

# CREATING A MODERN DIGITAL TRADE ECOSYSTEM

PRACTICAL GUIDE TO LEGAL REFORM TO ENABLE  
ELECTRONIC TRANSFERABLE RECORDS AND  
OPTIMISE CROSS-BORDER TRADE

- Reducing Cost & Complexity
- Driving Economic Growth
- Enabling SME Participation
- Promoting Financial Inclusion
- Reducing Carbon Footprints

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2021 Was a year of considerable progress towards the establishment of a globally harmonised digital trade environment.

On 20 February the Framework Agreement on Facilitation of Cross-border Paperless Trade in Asia and the Pacific entered into force. The Framework Agreement, supported by the United Nations Economic and Social Commission for Asia and the Pacific, will accelerate the implementation of digital trade facilitation measures for trade and development.

That same month, Singapore and Abu Dhabi Global Market became respectively the second and third jurisdictions to adopt the UNCITRAL Model Law on Electronic Transferable Records (MLETR), creating an enabling legal environment for digital trade finance solutions, and were later joined by Kiribati and Belize. Progress continues apace in several other jurisdictions.

In April, G7 Digital and Technology Ministers announced a Framework for G7 Collaboration on Electronic Transferable Records and agreed to “champion” MLETR.

The United Kingdom Law Commission concluded a public consultation on proposed reforms to English law, paving the way for legislative reform in 2022 and the introduction of an Electronic Trade Documents Act. The Act will enable transferable records to be handled in digital form and align English law to MLETR.

By the end of 2021, ICC and The Commonwealth will have published the economic case for legal reform and harmonisation across 60 economies. The case for reform is overwhelming. Legal reform and harmonisation is a low cost, high return solution for any government looking to cut inefficiency, drive SME growth and solve the trade finance gap.

We are confident that 2022 will be a year of accelerated progress. To assist in this process, we have designed this guide, containing lessons learned from the ICC network in advocating for legal reform. This guide is a living document and will be updated and revised as we make progress towards our vision of a globally harmonised digital trade ecosystem. We hope to see you on the journey!



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### CREATING A MODERN DIGITAL TRADE ECOSYSTEM

#### CALL TO ACTION

The International Chamber of Commerce (ICC) is calling on policymakers to create an enabling legal environment for paperless trade by modernising e-commerce legislation and adopting or aligning to the UNCITRAL Model Law on Electronic Transferable Records. Today's trading system operates on antiquated systems and laws often dating back centuries, with four billion paper-based documents floating through the system at any given time. This creates inefficiencies that slow trade down and hamper growth and innovation.

By reforming and aligning legal frameworks we can create a modern trading environment to underpin the economic recovery. An environment that is simpler, where processes and systems talk to each other, trade happens in hours and not weeks and months, and where costs are lower – especially for Micro-, Small- and Medium-sized enterprises (MSMEs).

The best way to achieve this is through the widespread adoption of, or alignment to, the UNCITRAL Model Law on Electronic Transferable Records (MLETR). Further discussion on the case for adoption of MLETR, including economic analyses of the benefits of digitalisation, can be found on the [ICC Digital Standards Initiative policymakers page](#).

#### TRANSFERABLE RECORDS & DOCUMENTS OF TITLE

Transferable documents or instruments are paper-based records that entitle the holder to claim the performance of the obligation indicated therein and that allow the transfer of the claim to that performance by transferring physical possession of the document or instrument.

Transferable documents or instruments, sometimes called 'documents of title', typically include airway bills, bills of exchange, bills of lading, cargo insurance certificates, marine insurance policies, promissory notes, seaway bills, ships delivery orders and warehouse receipts.

#### UNCITRAL MODEL LAW ON ELECTRONIC TRANSFERABLE RECORDS (MLETR)

MLETR creates an enabling legal environment for paperless trade. It:

- 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; and
- 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.

## INDUSTRY GUIDE TO GETTING STARTED

## CHECKLIST &amp; ACTION PLAN

The task of legal reform to enable electronic transferable records can be divided into 4 key workstreams. These can run concurrently or in parallel depending on timeframes and capacity. Though experience will vary across jurisdictions, the whole process can typically be completed within 18 months (from project inception through to passage of legislation in parliament).

The tables below serve as a checklist to guide progress.

## 1. Project Coordination &amp; Management

It is critical to dedicate resource to this workstream to ensure that the appropriate government and industry stakeholders are identified. Because of the transversal nature of the reform, the key government agency may differ across jurisdictions (e.g. Attorney General's Department in one jurisdiction, Department of International Trade in another).

TASK	GOAL	OUTCOME
<b>Industry coordination</b>	Identify lead industry body to act as co-convener, coordinator	A single point of contact to coordinate action
<b>Government Coordination</b>	Identify lead government department and lead official to act as co-convener, coordinator	A single point of contact to coordinate action
<b>Establish cross-sector industry working group</b>	Ensure all relevant stakeholders are involved and engaged	Effective, inclusive cross-sector consultation
<b>Legal reform body</b>	Identify which body is responsible for drafting legislation and managing reform process	Clear leadership roles and responsibilities from the outset
<b>Identify government departments with interests</b>	Identify which departments have an interest in legal reform	Effective communication and support network to avoid hurdles as project progresses

## 2. Scoping & Removing Legal Barriers

This workstream requires collaboration between government and industry and will typically involve phased public consultations.

TASK	GOAL	OUTCOME
<b>Define project scope</b>	Establish clarity of purpose for project and avoid duplication (see definition of documents of title and ensure appropriate scope)	Deliver timely legal reform
<b>Identify legal barriers</b>	Consult stakeholders to identify pain points and specify which laws are problematic and why	Establish a clear and practical focus to project
<b>Business case</b> [optional]	Scope and deliver a quantitative case for reform at national level	Ensure there is a clear-cut, persuasive case for reform
<b>Regulator dialogue</b>	Establish effective support for project from financial and information regulators	Clear path to implementation
<b>National Trade Facilitation Committee liaison</b>	Ensure a good level of coordination with clear roles and responsibilities	Coordinate digitisation activities across the full spectrum of trade documentation – see annex for mapping toolkit
<b>Consultation</b>	Ensure there is regular consultation with working group throughout	Deliver a timely, high quality outcome
<b>Road testing</b>	Ensure thorough testing of legal text once drafted	Ensure issues are properly ironed out before text goes to legislators
<b>Identify a suitable legal vehicle in Parliament</b>	Establish which legal instrument is most appropriate to carry reforms through Parliament	Avoid delays once text is ready
<b>Legislation</b>	Set clear timeframes from outset	Manage expectations and enable the market to prepare for implementation

### 3. Alignment & Interoperability

This workstream should proceed in tandem with the scoping and identification of legal barriers above. For instance, several international standards exist or are being established through intergovernmental organizations (such as the International Standards Organization), international cross-industry bodies (such as the ICC Digital Standards Initiative) and sectoral groups (such as the Digital Container Shipping Association).

TASK	GOAL	OUTCOME
<b>Map G2G/G2B systems</b>	Identify government agencies responsible for handling documentation; assess system interoperability; consider whether action is required to align to international standards	Interoperable G2G/G2B systems
<b>Ensure harmonization</b>	To the extent that local circumstances require bespoke approaches, ensure harmonisation with MLETR	A globally harmonised digital trade ecosystem
<b>Run pilots in key trade corridors</b>	Identify and resolve teething issues	Market prepared for adoption at scale

### 4. Market Preparation & Adoption

Once a timetable for legislative reform has been agreed, the focus can shift to begin the process of informing industry and preparing the market for the changes that are coming. This broadly fits into three categories of work, all of which require good communication and partnership strategies to tailor messaging to the different industry constituencies.

TASK	GOAL	OUTCOME
<b>Engage across sectors</b>	Identification of any other barriers to adoption	A smooth transition to adoption
<b>Send clear market signals</b>	Clear lines of communication with industry associations	
<b>Provide guidance</b>	Practical guidance where necessary  Introductions between sector leads and international standards bodies	

### LEGAL CONSIDERATIONS

Note: The information provided below does not, and is not intended to, constitute legal advice. This material is provided for general informational purposes only. Each jurisdiction has its own legal particularities.

This section sets out answers to some common legal questions with respect to MLETR. Further information can be found in the MLETR Explanatory Note, which discusses each provision in detail, and which is available at no cost from the UNCITRAL website in the six official languages of the United Nations ([العربية](#), [English](#), [中文](#), [Français](#), [Русский](#), [Español](#)).

Additional legal issues may arise at the time of consideration of the adoption of MLETR. This is a non-exhaustive list of such issues based on the experience of the jurisdictions that have already enacted MLETR.

#### Shall MLETR apply to one or more transferable documents and instruments?

MLETR refers to the notion of “transferable documents and instruments” to identify those commercial documents whose possession entitles the payment of a sum of money or the delivery of goods. Such documents and instruments usually include bills of exchange, promissory notes, cheques, bills of lading and warehouse receipts – and may include more. What counts is the function pursued by the use of the document or instrument.

Jurisdictions that have already adopted MLETR have done so with respect to all types of transferable documents or instruments, however, a piecemeal approach focussing on one specific commercial document is also possible.

#### Shall the law identify the instruments to which MLETR applies?

While MLETR does not require the identification of instruments to which it applies, some jurisdictions (e.g., Bahrain) have done so to provide additional guidance. Identification provides additional clarity; however, it may also be incomplete and not address peculiar instances, which may promote unnecessary litigation.

#### How does the MLETR relate to existing law?

MLETR does not require amending in any manner the law applicable to paper-based commercial documents: hence, the same law applies regardless of the medium used. Moreover, MLETR builds on other UNCITRAL texts on electronic transactions, which have already been adopted in more than 100 States and have been used for more than 25 years. Many jurisdictions are therefore already familiar with the fundamental notions underpinning MLETR. Transferable documents and instruments presuppose the use of paper and the legal notions of “writing” and “signature”. Articles 8 and 9 of MLETR provide functional equivalence rules for the notions of writing and signature. Those jurisdictions that have already enacted UNCITRAL texts on e-commerce have already adopted these rules. In other cases, those rules might be found in general contract law, and it may be advisable to adopt articles 8 and 9 of MLETR.

MLETR does not include rules on evidence. The general rules on taking and consideration of electronic evidence may also apply to electronic transferable records.

### How may MLETR be implemented in practice?

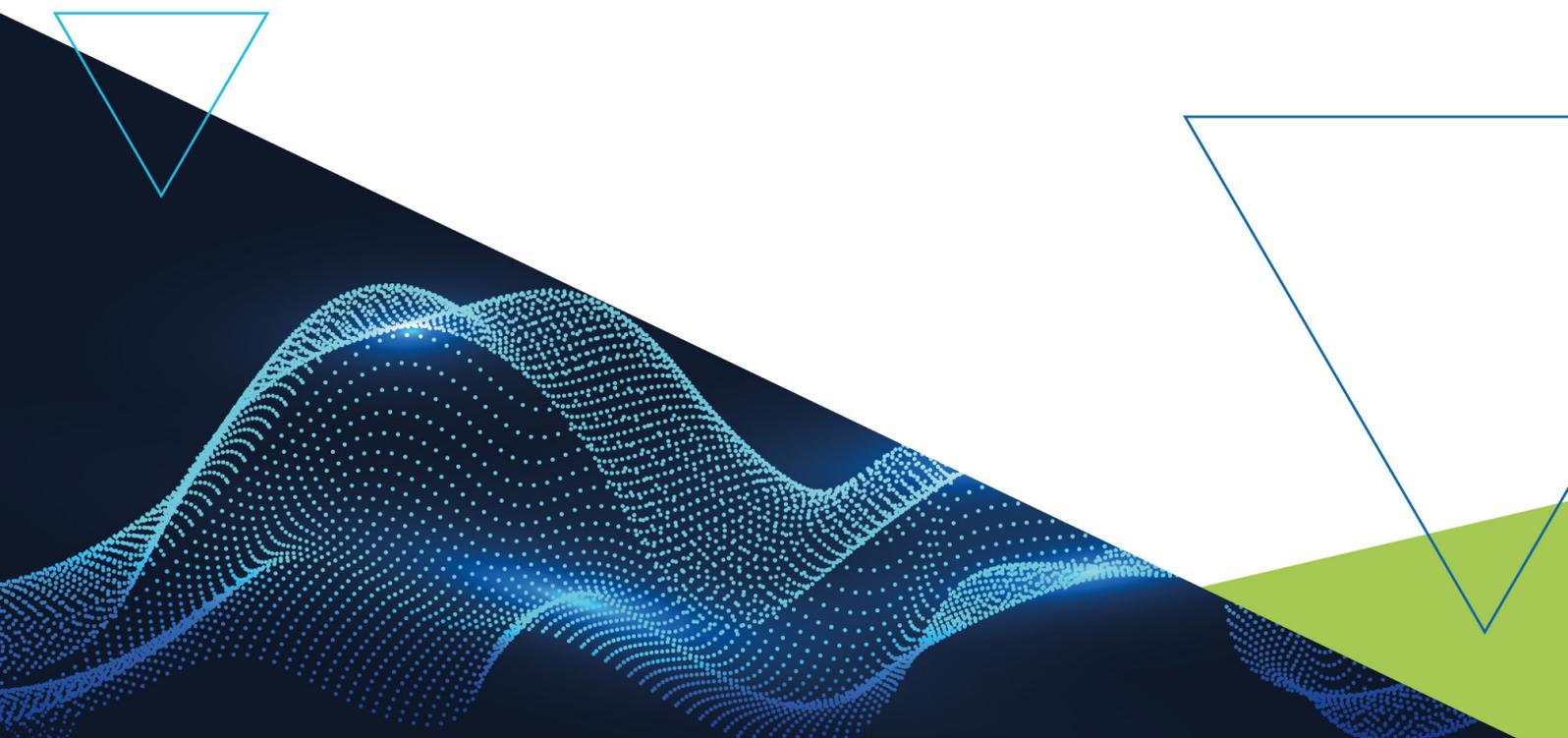
MLETR is technology and model-neutral: it may therefore be implemented with the use of any technology and of any model – registry-, token- or distributed ledger-based.

In practice, it is expected that Electronic Transferable Record (ETR) management systems will use the services offered by trust service providers (TSPs). Certain jurisdictions foresee accreditation of TSPs and associate the use of the services of accredited TSPs with legal presumptions. For instance, the use of digital signatures based on PKI may provide a presumption on the origin and the integrity of the electronic transferable record.

It is also possible to require the exclusive use of the services of an accredited TSP. However, those jurisdictions that do so may wish to ensure that such approach does not hinder interoperability and dataflows, especially across borders.

### May I use MLETR even if it is not yet in force in my country?

In general, business parties can choose the law applicable to commercial transactions, including in electronic form. For instance, terms and conditions of bills of lading customarily contain choice of law and forum clauses. It may hence be possible to choose the law of a jurisdiction that has already enacted MLETR as the law applicable to an electronic transferable record. This choice may be reinforced by selecting the dispute resolution method and forum accordingly.



### FAQs

This section sets out commonly asked questions with respect to trade digitalisation.

#### Why is government leadership required?

Legal reform requires action from both government and industry. A key inhibitor to the scaling of digital trade solutions lies in the lack of an enabling legal environment for paperless trade. With most jurisdictions in the world mandating that transferable records be presented in paper form, leadership from within government is needed to embark on the legal reform process. Governments act as important market shapers and enablers of innovation – action to modernise the law with respect to transferable records will deliver transformation in the market. Until governments engage in legal reform, we will continue to see low rates of adoption of digital trade solutions.

#### In countries where there are digital solutions, why aren't they being used?

If the legal framework and government guidance is uncertain, industry will revert to using paper documents. In some jurisdiction, such as Germany, enabling law is in place but government directives are not, so electronic documents are not widely used. Significant investment in changing IT infrastructure may be required, so industry will be less likely to invest if reforms have not been undertaken.

Further, digitalisation of cross-border trade is a classic collective action problem. If the exporting jurisdiction has an enabling legal environment but the destination jurisdiction does not, then parties are likely to continue using paper documents. MLETR foresees this by expressly providing for the transposition of a paper-based transferable record to an electronic transferable record, and vice versa, but we are unlikely to see broad market adoption of electronic transferable records until a critical mass of jurisdictions have created an enabling legal environment.

#### We've been talking digitalisation for decades, so what's different now?

The context and drivers have fundamentally changed with the COVID-19 pandemic, climate action and sustainability all now incentivising digital transformation as we build back better from the pandemic and ensure no-one gets left behind. Timeframes have dramatically shortened as a result, as governments and industry seek ways to drive economic growth.

The G7 commitment to legal reform and alignment to MLETR now means larger economies will be first movers and act as drivers of widespread adoption.

#### How long will the process of reform take?

In the case of the United Kingdom, the whole process will have taken 3 years. In the case of Belize, the process took 1 year from project inception to bill adoption. Important lessons have been learnt that should enable other countries to achieve legislative reform in ~18 months. Condensing the initial scoping phase is now possible.

### KEY CHALLENGES TO OVERCOME

Lack of a single point of contact and leadership within government and across industry has resulted in paper-based documents of title hampering the gains made in other paperless trade initiatives (i.e., with respect to the digitisation of trade facilitation documents).

Digital trade typically cuts across 5-10 government departments (economic, business, trade, digital, customs, justice, food, transport and treasuries) with no single department taking a lead on documents of title.

Perception within government that digitising documents of title is a role for industry and not government. This perception is largely driven by gaps in knowledge and understanding of trade and how trade works at an operational level.

National Trade Facilitation Committees [NFTCs] are responsible for the simplification of trade facilitation processes which primarily covers customs-related documentation. **Digitising documents of title is out of scope for the WTO Trade Facilitation Agreement** so falls out of scope with the NFTCs and creates a gap in necessary reforms.

Paper based documents of title are handled across a wide range of industry groupings (finance, insurance, tech, exporters, shippers, logistics and transport, legal), with no single sector grouping easily positioned to take a lead.

The solution is for one government department to take a lead with one cross-cutting industry body, such as the International Chamber of Commerce. Working together, both parties are then able to provide a neutral forum to convene all stakeholders and coordinate action.

It is critical to identify an appropriate legal instrument to legislate. This will vary from country to country depending on legal frameworks but is important if there is to be timely reform.

Framework alignment – aligning legal systems to MLETR – is critical to avoiding a fragmented patchwork of national, regional, and bi-lateral agreements.

Federal systems are likely to have additional challenges in establishing a suitable overarching national framework and avoid a patchwork of state-based systems.

Separating and defining B2B tasks from G2B/B2G is essential to establishing a clear focus for government and industry, with roles and actions clearly defined and coordinated. To be successful, action is required in both spheres.

Interoperability is essential for both government and industry to enable documents to flow between systems in digital form. Siloed approaches will create inefficiencies and undermine the benefits of paperless trade.

## SUMMARY OF ENACTING JURISDICTIONS

### Abu Dhabi Global Market

The Abu Dhabi Global Market is a free trade zone and international financial centre with its own law-making authority in respect of commercial matters. In September 2020, a public consultation was launched proposing to adopt electronic transactions regulations based on UNCITRAL texts. Several replies also suggested incorporating MLETR. The Electronic Transactions Regulations, 2021 was enacted on 25 February 2021. Part 5 of the Regulations enacts MLETR without significant variations. Application of MLETR is initially foreseen in trade financing and fintech matters.

### Bahrain

Bahrain was the first country in the world to enact MLETR by adopting the Law No. (55) of 2018 with Respect to Electronic Transferable Records. The Law was adopted in the framework of a broader effort to create an enabling legal environment for fintech and digital trade, led by the Bahrain Economic Development Board. That law reform exercise included updating the Electronic Communications and Transactions Law (which repealed the Legislative Decree No. 28 of 2002 with respect to the Electronic Transactions Law, also based on UNCITRAL texts), adopting the Legislative Decree No. 56 of 2018 in Respect of Providing Cloud Computing Services to Foreign Parties, and becoming a party to the United Nations Convention on the Use of Electronic Communications in International Contracts.

The Electronic Transferable Records Law explicitly identifies the paper-based documents it applies to as follows: bills of lading; letters of credit; warehouse receipts; and any other document of title, in respect of an obligation to deliver goods indicated in the document, specified in a regulation.

The Electronic Transferable Records Law foresees a voluntary accreditation scheme for national and foreign ETR management system operators (articles 15 and 16). The methods used by such accredited operators are presumed reliable (article 8(3)). However, in case of a damage claim by a relying party, the law presumes the intention, or negligence, of the operator to cause the damage (article 17(2)).

In October 2021, the Central Bank of Bahrain announced a world-first system of e-cheques, underpinned by MLETR.

### Belize

In September 2021, Belize adopted the Act No. 25 of 2021 – Electronic Transactions Act. The Act repeals previous legislation based on the UNCITRAL Model Law on Electronic Commerce.

The Act has been drafted under the coordination of the Economic Development Council of Belize and with the assistance of the Compete Caribbean Partnership Facility. It is a comprehensive piece of legislation dealing with the general principles of electronic transactions, electronic contracts, and electronic signatures. It incorporates the substantive provisions of the United Nations Convention on the Use of Electronic Communications in International Contracts. Part VII of the Act enacts MLETR without significant variations.

The adoption of the bill took place rather rapidly, taking one year from inception to adoption.

## **Kiribati**

In August 2021 the Parliament of Kiribati adopted the Electronic Transactions Act. The Ministry of Commerce, Industry and Cooperative drafted the Act with the support of UNCITRAL and the Enhanced Integrated Framework for the Least Developed Countries, a global development programme. One of the driving goals behind the Act is promoting paperless trade facilitation.

The Act provides a comprehensive legal framework for electronic transactions, contracts in electronic form and electronic signatures based on UNCITRAL texts. It incorporates MLETR in its Part 5. Kiribati being a party to the United Nations Convention on the Use of Electronic Communications in International Contracts, the substantive provisions of that Convention have also been incorporated in the Act.

Given the limited technical and human resources available locally, the Act does not foresee an accreditation mechanism for TSPs or for electronic transferable records management system operators. In case of need, such mechanism may be adopted at a later stage by way of regulation.

The finalisation of the Act started with an in-country visit and workshop held in December 2019 on the basis of a first draft bill that was based on UNCITRAL texts but did not include MLETR. Online coordination meetings were regularly held to accompany the finalisation of the draft and consultations with local stakeholders were also arranged online.

## **Paraguay**

In Paraguay, the draft “Ley de los servicios de confianza para las transacciones electrónicas, del documento electrónico y los documentos transmisibles electrónicos” (the draft “Law on Trust Services”) has been considered extensively by Parliament. The draft Law on Trust Services aims to replace the previous law on electronic transactions (the Ley 4017/2010, adopted in 2010 and based on the UNCITRAL Model Law on Electronic Commerce) with a comprehensive text that incorporates several elements of the EU eIDAS Regulation and updates the rules on electronic contracting. The draft Law has been drafted by the Ministry of Industry and Commerce.

The draft Law on Trust Services reproduces most MLETR articles (articles 78-94). It foresees the adoption by a dedicated implementation authority (“Autoridad de Aplicación”) of technical norms that complement general reliability standards for electronic transferable records (articles 87(2) and 95).

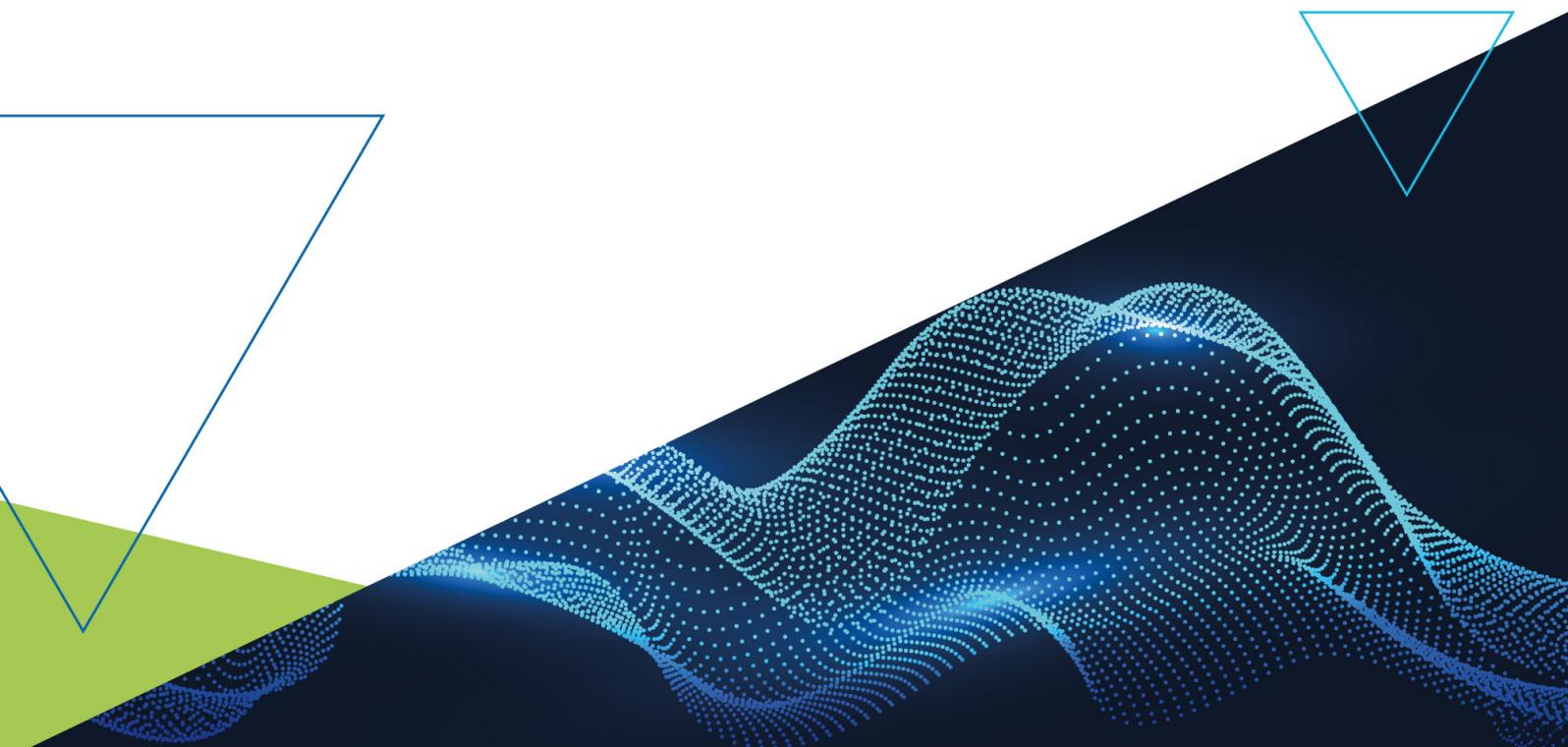
## Singapore

In February 2021 Singapore enacted MLETR by adopting the Electronic Transactions (Amendment) Act 2021. The provisions of MLETR have thus been incorporated in the Electronic Transactions Act, which was already based on UNCITRAL texts (UNCITRAL Model Law on Electronic Commerce and United Nations Convention on the Use of Electronic Communications in International Contracts, to which Singapore is a party).

Singapore's delegation has traditionally been active at UNCITRAL, including in Working Group IV during the preparation of MLETR. That active participation enabled familiarity with the model law that greatly facilitated the adoption process.

Moreover, Singapore conducted two public consultations, in March 2017 and June 2019, on the adoption of MLETR. The consultations papers are available to the public and contain valuable information on MLETR drafting options.

The Act foresees an optional accreditation mechanism for national and foreign ETR management system operators (article 16Q). The methods used by accredited operators



## A VIEW FROM INDUSTRY

### The Impact of New Technologies on Digital Trade

Given the critical importance of accelerating economic recovery, modernising the rules of the Digital Ecosystem has taken on a new urgency. The time for action is now. In 2021, one aspect of Digital Trade is finally gaining significant momentum for change. It is a field that is key to digital competitiveness and can accelerate economic recoveries by lowering transaction costs and shortening time-to-market. For SMEs in particular, it can mean the difference between expanding into global markets or remaining purely as a domestic business. It is the digitalization of trade processes and documentation.

Countries with good digital connectivity are in an excellent position to realize the benefits of embracing digital trade. Countries investing in good connectivity can boost their economic recovery and unlock the potential of digital trade for their SMEs by focusing on a few key priority areas discussed in this section.

#### Digital trade documents

Firstly, the business case for modernising the digital trade ecosystem with “digital documents” is overwhelming. Huawei has long supported this direction as a practical way to apply digitalization to deliver tangible benefits to business and has sponsored 3 Business Case Reports, for the UK, Germany and G7, covering the financial and environmental benefits of Digital Documents, commissioned by ICC UK and prepared by independent researchers at Coriolis Technologies. The reports contain solid estimates of the huge potential savings to business from going digital and are essential reading for any business concerned about its digital competitiveness.

#### Impact of New Technologies

In the era of digital trade, data will increasingly drive international flows of goods, services, technology, capital, and talent. The digital platform will increasingly become the standard basis for an ecosystem that collects resources, promotes collaboration, improves efficiency, and builds global value chains extending from the physical world to the digital world. There is a real need now for global collaboration on the new rules for Global Digital Ecosystem to unlock the full potential of digital.

#### Top 5 Services that will impact Digital Trade

Five digital services are likely to have the most significant impact on the development of digital trade.

*1. Cloud storage and computing services will support service delivery in the field and accelerate cloud migration. This will promote the formation of a “cloud economy” ecosystem, and new business models such as crowdsourcing, crowd finance, cloud outsourcing, and platform subcontracting.*

*2. The digital platform will be an important support for the efficient and orderly operation of the digital economy and of digital trade. It provides a mechanism for online interaction amongst interested parties regardless of their physical location, and supports the cross-border connection of supply and demand of data, goods, and services,*

as well as global collaboration for R&D, design, and manufacturing.

3. *AI services* will accelerate the development of digital services and improve their intelligence, automation and sophistication.

4. *5G network services* will create opportunities for new applications and business models. It will energise the development of smart specialisation, and more inclusive participation in the global supply chains of the new digital service industry.

5. Finally, *optimized digital trust services* such as verification, identity and blockchain services will build a secure and trusted international business environment to enable trade in data and digital products and services.

## Blockchain

Blockchain is a specific technology, the most widely known form of “Distributed Ledger Technology” or “DLT”. It is essentially a shared database where each entry must be confirmed and encrypted in order to be seen as authentic uses the latest cryptography and that is peer-to-peer, meaning it does not require intermediaries to authenticate an entry. Blockchain can be used to record any structured information including payment transactions, or a shipping manifest. Amongst its key features is that it securely creates a ‘tamper proof’ log of all transactions, a transparent audit chain. It has been described as a “platform for truth and a platform for trust”, allowing the world to have a truthful and immutable record of everything.

The potential applications of blockchain in international trade are many, since trade, like so many other fields of commercial interaction, requires extensive record-keeping and documentary processes. Beyond the obvious applications such as in trade finance, trade credit insurance, facilitating customs clearance procedures, reducing customs fraud and corruption, as well as certifying compliance with import licensing rules, technical standards and sanitary and phytosanitary requirements, the technology could also be used in areas such as supply-chain traceability, combatting trade in counterfeit products as well as to prevent illegal trans-shipment.

One example of how transformative DLTs like Blockchain can be, is significant improvements in the accuracy of trade data. The [WTO](#) estimates that 60% of trade finance requests by MSMEs are denied, with a resulting trade finance gap of \$1.5 trillion. A key element to reversing this is to use technology to allow automation of shipping and receiving documentation, which greatly complicates these processes but also makes it time consuming and slow to gain trade finance. [Recent initiatives](#) to move trade finance processes online, with or without DLT-based systems, can reduce the time required to finance a goods trade transaction from months to hours.

There are still many regulatory and technical hurdles to overcome, the biggest one being to digitize all of the current record-keeping and documentary platforms and render them mutually interoperable. This will take time, coordination and resources, but the efficiency gains are so great, even in the short term, that it is a matter of when, not if, the entire landscape of trade in goods will be entirely transformed for the better by these technologies.

## 5G - the next generation of communication network technologies

“5G” is widely recognised as a major leap forward in connectivity. The tangible benefits of 5G are many, including much greater network capacity for greater volumes of data, significantly faster throughput speeds, noticeably lower latency, and much greater network security. Because these capabilities have all become available at the same time in

one technology, we are still unable to imagine all of the new applications 5G will unlock, but we can predict that it will have a marked impact in a number of fields where the constraints that 5G will overcome have been holding back progress

5G promises will bring major breakthroughs in the applications of these technologies for industrial internet, manufacturing, productivity and entertainment. Another area where 5G promises to be a game changer is in the “Internet of Things (“IoT”) space, where it will have a dramatic impact in areas like, logistics and supply chain management and factory automation among others. It will also be a significant enabling technology in many other areas. [McKinsey Global Institute](#) estimates that in just four areas: mobility, healthcare, manufacturing automation, and retailing, implementation of 5G could increase global GDP by \$1.2 to \$2 trillion.

Underpinning the digital economy and trade, data analytics augmented with AI will give new insights, enhance productivity, and deliver efficiency gains.

### Where trade finance has already gone digital

In Singapore, trade finance is digital. Everything from opening a bank account to registering a company can be done online – electronic invoicing and payment make transactions more reliable, accurate, and efficient. Singapore manages data transfers efficiently across a special network created under a Digital Economy Agreement using certificates authenticating that data protection policies conform to APEC Cross Border Privacy Rules. In December 2020, Singapore became the first to issue “digital banking licenses”, enabling non-bank entities to offer “fintech” services online only. This is another promising development for SMEs.

### Supporting the evolution of the digital ecosystem

The application of new and emerging technologies was explored in the 2017 Huawei white paper on Digital Trade which has proven to be remarkably accurate in its forecasts. The 2021 edition – [Innovations in Digital Trade](#) – focuses on practical steps to unlock the potential of digital trade to address our current most critical global challenges: economic recovery post-Covid-19, climate crisis and the pandemic. It gives a broader picture of digitalization and a closer look at the applications of new and emerging technologies to cut the cost and complexity of trade. Huawei has been active in Europe and South East Asia for two decades and strives to improve the digital economy ecosystem, in recognition of the evidence that digitalization and greater connectivity can bring benefits to many people.

### Closing the digital divide

Closing the digital divide affecting half of the world’s population can provide more people with access to trading opportunities, accelerate digital trade and support better distribution of the benefits of globalisation. Those without connectivity, especially in developing countries, will be increasingly left behind economically without concerted action. Collectively we know what policy choices can transform this situation. Our generation bears a responsibility to the next to meet this challenge now, when significant results are within reach, not years from now when divides are greater.

## Effective global trade governance

Given how much digital technologies have proven effective during the pandemic, recovery requires trade policymakers to deliver more, and faster, than they ever have before. This includes recommitting to the rules-based order for effective global trade governance and an ambitious outcome for the WTO electronic commerce negotiations.

## SMEs and Global Value Chains

Even before the COVID-19 pandemic there was substantial evidence of the importance of reliable quality internet access is a boost for joining many global value chains and more than that, the level of ICT usage and sophistication in a firm is an important consideration when multinationals who operate GVCs look at an MSME as a potential supplier. There is a strong upside in participation in GVCs, so ensuring more MSMEs can participate in international trade should be a policy priority, especially for developing countries.

## Where should we focus our energy?

The covid-19 pandemic has made it clear in stark terms that governments which put digitalisation at the heart of their economic and trade policies will be at a competitive advantage compared to those which do not. Unlocking the potential of digital trade is key to future global health, prosperity and stability.

One way of focusing the creative energy of the global trade community is to prioritise the most concrete and tangible results to overcoming the new global imperatives.

- 1. The pandemic: focus supply chains to deliver vaccines and healthcare as quickly, efficiently and cost effectively as possible at all points of need around the world*
- 2. Climate crisis. Improve supply chains to deliver abundant green goods, services and technology to the places they can have the most dramatic positive impact on the climate crisis*
- 3. Recovery & inequality: the key is intelligent connectivity and "Technology for all", not just for the few. This key can unlock the potential of digital trade to empower SMEs and entrepreneurs to create the economic recovery and share more equitably the benefits of globalisation*

With global collaboration we can make a significant step forward towards a connected intelligent world with technology for all.

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## TRADE DOCUMENT MAPPING TOOLKIT

This guide is principally directed at legislative reform to enable the use of electronic transferable records. Paperless trading in toto however, encompasses the digitisation of both transferable records and trade administration documents (such as customs declarations).

The following toolkit was compiled with support from UK HM Revenues & Customs and provides a useful framework for assessing the status of documents (both transferable and administration) commonly used in trade.

### KEY

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## TRADE TRANSACTION DOCUMENTS LIST

	COUNTRY NAME	UK (example)
<b>Documents relating to title (9 docs)</b>		
<b>Bills of Lading</b>		
<b>Bills of Exchange</b>		
<b>Promissory Notes</b>		
<b>Ships Delivery Order</b>		
<b>Marine Insurance Policy</b>		
<b>Cargo Insurance Certificate</b>		
<b>Warehouse Receipts</b>		
<b>AirWay Bills</b>		
<b>SeaWay Bills</b>		
<b>Fully consistent with global framework [UNCITRAL MLETR] [27 docs]</b>		2022 <sup>1</sup>

<sup>1</sup> - Other than SeaWay and AirWay bill which are already compliant.

	COUNTRY NAME	UK (example)
Letters of credit		1
Commercial invoices		1
Order forms		1
Insurance policy documents		1
Payment confirmations		1
Weight/packing lists		1
Proof of Origin documentation		1
Universal certificate of origin		1
Import/export declaration		2
Safety and security declaration		
Temporary storage environment		2
Special procedures documentation		
Duties documentation		
Excise documentation		2
Transit documentation <sup>2</sup>		
Health certificate for live animal products		
Export/import licence for controlled/dual-use goods		
Export/Import Sanitary or Phytosanitary (SPS) certificate		
Export/import licence for agricultural products		
CITES certificate for endangered species		
Dangerous Goods Documentation		
Certificate of inspection for organic products		
Export cargo shipping instruction		1
Standard shipping note		1
CIM consignment note		1
Road consignment (CMR) note		1
Sea cargo manifest		1
Air cargo manifest		1

2 - This includes: ATA Carnet, TIR, UT Declaration and CTC. Each of these is on the pathway to being digitised but this is c. 5-7 years away.

## CATEGORIES OF INTERNATIONAL TRADE DOCUMENTS

TRADE DOCUMENTS	REGULATORY DOCUMENTS
<ul style="list-style-type: none"> <li>• Proof of origin documentation</li> <li>• Universal certificate of origin</li> </ul>	<ul style="list-style-type: none"> <li>• Health certificate for live animal products</li> <li>• Export/import licence for controlled/dual-use goods</li> <li>• Export/Import Sanitary or Phytosanitary (SPS) certificate</li> <li>• Export/import licence for agricultural products</li> <li>• CITES certificate for endangered species</li> <li>• Certificate of inspection for organic products</li> <li>• Dangerous Goods Documentation</li> </ul>

CUSTOMS DOCUMENTS	COMMERCIAL DOCUMENTS (excluding documents of title)
<ul style="list-style-type: none"> <li>• Import/export declaration</li> <li>• Safety and security declaration</li> <li>• Temporary Storage Environment               <ul style="list-style-type: none"> <li>◦ Pre-clearance inventory management system</li> </ul> </li> <li>• Special procedures documentation               <ul style="list-style-type: none"> <li>◦ Information sheets (INFs)</li> </ul> </li> <li>• Duties documentation               <ul style="list-style-type: none"> <li>◦ Binding Tariff Information</li> <li>◦ Advance Tariff Ruling</li> </ul> </li> <li>• Excise documentation               <ul style="list-style-type: none"> <li>◦ Excise Guarantee</li> <li>◦ Administrative Documents used in the Excise Movement Control System</li> </ul> </li> <li>• Transit documentation               <ul style="list-style-type: none"> <li>◦ ATA Carnet</li> <li>◦ TIR</li> <li>◦ Union Transit</li> <li>◦ Common Transit</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Letters of credit</li> <li>• Commercial invoices</li> <li>• Order forms</li> <li>• Insurance policy documents</li> <li>• Payment confirmations</li> <li>• Weight/Packing list</li> </ul>

## COMMERCIAL DOCUMENTS

(documents relating to title)

- Bills of lading
- Bills of exchange
- Promissory notes
- Ship's delivery order
- Marine insurance policy
- Cargo insurance certificate
- Warehouse receipts
- Airway bills
- Seaway bills

## TRANSPORTATION DOCUMENTS

- Export cargo shipping instruction
- Standard shipping note
- CIM consignment note
- Road consignment (CMR) note
- Sea cargo manifest
- Air cargo manifest

## FURTHER SUPPORT

Several international institutions support reform and paperless trade, all of which can provide practical help and support in different ways including the Asian Development Bank, the Commonwealth, ICC Digital Standards Initiative, UNCITRAL, UNCTAD, UN ESCAP, and the Secretariat of the World Trade Organization.

For further information on the ICC Digital Standards Initiative, please visit <https://www.dsi.iccwbo.org>.

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