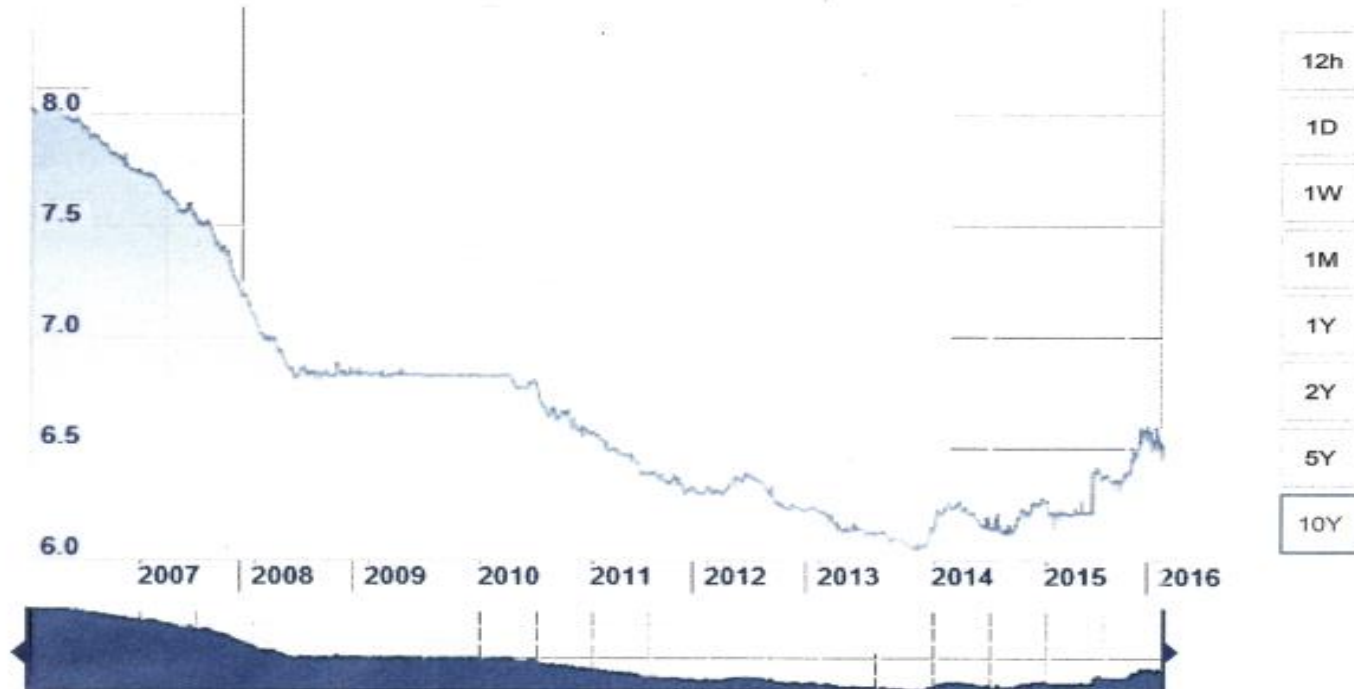


Source: Thomson Reuters Datastream

XE Currency Chart Mar 15, 2016

CNY per 1 USD

19 Mar 2006 00:00 UTC - 15 Mar 2016 18:13 UTC
USD/CNY close: 6.51486 low: 6.04370 high: 8.03190



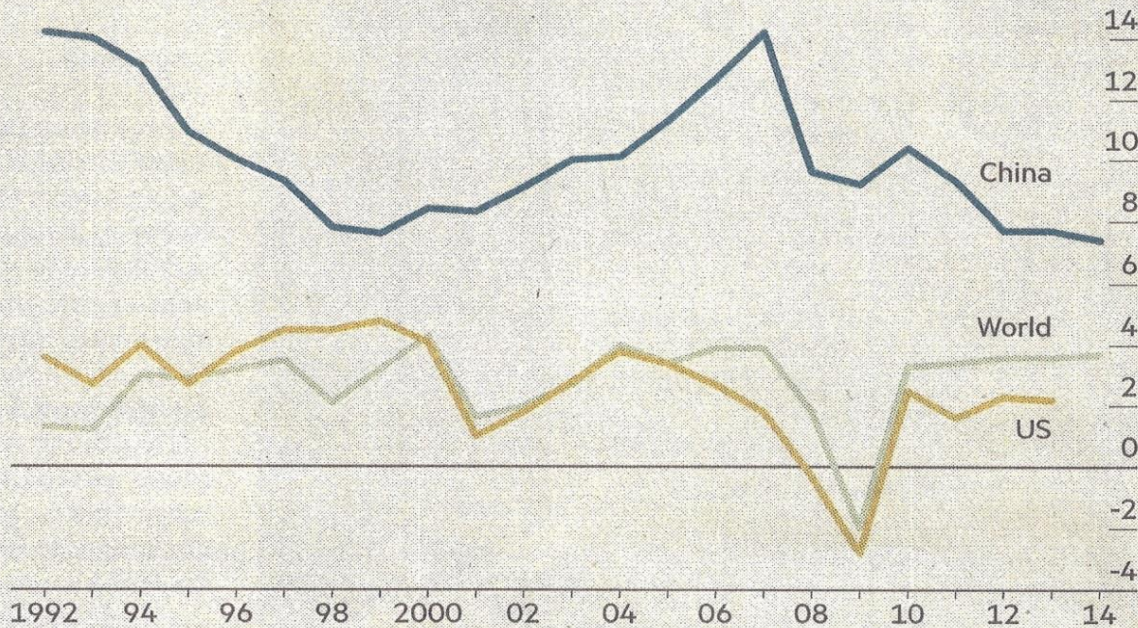
The World in GDP Growth Rates



Pushmepullyou

Chinese economic growth is slowing, but it is still high relative to the US and the world. After many years of high growth, the Chinese economy is now roughly the same size as the US

Annual growth in economy (% change in gross domestic product)



Size of economies' GDP at purchasing power parity

1992

2014

China

\$17tn

\$1.4tn

US

\$17tn

\$6.5tn

World
\$107tn

\$32tn

FT graphic. Sources: Thomson Reuters Datastream; IMF world economic database

Houston Oilfield Exporters and Energy Multinationals Capitalize on Emerging Markets

- Welcome to Houston the Energy Capital
- Houston Energy companies capitalize on Globalization and are one of the key factors in our rapid growth.



Port of Houston #1 in Foreign Tonnage for 18 years

Leading Commodities (Exports & Imports)

2013 - (Million Tons)

- Petroleum Products 107
- Organic Chemicals 16
- Iron / Steel Products 9
- Grains & Cereals 6
- Plastics 5

Leading Trading Partners (Exports & Imports)

2010 - \$ Billions

- | | | |
|-----|--------------|-------|
| 1.) | Mexico | \$15 |
| 2.) | Saudi Arabia | \$7.8 |
| 3.) | China | \$7.6 |
| 4.) | Venezuela | \$7.6 |
| 5.) | Brazil | \$7.2 |

2013 - \$ Billions

- | | | |
|-----|----------|-------|
| 1.) | Mexico | \$21 |
| 2.) | Brazil | \$11 |
| 3.) | China | \$7.8 |
| 4.) | Germany | \$7 |
| 5.) | Colombia | \$6.8 |

Panama Canal Expansion

- The Panama Canal expansion will double capacity and cost over \$5 billion.
- Started in 2007 and plans to complete in 2016.
- Now carries vessels up to 5,000 TEU's will be able to handle vessels of 15,000 TEU's.
- Ports in the East and Gulf Coasts upgrading to meet demand of Post-Panamax ships.
- Traffic for containers, grain, iron ore and coal will increase significantly.

Trans-Pacific Partnership

- The TPP is in the news and will ideally soon be signed.
- TPP's 12 Country agreement after seven years of Negotiations is close. (United States, Japan, Canada, Mexico, Singapore, Malaysia, Australia, Brunei, Peru, New Zealand, Chile and Vietnam)
- Will cover about 40% of Global Trade.
- Will lower tariffs and trade barriers on rice, steaks, cars chemicals, etc.
- Standards on Labor and the Environment

Trade Promotion Authority (TPA)

- Republicans want to give President “Fast Track” authority.
- Fast Track Authority or TPA allows the President to negotiate the TPP without Congress amending the Treaty.

(Remember NAFTA -1992)

- Ideally, TPP will set the stage for a parallel negotiation with Europe known as the Transatlantic Trade and Investment Partnership (TTIP)





WORLD TRADE
ORGANIZATION

World Trade Organization

Bretton Woods Conference 1944

- Formally known as the United Nations Monetary and Financial Conference.
- Mount Washington Hotel, Bretton Woods, New Hampshire.
- Created our International Financial System.
- The World Bank.
- International Monetary Fund.



World Bank Group



International Bank for Reconstruction and Development (IBRD or World Bank)

Reduces poverty in poorer countries by promoting development through loans, guarantees, and advisory services to foreign governments. Established in 1944 as the original institution of the world bank group, IBRD is structured like a cooperative that is owned and operated for the benefit of its 184 member countries.



International Finance Corporation (IFC)

The creation of IFC in 1956 was first step by the global community to foster **PRIVATE SECTOR** investment in developing countries.

World Bank Group Affiliates



Multilateral Investment Guarantee Agency (MIGA)
Provides insurance to spur investment in projects in
developing member countries



International Development Association (IDA)
Helps the world's poorest countries with
grants

Multilateral Development Banks

Regional



The Inter American Development Bank (IDB) lends money and provides grants. With a triple-A rating it can loan competitively for its clients in its 26 borrowing member countries.



European Bank For Reconstruction And Development (EBRD)
Investing in countries from central Europe to central Asia

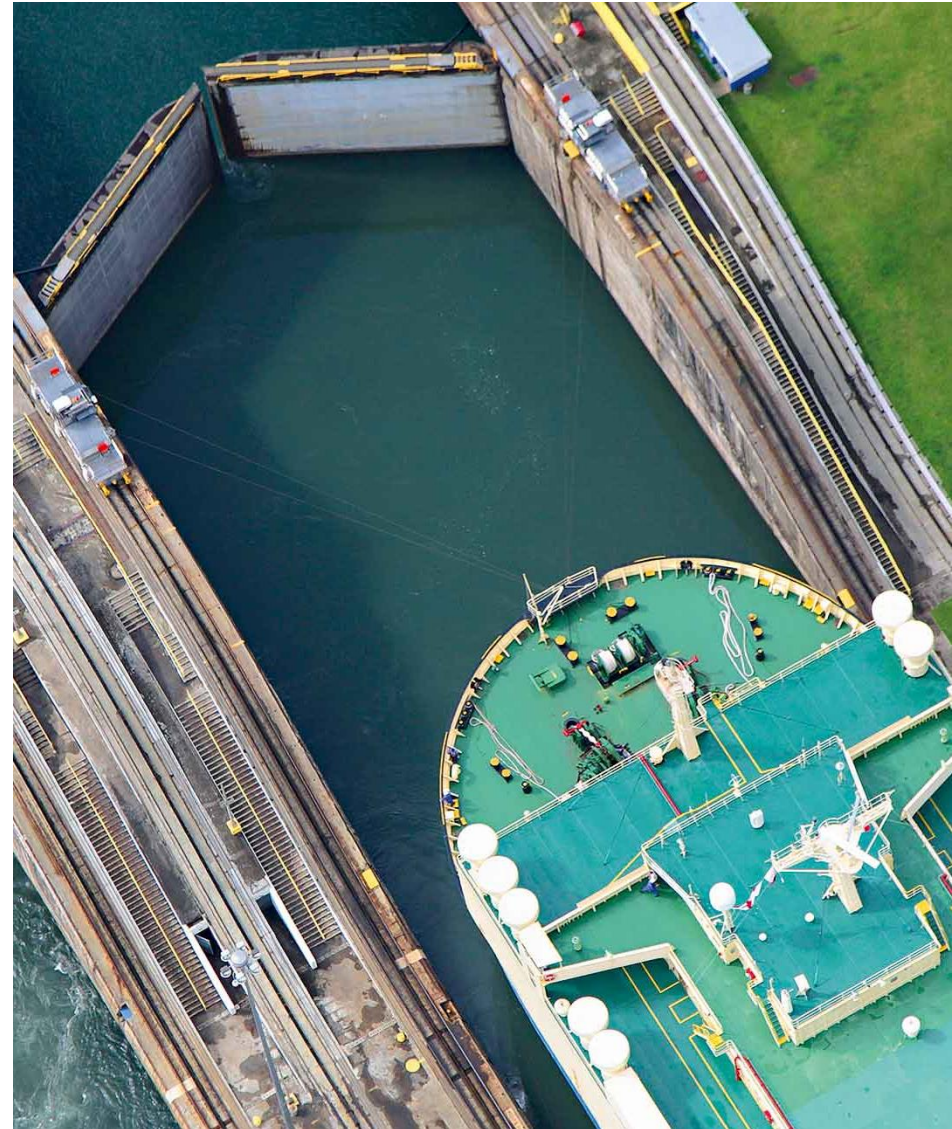


Corporacion Andina de Fomento (CAF) The main source of multilateral financing of the Andean region.

PANAMA CANAL FINANCING

The Panama Canal Authority signed contracts with a group of bilateral and multilateral credit institutions as outlined below:

Amount (Millions)	Institution
\$800	Japan Bank for International Cooperation (JBC)
\$500	European Investment Bank (EIB)
\$400	Inter-American Development Bank (IDB)
\$300	International Finance Corp. (IFC)
\$300	Corporacion Andina de Fomento (CAF)





International Monetary Fund

Troika – IMF, European Central Bank, and European Commission

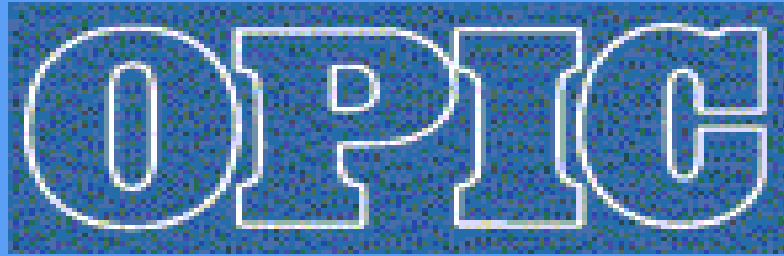
- IMF provides Europe with policy advice, financing, and technical assistance. (Latin America-80's; Asia-90's...)
- As part of the Troika, the IMF coordinates with European Central Bank (ECB) and the European Commission (EC).
- Greece and their financial crisis remains in the news as the debate between austerity and stimulus continues. (Keynes vs. Hayek)

U. S. Government the Largest Supporter of Global Trade

- International Monetary Fund & World Bank
- Leadership in the United Nations
- World Trade Organization /
- Free Trade Advocate
- U.S. Government Agencies
 - EXIMBANK
 - OPIC
 - Department of Commerce (Foreign Consulates)
 - SBA – Export Loan Programs
 - Trade Development Agency (TDA) Grant Money



Overseas Private Investment Corporation



- OPIC is an independent agency of the U.S. government providing insurance, guarantees and direct loans to promote U.S. investment in developing countries.
- OPIC was established in 1971 and provides support for 150 countries and has been profitable for the U.S. Government.
- OPIC supports U.S. investment in emerging markets worldwide, fostering development & the growth of free markets.



Export – Import Bank of The United States

The Export-Import Bank - United States



- The Eximbank was established in the 1930's to support U.S. Exporters and thus U.S. Jobs.



- Eximbank is a U.S. Government Agency so its Insurance and Guarantees carry the full faith and credit of the U.S. Government. AAA Risk. Eximbank is Profitable.

Helping Exporters meet Foreign Competition by Taking International Risk where there is a "Reasonable Assurance of Repayment" is their Mission.

U. S. Eximbank Reauthorization in the News!

- Enjoys Bipartisan support with exception of some Republicans
- What changes will be made to Eximbank?

S&P flags ExIm risk to Boeing contracts

TRAVEL & LEISURE
third of the bank's
ments between 2
2013.
The report said
the bank were de
"Significant" impact
bank is dissolved

EXPORT-IMPORT House votes to extend bank's charter

HOUSTON CHRONICLE
FOUNDED 1901 • A HEARST NEWSPAPER

Ex-Im Bank benefits Texas

By Bill Hammond
and Tony Bennett

In the midst of a slow and gloomy
economic recover
to be a lone brig
shines brightest h

Export credit has never been more
important to Texas businesses. Reel-
ing from losses during the nation's fi-
nancial collapse, banks have imposed

manufacturers' customers would
just buy foreign-made products. All
other major exporting countries have
their own export credit agencies to fi-

JOHN T. O'LOUGHLIN, President
PAUL BARRETTA, Executive VP and COO
JACK SWEENEY, Chairman

NANCY C. BARNES
Executive VP / Editor
VIRGINIA E. LOEB
Managing Editor

JEFF COHEN
Executive VP / Executive Editor
Editorial pages
VERONICA FLORES-PANAGUA
Outlook Editor

JOHN PERINCAO
Chief Financial Officer
WARREN KAY
Chief Revenue Officer

Export-Import Bank creates jobs and makes sense for U.S.

Conservative group calls vote on bank a Republican cave-in

Tomlinson: Local executive says bank isn't 'corporate welfare'

BUSINESS

A message from Texas: Save Export-Import Bank

By Lisa Hagen

WASHINGTON — Sev-

nies have used its financing
to help sell goods around
the world — the most of
any state. Texas has gener-

His company sells oil
field equipment, replace-
ment parts and other ser-
vices. He said the bank's

to Algeria, where the com-
pany has offices. He said as
many as 30 companies that
buy exports from TEXAS

an organization that repre-
sents manufacturers compet-
ing in overseas markets, that
his oil-rig manufacturing com-
pany would lose employees if
the bank goes away. China, he
said, would pick up customers
at U.S. expense.

"What does make sense
is that the Ex-Im Bank is
supporting billions in

6/18/14 WST How Ex-Im Bank Benefits Taxpayer

Your June 2 editorial on
the cost of federal credit
programs, "Fraudulent Gov-
ernment Accounting," needs
clarification about the

Ex-Im's history has it autho-
rized that much, even at the
height of the financial

No time for rash action on Ex-Im Bank's future

Agency has been key
to U.S. competitiveness

contagion spread. Credit dried up, private
buyers sometimes faced impossible con-
ditions, and export jobs in America were
at great risk. Ex-Im is a semi-autonomous
agency, but we consulted with Congress,

POLITICS AND POLICY

Export Bank Divides Firms, Some in GOP

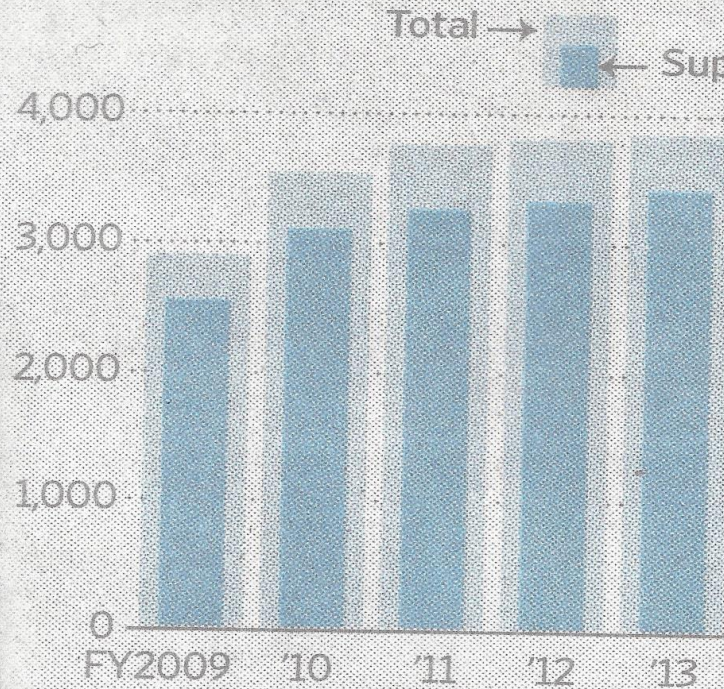
Hensarling Spearheads Conservative Effort to Let Agency's Charter Lapse; Small
Businesses Say Its Loans Are Crucial

By KRISTINA PETERSON And MICHAEL R. CRITTENDEN

Lending Assistance

A glimpse at Export-Import Bank figures

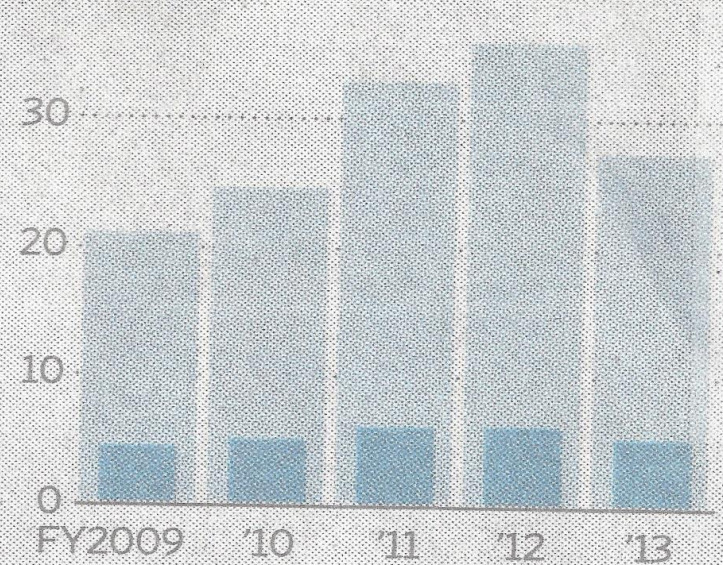
Number of authorizations



Value of authorizations

Supporting small business

\$40 billion



Note: Fiscal year ends Sept. 30

Source: Export-Import Bank

The Wall Street Journal

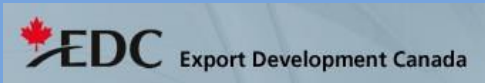
Export Credit Agencies



Export Import Bank of the United States (Eximbank)



Japanese Export Import Bank (Jexim)



Export Development Corporation of Canada (EDC)



Export Credit and Guarantee Department- U.K. (ECGD)



Comagnie Francaise D. Assurance Pour Le Commerce Exterieur (Coface)



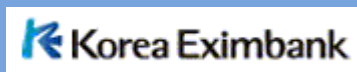
Hermes Kreditversicherungs-AG (Hermes, Germany)



Banco Nacional de Comercio Exterior Snc (Bancomext)



Cesce (Spain)



Keximbank (Korea)



Sace (Italy)

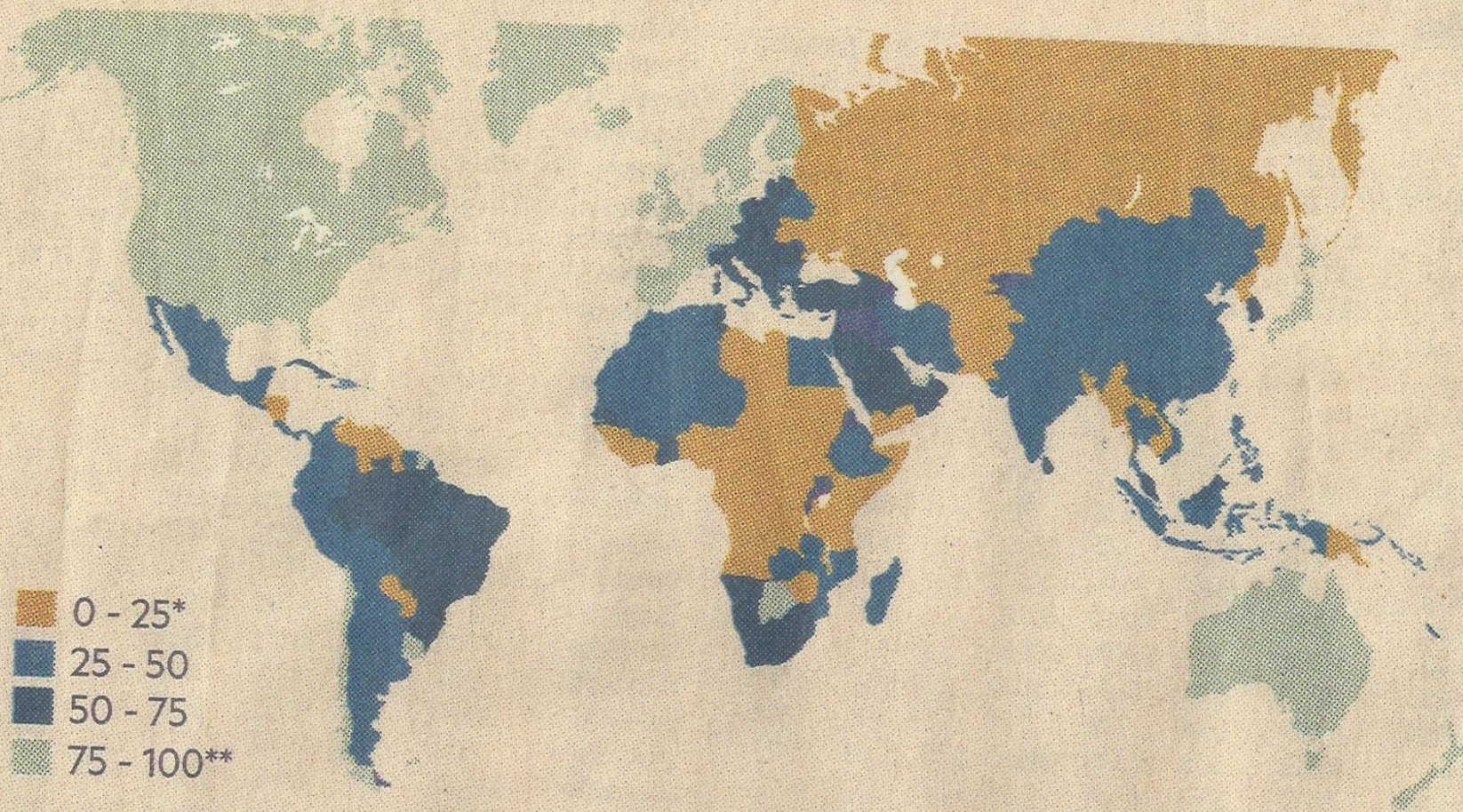
(And About 40 Others)

Corruption & Terrorism

Corruption and Terrorism are key Headwinds to Globalization.

- Iran (State Sponsor of Aggression)
- Islamic Extremists (Terror)
- Petrobras (Corruption)
- China (Purging Graft)
- Ukraine vs Russia (European Conflict, Civil War)
- North Korea (Bad Government)

Control of corruption scores around the world, 2014



*Most corrupt **Least corrupt

Sources: World Bank; Credit Suisse

Labor & Environmental Rights vs. Corporate Interests

Other challenges and headwinds include:

- Balance of Labor and Environmental rights versus Corporate interests.
- Nationalism versus opening Developing Economies.
- Pace of change for Developing Markets. Liberal vs. Conservative policies.
- Globalization will continue to yield prosperity and benefits despite headwinds and conflict. Yes?

Global Competition

- Should you sell Internationally?
- Expand Global Operations?
- Encourage Foreign Investment ?
- Enter a Foreign Joint Venture?
- Global Competition is stiff and challenges are numerous!
- Is Your Team knowledgeable of the Financial Tools of International Trade?

RANGE OF TRADE FINANCE

www.bladesintl.com



Documentary Collections

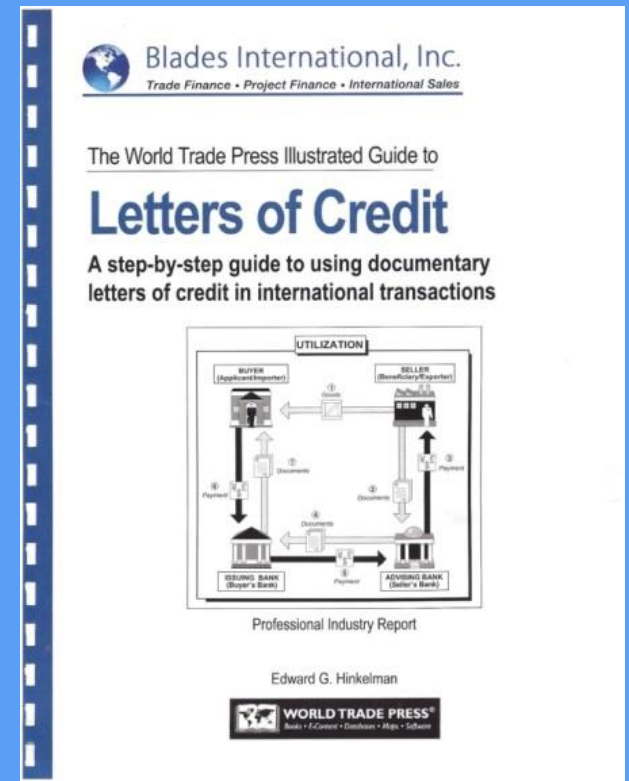
- Documents Against Payment (Cash for Documents)
 - Importer should get documents only after payments
 - The B/L and title needs to be controlled in the collection package
 - Inexpensive
- Documents Against Acceptance
 - Acceptance of a 30 or 90 day draft gives terms
 - Importers Acceptance and promise to pay can be Insured

Export & Import Letters Of Credit

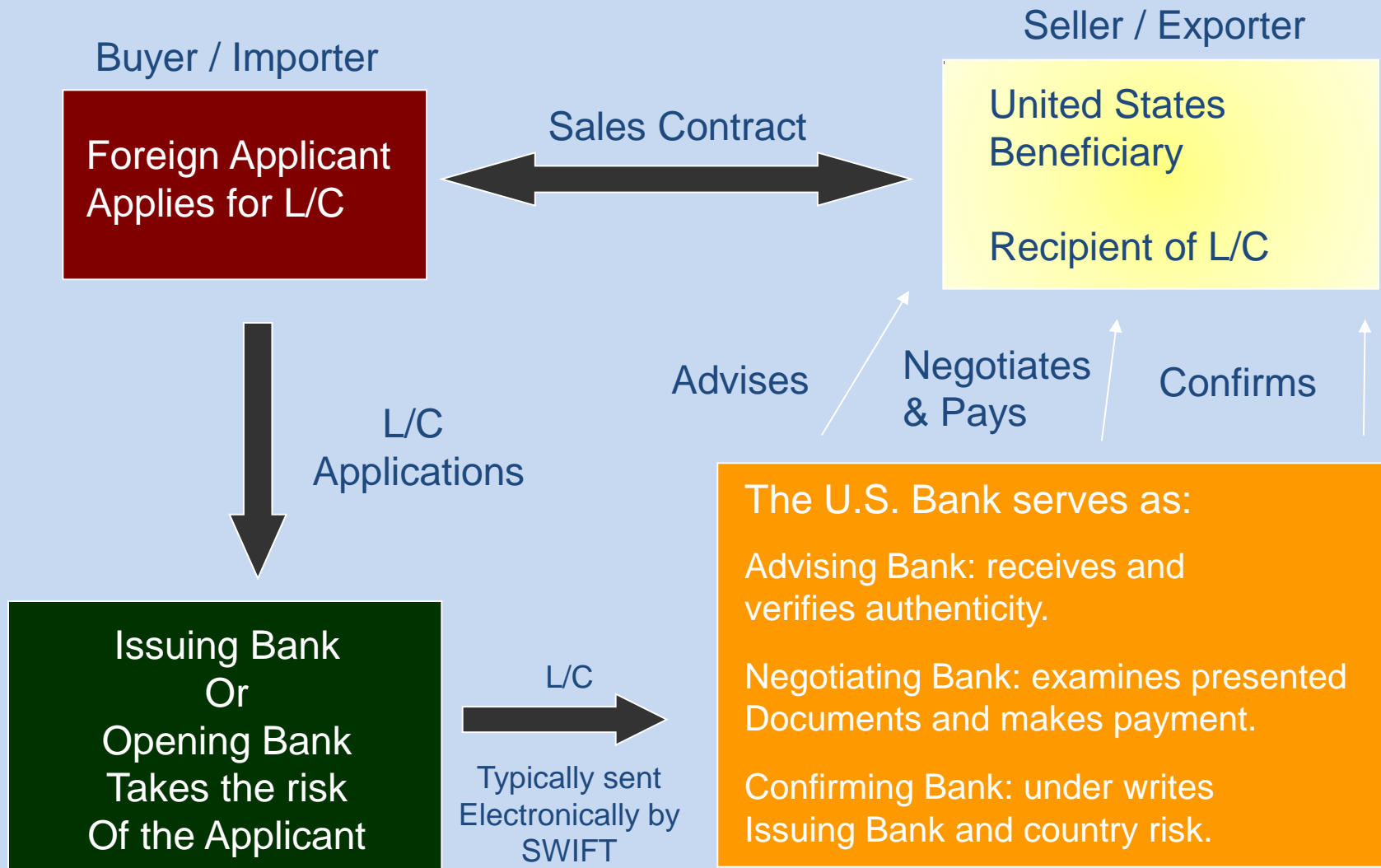
- Commercial Letters of Credit are known as either Import or Export Letters of Credit.
- Are Export Letters of Credits being used enough to enhance foreign sales ?
- Terms can be extended in export Letters of Credit by drawing time drafts, or deferred payments. Time drafts can be discounted.
- Risk can be mitigated by having export Letters of Credit confirmed.

The Letter of Credit Contract

- The L/C Contract should be carefully reviewed and scrutinized before issued or accepted.
- Banks Pay on the “L/C Contract”, not on the:
 - “Sales Contract”
 - “L/C Issuance Contract or Application”



Parties to Export Letters of Credit



Confirmed Letters Of Credit

- A confirmation of a Letter of Credit is a definitive undertaking by a bank to pay a Letter of Credit, if it is drawn on in accordance with the terms and conditions of the Letter of Credit.
- In today's market, the volume of confirmations is up as exporters need to mitigate risk.
- Eximbank offers a Bank Letter of Credit policy to help insure foreign bank risk.
- There is inefficiency in confirmation pricing and after a bank issues an Export Letter of Credit, the confirmation price is rarely shopped.

Banco de Chile Example

\$10,000,000 Export L/C Confirmation for steel exports

<u>Steps</u>	<u>Bank A</u>	<u>Bank B</u>	<u>Bank C</u>
1. L/C advised and offered confirmation at 80 bps by Bank A.	80 bps		
2. Trade finance officer discusses significant L/C and quotes only 70 bps.	70 bps		
3. Blades International brokers and determines market.		45bps	45 bps
4. Blades Advises Bank A will need to "redirect L/C", Bank A requests time to re quote and goes to 40 bps.	40bps (deal done at 40 bps)		

New \$3,000,000 Export L/C - similar

5. Second Banco de Chile L/C, similar steel export, but smaller, bank competition lowers rate to 25 bps.	45 bps	45 bps	25 bps
		(deal done at 25 bps)	

Note: The negotiation or payment fee also lowered from 12.5 bps or 10bps to 7bps.

Standby Letters Of Credit

Performance

- Performance Standby Letters of Credit support wide range of deals and often issued in lieu of Bid, Performance, Advance Payment and Warranty bonds.
- Standby Letters of Credit usage has grown significantly while Commercial Letters of Credit volume growth has been modest.
- Issuers should prefer Performance as they require less bank capital and should be less expensive

Standby Letters of Credit

Financial Standby L/C's represents the largest Volume of L/C's as they are issued to support a range of obligations such as:

- Deferred insurance premiums
- Margin requirements on commodity contracts
- Loan by a foreign bank to a corporation's overseas subsidiary
- Invoices for open account sales
- Leases for property
- Various financial commitments

Sample Commercial Standby Wording

- The amount of this drawing \$..... under bank L/C number represents funds due us as attached invoice is more than 30 days past due.
- Copy of invoice.
- Copy of transport document.
- Drawing to be signed by Authorized officer, CFO, CEO.

Bank Guarantees & Bonds

- Foreign banks can issue bank guarantees.
- Insurance companies and other institutions can issue bonds.
- Banks in the U.S. are prohibited by law from issuing bank guarantees and bonds so they issue letters of credit.
- The Uniform Customs and Practice for Documentary Credits governs letters of credit.
- Guarantees will be subject to foreign law.
- Bonds & Guarantees are typically harder to draw on.

Short Term Export Credit Insurance

- Eximbank and Private Insurance companies (Coface, FCIA, Lloyd's) provide a range of Export Credit Insurance to cover Political & Commercial Risk
- Single Buyer Policies
- Multi-Buyer Policies (Whole Turnover)
- Customized for key Accounts or Excess
- Eximbank Insurance for Bank Letter of Credit Confirmations
- Typical Coverage ranges from 85-95%



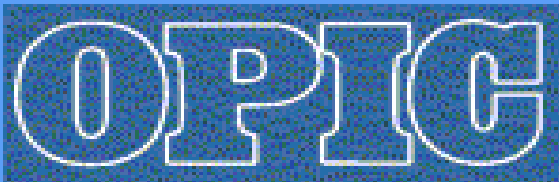
When to use Insurance

- It is an ongoing debate as to when to use Export Credit insurance.
- If a foreign buyer cannot provide an acceptable letter of credit or if export credit insurance cannot be obtained, the Risk-Return Trade off needs to be scrutinized.
- Energy & Energy Service companies dealing in U.S. dollars historically take significant Cross Border exposure as major oil companies typically pay.
- When oil was at \$140/barrel there were more advance payments and prompt payments...Today, more foreign buyers are asking for terms...Insurance?

Foreign Investment Risk

Insurance can be obtained to cover your foreign investments and foreign offices from:

- Political Risk including social turmoil, terrorism, war, rebellion and sabotage.
- Foreign Government Risk includes expropriation, nationalization, license cancellation, foreign government breaking contracts, and currency inconvertibility.



Lending Against Foreign Accounts Receivables

When Banks are Lending on a Secured and Borrowing Base structure they will exclude Foreign Accounts Receivables unless:

- 1) They are from a major foreign multinational that they deem an acceptable risk, such as British Petroleum, or a major Canadian Company, or
- 2) The A/R is covered by an Acceptable Export Letter of Credit, or
- 3) Eximbank or Other Acceptable Private Sector Export Credit Insurance Covers the A/R.

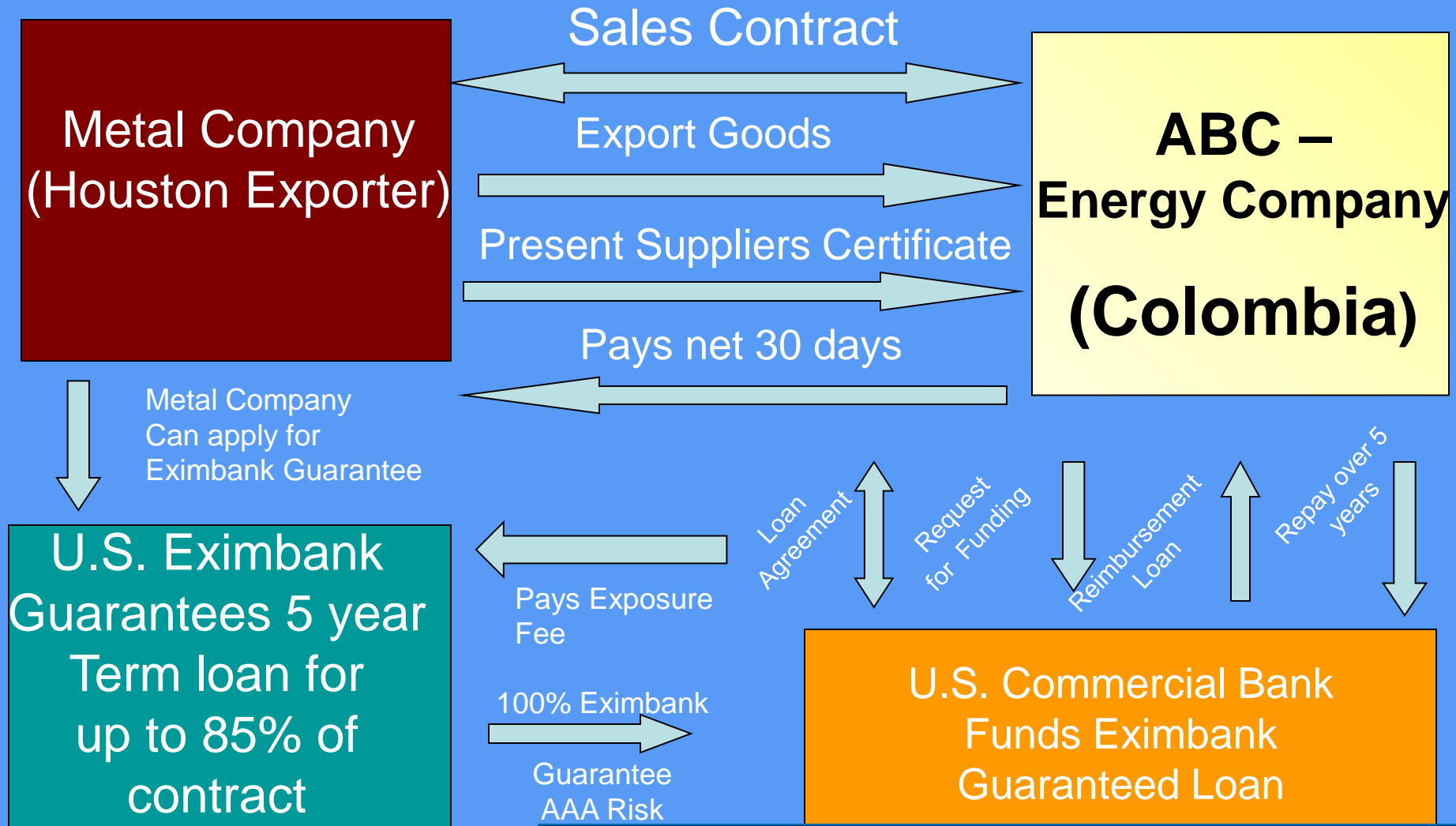
Eximbank Working Capital Loan Guarantee

- Eximbank provides a 90% Guarantee to Qualified Lenders providing Export Lines of Credit to middle market exporters.
- The Guarantee allows Banks to provide more export working capital and at higher advance rates such as 90% of Account Receivables (versus normal 70%) and up to 75% of Inventory (versus normal 50%).
- These Eximbank loans typically range from \$500,000 to \$25,000,000.
- Eximbank now allows for the financing of "Indirect Exports," therefore, if a Vendor is selling goods or services to a large U.S. Exporter, they could still qualify for this program.



ABC Energy Company

Eximbank Loan Structure



Foreign Exchange Market

- **The FX Market is the largest and most liquid market in the World.**
- The U.S. Dollar makes up the majority of the \$5.3 Trillion per day FX Market. This is compared to the NYSE doing about \$28 Billion per day.
- Highly liquid 24-hours a day but going through changes, competition, and compliance issues.
- More and more FX Trade is done electronically and through bank automated systems.
- With Technology advances and big data there will be more “Economies and Efficiencies” for Purchasers of Foreign Exchange!



Foreign Exchange Manipulation

D4 | Thursday, November 13, 2014 | Houston Chronicle | HoustonChronicle.com and chron.com | ★★ ★★

BUSINESS

5 banks fined \$3 billion as files reveal plot

By Danica Kirka
and Marcy Gordon
ASSOCIATED PRESS

LONDON — Traders

inside their circles. "YES-
ssssssssss," one of them
wrote in a chat message.
"Yeah baby" and "nice
work gents. ... I don't

mark the gravity of the fail-
ings we found, and we
need to talk

market, with 40 percent of
es occurring in Lon-
The market is loosely
ed and dominated
elite banks.

change rates can ripple
through the financial sys-
tem, the regulators say,
and it also shakes people's
confidence in the fairness

to push the price of pounds
lower.
An RBS trader used an
online chat room to share
information with tra-

Abe 2.0

A man on a mission — but to
where? — DAVID PILLING, PAGE 9

Six banks hit with fines of \$4.3bn in global forex rigging scandal

• First results from regulators' rates inquiry • Most expensive year for banks since 2007

Cosmic wonder
The climax of a decade-long quest to
land a robot on a comet — PAGE 4

Swiss name eight banks in widening forex probe

UK examines investment bank controls

By Daniel Schäfer in London that banks have been queueing

J.P. Morgan, Citigroup Take Brunt of Pact

to Settle Foreign-Currency Probes

—Citigroup Inc. and
Chase & Co. agreed business in a foreign currency,
they are subject to the whims of

FOREX FALLOUT

Disciplinary process

BoE sacks official for 'serious misconduct'

Mallett dismissal related
to 'failure to adhere to
internal policies'

any unlawful or improper behaviour in
the FX market".

Martin Mallett, the official who
chaired the inquiry

According to Lord Grabiner, Mr Mal-
lett was aware as early as 2008 that
banks' traders were sharing aggregate

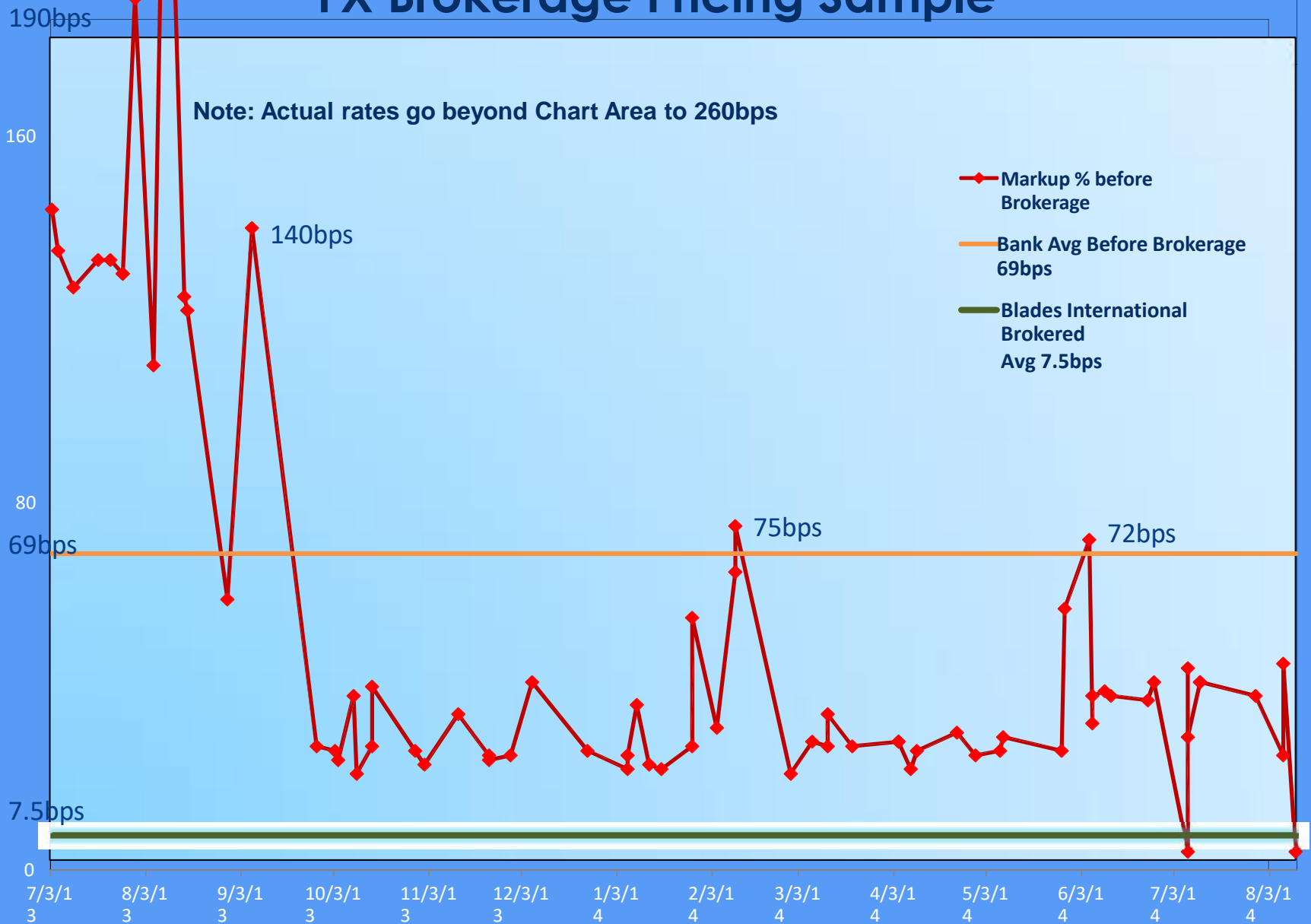
strengthened by March 2012, when he
received a phone call from Niall
O'Riordan, a senior UBS trader

it to the regulator the way it's currently
setup", he added.

Outlook

No ex-
sight
rotte

FX Brokerage Pricing Sample

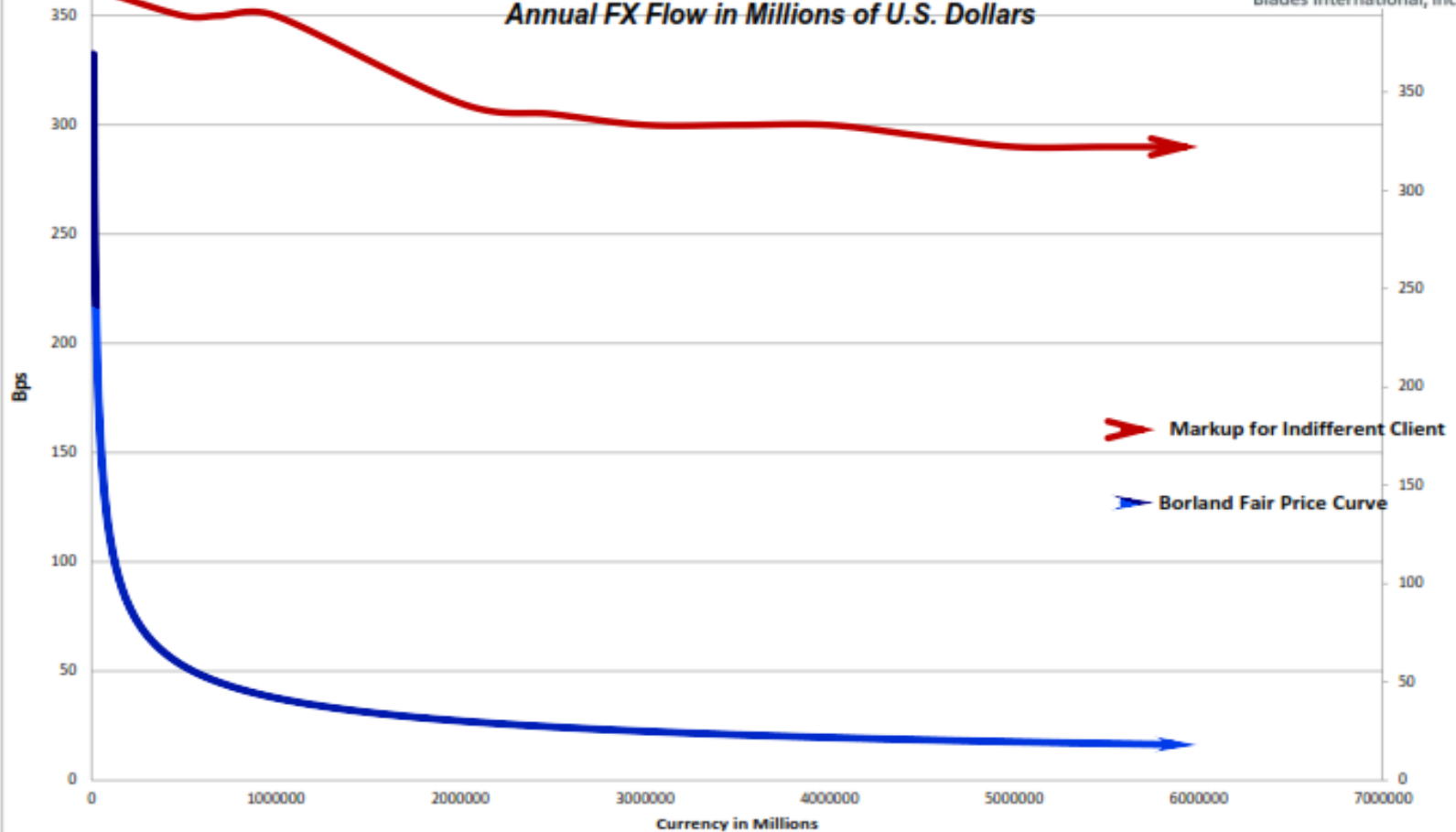


Borland Curve

Annual FX Flow in Millions of U.S. Dollars



Blades International, Inc.



Performance Risk

Three things in life are certain:

Death

Taxes

Performance Risk

While credit risk can be evaluated, mitigated, guaranteed, hedged, and insured, exporters live with performance risk.

Credit Focus

- Buyer & borrower credit is always a primary focus.
- To make a complex international sale understanding the following is important:

- | | |
|----------------------|--------------|
| • Audited financials | • Character |
| • Debt ratings | • Capacity |
| • Source of funds | • Collateral |
| • Sponsors | • Capital |
| • Guarantors | • Conditions |

- Can a better understanding of the credit and the source and availability of funds help make a complex sale ?
- How much does the international sales executive help the financial department understand the credit ?
- Is there a clear understanding of what is an acceptable credit risk ?
- Transaction quality and risk mitigation are paramount.
Credit, credit, credit.

Successful Trade Transactions

- GE Turbines sold to Panama on discounted time drafts. Confirmed, negotiated, accepted and discounted 180 day time drafts.
- Microwave Networks, Inc. Used Eximbank's multi-buyer policy and the working capital guarantee program.
- Holt's export of used Caterpillar equipment and selling Eximbank insured notes from a Mexican contractor with a note purchase agreement.
- Eximbank's long term guarantee for financing gas turbines used in Turkish power plants.

Your Prospect.....Your Deal!

Follow Through And Summary

- In tight markets, more people will look to Trade Finance support from ECAs and various sources.
- By better understanding Global Trade and your prospects financial challenges and funding sources you:
 - ✓ Improve your sales capabilities.
 - ✓ Enhance your coordination and communication with Finance and International Sales Executives.
 - ✓ Better your chances of making complex foreign sales.

You are wise to continue learning about Trade & Project Finance and how it can benefit your clients and prospects.

Thank You

Bob Blades – President

www.bladesintl.com

713-977-7400

bb@bladesintl.com