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Adapting to change

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If the recent UN COP26 *Conference of the Parties* has taught us anything, it is that nations can come together, appreciate the enormity of the task of tackling climate change, agree to closer political and economic ties and above all leave a planet cleaner and more sustainable for generations to come, with consensus.

And consensus is not just confined to politics. Banking and insurance are sectors actively in not only exploring but

implementing practical solutions which will protect and promote future collaborative trade.

From standardised Basle III compliant policy wording in insurance markets to interoperability in open banking platforms, the challenge is on.

Above all there seems to be more global acceptance to take on the investment and navigation through new technology



projects with blockchain and AI elements, with a vision to improve systems, supply and services.

With a raft of new ideas in the digital space, advanced technologies, emerging players in fintech challenging traditional delivery methods, the key drivers to competitive, sustainable international trade will be standardisation, rationalisation and re-usability of processes.

And this drive for smarter, faster, more efficiency and trusted process is not from the industry, but from savvy tech-enabled consumers.

Customers are reverting to pre-pandemic demand for goods, not only defined as what they need, but what they want and can easily get, as consumerism through the power of advertising re-emerges.

As the world gets to be a riskier place through cyberattacks, ongoing shortages and trade disputes, and active conflicts in over 40 countries, consumers are unphased by the underlying problems surrounding current issues with global supply chains. A possible lack of Christmas turkey and toys seems to be the biggest issue for many.

But let us get back to consensus, a general agreement.

Consensus can certainly be seen in the proliferation of free trade agreements. In Africa, putting aside nationalism, protectionism and isolationism, long debated differences between nations have finally resulted in 54 participants able to collectively exploit the new demand for raw materials and services.

From vaccines to technology, the political will, means and finance have been made available to build manufacturing centres, reduce dependency on expensive imports and export more competitively through supply of finished goods to new markets.

More importantly, the example of the African AfCFTA gaining wide consensus, with a number of countries agreeing process, taxonomies, customs duties, acceptable documents, payment methods, infrastructure routes, all in the name of building resilience, creation of wealth in like-minded countries, is one where the continent may greatly benefit.

Nations are able to bypass latent technologies and take advantage of latest cost-effective advanced communications

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networks, supporting smart mobile technology for payments, and use of sophisticated applications (for example created and maintained by new technology centres in Ethiopia).

These new apps are for example, helping farmers and remote communities improving crop yield, and entrepreneurs to realise new projects providing payment and loan gateways to connect, enfranchise and lift some 30 million people living in extreme poverty, offering the unbanked financial security and bank accounts.

The consensus model for Africa will change perception, allowing it finally to be seen as a global collective powerhouse. No longer the continent to be feared or exploited but a major player in supply of the world's limited precious resources.

Africa has the potential to create more goods locally and become more self-sufficient as opposed to remaining a victim to large external economic forces, excessive cost of loans and dependency on both international and charity. It is sobering to think that without investment and further industrial development, it is forecast by The World Bank that 90 percent of the world's poor will reside in Africa by 2030.

Ultimately, by standardising and harmonising both international and domestic regulatory practice, reducing and un-complicating tariff barriers and minimising punitive tit-for-tat tariff measures, technology will be a critical factor in assisting with economic efficiency, digitising documents and digitalising process for faster, trusted, cost-effective outcomes for all.

Today, multilateral and bilateral agreements between nations number in the hundreds, covering geography, farming, IT, intellectual property, and all manner of collaboration, where the goal is not always profit but fair, sustainable, ongoing trade.

The importance of these agreements and their action cannot be underestimated, and whilst we are in the later stages of the pandemic, with signs that trade is edging back to pre-COVID levels, there is cautious optimism of normality on high streets and improved global trade albeit with higher prices and threat of rising inflation.

But consensus is not confined to international trade. A different type of consensus, in blockchain, is a major element driving the power consumption required for validation of computational transactions.

Consensus protocols form the backbone of blockchain by helping all the nodes in the network verify transactions, making sure one hacker cannot access more than 51% of the nodes and therefore gain control, vast arrays of computers are now required to be the first to validate and then earn from the process.

There is always a price to pay. In the early days, consensus was simple, where a lone home computer could validate a transaction, consuming a negligible amount of electricity. But with multiple coins and enormous demand to earn (rewards equate to approximately 6.25 new Bitcoins for guessing the hash key correctly) it is no surprise that mining can be very lucrative, but needs major investment.

Due to the scale and size of the Bitcoin public ledger, distributed across many multiple network nodes, today it is estimated that 12 years of household electricity is consumed per coin mined.

This staggering operational cost has fuelled demand for faster devices, more efficient processors, better cooling systems and higher pressure on electricity supplies, costs which are out of reach for individuals but only sustainable by nation state funded or large corporation budgets.

According to the *New York Times*, the process of creating Bitcoin to spend or trade consumes around 91 terawatt-hours of electricity annually, more than is used by Finland, a nation of about 5.5 million.

It will be fascinating to see how mainstream crypto becomes, how consensus protocols which favour large arrays will flourish and to what extent the world can satisfy its unquenching thirst for energy.

In conclusion, adapting to change in financial markets is a must as global companies cannot rely on past performance, budget or organisational structures.

As the businesses of the world embrace digital processes, we see change in working practice, more cross-border agreements, new international entrants to support supply chains, new economic centres and mobilisation of people, and witness the continuing shift from agricultural to industrial economies.

Companies are at a critical stage as they must all prepare themselves for change, by standardising, rationalising and re-using systems and process immediately if they are to compete, work with consensus, collaborate and continue to exist in our new world. The time is now. ■