

The current state of supply chains and global trade

Featuring

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Deepesh Patel

So, we have people joining us from all around the world, I can see some of our viewers in India, in America, in Bangladesh. Welcome to you all. Geoff, at a very high level, what's the current state of global trade? And how has this affected trade finance?

Geoff Brady

Well, I think, if you think about the current state, you'd be remiss not to start with the fact that we are, hopefully, in what is the tail-end of the global pandemic. And I think, we saw a number of things coming out of that. And I think, first and foremost, you saw a lot of support for trade finance around the world, both from governments and multilateral institutions, etc. You really got a first-hand view of what the physical supply chain means to global commerce, and how disruptions will affect that. And last but not least, the need for trade finance, I think, was exacerbated and accentuated. And I think, to a large extent, trade finance products - both the more traditional trade finance products and things like reverse factoring, supply chain, finance, etc., export agency finance - have acquitted themselves really well. And I think, as you think about ways that we've been able to sustain global commerce through the pandemic, I think a lot of what we do, and trade finance has facilitated that, which I think is a good story. And I think, along with that we've had, while we've been in this pandemic, we've had the usual rollercoaster of ups and downs of the economic cycle - what some would describe as a bit of a global liquidity crisis. I think you saw a lot of activity on the corporate side in their revolvers, what to do with their deposits. There's a lot going on in the banking space. And then, of course, I think most evident, probably, is the need for mobility and digitisation.

I think that was really highlighted over the last 18 months or so, and I know my great co-panellist, Chris Doroszczyk, would agree. This was a time where we really had to take a good hard look at how paper

affects us, how not being digital affects supply chains. And right down to, from a finance perspective, but also from a is there enough inventory on shelves perspective, right? And if we thought things like digitisation were a nice-to-have, I think we learned over the last 18 months exactly how important that stuff can be, when it actually comes to on-the-ground, brick-and-mortar commerce. So I do think trade finance has, again, acquitted itself nicely. I think the need for it has become only more urgent, and I think the need for it to be more efficient has become more urgent, which I think creates an opportunity for us in the market, Deepesh.

Deepesh Patel

Yeah, absolutely, Geoff. I think really keeping food on shelves, keeping trade flowing everywhere, all the time for everyone has been the absolute critical priority. And I guess taking that point, mentioning Chris - Chris, what's your view as a technology vendor? How has both the pandemic, and also the global supply chain disruption that we continue to see, impacted yourself and your role at IBM?

Chris Doroszcyk

Interesting question. The big piece is to supply confidence and digital supply chain of data, right? And supply confidence in the ISVs or the vendors that provide services to trade finance. So we look forward to providing that confidence in both compliance, security and ability to execute both vertically in trade finance and horizontally across the whole host of industries.

Deepesh Patel

Thanks, Chris. And Madhav has supply chain disruption, be that the shortages and delays to the transport of goods, or even the wider pieces around nearshoring or reshoring, has that disrupted supply chain finance programmes at Bank of America?

Madhav Goparaju

Yeah, actually, interestingly, no, it hasn't. And just to connect back to what Geoff was saying, what we've seen from corporates as they've lived through the pandemic has been, the first piece has been the shutdowns. And for classical trade, which has been increasingly a very paper-based business. So the need for digital data to drive important decision-making becomes that much more prevalent, and that put a light on why we need to digitise that piece of the business, if you will, right? Then you had the second piece, which is existing programmes that were run for many of the suppliers, and the focus has been how do you strengthen those relationships? And some of the things, like Geoff mentioned - keeping more inventory at hand, that means looking for increased ways of financing mechanisms that now have mushroomed. And how do you ensure that the suppliers at the tail-end are getting the right kind of financing that they need? And as COVID has evolved over the last 18 months, the other big piece, that a light has been focused on is really the lens of ESG. So making sure that the supply chain financing, at the beginning, you mentioned some of the SMEs and stuff, so is the right financing, getting

to the right suppliers who truly need it? Because some of the weakest links in the supply chain network, which broke down, it became quite apparent that those are the pieces that needed the financing. So, I would say a lot of these things got more transparency. And from a bank perspective, the need for supporting our customers, I think, the urgency only increases across all of these dimensions, if you will, Deepesh.

Deepesh Patel

Yeah, thank Madhav. And as you can see on the chat, the ESG is something that a lot of people are talking about, and what was once put on the back-burner, is now very much the most important issue to deal with. Geoff, question from the audience: Supply chains have been put to put to the test over the last 12 months. What, in your opinion, are some of the biggest lessons to be learned from this period?

Geoff Brady

I think it's a really good question. And I think, for us, it really is about creating a digital end-to-end process, and I think that is really critical going forward. I think, historically, the focus has maybe been on putting the resources towards being able to do payments more quickly, or to be able to facilitate them in more places. But I think now we really see the value of having an end-to-end digital process. So I think the lesson learned is the friction in the process of financing a supply chain slows down the supply chain, and it lowers economic value. There are greater challenges to capital. All of these things impact the ability to deliver goods and services. And I think the biggest lesson learned coming out of it is, it's for a lot of our clients and for corporates, it's not really about just dollars and cents anymore, ie, this is going to be an expense, this is going to be something that's going to create a little bit of pain for us, because we're going to have to go through some switching costs, and we're going to have to go from implementing what is today a very manual process, but we can live with it to a more digital environment. I think it becomes now a little bit more urgent for them, because they recognise that it's a disruption in their supply chain: not being digital is a disruption in the supply chain. So I think we've got a little bit of momentum towards not just the banks, the fintechs, the providers like IBM and others, who are moving towards that sort of solution. But also the corporates themselves who are saying it's not good enough just to say, if this is going to save me \$1 or \$100 somewhere, then I'll do it. But if it doesn't, I won't. I think now they can really visualise where that disruption and how that friction is impacting them. And I think, again, it's given us a little bit of a momentum. But that's what I would say was the biggest lesson learned of the last 18 months. And a lesson, by the way, we're still learning.

Chris Doroszczyk

I think it's important to say here that trade finance really has been at the forefront of the modernisation and digitisation efforts, right? And the three words come to mind right, as you spoke. One is the 'elasticity' of the platforms that need to be in place to deliver that disruption. Two, to providing the 'capacity' to all the parties involved on the platform. And three, 'economics', which is the biggest part of



our business here collectively. So not only for the banks, but for the suppliers, for everyone involved - IBM and also the vendors.

Geoff Brady

Chris, I like the the point you made about the connectivity around all parties in the transaction, and I think that manifests itself in a couple of different ways. We think about the connectivity in terms of being able to make payments - that's the first thing I think that banks would think about. But it's not just about that, it's about also the security of the transaction. I think that's also important. So if you've got a multi-party transaction, which by definition, trade finance tends to be, you want to make sure that the connectivity that we have, whether it's electronic or otherwise is a secure connectivity. And I think that's also part of what the the global environment is reacting to after the 12-18 months of the pandemic, but it's a really good point you made around the connectivity.

So the other thing I wanted to add... Sorry, Chris, go ahead.

Chris Doroszczyk

No, please, please, Madhav. Apologies, we have a lot to say all of us on the topic.

Madhav Goparaju

I was just going to say look, it's portrayed as you guys were saying as an ecosystem, and many players across many jurisdictions, and some of the issue for digitising the entire value supply chain has been because of the many parties in many jurisdictions. And one bright lights coming out of COVID has been this need to drive some of the regulatory agencies and local agencies, and also pushing for this digital transformation and digital data. And that will hopefully spur a lot of the stuff that that Geoff was mentioning and Chris has mentioned. Because, in the past, there has been an impediment, at least in some of the value components of this chain, and it broke down so you would have 60% digital and then 40% paper. But hopefully, now coming out of that we're able to advance that need a much more, given what we've seen over the last 18 months, if you will.

Deepesh Patel

Thank you very much. So I think we've discussed that there are about six keywords there, and I'm going to change the entire shedule of of this live Tradecast to focus on those six words: elasticity, capacity, economics, connectivity, security, and ecosystem. So that's our introduction. Let's go on to our first section.