



SUSTAINABLE TRADE AND THE REGULATORY PARADOX

Written by Rebecca Harding, Author of the report and independent trade and sustainability expert, September 2023

Trade and supply chain finance has a unique position in the process of moving towards more sustainable business models. Trade finance and insurance constitutes around 80% of the value of world trade and banks finance around 40% of global trade according to McKinsey.^[i] In 2022 World Trade was estimated to be some US \$32 trillion.^[ii] This is some \$25.6 trillion in total finance, and \$12.8 trillion of Bank Intermediate Trade finance that could help move the world's supply chains to more sustainable business models over time. At present it is estimated that just \$1 in every \$5 of trade finance contributes positively to sustainable development goals^[iii] - this is an opportunity for trade finance to make a real difference to the sustainability agenda.

However, using trade finance as a means to shift the sustainability dial will not happen unless what the ITFA's [ground-breaking report on sustainability reporting](#) called, "The Regulatory Paradox" is addressed urgently. This paradox is a situation where the increase in focus on sustainability reporting is actually militating against longer terms transition to more sustainable business models.

Against this backdrop, ITFA has made a decisive move to put it and its members at the centre of driving change by setting up the Sustainable Transition Foundation (STF). The focus on this organisation will be to:

- Provide a cross-industry consensus around sustainability audit standards such that they are consistent, comparable, and common across the industry in the same way that audit standards are in finance and credit.
- Curate a pre-competitive database that allows sustainability related financial risk scenarios to be developed and best-practice in reporting standards to be agreed.

The unique combination of standards and data make this initiative impactful and enduring.

Please click [here](#) for the Executive Summary of the original report.

Please click [here](#) for the Business Case and proposed action plan put forward by the ITFA in response to the original report.

Please click [here](#) to read the brochure on the Sustainable Transition Foundation.

Please click [here](#) to view the ITFA ESG webinar: join the discussion to explore the findings, implications and future steps held on 12th September 2023.

For further information, please contact:

[Sean Edwards](#) (Chair, ITFA)

[Johanna Wissing](#) (Chair ITFA Audit Council)

[Rebecca Harding](#) (Author of the report and independent trade and sustainability expert)



^[1] McKinsey and Company, Financial Services, (November 2021): *Reconceiving the Global Trade Finance Ecosystem* <https://www.mckinsey.com/industries/financial-services/our-insights/reconceiving-the-global-trade-finance-ecosystem>.

^[2] Bloomberg, December 2022: *Global Trade Surges to \$32 trillion in 2022, UN Says* <https://www.bloomberg.com/news/articles/2022-12-13/global-trade-surges-to-32-trillion-record-in-2022-un-says>

^[3] Rebecca Harding (2023): "Measuring the World – economists can't ignore sustainability." <https://rebeccanomics.com/rebeccas-blog/f/measuring-the-world-economists-cant-ignore-sustainability>