



Digitalizing Trade : Progress to date and Opportunities Ahead

The ICC Digital Standards Initiative

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For the Central Asia Delegation E-Commerce Study
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Agenda

Global Trade: Where we are today

About ICC Digital Standards Initiative

Digital Trade : growth, sustainability,
and people

Digital Trade; How to get started

The Realities of Trade Today

In over 90% of the trading world, trade and supply chain data is embedded in paper forms (physical or pdf), multiplied each time that goods and services cross borders before reaching the end consumer.

This data must be manually extracted, validated and entered into IT systems, most of which are not connected to each other.

The process is:

- prone to errors, discrepancies and even fraud
- time consuming and costly
- environmentally inefficient

Key obstacles to digitizing trade in businesses and supply chains*



Countries are at different stages of regulatory reforms that would legalize Electronic Transferable Records (ETRs), providing legal certainty and recognition.



Taxonomies, standards, and technologies vary widely across the trading system even where there is alignment on digitalization. Interconnection must be individually negotiated and accomplished.



Digital networks have been created to drive common approaches and standards, and while these enable economic efficiencies, there are no established means to connect “digital islands” to one another.

The Digital Standards Initiative **aims to digitalize global trade by promoting policy reform and harmonizing and driving adoption of digital trade standards** and technologies for the benefit of business, governments and people everywhere.



Supported by



Our Broad Aims:



Make trade faster, cheaper and more secure through digitization and automation



Mitigate the potential for fraud, regulatory non-compliance and illicit trade



Enable transparency, agility and resilience in supply chains, by improving the quality, timeliness and pooling of data across the entire trade environment



Improve sustainability in trade and trade finance by opening new ways to measure, manage and drive environmental efficiency and social inclusion



Lower costs to serve, and bridge a persistent trade finance gap, particularly in the emerging markets*



Improve access to reliable data in global supply chains, to support progress toward the UN Sustainable Development Goals

**[Global Trade Finance Gap Widened to \\$1.7 Trillion in 2020](#), based on ADB 2021 Trade Finance Gaps, Growth, and Jobs Survey*

We mobilize the private sector to align on standards, data and interoperability across the entire supply chain and trade ecosystem

The DSI Industry Advisory Board (IAB), formed in 2021, brings together key public and private sector players dedicated to advancing digital trade. The IAB is addressing two critical operational challenges facing digital trade: (1) common data standards and taxonomies and (2) the technology that manages trade data for trust, transparency, and inter-operability.

- The IAB's **Key Trade Documents and Data Elements Working Group** aims to harmonize the digital representations of trade documents and the definitions of key data elements, thus creating the basis for digital trade standards.
- The IAB's **Trusted Technology Environment Working Group** provides a starting point for consensus on standards, protocols, and technologies for the management of trade data globally.



DSI IAB Participating Organizations (as of Oct 2022)

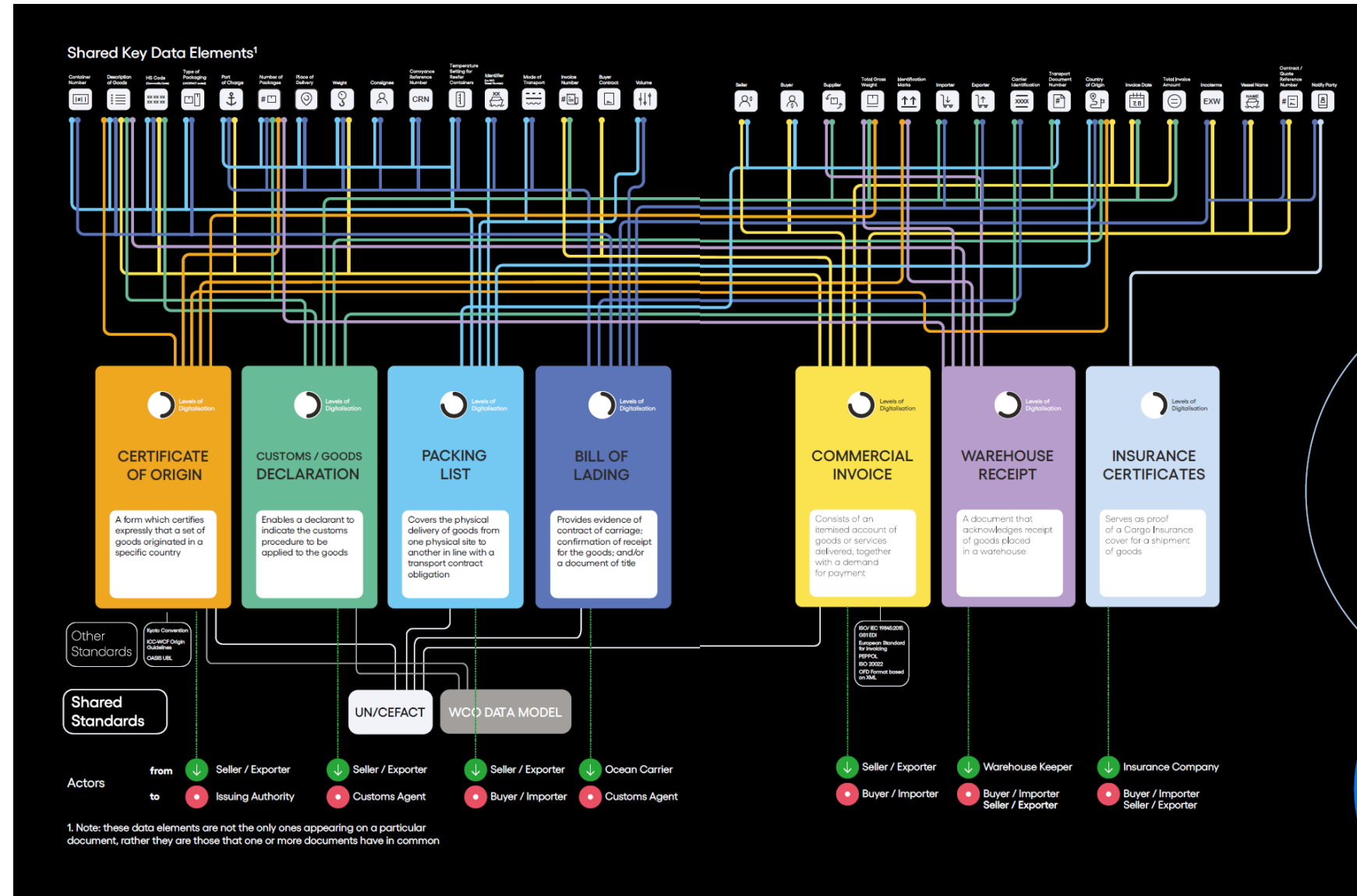


- Digital standards and data elements analysis for seven key trade documents
- Glossary of Key trade terms
- Horizontal analysis showing overlap in data elements
- Covers all major electronic versions of these seven documents

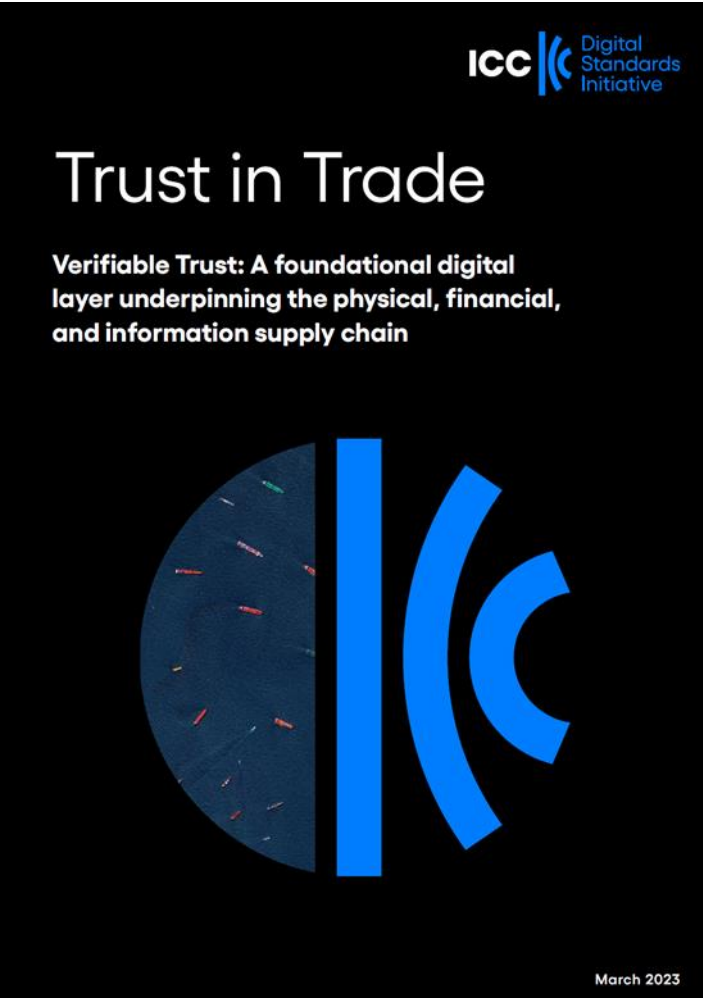
SIGNIFICANCE:

- First step towards the “single source of truth” that could be used across supply chain

First set of digitalization guidelines for Key Trade Documents and Data Elements



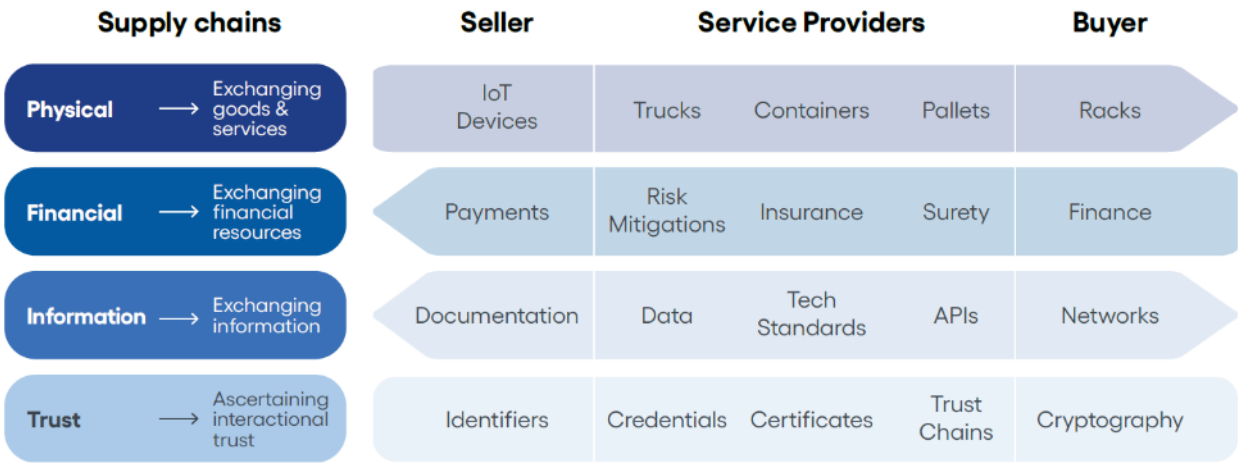
Trust in Trade : Verifiable Trust



A vision for the trade ecosystem based on verifiable, transitive trust

- Zero trust architecture
- Digital Identity
- Inter-operability of data

Fig. 1: Supply Chain Layers, Subjects and Objects (examples)



We engage the public sector to progress legislative reform and build capacity to implement digital trade

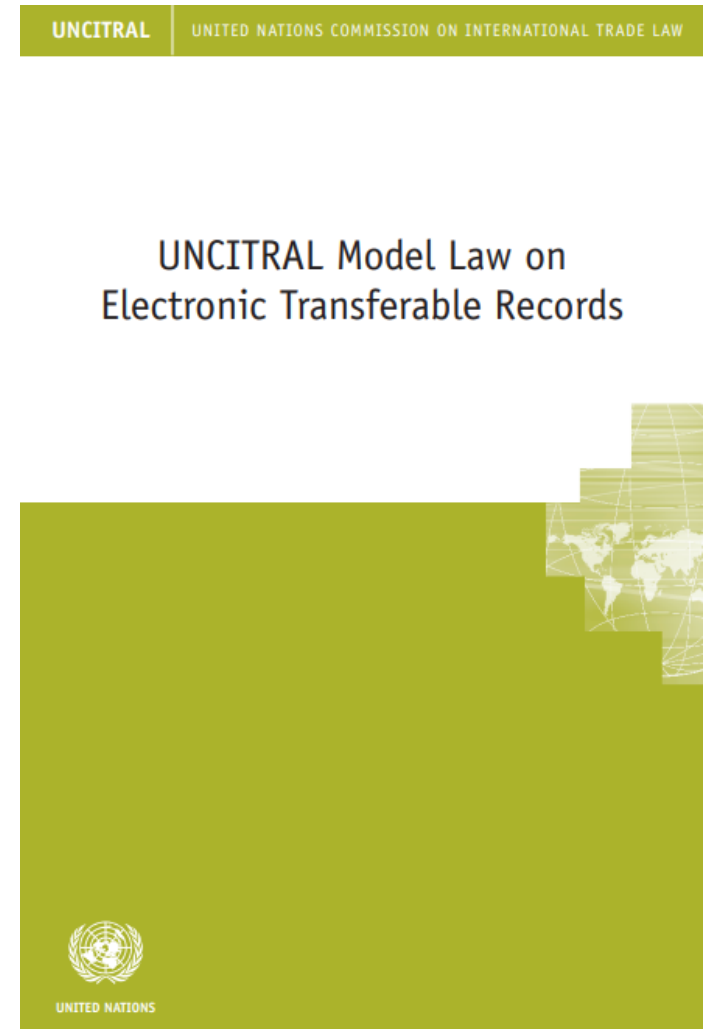
- The DSI Legal Reform Advisory Board (LRAB) helps DSI to spread the message about regulatory reform across government, industry associations, multilateral organizations and regional economic communities.
- DSI works with governments to build capacity to implement and benefit from digital trade.
- Our Monitoring Framework tracks the progress of jurisdictions in adopting the UNCITRAL Model Law on Electronic Transferable Records (MLETR).



DSI LRAB Participating Organizations (as of Oct 2022)

Creating an enabling legal environment for digital trade: MLETR

- The UNCITRAL Model Law on Electronic Transferable Records (MLETR):
 - ✓ provides an international framework to align national laws and enable the legal use of electronic documents of title (electronic transferable records or “ETRs”) both domestically and across borders;
 - ✓ builds on the principles of **non-discrimination** against the use of electronic means, **functional equivalence**, and **technology neutrality** underpinning all UNCITRAL texts on electronic commerce;
 - ✓ enables the use of all technologies including registries, tokens and distributed ledgers;
 - ✓ was drafted in a multi-year, inclusive and transparent process by the United Nations Commission on International Trade Law, a subsidiary body of the UN General Assembly with a mandate to further the progressive harmonization and modernization of international trade law.



Enhanced Legal Certainty

- Preemptive: clarity on the legal validity of electronic records, reducing the likelihood of disputes. More confidence → More trade
- Harmonized rules → a more certain legal environment
 - easier to determine who is responsible for the records in case of a dispute
 - allows for the use of third-party service providers to assist with the transfer of electronic records, providing an additional layer of security and reducing the likelihood of disputes.
- Reducing disputes arising out of documentation fraud

TERM	DEFINITION
MLETR SOCIALIZATION	MLETR information has been conveyed and socialised with relevant policymakers within the government and ownership of MLETR as an issue has been established within the government
POLITICAL SUPPORT	Jurisdiction has committed to adopt or align to MLETR through (i) public statements; (ii) political declarations (e.g. G20 communiqués, G7 ministerial statements etc.); or (iii) trade agreements
DOMESTIC ANALYSIS	Jurisdiction has identified gaps in legal frameworks relevant to electronic transferable records
READINESS ASSESSMENT	Jurisdiction has undertaken or received through technical assistance an assessment of laws requiring amendment
STAKEHOLDER CONSULTATION	Jurisdiction has consulted with stakeholders, including industry
LEGISLATIVE DRAFTING	Jurisdiction has drafted legislation to adopt or align to MLETR
PASSAGE OF LEGISLATION	Draft legislation has passed through relevant parliamentary or executive processes to become law
ENTRY INTO FORCE	Relevant law has entered into force

UN MEMBER STATE



Disclaimer:

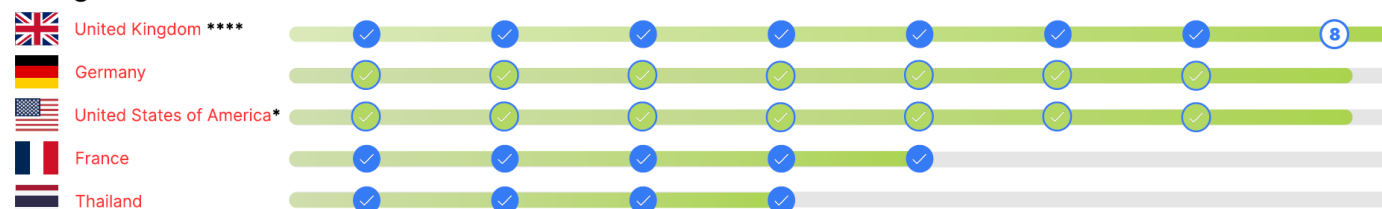
This tracker reflects information as known to ICC DSI, stakeholders are invited to share any additional information that may be relevant to update it.

- ✓ Complete
- In Progress
- ✓ MLETR Compliant

Fully Adopted



In Progress



MLETR Tracker

Public Sector Capacity Building, a partnership with the ADB

Objectives

Advance the digitalization of trade, financing, and supply chains by promoting and facilitating the adoption of MLETR

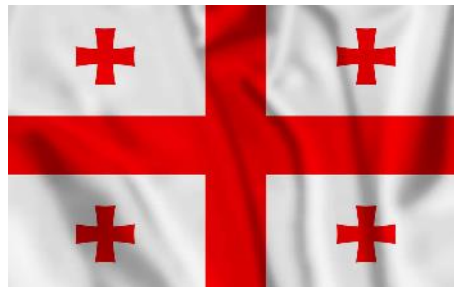
- Awareness-raising, advocacy, and local capacity building
- Identify and support local champions in participating jurisdictions
- Assist in the preparation of local legislative frameworks for MLETR adoption
- Promote international best practices across participating jurisdictions

Methodology

- In person and virtual seminars and meetings with targeted public sector officials
- Close coordination with ADB resident teams & identified local experts
- Principle of shared ownership and collaboration



CHINA
Launch 12 / 2022



Republic of Georgia
Launch 4 / 2023



Vietnam
Launch Q2 / 2023



Cambodia
Launch 2024

Digital trade: Why? And Why now?

Digital trade promotes supply chain transparency, resilience and growth



- ✓ Enhanced local and global value chain resilience to financial crises, commodity price movements, and pandemic events.
- ✓ Promotion of rules-based trade documentation governed by state legislation, not private contracts.
- ✓ Encourages modernization of business models, increasing market efficiency and enabling technological advancements.


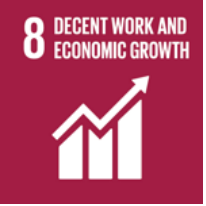




Digital trade helps to unlock the potential of SMEs, which create jobs and growth



- ✓ Enables SMEs to leverage a wide range of tools, from email to more expensive trade documentary flow solutions to enable trade.
- ✓ Prevents SMEs from having to sign up to multiple different documentary flow solutions with different rules and legal jurisdiction requirements.
- ✓ Simplifies operating models and risk profiles of all shippers, customs departments, banks, buyers and sellers.
- ✓ Incentivizes new business models and greater global inclusion.
 - ✓ Bahrain- e-cheques
 - ✓ UK- ePromissory Notes

Digital Trade and the SDGs

SDG	Benefits
 SDG 1: NO POVERTY	Digitization can alleviate poverty and reduce inequalities by facilitating global trade, reducing trade barriers, and promoting shared prosperity. Paperless trade will lead to trade-related efficiencies and tackle the trade finance gaps that dampen economic growth and job creation, lifting people from poverty and improving living standards.
 SDG 8: DECENT WORK AND ECONOMIC GROWTH	Paperless trade will reduce the cost of trade finance, enhance inclusion for MSMEs by eliminating costly paper-based processes, reduce due diligence costs, simplify risk mitigation actions, and vastly reduce process turnaround times. These factors will enhance the sustainability of trade as an engine of economic growth.
 SDG 12: RESPONSIBLE CONSUMPTION AND PRODUCTION	An estimated 4 billion trade documents are in circulation. If stacked on each other, the documents would be 520,000 meters high and constitute approximately half a million trees.
 SDG 16: PEACE, JUSTICE AND STRONG INSTITUTIONS	Current technologies that could be enabled by legislative reform, including distributed ledger technology, will substantially reduce fraud risk via smart contracts, bringing greater trust to the international trade finance system.

Get Started in Digital Trade: Earn the Certificate in Digital Trade Strategy

An Online, Self-Study Course

- 5 modules, 20 videos, 5+ hours of learning, on standards, technologies, commercial aspects and policy
- 200 courses (50 countries) completed since launch Nov 2022

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Trade Finance

Global



Identify the right strategy to accelerate your digitisation roadmap

Digitising your trade and supply chains is an ecosystem activity. This course will teach you the building blocks you need to know to identify the right strategy.

This course is highly relevant to those who have an interest in digital trade, particularly those who want to obtain a high-level overview before digging into the details of their particular field of interest."

Pouya Jafari, Vice President, Digital Trade Innovation at SMBC

Getting started in Digital Trade

POLICY

- Roadmap to MLETR: a champion within government
- Legislative process & multilateral agenda? (WTO e-commerce II, trade agreements, et al)
- Private sector advocates

PRACTICE

- Supply Chain Transparency and Digitalization
- Convergence to global standards
- Customs, Single Window and Electronic Clearance
- Business sector digital capability



Thank you for your support!

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<https://www.dsi.iccwbo.org/dsi-newsletter-signup>

A graphic for a newsletter sign-up. It has a dark background with abstract, glowing red and blue lines and dots, resembling a network or data visualization. The text "Get the Latest News to Your Inbox" is written in a large, white, sans-serif font. Below it, in a smaller white font, is the text "Subscribe to our newsletter to receive news and updates."

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