

6 NOVEMBER 2020

OPEN LETTER TO FINANCE MINISTERS

Leveraging Trade Finance to Safeguard SMEs and Power the Global Recovery

Your Excellencies,

We are writing to you in our capacity as Co-Chairs of the International Chamber of Commerce's Advisory Group on Trade Finance to urge you to prioritise action at your upcoming Summit to safeguard the supply of essential working capital and short-term credit to small- and medium-sized enterprises (SMEs).

Real-time data from ICC's global network shows a worrying increase in the failure rates of SMEs in recent months—with business sentiment among SMEs rapidly deteriorating in both advanced and emerging economies. This corresponds closely with the results of several recent surveys—including by the Asian Development Bank and UN agencies—which indicate that over 50% of small businesses in developing markets are severely cash constrained and at risk of insolvency within the next six months.

Based on our experience leading multinational firms through previous economic shocks, we strongly believe that coordinated action to increase the availability and accessibility of trade-related finance could help avert a widespread SME solvency crisis in the coming months—while laying the foundations for a faster recovery from the COVID-19 pandemic.

Trade finance is a vital lifeline for many small businesses and underpins over 80% of global trade. However, there is increasing evidence that the supply of trade credit to SMEs and emerging markets is at significant risk of retrenching in response to growing corporate, sovereign and currency risks. Interventions are therefore urgently needed to safeguard the supply of this essential form of finance to the real economy—and, by extension, mitigate the risk of a widespread SME solvency crisis unfolding in the coming months.

At a minimum, we urge you to commit to a significant scaling of risk guarantee schemes provided by national government agencies and multilateral institutions—ideally coupled with appropriate regulatory interventions to incentivise the provision of trade credit by commercial banks. We also believe there is scope for the G20 to coordinate common-sense interventions to remove the reliance of trade finance instruments on paper-based documents—and, moreover, to facilitate large-scale purchases of trade assets by governments and institutional investors.

Robust and coordinated G20 interventions to support the supply of trade finance could, in our view, bridge a growing “stimulus gap” in emerging economies by ensuring available public support is targeted directly to the needs of the real economy. Such a package would also set the foundations for a truly resilient post-pandemic recovery in advanced economies—likely at minimal cost to national exchequers—by safeguarding export opportunities for domestic firms.

Viewed through this lens, there is a clear business case for proactive interventions to prime the supply of this essential form of working capital.

We respectfully urge you to commit to action commensurate with the scale and urgency of the crisis faced by SMEs at your Summit later this month. The real economy needs your support. Simply put, shortages of trade finance could prove fatal to the survival chances of already stretched small businesses.

We are attaching a memo prepared by the International Chamber of Commerce providing further detail on this vital agenda—the contents of which we fully endorse. We also fully support the recent recommendations provided on this agenda by the B20 Task Force on Trade and Investment.

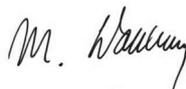
Please do not hesitate to contact us directly should any elaboration of our views be of use. The members of the Advisory Group are also copied below for your information.

We thank you in advance for your attention to this letter.

Yours faithfully,



Dr Victor K Fung
Chairman
Fung Group



Marcus Wallenberg
Chairman
SEB

CC: Anabel Gonzalez, Former Minister of Trade of Costa Rica and Senior Fellow at the Peterson Institute for International Economics, United States;
Amy Jadesimi, Chief Executive Officer of Lagos Deep Offshore Logistics Base (LADOL), Nigeria;
Flora Mutahi, Chief Executive Officer of Melvin Marsh, Kenya;
Takeshi Niinami, President and Chief Executive Officer of Suntory Holdings, Japan;
Samuel Palmisano, Chairman of the Center for Global Enterprise, United States;
Mark Tucker, Group Chairman of HSBC Holdings, United Kingdom;
Jeremy Weir, Chief Executive Officer of Trafigura, Singapore;
Zhu Min, Chairman of the National Institute of Financial Research at Tsinghua University, People's Republic of China.
John W.H. Denton AO, Secretary-General of the International Chamber of Commerce, France.