

MANAGING RISK IN ASIA – THE DO'S AND DON'TS

Many organisations don't realise they need a framework that encompasses the risks, requirements and opportunities in the countries they're trading in and which responds to changing risks in their portfolio.

A critical challenge for Australian businesses trading in Asia is risk management. There's no 'one-size-fits-all' solution for companies looking to protect themselves, but here's what they should know.

NUMBER ONE PERIL – NOT GETTING PAID

Any company shifting goods across borders face a range of potential perils. All of them can result in the same possible outcome – losing control of the goods without getting paid.

Many factors that can lead to this grim scenario are outside the control of the supplier. Indeed, they may not even be related to the buyer, who might be willing to pay but is unable to because of a sudden change in, say, foreign exchange rules.

**DUE TO THE ECONOMIC DOWNTURN
THERE IS CURRENTLY GREAT INSTABILITY
IN THE GLOBAL FINANCIAL SYSTEM
AND THIS HAS HEIGHTENED THE RISK
OF NON-PAYMENT FOR COMPANIES
TRADING WITH AND IN ASIA**

ANZ has the experience and ability to assist customers to identify and manage such trade related hazards. Using our own insights as well as our network, we can help clients form views on the risks associated with trading in international markets, develop a framework for assessing risks, adopt risk management tools and ensure risks are also adequately priced into trade activities.

A RENEWED FOCUS IS VITAL

"Developing solid risk management trading policies is more relevant than ever," says Phil Cubbin, ANZ's Australian Institutional and Agri Segment Head for Trade and Supply Chain.

That's because the nature of risk across international marketplaces is changing, as is access to working capital underpinning trade flows. The trade environment in recent years has been liquid, but company access to liquidity has become more expensive and difficult.

"Even if Australian suppliers are not experiencing credit difficulties in Asia, some of their buyers could be – which could affect their ability to pay or continue with business as usual", Phil warns.

Alternatively, prudently assisting clients to provide buyers with 'supplier credit terms' may also be a good way to help buyers' with working capital requirements as well as establishing a competitive advantage.



ANZ can provide general advice and some tools to help clients develop policies that support their risk management objectives.

UNDERSTANDING MARKET RISKS

What does all this mean in practical terms? Greater vigilance and effort is required in some markets.

“Even then it’s seldom simple”, says Phil. When considering risk management products best suited to their circumstances, Australian exporters should look at their whole portfolios, taking into account the sovereign, economic, political and regulatory risks of the various countries they’re operating in and the risks associated with the entities and markets they’re dealing with.

PRODUCT FLEXIBILITY IS ESSENTIAL

Risk management product solutions should be as flexible as markets are different. When operating in a country with a well established buyer in a dominant market position, open account terms may be the right option. With less dominant buyers, higher risk markets or where the relationship is not long established, letters of credit may be appropriate.

HOLISTIC FOCUS ON RISK

ANZ advises clients trading in Asia to think about risk holistically. Some bigger companies manage risk by looking at operational risk and simply buying credit insurance. However, insurance is often expensive and subject to claim delays. If suppliers are dealing with several different markets, a one-size-fits-all approach won’t optimise the outcome, Phil says.

Many organisations don’t realise they need a framework that encompasses the requirements and relationships in the countries they’re trading in and which responds to all risks in their portfolio.

Whatever the client’s circumstance, by working in close consultation ANZ can tailor a framework and product solutions that ideally suit them. “That really distinguishes ANZ,” says Phil.

HOW TO CONTACT US

To find out more about how to enhance your trade and supply chain management call our Trade Finance Desk on 1300 ANZ 4 TRADE (1300 269 487), contact your ANZ Relationship Manager or visit anz.com/tradeasia.