



## Keeping supply chains moving during and after Covid-19

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The coronavirus outbreak has fundamentally changed the way in which the world operates. All the things we are lucky enough to take for granted – international travel, freedom to visit our friends and family – are no longer available to us. Yet, while many things remain unknown, there still need to be plans in place that will help shape the world for when these restrictions are lifted.

The Government has already announced an unprecedented guarantee package for businesses to keep them afloat during the period of uncertainty. These guarantees will save many that are directly affected by the crisis. However, loan guarantees and additional liquidity lines granted by the Bank of England are often less effective to keep corporates' supply chains moving than access to trade finance. Future decisions from Number 10 need to take into account alternative methods to ensure trade and commerce can continue.

Providing funds to banks, specifically for trade finance lending, will help support trade, retain jobs and maintain supply chains at a time when these areas are most at risk. To help exporters, I would urge the Government to explore the possibility of buying or guaranteeing banks' trade finance exposure.

The British Business Bank, the state-owned development bank, is already coordinating a Coronavirus Business Interruption Loan Scheme for small and medium size enterprises. It relies on banks to extend credits to small business with lenders receiving a guaranty on 80% of the loans issued. A natural extension to trade finance instruments could be implemented along the same principles.

If this initiative was enacted, banks would be in a better position to lend more freely to exporters – reassured that their exposure would be purchased by the Government. As low risk trade finance exposure is purchased, this would in turn free up further capital for lending. This scheme would provide exporters with the funds needed to sell their wares, keeping this essential part of the economy active through this period of uncertainty.

The Government has pledged £330 billion, signalling its strong intent to support the economy and its workers during the outbreak. To ensure that this intent is carried to the entire economy, the Government has the potential to make a substantial difference to the number of exporters and jobs – both now and after this issue comes to an end.